

Management Discussion and Analysis
For the year ended February 29, 2020
Hello Pal International Inc.
Report Dated September 15, 2020

INTRODUCTION

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the year ended February 29, 2020 prepared as of September 15, 2020, should be read in conjunction with the audited consolidated financial statements for the year ended February 29, 2020 and the related notes thereto of Hello Pal International Inc. (the "Company"). The MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of the Company.

The referenced consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRIC's") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in this listing statement constitute "forward-looking statements." These statements, identified by words such as "plan," "anticipate," "believe," "estimate," "should," "expect" and similar expressions include our expectations and objectives regarding our future financial position, operating results and business strategy. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; lack of brand awareness; user acceptance of the Company's online applications and Livestream services, limited operating history of the Company; market fluctuations; and retention of key personnel, as well as those factors discussed in the section titled "*Risk Factors*."

Forward looking statements are based on a number of material factors and assumptions, including no material change to competitive environment, the Company will be able to access sufficient qualified staff, and there will be no material changes to the tax and other regulatory requirements governing the Company. While the Company considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in the section titled "*Risk Factors*."

The Company intends to discuss in its quarterly and annual reports any events or circumstances that occurred during the period to which such documents relate that are reasonably likely to cause actual events or circumstances to differ materially from those disclosed in this MD&A. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on our business or the extent to which any factor, or combination of such factors, may cause actual results to differ materially from those contained in any forwarding looking statement.

GENERAL

The Company was incorporated in British Columbia on October 2, 1986 and changed its name to Hello Pal International Inc. on May 9, 2016.

The Company is the owner of the HPI Platform. The HPI Platform is a proprietary suite of mobile applications that focus on international social interaction, language learning and live streaming. Hello Pal's overriding mission is to bring the world closer together through social interaction, language learning and travel.

The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol "HP" and quoted on the OTC Markets Platform under the symbol "HLLPF".

CORPORATE

On March 7, 2019, the Company announced the appointment of Zhou Gang (also known as "Adega Zhou") as a board director. Mr. Zhou brings to the Company over 10 years of experience in the live video broadcasting industry, having served in senior management roles in prominent China live streaming companies in the past including Hangzhou Fuliiao Technology Company (operator of iPaychat livestreaming app) and Zhejiang Pajia Network Technology Company (operator of Pineapple Street livestreaming app) ("Pajia"), both as Chief Operating Officer, as well as Tiange Interactive Holdings (operator of 9158) as Operations Manager. At each of these companies, Mr. Zhou was instrumental in increasing the company's revenues and overall operational effectiveness.

On September 17, 2019, the Company announced the appointment of James Liang as a director of the Company to replace outgoing director SJ Wong. Mr. Liang currently works with New Margin Ventures, which is a venture capital firm based in Hangzhou, China, and assists with the evaluation of a number of technology companies for the purpose of New Margin providing financing. Currently, Mr. Liang is CEO and director of Skyledger Tech Corp., a bitcoin mining company. Mr. Liang has a Bachelor of Commerce from the University of British Columbia, obtained a Financial Risk Manager Certification from the Global Association of Risk Associates (GARP) and completed two levels of the CFA exams.

On December 6, 2019, Ms. Natasha Tsai resigned from her position as the CFO of the Company and Mr. Gunther Roehlig was appointed as the new CFO of the Company.

RECENT HIGHLIGHTS

On July 9, 2019, the Company announced the official launch of its Live Streaming Service following the soft-launch of the Live Streaming Service to Android users in China earlier in April 2019. Since the launch of this service, users have been able to broadcast themselves live to other users, receive virtual gifts, and redeem the gifts for cash.

DESCRIPTION OF BUSINESS

The Company develops, markets and operates an international social networking platform (the "HPI Platform") that also includes the Live Streaming Service. The HPI Platform enables users to find and easily interact with users from all over the world through a variety of means, such as chat messaging, livestreaming, and audio/video calling. The HPI Platform was launched on the Google Play Store in May 2015, iOS App Store in November 2015.

Key Features of the HPI Platform

The HPI Platform includes the following key features:

Livestreaming Service. Users are able to broadcast themselves live to other users all over the world using Hello Pal's livestreaming service. Realtime communication can also happen during a livestream using text messaging or joint audio sessions from selected users. All livestreaming sessions are monitored live and 24/7 by the Company's inhouse staff to ensure the content does not violate the Company's standards.

Gifts, Payments and Earnings. Users are able to give other users virtual gifts, such as during livestreaming from a viewer to the livestreamer host, through a user’s Moments postings, or simply through a user’s profile. Gifts are purchased using the HPI Platform’s virtual currency (“coins”), which are obtained primarily when a user makes top-up payments via the various payment platforms such as through Apple’s Appstore, Google’s Playstore, or payment systems such as Alipay and Wechat Pay. Credits (known as ‘Charm’) are earned by users whenever gifts have been received, which may then be redeemed for cash by those users, thereby enabling users to have earnings through their participation on the HPI Platform.

Matching and Chat. The HPI Platform includes extensive filtering and matching abilities so that users can find other users, people or parties (ie. “pals”) that directly suit and meeting the user’s defined criteria, such as language spoken, gender and nationality. Users can then chat using text or audio messaging with other users, using the inbuilt language tools such as translation services.

Phrasebooks. The HPI Platform has phrasebooks in 8 languages each with over 2,000 phrases. A user can choose a phrase, listen to the recorded audio of the phrase and repeat the phrase. After, the user is able to send their recording of the phrase they learned to another user.

OPERATIONS UPDATE

As of the end of August 2020, the Company’s HPI Platform has exceeded 5 million registered users, has realized an ongoing increase in the average number of daily new users, and is continuing to experience user growth by building a highly diversified global user base.

On April 24, 2019, the Company announced the soft-launch of the Company's Live Streaming Service through the release of version 6.0 of the HPI Platform. On July 9, 2019, the Company announced the official launch of its Live Streaming Service, and users have since been able to broadcast themselves live to other users, receive virtual gifts, and redeem the gifts for cash.

The launch of the Live Streaming Service has added growth momentum to the Company's userbase. The result of the cooperation with Vortex Live Inc., the launch also marks the beginning of the Company's revenue stream. As the Company continues to integrate with the Vortex team and gradually expands its development and operations team, it expects to increase its Live Streaming Service offerings and functionality further in the coming months in order to improve user growth, retention, sharing, and spending. Since March of 2020, Hello Pal's livestreaming service has achieved daily active livestream users of 10,000.

VORTEX AGREEMENT

On January 29, 2019, the Company entered into a cooperation agreement (the “Cooperation Agreement”) with Vortex Live Inc. (“Vortex”) and the principals of Vortex (the “Vortex Team”) whereby Vortex would develop and implement live-streaming video functionality into the HPI Platform (“Live Streaming Service”). The principals of Vortex bring to the Company a combined experience in the live streaming industry of over 30 years, and will provide the Company with not only the core technological know-how and experience in developing live-streaming apps, but also the crucial management and operational skillset that will be required to generate revenue on an ongoing basis.

Under the terms of the Cooperation Agreement, Vortex has provided a seasoned management team to join the Company to develop and operate the Live Streaming Service. Vortex will also fund the development of Live Streaming Service by paying the Company a total of \$1,200,000, of which \$800,000 has already been paid and \$400,000 remains payable. If required, Vortex may provide further funding in the form of an interest-free loan of \$800,000.

In return, the Company will issue up to 54,000,000 shares to the Vortex Team based on the following milestones:

1. 20,000,000 shares upon the launch of the Live Streaming Service by March 31, 2019, and the Company achieving monthly revenue of RMB 1,000,000 (approximately CAD\$200,000) by May 31, 2019 – This milestone has been achieved as at February 29, 2020, and the Company estimates 13,858,000 shares to be issued pursuant to this milestone.
2. 9,000,000 shares upon the Company achieving monthly revenue of RMB 5,000,000 (approximately CAD\$1,000,000) and accumulated revenue of RMB 23,000,000 (approximately CAD\$5,000,000) by December 31, 2019 – This milestone has been achieved subsequent to the year ended February 29, 2020, and the Company estimates 7,002,000 shares to be issued pursuant to this milestone.
3. 13,500,000 shares upon the Company achieving monthly revenue of RMB 10,000,000 (approximately CAD\$2,000,000), accumulated revenue of RMB 70,000,000 (approximately CAD\$14,000,000) over preceding 12 months, net positive cash flow and net profit of RMB 1,000,000 (approximately CAD\$200,000) by December 31, 2020 – As at February 29, 2020, the Company has estimated the likelihood of meeting this milestone to be 10%.
4. 11,500,000 shares upon the Company achieving monthly revenue of RMB 20,000,000 (approximately CAD\$4,000,000), accumulated revenue of RMB 180,000,000 (approximately CAD\$28,000,000) over preceding 12 months and net profit of RMB 10,000,000 (approximately CAD\$2,000,000) by December 31, 2021 – As at February 29, 2020, the Company has estimated the likelihood of meeting this milestone to be 0%.

SELECTED ANNUAL INFORMATION

The Company's three most recent fiscal period ends were on February 29, 2020, February 28, 2019 and February 28, 2018 respectively. The following is a summary of certain selected audited financial information for the last three completed fiscal years:

	2020	2019	2018
	\$	\$	\$
Total Revenues	1,028,005	Nil	Nil
Net Loss	(3,697,574)	(2,721,158)	(2,293,933)
Net Loss Per Share (basic and diluted) ⁽¹⁾	(0.05)	(0.04)	(0.03)
Total Assets	1,921,604	2,172,718	3,036,465

⁽¹⁾ The basic and diluted loss per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options and warrants, if any.

During the year ended February 29, 2020, the Company started generating revenues from its Live Streaming Service and recorded revenues of \$1,028,005 which were offset by direct costs of \$1,119,689.

The decrease in total assets during the year ended February 29, 2020 is primarily a result of the Company incurring development costs totaling \$1,670,043 offset by an impairment of \$206,361 and depreciation of \$1,797,125.

The decrease in total assets during the year ended February 28, 2019 is primarily a result of the Company incurring development costs totaling \$410,298, offset by depreciation of \$1,294,068.

The increase in net loss is mainly due to increased marketing costs to promote the Live Streaming Service and increased share-based payment expense as a result of stock options granted during the 2019 fiscal year.

The decrease in total assets during the year ended February 28, 2018 is primarily a result of the Company incurring development costs totaling \$384,924, offset by depreciation of \$1,249,984.

RESULTS OF OPERATIONS

The Company recorded a net loss of \$3,697,574 (\$0.05 per share) for the year ended February 29, 2020 as compared to a net loss of \$2,721,158 (\$0.04 per share) for the year ended February 28, 2019.

During the year ended February 29, 2020, the Company recorded revenues from its Live Streaming Service of \$1,028,005 while incurring direct costs of \$1,119,689.

Variances of note in administrative expenses are:

Accounting and audit of \$115,878 (2019 - \$81,830) increased during the year ended February 29, 2020 due to the timing of the audit fees being recorded. The audit fees recorded during the year ended February 29, 2020 included the audit fees for the 2019 fiscal year and also an accrual for the estimated audit fees for the 2020 fiscal year.

Accretion of \$17,678 (2019 - \$10,327) was incurred as a result of the Company issuing convertible notes in the principal amounts of \$425,000 on April 16, 2018 and \$500,000 on June 6, 2018.

Bitcoin revaluation loss of \$13,306 (2019 – gain of \$8,883) was incurred as a result of the 2 bitcoins payable to a shareholder which shall be repaid in the form of bitcoins or cash equivalent to the value of bitcoin on the day of repayment.

Impairment of intangible assets of \$206,361 (2019 - \$nil) was recorded during the 2020 fiscal year, because management decided that the Travel Pal and Language Pal apps HPI Platform were no longer of use to the Company and accordingly, wrote-down the capitalized costs to \$nil.

Interest expense of \$158,390 (2019 - \$113,608) was incurred as a result of the Company entering into a promissory note agreement on June 23, 2017 for proceeds of \$100,000, issuing convertible notes in the principal amounts of \$425,000 on April 16, 2018 and \$500,000 on June 6, 2018, and entering into loan agreements on November 5, 2018 and June 1, 2019 for advances of \$50,000 and \$228,572 respectively. The promissory note bears an interest rate of 4% per annum, the convertible notes bear interest at a rate of 15% per annum, and the loans bear interest at a rate of 6% per annum.

Marketing of \$56,939 (2019 - \$204,206) decreased due to an effort to cut costs and streamline operations.

Legal fees of \$25,928 (2019 - \$46,373) was higher during the 2019 fiscal year as a result of the legal costs incurred in relation to the Company's transformation of the HPI Platform into one that is based on blockchain technology.

Office and miscellaneous of \$255,461 (2019 – \$223,633) increased during the year ended February 29, 2020 compared with 2019, due to higher costs in relation to the Live Streaming Service.

Rent of \$22,643 (2019 – \$54,322) decreased during the year ended February 29, 2020, as a result

of the adoption of IFRS 16, Leases (“IFRS 16”), which effectively allocated the Hong Kong office rent expense to be capitalized as property.

Salaries and benefits of \$319,000 (2019 – \$409,042) decreased due to an effort to cut costs and streamline operations.

Share-based payments of \$457,500 (2019 – \$161,548) was incurred as a result of accounting a portion of the shares contingently issuable upon achievement of the Vortex milestone during the year ended February 29, 2020 while the Company granted 840,000 stock options during the year ended February 28, 2019.

QUARTERLY FINANCIAL REVIEW

The following table sets forth selected financial information from the Company’s unaudited quarterly financial statements for each of the eight most recently completed quarters. No cash dividends were declared in any of the reported periods.

	THREE MONTHS ENDED			
	Feb 29, 2020 \$	Nov 30, 2019 \$	Aug 31, 2019 \$	May 31, 2019 \$
Revenue	639,061	190,524	172,431	25,989
Direct costs	656,897	201,243	218,549	43,000
Total assets	1,921,604	2,004,107	2,182,645	2,562,538
Working capital deficiency	(1,891,002)	(1,549,534)	(1,158,192)	(722,661)
Net loss	(1,536,090)	(654,637)	(658,949)	(847,897)
Net loss per share ⁽¹⁾	(0.02)	(0.01)	(0.01)	(0.01)

	THREE MONTHS ENDED			
	Feb 28, 2019 \$	Nov 30, 2018 \$	Aug 31, 2018 \$	May 31, 2018 \$
Revenues	Nil	Nil	Nil	Nil
Direct costs	Nil	Nil	Nil	Nil
Total assets	2,172,718	2,177,967	2,541,995	2,918,072
Working capital deficiency	(741,999)	(601,655)	(280,799)	(275,380)
Net loss	(681,366)	(639,313)	(883,132)	(517,347)
Net loss per share ⁽¹⁾	(0.01)	(0.01)	(0.01)	(0.01)

⁽¹⁾The basic and fully diluted calculations result in the same value due to the anti-dilutive effect of outstanding stock options and warrants if any.

The Company started generating revenues from its Live Streaming Service and incurring direct costs during the quarter ended May 31, 2019 and continued generating revenues and incurring direct costs during the ensuing quarters of the fiscal year ended February 29, 2020.

FOURTH QUARTER

The Company recorded a net loss of \$1,536,090 (\$0.02 per share) for the quarter ended February 29, 2020 which was higher than the net loss of \$681,366 (\$0.01 per share) for the quarter ended February 28, 2019. This was a result of the negative gross margin of \$17,836 generated by the Company, combined with the general and administrative expenses incurred of \$1,518,255 during the quarter ended February 29, 2020.

FINANCING ACTIVITIES

The Company received loans of \$85,318 during the year ended February 28, 2018 from a company controlled by Kean Li Wong, Interim CEO, which were non-interest bearing, due on demand, unsecured and had no maturity date. The Company made repayments of \$45,000 during the year ended February 28, 2018 and repaid the remaining outstanding balance during the year ended February 28, 2019. During the year ended February 29, 2020, the Company received an additional \$44,291 from Kean Li Wong. The balance outstanding as at February 29, 2020 was \$36,613 (2019 – (\$7,678)).

On November 5, 2018, the Company entered into a loan agreement for \$50,000, which matures on November 1, 2020 and has an interest rate of 6% per annum. The lender became a director of the Company on September 1, 2019, so the loan has been reclassified from loan payable to due to related parties as at February 29, 2020. The principal balance outstanding plus accrued interest of \$3,953 outstanding as at February 29, 2020 is \$53,953 (2019 – \$50,945).

During the year ended February 28, 2019, the Company received a non-interest bearing loan of \$1,000 from a director of the Company. The loan is due on demand, unsecured and has no maturity date. The balance outstanding as at February 29, 2020 is \$1,000 (2019 – \$1,000).

During the year ended February 28, 2019, the Company received advances totalling \$228,572 from a shareholder of the Company. The proceeds were received in three difference tranches of CAD\$6,000, HKD 740,000 and RMB 500,000. On June 1, 2019, the Company entered into a loan agreement with respect to these advances. The loan matures on June 1, 2020 and has an interest rate of 6% per annum. During the year ended February 29, 2020, the Company received additional advances of \$548,696 from the same shareholder, which are non-interest bearing, unsecured and due on demand. The balance outstanding of \$777,091 plus accrued interest of \$10,302 as at February 29, 2020 is \$787,393 (2019 – \$228,572).

During the year ended February 28, 2019, the Company received \$50,000 of proceeds from a shareholder of the Company in advance of a share issuance. The balance outstanding as at February 29, 2020 is \$50,000 (2019 – \$50,000).

During the year ended February 28, 2019, the Company also received 2 bitcoins from a shareholder which were awarded to the users as a marketing expense. The fair value of the bitcoin liability as at February 29, 2020 is \$23,205 (2019 – \$10,070), with change in fair value from initial recognition recognized in statements of loss and comprehensive loss. The outstanding balance shall be repaid in the form of bitcoins or cash equivalent to the value of bitcoin on the day of repayment. The balance is due on demand and is non-interest bearing.

During the year ended February 29, 2020, the Company received additional non-interest bearing loans of \$72,304 from two directors of the Company. The loans are due on demand, unsecured and have no maturity date. The balance outstanding as at February 29, 2020 is \$73,278 (2019 – \$nil).

On April 16, 2018, the Company closed a convertible note private placement in the principal amount of \$425,000. Each note bears interest at a rate of 15% per annum and is due five years from the date of issue. The notes are convertible into units at a price of \$0.115 per unit and each unit will consist of one common share of the Company and one share purchase warrant, with each warrant entitling the holder to purchase an additional share common share of the Company at a price of \$0.115 per share for a period of five years from the date of issue. On July 17, 2018, \$50,000 of these convertible notes were converted to 434,782 units of the Company.

On June 6, 2018, the Company closed another convertible note private placement in the principal amount of \$500,000. Each note bears interest at a rate of 15% per annum and is due five years from the date of issue. The notes are convertible into units at a price of \$0.14 per unit and each unit will consist of one common share of the Company and one share purchase warrant, with each warrant entitling the holder to purchase an additional share common share of the Company at a price of \$0.14 per share for a period of five years from the date of issue.

In August 2018, the Company issued 120,000 common shares pursuant to exercise of warrants for total gross proceeds of \$24,000 at an exercise price of \$0.20.

During the year ended February 29, 2020, the Company received \$140,000 of a non-interest bearing loan. The loan is due on demand, unsecured and has no maturity date. The balance outstanding as at February 29, 2020 is \$140,000 (2019 – \$nil). This amount was settled for shares at a price of \$0.06 per share on June 25, 2020.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure that optimizes the costs of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company is dependent on the capital markets as its primary source of operating working capital and the Company's capital resources are largely determined by its ability to compete for investor support of its projects.

The Company is not subject to any capital requirements imposed by a regulator, other than continued listing requirements of the CSE.

As at February 29, 2020, the Company held cash of \$83,219 and had a working capital deficiency of \$1,891,002. During the year ended February 29, 2020, net cash used in operating activities was \$922,948. Net cash provided by financing activities consisted of net advances from related parties of \$665,291, proceeds from loan payable of \$140,000, and shares to be issued of \$374,800. The Company also purchased equipment of \$32,757 and incurred \$218,186 of software development costs as part of investing activities. The Company needs to complete additional financings in order to maintain its current activity levels and to fund ongoing operations. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the future.

The Company's consolidated financial statements have been prepared on the going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As at February 29, 2020, the Company had not yet achieved profitable operations and had an accumulated deficit of \$15,058,858 since inception.

Historically the Company has financed its operations primarily through equity issuances and occasionally through loans from shareholders. The Company currently has insufficient cash to fund its operations for the next twelve months. Subsequent to February 29, 2020, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and specifically, the regional economies in which the Company operates. The pandemic could result in delays in the course of business and continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. As a result there is significant doubt about the Company's ability to continue as a going concern. In assessing whether the going concern assumption was appropriate, management took into account all relevant information available about the future, which was at least, but not limited to the twelve months following February 29, 2020.

The Company has started generating revenues from its Live Streaming Service during the quarter ended May 31, 2019, but in order to generate higher revenues, management believes that the Company needs to reach a higher threshold level of users for its apps.

The Company is also exploring financing alternatives in order to provide additional capital.

These plans are expected to generate sufficient liquidity to finance operations within the next fiscal year until the Company can generate higher revenues to cover its operating and overhead costs. The Company believes that based on the financial strength of its existing shareholder base and previous success in raising capital, any shortfall in its operating plan will be met through one or more of the above strategies.

CAPITAL EXPENDITURES

The Company incurred software development costs of \$218,186 (2019 - \$271,466) and purchases of equipment of \$32,757 (2019 – \$8,877) during the year ended February 29, 2020. The Company does not currently have any capital expenditure commitments.

RELATED PARTY TRANSACTIONS

The Company's related parties consist of the Company's directors, officers and companies associated with them, including Malaspina Consultants Inc., a company that until July 31, 2018 was owned by Robert McMoran, a director and in which Natasha Tsai, the former CFO, was an associate until July 31, 2018 and an owner thereafter. The Company incurred charges to directors and officers, or to companies associated with these individuals during the years ended February 29, 2020 and February 28, 2019:

	2020	2019
	\$	\$
Accounting and corporate secretarial fees ⁽¹⁾	32,567	30,777
Management fees ⁽²⁾	85,167	99,351
Share-based payment	-	48,080
	117,734	178,208

⁽¹⁾ The charges include accounting fees paid to Malaspina Consultants Inc.

⁽²⁾ The charges include management fees paid to Kean Li Wong, Interim CEO.

Accounts payable and accrued liabilities at February 29, 2020 included \$27,425 due to KL Wong, Interim CEO, \$69,269 due to Malaspina Consultants Inc. and \$16,186 due to Gunther Roehlig, director and CFO. Related party transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Key management of the Company includes the President, Interim CEO, former CFO and the Directors. During the year ended February 29, 2020, compensation paid to key management consisted of management fees of \$70,167 (2019 – \$99,351) paid/incurred to Kean Li Wong, \$15,000 paid/incurred to Gunther Roehlig, \$32,567 (2019 – \$30,777) paid to Malaspina Consultants Inc., and share-based payments of \$nil (2019 – \$48,080) to directors and officers.

The Company received loans of \$85,318 during the year ended February 28, 2018 from a company controlled by Kean Li Wong, Interim CEO, which were non-interest bearing, due on demand, unsecured and had no maturity date. The Company made repayments of \$45,000 during the year ended February 28, 2018 and repaid the remaining outstanding balance during the year ended February 28, 2019. During the year ended February 29, 2020, the Company received an additional \$44,291 from Kean Li Wong. The balance outstanding as at February 29, 2020 was \$36,613 (2019 – (\$7,678)).

On November 5, 2018, the Company entered into a loan agreement for \$50,000, which matures on November 1, 2020 and has an interest rate of 6% per annum. The lender became a director of the Company on September 1, 2019, so the loan has been reclassified from loan payable to due to related parties as at February 29, 2020. The principal balance outstanding plus accrued interest of \$3,953 outstanding as at February 29, 2020 is \$53,953 (2019 – \$50,945).

During the year ended February 28, 2019, the Company received a non-interest bearing loan of \$1,000 from a director of the Company. The loan is due on demand, unsecured and has no maturity date. The balance outstanding as at February 29, 2020 is \$1,000 (2019 – \$1,000).

During the year ended February 28, 2019, the Company received advances totalling \$228,572 from a shareholder of the Company. The proceeds were received in three difference tranches of CAD\$6,000, HKD 740,000 and RMB 500,000. On June 1, 2019, the Company entered into a loan agreement with respect to these advances. The loan matures on June 1, 2020 and has an interest rate of 6% per annum. During the year ended February 29, 2020, the Company received additional advances of \$548,696 from the same shareholder, which are non-interest bearing, unsecured and due on demand. The balance outstanding of \$777,091 plus accrued interest of \$10,302 as at February 29, 2020 is \$787,393 (2019 – \$228,572).

During the year ended February 28, 2019, the Company received \$50,000 of proceeds from a shareholder of the Company in advance of a share issuance. The balance outstanding as at February 29, 2020 is \$50,000 (2019 – \$50,000).

During the year ended February 28, 2019, the Company also received 2 bitcoins from a shareholder which were awarded to the users as a marketing expense. The fair value of the bitcoin liability as at February 29, 2020 is \$23,205 (2019 – \$10,070), with change in fair value from initial recognition recognized in statements of loss and comprehensive loss. The outstanding balance shall be repaid in the form of bitcoins or cash equivalent to the value of bitcoin on the day of repayment. The balance is due on demand and is non-interest bearing.

During the year ended February 29, 2020, the Company received additional non-interest bearing loans of \$72,304 from two directors of the Company. The loans are due on demand, unsecured and have no maturity date. The balance outstanding as at February 29, 2020 is \$73,278 (2019 – \$nil).

Other than as reflected above, there were no other transactions with key management, or compensation paid or payable for their services.

SUBSEQUENT EVENTS

On June 25, 2020, the Company announced the closing of the first tranche of a private placement and debt settlement by issuing a total of 35,000,000 common shares at a price of \$0.06 per share for total proceeds of \$2,100,000. On July 20, 2020, the Company closed the second and final tranche of the private placement and debt settlement by issuing a total of 6,666,666 common shares at a price of \$0.06 per share for total proceeds of \$400,000.

ADOPTION OF NEW ACCOUNTING STANDARDS AND ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

New and amended standards adopted by the Company

The Company adopted all of the requirements of IFRS 16, *Leases* (“IFRS 16”) as of March 1, 2019. IFRS 16 replaces IAS 17, *Leases* (“IAS 17”). IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company has adopted IFRS 16 using the modified retrospective application method, where the 2018 comparatives are not restated and a cumulative catch up adjustment is recorded on March 1, 2019 for any differences identified, including adjustments to opening retained earnings balance.

The Company analyzed its contracts to identify whether they contain a lease arrangement for the application of IFRS 16. The following is the Company’s new accounting policy for leases under IFRS 16:

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company’s incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset’s useful life and the lease term, except

where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

On the date of transition, the Company recorded a right-of-use asset of \$18,271 related to the office rent in property and equipment, and the lease obligation of \$18,780 was recorded as at March 1, 2019, discounted using the Company's incremental borrowing rate of 8%, and measured at an amount equal to the lease obligation as if IFRS 16 had been applied since the commencement date. The net difference between right-of-use assets and lease liabilities on the date of transition was recognized as a retained earnings adjustment of \$509 on March 1, 2019.

IFRS 9, *Financial Instruments* ("Amendments") clarifies that a financial asset that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature with negative compensation may be eligible to be measured at either amortized cost or fair value through other comprehensive income. This classification is subject to the assessment of the business model in which the particular financial asset is held as well as consideration of whether certain eligibility conditions are met. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

New standards and interpretations not yet adopted

In October 2018, the IASB issued amendments to IFRS 3, Business Combinations. The amendments narrowed and clarified the definition of a business. The amendments will help companies determine whether an acquisition is a business or a group of assets. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. Distinguishing between a business and a group of assets is important because an acquirer recognizes goodwill only when acquiring a business. This amendment will be effective for annual periods beginning on or after January 1, 2020. Early adoption is permitted.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

CAPITALIZATION

a) Authorized

Unlimited common shares without par value

b) Issued and outstanding at September 15, 2020:

114,651,756 common shares

c) Outstanding warrants and options:

Type of security	Number	Exercise Price	Expiry date
Share purchase warrants	434,782	\$0.115	July 17, 2023
Stock options	6,400,000	\$ 0.15	May 13, 2021
Stock options	840,000	\$ 0.22	June 6, 2023

OUTLOOK

During the 2019 fiscal year the Company has introduced an incentives-based rewards platform which the Company expects to cause users to be more incentivized to help each other across all of the Company's apps, as well as pave the way for gradual monetization of its user base.

With the launch of the Livestreaming Service through the release of version 6.0 of the HPI Platform, the Company has transformed the HPI Platform into a livestreaming platform where users are now able to broadcast themselves live to other users, receive virtual gifts from viewers, and even redeem the gifts for cash. The Company will monitor user behavior patterns and gauge feedback as it prepares for the second phase full launch which will expand the Live Streaming Service worldwide, as well as add further features to enhance the livestreaming experience. The launch of the livestreaming service also marks the Company's first step in creating a steady revenue stream, with further efforts to monetize the userbase to come.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements for the year ended February 29, 2020 and this accompanying MD&A (together, the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

RISKS AND UNCERTAINTIES

An investment in the Company is speculative and involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below, in addition to the other information contained in this document, before making any decision to invest in the Company. The directors consider the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the directors may also have an adverse effect on the Company's business.

Limited History

The Company's limited operating history makes it difficult to evaluate its business and prospects and may increase the risks associated with your investment. Although the Company believes the HPI Platform will generate revenues and experience revenue growth, it may not be able to reach the expected rate of growth. The Company has encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly developing and changing industries, including challenges related to recruiting, integrating and retaining qualified employees; making effective use of its limited resources; achieving market acceptance of its existing and future solutions; competing against companies with greater financial and technical resources; acquiring and retaining clients and advertisers and mobile advertising customers; and developing new solutions. There is no assurance that the Company will be successful in generating revenues and/or experiencing revenue growth.

Additional Requirements for Capital

Substantial additional financing may be required if the Company is to be successful with development of its business. No assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, or may not be able to develop its business at all.

Content posted on HPI Platform may be found objectionable by PRC regulatory authorities

The PRC government has adopted regulations governing internet and wireless access and the distribution of information over the internet and wireless telecommunications networks. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet or wireless networks content that, among other things, violates the principle of the PRC constitution, laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, fraudulent or defamatory. Furthermore, internet content providers are also prohibited from displaying content that may be deemed by relevant government authorities as instigating ethnic hatred and harming ethnic unity, harming the national religious policy, “socially destabilizing” or leaking “state secrets” of the PRC. Failure to comply with these requirements may result in the revocation of licenses to provide internet content or other licenses, the closure of the concerned platforms and reputational harm. The operator may also be held liable for any censored information displayed on or linked to their platform.

The Company may also be subject to potential liability for any unlawful actions by its users on the HPI Platform. It may be difficult to determine the type of content or actions that may result in liability to the Company and, if the Company is found to be liable, it may be prevented from operating our business in China. Even if the Company manages to identify and remove offensive content, it may still be held liable.

User misconduct and misuse of our platform

The HPI Platform allows mobile users to freely contact and communicate with people nearby, and our live video service allows users to host and view live shows. Because the Company does not have full control over how and what users will use the platform to communicate, the platform may be misused by individuals or groups of individuals to engage in immoral, disrespectful, fraudulent or illegal activities. The Company has implemented control procedures to detect and block illegal or inappropriate content and illegal or fraudulent activities conducted through the misuse of the platform, but such procedures may not prevent all such content from being broadcasted or posted or activities from being carried out. Moreover, as the Company has limited control over real-time and offline behaviors of the Company’s users, to the extent such behaviors are associated with the platform, the ability to protect our brand image and reputation may be limited. Our business and the public perception of our brand may be materially and adversely affected by misuse of our platform. In addition, if any of the HPI Platform’s users suffers or alleges to have suffered physical, financial or emotional harm following contact initiated on our platform, the Company may face

civil lawsuits or other liabilities initiated by the affected user, or governmental or regulatory actions against it.

Limited Number of Products

The Company is reliant on the development, marketing and use of the HPI Platform. If it does not achieve sufficient market acceptance, it will be difficult for the Company to achieve consistent profitability.

Obsolescence

Maintaining a competitive position requires constant growth, development and strategic marketing and planning. If the Company is unable to maintain a technological advantage, the Company's ability to grow its business will be adversely affected and its products may become obsolete compared with other technologies.

Competitive Factors

The industries the Company serves and compete in are highly competitive and competition is expected to continue in the future. Many of our competitors have longer operating histories and greater financial, technical and marketing resources, and such competitors could materially and adversely affect the Company's business, financial performance and financial condition.

Defective Software

The Company's software may contain undetected errors, defects or bugs. Although the Company has not suffered significant harm from any errors, defects or bugs to date, the Company may discover significant errors, defects or bugs in the future that it may not be able to correct or correct in a timely manner. It is possible that errors, defects or bugs will be found in the Company's software products and related services with the possible results of delays in, or loss of market acceptance of, the Company's products and services, diversion of its resources, injury to its reputation, increased service and warranty expenses and payment of damages.

Cyber Security

The Company will strive to meet industry information security standards relevant to its business. The Company will regularly perform vulnerability assessments, remediate vulnerabilities, review log/access, perform system maintenance, manage network perimeter protection and implement and manage disaster recovery testing.

A cyber-attack that breaches the Company's external perimeter may lead to a material disruption of its core business systems and/or lead to the loss or corruption of confidential business information that could result in an adverse business impact, as well as, possible damage to the Company's brand. This could also lead to a public disclosure or theft of private intellectual property and a possible loss of customer confidence.

If the Company's core business operations were to be breached, this could affect the confidentiality, integrity and availability of the Company's systems and data. While the Company continues to perform security due diligence, there is always the possibility of a significant breach effecting the confidentiality, integrity and availability of its systems and/or data.

Failure of Information Technology System

The Company's operations could suffer as a result of a failure of its information technology system. The Company's business will be dependent upon an information technology infrastructure to effectively manage and operate several key business functions, including order processing, customer service, installation and payments. These systems and operations are vulnerable to damage and interruption from fires, earthquakes, telecommunications failures, and other events. They are also subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Any such errors or inadequacies in the software that may be encountered could adversely affect operations, and such errors may be expensive or difficult to correct in a timely manner.

OTHER INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.