

**DGTL HOLDINGS INC.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FORM 51-102F1**  
**FOR THE YEAR ENDED MAY 31, 2022**

**DGTL HOLDINGS INC.  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2022**

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**INTRODUCTION**

The following management discussion and analysis ("MD&A") of the financial condition and results of operations of DGTL Holdings Inc. (the "Company" or "DGTL") has been prepared by management, in accordance with the requirements of National Instrument of 51-102 as of September 28, 2022 and should be read in conjunction with the audited consolidated financial statements for the year ended May 31, 2022 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"), and all other disclosure documents of the Company. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and [www.dgtlinc.com](http://www.dgtlinc.com).

All financial information in this report has been prepared in accordance with IFRS and all monetary amounts referred to herein, are in Canadian dollars, unless otherwise stated.

**FORWARD-LOOKING STATEMENTS**

This MD&A contains "forward-looking statements". Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements regarding:

- Anticipated levels of expenditures for the next twelve months;
- Management's belief that we have sufficient liquidity to fund the Company's business operations during the next twelve months; and
- Strategy for customer retention, growth, product development, market position, financial results and reserves.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on management's current beliefs, expectations and assumptions regarding:

- the future of the Company's business;
- the success of marketing and sales efforts of the Company;
- the projections prepared in house and market research not generally available from other sources;
- consumer interest in the services;
- future sales plans and strategies;
- anticipated events and trends; and
- the economy and other future conditions.

Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. The Company's actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements.

Important risk factors that could cause the Company's actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: speculative nature of investment risk; limited operating history; going-concern risk; the Company's reliance on third parties, including users and content providers; historical losses and negative operating cash flows; dependency on key personnel; technical errors; competition; security threats; research and development; commitments; obsolescence; growth; dilution; unissued share capital; liquidity and future financing risk; market risk for securities; and increased costs of being a publicly traded company. Actual results may vary from such forward-looking statements for a variety of reasons, including but not limited to, risks and uncertainties disclosed in this MD&A. See "Risk Factors".

These forward-looking statements are made as of the date of this MD&A and are based on the reasonable beliefs, expectations and opinions of management on the date of this MD&A (or as of the date they are otherwise stated to be made). Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. 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 the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. There is no assurance that such forward-looking statements will prove to be accurate,

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as actual results and future events could differ materially from those anticipated in such statements. We do not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada.

Investors are cautioned against placing undue reliance on forward-looking statements.

**DESCRIPTION OF BUSINESS**

The Company was incorporated under the name Conscience Capital Inc. on June 8, 2018 pursuant to the Business Corporations Act of British Columbia as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The Company effected a change of its corporate name to DGTL Holdings Inc. on August 4, 2020 in connection with the closing of the Company's Qualifying Transaction ("QT"). DGTL incubates innovative and disruptive digital media and advertising technology companies, powered by artificial intelligence. The Company specializes in accelerating fully commercialized enterprise level software-as-a-service companies via a blend of unique capitalization structures, including: investment, M&A, earnouts and licensing structures. The Company's shares commenced trading on the TSX-V on August 23, 2019.

The head office, principal address and registered and records office of the Company are located at 1 Adelaide Street East, Suite 801, Toronto, Ontario M5C 2V9.

**SIGNIFICANT EVENTS DURING THE CURRENT YEAR AND AS AT THE DATE OF THIS REPORT**

Business Updates

On July 30, 2020, the TSX-V accepted for filing the Company's QT and, as a result, the Company was no longer considered as a capital pool company when the Company's common shares (the "Common Shares") resumed trading on the Exchange under the ticker symbol "DGTL" on August 4, 2020. On December 16, 2020, the Company listed its common shares OTCQB under the symbol "DGTHF".

Hashoff, LLC ("Hashoff") was organized on June 5, 2013 as a limited liability company in the state of Delaware under the *Delaware Limited Liability Company Act*. 3. The registered and head office of Hashoff is located at 1679 S. Dupont Hwy., Suite 100, Dover, Delaware 19901, United States. Hashoff is headquartered in Denver and has an office in New York City.

Hashoff provides micro-influencer marketing for brands of all sizes and across all industries through its proprietary SaaS/CaaS platform. Hashoff's proprietary algorithms combine keywords, geography, interest, and past campaign performance to identify and activate the best micro-influencers for each brand in any given moment. By sourcing authentic influencers to create and distribute organic content on a brand's behalf, Hashoff helps brands create more meaningful relationships with consumers and drive brand engagement metrics that outperform those of traditional social media marketing.

Hashoff's SaaS platform ("Hashoff" or "Platform") combines the creative benefits of influencer marketing with the scale and measurement of paid media on Facebook and Instagram, helping brands get enhanced economy out of influencer campaigns. Access to the platform's measurement metrics provides the client with more meaningful ways to evaluate their desired business outcomes such as awareness, consideration, intent and event sales versus solely assessing engagement. Hashoff is platform-agnostic, leveraging influencers across Facebook, Instagram, Snapchat, Twitter, and YouTube to deliver the best results to its clients.

Hashoff derives revenue from a combination of software license fees and transaction fees.

On June 3, 2021, the Company pursued a strategic channel partnership with Shuttlerock Ltd. ("Shuttlerock") to provide Hashoff, and its global brand customers, with new access to a cost-effective and time-efficient video-based content production and distribution platform, with no capital expense to the Company. In doing so, Shuttlerock will leverage existing graphic content sourced and social media posts distributed by Hashoff content creators, on behalf of its global brand customers, and convert this content into compelling video creative that can be re-distributed as a video-based advertisement on all major social media platforms. The partnership is also an extension of a three-year revenue growth plan for Hashoff solving a need for cost-efficient video production in advance of launching Hashoff version 2.0 for Tiktok, Snapchat, YouTube and presents an opportunity for revenue sharing collaborations within the collective customer base.

On July 27, 2021, the Company signed a new social media content services contract with one of the fastest growing cryptocurrency trading platforms, worldwide.

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On August 23, 2021, the Company reported that it has successfully opened the APAC (Asia Pacific) markets with the signing of one of the largest Asian airlines in the world. The lead order for Hashoff's new APAC airline customer is valued at approximately \$200,000 and will be implemented as a pilot program on the Hashoff platform. The goal of this inaugural campaign is to produce original paid and owned media for a global marketing initiative promoting a new customer loyalty program.

On August 31, 2021, the Company reported that it has successfully completed a robust software development project for its wholly owned subsidiary, Hashoff. Hashoff version 2.0 is now a fully self-service SaaS (software-as-a-service) platform with API integrations into leading video based social media applications. Hashoff 2.0 now empowers global brands customers and leading advertising agencies with the ability to build an international team of content publishers, regardless of geography, demographics, language, or content format (i.e. text, image or video). The most notable software enhancements are the API integration of top video based social media applications into Hashoff's marketplace creation products. Adding top video applications (e.g. TikTok) as core channels on the Hashoff platform will allow agencies, advertisers, and key accounts to create "cross-social" creator campaigns with a much wider reach and a larger and more engaged audience base. From the creator standpoint, this integration will open a major global market and increase overall competitiveness and revenue potential. The second major technical enhancement to the Hashoff 2.0 software suite is the significant improvements to the administration management side of the software platform. Most notably, the software now allows for a fully automated creator payment processing system giving version 2.0 total self-service functionality. The ability for customers to operate on a self-service basis greatly reduces managed services costs, creating heightened efficiencies for customers and improved gross margins for the Company, thereby improving the scalability of the Hashoff business

On September 21, 2021, the Company signed a new \$400,000 software licensing and social media marketing agreement, directly with a Nasdaq listed global leader in the online sports gaming sector. DGTL's Nasdaq listed client is a global sports and gaming brand with a market capital in excess of \$30 Billion. This top gaming brand allows users to bet on sports contests in the top major professional leagues around the world including, MLB, NHL, NFL, NBA, PGA, UEFA Champions, NASCAR, Mixed Martial Arts, etc.

On October 8, 2021, the Company signed a new software services agreement with a leading international advocacy organization, securing its latest key client account. The initial client spend is \$250,000 for a one-month global advocacy campaign leveraging Hashoff 2.0's new capabilities on video-based applications (i.e. TikTok). This is Hashoff 2.0's latest services contract in the advocacy category and is an expansion of a CMS platform now delivering content on a global scale. This contract brings a new key account to the Hashoff 2.0 customer base while expanding their global footprint. The client is a leading international advocacy organization dedicated to public education on the impact of climate change. Hashoff 2.0 is a language agnostic CMS, allowing clients to scale their content distribution globally, within a single platform.

On October 27, 2021, the Company secured a leading global e-commerce consumer products distributor as its newest strategic agency partner in the APAC market. Hashoff 2.0's newest strategic channel partner is a top digital marketing agency based in China that represents top APAC brands in a range of consumer product categories. This top APAC agency specializes in leveraging the AWS (Amazon Webstore) to market top APAC consumer brands to North America consumers. As an initial pilot, the agency is engaging Hashoff 2.0 with an initial one-month managed service campaign contract. The initial seasonal product promotion will center on Hashoff 2.0's improved capabilities to create and distribute branded social content on key video-based applications with a budget of approximately \$125,000. The holiday campaign will feature top APAC health and beauty consumer brands (a new client category for Hashoff) with multimedia creative in the format of long form social media influencer videos.

On November 15, 2021, the Company reported that it has signed a new managed service campaign contract with a leading international earphone consumer brand. The latest new client account is part of a longer-term agreement and will be billing against an existing \$1,250,000 purchase order from a strategic channel partner. The purchase order is an open service agreement used to bill against multiple client accounts including a top VPN service software from the United Kingdom, and an NYSE listed retailer of prescription glasses and sunglasses, with headquarters based in New York City.

On November 29, 2021, Hashoff LLC has signed an annual SaaS (software-as-a-service) licensing renewal agreement with a Nasdaq listed leader in e-sports and gaming sector with a current market capital in-excess of \$30 billion. Hashoff's newest top producing client provides an online software that allows active users to place bets on fantasy sports contests within the top major professional sports leagues around the world (e.g. MLB, NHL, NFL, NBA, PGA, UEFA, MMA, etc.).

On December 13, 2021, Hashoff LLC has signed a new managed service contract with a NYSE listed company with a current market capital in-excess of \$8 Billion. This new client specializes in e-commerce of premium eye wear products via a range of online portals and supports client diversification as the latest new account from an open \$1,250,000 purchase order from a strategic partner.

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On December 7, 2021, the Company completed its first tranche of private placement ("First Tranche") of subscription receipts ("Subscription Receipts") issuing 1,030 Subscription Receipts at a price of \$1,000 per Subscription Receipts, for aggregate gross proceeds of \$1,030,000. The Subscription Receipt will automatically be converted into a \$1,000 principal amount convertible debenture ("Convertible Debenture") and the proceeds will be released. The Convertible Debenture will bear interest at an annual rate of 7% payable in arrears in equal installments semi-annually. The Convertible Debenture will mature two years following the satisfaction of the escrow release conditions. The principal amount of Convertible Debenture will be convertible at the holder's option into common shares of DGTL (the "Conversion Shares") at any time prior to the Maturity Date at a conversion price of \$0.30 per Conversion Share. Subject to the approval of the TSX Venture Exchange (the "TSXV"), in lieu of paying any interest accrued and payable in respect of the Convertible Debentures, DGTL may elect to settle such interest in common shares in the capital of DGTL.

On January 10, 2022, the Company completed its second and final tranche ("Final Tranche") of its previously announced private placement offering of Subscription Receipts. Under the Final Tranche, the Company issued 38 Subscription Receipts at an offering price of \$1,000 per Subscription Receipt, for aggregate gross proceeds of \$38,000, bringing the total number of Subscription Receipts issued pursuant to the Offering to 1,068 for aggregate total gross proceeds of \$1,068,000. The completion of the Offering satisfied a key condition to closing in the arrangement agreement between the Company and Engagement Labs Inc. dated August 11, 2021, as amended (the "Arrangement").

In connection with the private placement, the Company paid finder's fees of \$49,000 which will be released to the finders upon satisfaction of the Escrow Release Conditions, and the Company will issue 81,659 finder's warrants ("Finder's Warrants") upon satisfaction of the Escrow Release Conditions. Each Finder's Warrant entitles the holder thereof to purchase one common share of DGTL at a price of \$0.40 for a period of 36 months following the date on which the escrow release conditions are satisfied.

On January 25, 2022, the Company announced that it has launched a new social media content marketing campaign with a Nasdaq listed e-sports and gaming company. The 30-day campaign is valued at approximately \$200,000 USD and is focused on promoting brand awareness of the online sports betting brand services becoming live for active users across the state of New York, USA

On August 12, 2021, the Company agreed to acquire all of the issued and outstanding common shares of Engagement Labs Inc. (TSXV:EL) ("EL") (collectively, the "EL Shares") by way of a statutory plan of arrangement under the *Canada Business Corporations Act* (the "Arrangement"). Pursuant to the terms of the Arrangement, holders of common shares of Engagement Labs ("Engagement Labs Shares") received 0.1136 (the "Exchange Ratio") of a common share of DGTL Holdings (each whole share, a "DGTL Holdings Share") for each Engagement Labs Share held. In total, DGTL Holdings acquired 47,704,357 Engagement Labs Shares in exchange for 5,419,173 DGTL Holdings Shares, resulting in former Engagement Labs shareholders holding approximately 11.99% of the total number of issued and outstanding DGTL Holdings Shares. Therefore, immediately after closing, there are currently 45,242,266 DGTL Holdings Shares issued and outstanding, inclusive of the Advisor Shares (as defined below). In addition, options to purchase Engagement Labs Shares became exercisable for DGTL Holdings Shares, and, upon exercise, will entitle the holder thereof to receive a number of DGTL Holdings Shares equal to the number of Engagement Labs Shares multiplied by the Exchange Ratio at an exercise price per share equal to the original exercise price divided by the Exchange Ratio.

Immediately prior to the closing of the Arrangement, all directors and certain officers of Engagement Labs resigned, and Engagement Labs is now a wholly-owned subsidiary of DGTL Holdings. Engagement Labs' current Chief Financial Officer, Gilbert Boyer, and Chief Revenue Officer, Steven Brown, will continue in their roles, which is expected to provide continuity to the combined entity by assisting with post-closing transition and integration matters.

It is anticipated that the Engagement Labs Shares will be de-listed from the TSX Venture Exchange ("TSXV") as of the close of trading on March 4, 2022 and Engagement Labs intends to submit an application to the applicable securities regulators to cease being a reporting issuer and terminate its public reporting obligations.

On closing, DGTL holdings issued 280,000 DGTL Holdings Shares (the "Advisor Shares") and 13,750 compensation warrants (each, a "Compensation Warrant") to Oberon Securities, LLC, which assisted Engagement Labs as its Financial Advisor, and an additional 261,250 Compensation Warrants to Ed Keller. Each Compensation Warrant is exercisable at a price of \$0.405 for the purchase of one (1) DGTL Holdings Share for a period of five years following the closing date of the Arrangement.

Immediately following the completion of the Arrangement, the Subscription Receipts converted on a one-for-one basis into one \$1,000 principal convertible debenture, each bearing interest at an annual rate of 7.00% payable in arrears in equal installments semi-annually (each, a "Convertible Debenture"). The Convertible Debentures mature two years following the completion of the Arrangement (the "Maturity Date"), and the principal amount of Convertible Debenture are convertible at the holder's option into DGTL Shares at any

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time prior to the Maturity Date at a conversion price of \$0.30 per DGTL Share. Subject to the approval of the TSXV, in lieu of paying any interest accrued and payable in respect of the Convertible Debentures, DGTL may elect to settle such interest in DGTL Shares, provided that the deemed price at which DGTL may settle such interest may be no less than the Market Price (as defined in the policies of the TSXV) of the DGTL Shares at the time such interest becomes payable.

In addition, DGTL Holdings has issued an aggregate of 81,659 finder's warrants to certain eligible finders, each entitling the holder thereof to purchase one DGTL Holdings Shares at a price of \$0.40 for a period of 36 months.

On March 10, 2022, the Company has signed a new social content marketing campaign contract with a key client account. This key account is the largest producer and distributor of alcoholic beer and soft drinks in the world and is a NYSE listed company with a current market capital in-excess of \$100 billion. This new six-figure social content campaign is scheduled to run across the southeastern USA.

On March 18, 2022, the Company has appointed John Belfontaine as the Chief Executive Officer and Chairman of the Board of the Company, Steven Brown as the Chief Commercial Officer of the Company and Bruce Lev as a director of the Company. Michael Racic and Steven Goldberg have resigned as CEO and director and COO and director, respectively.

On April 4, 2022, the Company has commenced litigation against the two former co-founders of Hasoff (the "Defendants"), LLC. The Company alleges that the Defendants made several material misrepresentation during the due diligence stage of the Company's purchase of Hashoff, LLC as well as breaching several material contracts. The Company seeks the recovery of all amounts owing as a result of the Defendants' misconduct.

On April 11, 2022, the Company announced the appointment of Christopher Foster (CPA, CGA) as the new Chief Financial Officer of the Company effective April 30, 2022. David Beck, acting independent director, has been appointed as the new audit committee chairman and that Gilbert Boyer has departed as CFO of Engagement Labs, as of April 8, 2022. Further, both of the Company's wholly owned subsidiaries have been approved for PPP (Paycheck Protection Program) loan forgiveness. PPP loan forgiveness applications were processed by the SBA (Small Business Association) a United States federal administration agency that administrates COVID-19 small business relief loans (as authorized by Section 1106 of the federal CARES Act). Hashoff LLC's application for the forgiveness of a \$177,000 PPP loan has officially been approved. In addition, an application to forgive a \$420,000 loan held by an Engagement Lab's subsidiary was also approved.

On April 18, 2022, the Company reported that wholly owned subsidiary, Engagement Labs, has signed a new key client in the media entertainment sector. After an initial statement of work (SOW), the client chose to continue the relationship with a subscription to continue the measurement and tracking of multiple television and streaming content brands in its portfolio. The combined contracts are valued at \$200,000 over a 13-month period.

On May 9, 2022, the Company reported that wholly owned subsidiary Engagement Labs has secured a contract extension with a global leader in consumer packaged goods (CPG). This one-year contract extension is valued at over \$180,000 and includes licensing to the flagship TotalSocial PaaS (platform as a service).

On May 18, 2022, the Company reported that wholly owned subsidiary Hashoff LLC has launched a new social media content marketing campaign with a Nasdaq-listed e-sports gaming client. The campaign is focused on promoting brand awareness and new user registration on its client's software platform now that allows on-line sports betting across the province of Ontario, Canada.

On July 4, 2022, the Company reported that it had initiated a strategic restructuring of its wholly owned subsidiaries Hashoff LLC and Engagement Labs Inc. The goal of restructuring its subsidiaries is to apply objective third party financial analysis to current business operations to assess long-term viability and to optimize organizational structures. The result of this initiative is an estimated divestiture of \$5,000,402 (i) in liabilities and operating expenses and a repositioning of the company for scalable revenue growth, near-term cash flow positivity and long-term shareholders equity.

On June 1, 2022, Hashoff retained the services of Lindenwood Associates, a New York-based strategic development and restructuring firm, to assess legal and financial viability, as well as Klestadt Winters Jureller Southard & Stevens LLP (KWJSS), to provide legal services to Hashoff in connection therewith. The Hashoff restructuring team has completed a thorough and objective viability assessment. After presenting its report and reviewing the facts, the board voted unanimously to accept the recommendations of Lindenwood to commence a formal orderly wind-down and subsequent dissolution of Hashoff in accordance with Section 18-801 of the Delaware Limited Liability Company Act.

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The result of the Hashoff wind-down is the divestiture of an estimated \$1,939,053 in accounts payable and accrued expenses and \$572,849 in contingent liabilities from the DGTL Holdings consolidated balance sheet (ii). As the initial step toward this financial restructuring project, both of DGTL Holdings' wholly owned subsidiaries have been approved for PPP (paycheque protection program) loan forgiveness. PPP loan forgiveness applications were processed by the SBA (Small Business Association), a U.S. federal administration agency that administers small business relief loans (as authorized by Section 1,106 of the federal CARES Act). Hashoff had \$177,000 in PPP loans forgiven, and Engagement Labs had \$420,000 in loans forgiven totalling \$597,000 in interest-bearing loans removed from the DGTL Holdings balance sheet.

In addition, by identifying and implementing numerous cost savings and efficiency measures, the new DGTL Holdings executive team has produced a 50-per-cent reduction in annual operating expenses for Engagement Labs. The financial restructure of Engagement Labs provides a viable entity which will now serve as DGTL Holdings' flagship social media subsidiary, with multiple operating business lines. In doing so, Engagement Labs will expand product and service offerings to include strategy, execution, measurement and distribution solutions to serve DGTL Holdings' Fortune 100 clients as a full-service social media PaaS (platform as a service).

Therefore, within the first 120 days under the leadership of the new DGTL Holdings executive team, the company has pro-actively divested over \$3,234,743 in current and non-current liabilities and an additional \$1,891,500 in annual operating expenses (iii) totalling an estimated first-year reduction of \$5,000,402 in long-term debt and continuing operating expenses. When accounting for the longer-term impact of the significant reduction in annual operating expenses, a continuance of the previous cost structure would continue to increase this total estimate with every future year of continuing operations. Financial improvements will begin to be reflected within the first quarter 2023 financial statements (Oct. 30, 2022) and subsequent filings thereafter.

In summary, the new DGTL Holdings executive team is dedicated to restoring fiscal responsibility, accountability and sound corporate governance to maximize long-term value of shareholders equity. Reducing liabilities and post-restructure operating expenses by an estimated \$5,000,402 is a major material improvement to the consolidated financial position of the company. Moving forward, DGTL Holdings is now positioned for scalable revenue growth and accretive mergers and acquisitions with a stronger corporate structure and a viable financial position.

On July 5, 2022, the Company reported that wholly owned subsidiary, Engagement Labs Inc., has secured an annual multiservice contract with the global leader in premium audio storytelling (for example, podcasts and audiobooks). This key account client is a subsidiary of a multinational technology leader that is Nasdaq listed with a market capitalization of \$1.1-trillion (U.S.). The agreements includes four prolific new title launch studies and a one-year PaaS (platform-as-a-service) contract with a total value of nearly \$1-million (with options for contract renewal).

On July 20, 2022, the Company reported that it has signed inaugural service contracts with three high-profile brands in the media and technology sector through its flagship platform-as-a-service, TotalSocial. These three new accounts provide sales revenue, added client diversification and opportunities for long-term growth by offering annual licensing contracts and access to a full-service suite of social media marketing solutions.

On August 3, 2022, the Company reported that wholly owned subsidiary, Engagement Labs, has secured four new PaaS (platform-as-a-service) contracts from two global consumer packaged goods (CPG) conglomerates. Included in these contracts is an NYSE listed CPG global conglomerate with a current market capital of \$300-billion (U.S.) (now a new client under DGTL management). The combined deals are valued at more than \$180,000 and are focused on measuring the effectiveness of digital advertising and sports marketing sponsorships activated during the top broadcasted sporting event in North America.

On August 17, 2022, the Company reported that it has changed its appointed auditor from Baker Tilly WM LLP to Zeifmans LLP, effective Aug. 5, 2022. DGTL Holdings Inc. board of directors accepted the resignation of the Former Auditor and appointed the Successor Auditor as the new auditor of the Company effective August 5th, 2022, and to hold office until the close of the Company's next annual general meeting of shareholders. There were no reservations in the Former Auditor's audit reports for any financial period during which the Former Auditor was the Company's auditor. There are no "reportable events" (as the term is defined in National Instrument 51-102 - Continuous Disclosure Obligations) between the Company and the Former Auditor. In accordance with National Instrument 51-102, the Notice of Change of Auditor, together with the required letters from the Former Auditor and the Successor Auditor, have been reviewed by the Company's audit committee and board of directors and filed on SEDAR.

On September 20, 2022, the Company reported that wholly owned subsidiary Engagement Labs has signed a new contract with a key client. This is the third year measuring one of the highest-rated and most-watched major sporting events in America with a leader in

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sports entertainment. This client continues to leverage proprietary TotalSocial technologies for its proven predictive data and analytics of consumer engagement and sales, as well as other key business performance indicators such as multimedia broadcast viewership and digital engagement. The value of the new PaaS (platform-as-a-service) service contract is set at over \$110,000, plus applicable taxes.

Please also refer to the Company's news releases on [www.sedar.com](http://www.sedar.com) for an overview of the Company's significant activities for the current year and to the date of this report.

Impairment of Goodwill and Intangible Assets

The Company reviews the carrying value of its long-lived assets at each reporting period for indication of impairment. The Company reviews goodwill and intangible assets for impairment on an annual basis, or more frequently, if indicators of impairment exist. As a result of lower sales activity from the Hashoff and Engagement Lab subsidiaries both, the Company reviewed goodwill and intangible assets for impairment as at May 31, 2022.

Goodwill and intangible assets are reviewed for impairment by assessing the recoverable amount of each cash generating unit ("CGU") or groups of CGUs to which the goodwill or intangible assets relate. When the recoverable amount for the CGU or groups of CGUs is less than the carrying amount, an impairment loss is recognized. For detailed discussion of the impairment methodology and calculation, please refer see Note 6 of the audited consolidated financial statements for the year ended May 31, 2022.

Gain on Revaluation of Contingent Consideration

On July 30, 2020, the Company entered into an amendment agreement with the shareholders of Hashoff modifying the terms of the share exchange agreement dated December 23, 2019. The share exchange agreement provided that the Company was to make post-closing payments up to \$1,500,000 (U.S.) pursuant to a 30-month deferred payment schedule, payable every six months following the closing of the acquisition. Pursuant to the amendment, the effective date of the deferred cash payments was postponed to January 1, 2021, such that the first payment will be payable on June 30, 2021, six months from the new effective date. The deferred cash payments are dependent on Hashoff meeting the revenue targets set in the share exchange agreement, and failure to meet the revenue targets results in deferral and/or reduction of the payments. In consideration for the postponement of the deferred cash payments, the Company agreed to reduce the attributable revenue targets by 20% for each six-month period for the duration of the 30-month period. As of the date of the MD&A, no deferred cash payments have been paid.

Management believes that the revenue targets will be not be fully met and that contingent purchase price payments of \$177,241 will be made; these payments are subject to acceleration upon occurrence of certain events. As a result, the Company has recognized a gain on revaluation of contingent liability of \$465,185 for the year ended May 31, 2022.

**RESULTS OF OPERATIONS**

**For the year ended May 31, 2022 and 2021**

The Company incurred a net loss and comprehensive loss of \$4,535,289 (2021 – \$6,732,329) for the year ended May 31, 2022. Revenue for the year ended May 31, 2022 was \$2,515,355 (2021 - \$3,976,793). Cost of revenues for the year ended May 31, 2022 was \$1,605,159 (2021 - \$2,907,264). Expenses for the year ended May 31, 2022 were \$3,907,993 (2021 - \$6,006,317).

Significant or noteworthy expenditure variances between the year ended May 31, 2022 and 2021 include:

	Year ended May 31, 2022 \$	Year ended May 31, 2021 \$
<b>Net loss before other comprehensive income</b>	<b>(4,490,862)</b>	<b>(6,824,930)</b>
<b>Revenues</b>	<b>2,515,355</b>	<b>3,976,793</b>
<b>Cost of revenues</b>	<b>1,605,159</b>	<b>2,907,264</b>

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*This decrease is due to many customers transitioning to restructuring and shifting funds to in-person media post lockdown after increasing digital spending on influencers during the heart of the pandemic..*

<b>Consulting</b>	<b>400,732</b>	865,607
	<i>This decrease is due to the restructuring of personnel and associated termination of consultants.</i>	
<b>Salaries, fees and benefits</b>	<b>970,435</b>	1,475,719
	<i>This decrease is due to the restructuring of personnel. The Company has eliminated high cost employees whom were redundant. The Company has also outsourced some of its account managers to reduce overhead costs.</i>	
<b>Advertising and promotion</b>	<b>634,576</b>	1,002,035
	<i>This decrease is due to the termination of some marketing programs initiated in the prior year to raise the Company's profile.</i>	
<b>Share-based compensation</b>	-	1,177,895
	<i>This decrease is due to no stock options being issued during the current year; in 2021, 1,800,000 stock options were issued to directors and officers and 250,000 to a consultant which were valued using the Black Scholes Pricing Model and vested immediately.</i>	

**For the three months ended May 31, 2022 and 2021**

The Company incurred a net loss before other comprehensive income of \$3,225,473 (2021 – \$4,305,271) for the three months ended May 31, 2022. Revenue for the three months ended May 31, 2021 was \$782,947 (2021 - \$310,190). Cost of revenues for the three months ended May 31, 2022 was \$415,680 (2021 - \$766,181). Expenses for the three months ended May 31, 2022 were \$1,638,997 (2021 - \$1,876,500).

Significant or noteworthy expenditure variances between the three months ended May 31, 2022 and 2021 include:

	<b>Three months ended May 31, 2022</b>	Three months ended May 31, 2021
	<b>\$</b>	\$
<b>Loss for the period</b>	<b>(3,225,473)</b>	(4,397,872)
<b>Revenues</b>	<b>782,947</b>	310,190
<b>Cost of revenues</b>	<b>415,680</b>	766,181

*The increase in revenue is due to (i) the timing difference of when revenue is recognized in Hashoff and (ii) the acquisition of Engagement Labs during the three months ended May 31, 2022. The decrease in cost of revenues is due to the recognition of previously unrecorded creator costs in Hashoff during the three months ended May 31, 2021. Overall increase in income for the period increased due to (i) the decrease in share-based compensation, (ii) the gain on revaluation.*

<b>Advertising and promotion</b>	<b>306,566</b>	406,457
	<i>The decrease is due to the termination of some marketing programs initiated in the prior year to raise the Company's profile.</i>	
<b>Amortization and depreciation</b>	<b>239,889</b>	469,986

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*This decrease is due to the adjustment to intangible asset amortization in the three months ended May 31, 2021, to correct under-recorded amortization for the June 1, 2020, to February 28, 2021 period.*

<b>Legal</b>	<b>177,909</b>	20,012
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*This increase is due to the legal costs associated with the acquisition of Engagement Labs during the three months ended May 31, 2022*

<b>Share-based compensation</b>	-	262,150
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*No stock options issued during the three months ended May 31, 2022, whereas during the three months ended May 31, 2021, the Company issued 250,000 stock options to a consultant where the fair value of the options granted were calculated using the Black Scholes Pricing Model.*

**SUMMARY OF SELECTED HIGHLIGHTS FOR THE LAST EIGHT QUARTERS**

Description	May 31, 2022	February 28, 2022	November 30, 2021	August 31, 2021
Net comprehensive loss	(3,225,473)	(375,717)	(556,467)	(379,894)
Basic loss per share	(0.08)	(0.01)	(0.01)	(0.01)

  

Description	May 31, 2021	February 28, 2021	November 30, 2020	August 31, 2020
Net comprehensive loss	(4,305,271)	(2,049,357)	(736,682)	(797,416)
Basic loss per share	(0.14)	(0.06)	(0.03)	(0.03)

During the three months ended August 31, 2020 the Company recorded revenues of \$1,145,485, cost of revenues of \$896,717 and salaries, fees and benefits of \$362,241.

During the three months ended November 30, 2020 the Company recorded revenues of \$1,500,863, cost of revenues of \$(1,143,823) and salaries, fees and benefits of \$351,451.

During the three months ended February 28, 2021 the Company recorded revenues of \$851,766, cost of revenues of \$638,509, salaries, fees and benefits of \$391,452 and share-based compensation of \$915,745.

During the three months ended May 31, 2021, the Company recorded revenues of \$310,190, cost of revenues of \$1,125,053, salaries, fees and benefits of \$358,964, share-based compensation of \$262,150, impairment of goodwill and intangible assets of \$3,691,671, gain on write down of contingent liability of \$967,246, gain from forgiveness of debt of \$172,303.

During the three months ended August 31, 2021 the Company recorded revenues of \$566,364, cost of revenues of \$387,994, salaries, fees and benefits of \$222,686. As businesses are opening from lockdown, many customers have shifted advertising budget from digital spending to in-person media. The Company is focused on being more efficient by outsourcing work to consultants to reduce overhead costs.

During the three months ended November 30, 2021, the Company recorded revenues of \$572,285, cost of revenues of \$398,209, salaries, fees and benefits of \$227,131. As businesses are opening from lockdown, many customers have shifted advertising budget from digital spending to in-person media. The Company is focused on being more efficient by outsourcing work to consultants to reduce overhead costs.

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During the three months ended February 28, 2022, the Company recorded revenues of \$593,759, cost of revenues of \$403,276, salaries, fees and benefits of \$189,308. As businesses are opening from lockdown, many customers have shifted advertising budget from digital spending to in-person media. The Company is focused on being more efficient by outsourcing work to consultants to reduce overhead costs.

During the three months ended May 31, 2022, the Company recorded revenues of \$782,947, cost of revenues of \$416,680, salaries, fees and benefits of \$331,310, share-based compensation of \$nil, impairment of goodwill and intangible assets of \$3,091,310, gain on write down of contingent liability of \$362,295, and grant income of \$574,745. As businesses are opening from lockdown, many customers have shifted advertising budget from digital spending to in-person media.

### **LIQUIDITY AND SOLVENCY**

At May 31, 2022, the Company had negative working capital of \$309,410 and cash of \$1,411,219. During the year ended May 31, 2022, the Company recorded revenues of \$2,515,355 and cost of revenues of \$1,605,159 for gross profit of \$910,196.

On April 2, 2021, the Company received a loan of \$177,500 (US\$142,000) from the Bank as a result of the Paycheck Protection Program instituted by the Coronavirus Aid, Relief, and Economic Security ("Cares") Act. This loan is unsecured, bears interest of 1% per annum, matures two years from the date of the agreement of April 2, 2021 and no payments are due on the loan for seven months from the date of first disbursement, after which monthly instalments of US\$7,951 including principal and interest are required. For the year ended May 31, 2022, the Company concluded there was reasonable assurance that the conditions for forgiveness of the loan had been met and has recognized a gain on forgiveness of \$181,677 (US\$142,000) in profit or loss.

On April 15, 2020, the Company received a loan for \$40,000 under the Emergency Loan for Canadian Businesses program. The interest-free loan is for 3 years and is guaranteed by the Canadian government. Up to 25% of the loan (\$10,000) will be forgiven if repaid in full by December 31, 2023. If the Company has not repaid the loan before December 31, 2023, the loan will be automatically renewed until December 31, 2025 at an interest rate of 5%, and the Company will not be able to benefit from the grant of \$10,000.

The fair value of the loan has been established at \$27,380 using discounted cash flows valuation method at a rate of 15%. The difference was computed as deferred grant and will be amortized over the period of the loan and it will be accounted as a grant income.

On December 29, 2020, the Company received a second loan for \$20,000 under the Emergency Loan for Canadian Businesses program. The interest-free loan is for 3 years and is guaranteed by the Canadian government. 50% of the loan (\$10,000) will be forgiven if repaid in full by December 31, 2023. If the Company has not repaid the loan before December 31, 2023, the loan will be automatically renewed until December 31, 2025 at an interest rate of 5%, and the Company will not be able to benefit from the grant of \$10,000.

The fair value of the loan has been established at \$15,111 using discounted cash flows valuation method at a rate of 15%. The difference was computed as deferred grant and will be amortized over the period of the loan and it will be accounted as a grant income.

On April 16, 2020, the Company received a loan under the Paycheck Protection Program (PPP) in the USA for \$473,571 (US \$336,200). The loan was guaranteed by Small Business Administration ("SBA"), an Agency of the United States of America, bears annual interest rate of 1.00% and is due two years after its disbursement. The loan and the interest can be forgiven in whole or in part if the borrower uses all of the loan proceeds for forgivable purposes as described in the PPP plan. On October 4, 2021, the company received a notice of Paycheck Protection Program ("PPP") forgiveness payment for \$439,811 (US 312,233) on this first PPP loan which was recorded as grant income.

On January 29, 2021, the Company received a second loan under the Paycheck Protection Program (PPP) in the USA for \$429,664 (US \$336,200). The loan was guaranteed by Small Business Administration ("SBA"), an Agency of the United States of America, bears annual interest rate of 1.00% and is due five years after its disbursement. The loan and the interest can be forgiven in whole or in part if the borrower uses all of the loan proceeds for forgivable purposes as described in the PPP plan. On April 6, 2021, the company received a notice of Paycheck Protection Program ("PPP") forgiveness payment for \$433,926 (US 336,200) on this second PPP loan which was recorded as grant income in the year ended May 31, 2022

On June 5, 2020, the Company received a loan under the Economic Injury Disaster Loan Program ("EIDL") in the USA for \$201,435 (US \$150,000). On September 9, 2021, the Company received a second loan for \$62,637 (US\$49,500), for a total amended loan for \$264,072 (US \$199,500). The amended loan is guaranteed by Small Business Administration ("SBA"), an Agency of the United States

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of America. Installment payments, including principal and interest, of US \$1020 monthly, will begin Twenty-four (24) months from the date of the original note. The balance of principal and interest will be payable Thirty (30) years from the date of the original note. Interest will accrue at the rate of 3.75% per annum.

The fair value of the amended loan has been established at \$81,761 using discounted cash flows valuation method at a rate of 15%. The difference was computed as a deferred grant which will be amortized over the period of the loan and accounted for as grant income. As of May 31, 2022, interest was accrued on the loan for a sum of \$9,516.

On November 26, 2020, the Company received a Coronavirus Business Interruption Loan in the UK ("CBILS") for \$373,348 (£215,000). First repayment will be made on the date 13 month(s) after the date the loan was received and the loan will be repaid in 59 subsequent monthly instalments of £3,583. (exclusive of interest). Final repayment of £3,583 will be due on the Final Repayment Date. Interest is at a rate of 3.99% per annum over the Bank of England Base Rate payable (4.09% as at September 30, 2021) on the outstanding principal amount of the Loan monthly and on the Final Repayment Date.

The fair value of the loan has been established at \$258,716 using discounted cash flows valuation method at a rate of 15%. The difference was computed as a deferred grant which will be amortized over the period of the loan and before accounted for as grant income.

On April 2, 2021, the Company received an additional loan of \$181,646 (US\$142,000) from the Bank as a result of the Paycheck Protection Program instituted by the Coronavirus Aid, Relief, and Economic Security ("Cares") Act. This loan is unsecured, bears interest of 1% per annum, matures two years from the date of the agreement of April 2, 2021 and no payments are due on the loan for seven months from the date of first disbursement, after which monthly instalments of US\$7,951 including principal and interest are required. During the year ended May 31, 2022, the Company concluded there was reasonable assurance that the conditions for forgiveness of the loan had been met and recognized a gain on forgiveness of \$181,677 (US\$142,000) in profit or loss.

The changes in the Company's liabilities arising from financing activities are classified as follows:

Total loans payable as of March 1, 2022 (Engagement Labs acquisition date)	\$	772,840
Deferred grants		(21,490)
Loan forgiven		(330,026)
Implicit interest		22,409
Accrued interest		3,547
Exchange		(34,987)
<b>Total loans payable as of May 31, 2022</b>	<b>\$</b>	<b>412,293</b>

During the year ended May 31, 2022, the Company completed the offering of convertible debentures (the "Debentures") in the principal amount of \$1,068,000.

The Company issued 1,068 subscription receipts at an offering price of \$1,000 per subscription receipt, for aggregate gross proceeds of \$1,068,000. The completion of the offering satisfied a key condition to closing in the arrangement agreement between the Company and Engagement Labs Inc. dated Aug. 11, 2021, as amended. Upon the satisfaction of certain escrow release conditions, each subscription receipt was automatically converted into a \$1,000 principal amount convertible debenture.

The Debentures have a term of two years and bear interest at an annual rate of 7% payable in arrears in equal instalments semi-annually. The principal amount of the Debentures are convertible at the holder's option into common shares of the Company at any time prior to the maturity date at a conversion price of \$0.30 per conversion share. Subject to the approval of the TSX Venture Exchange, in lieu of paying any interest accrued and payable in respect of the convertible debentures, the Company may elect to settle such interest in conversion shares. At the option of the holder, the Debentures are also convertible into common shares of the Company at a price of \$0.30 per share.

In connection with the offering, the Company paid finder's fees of \$49,000 in cash and issued 81,659 finder's warrants. Each finder's warrant entitles the holder thereof to purchase one common share of DGTL at a price of 40 cents for a period of 36 months following the date on which the escrow release conditions are satisfied. The fair value of the finder's warrants was determined to be \$8,703 and recorded in financing fees expense.

The Company's accounts payable and accrued expenses are as follows:

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	<b>May 31, 2022</b>	<b>May 31, 2021</b>
Accounts payable	\$ 1,428,859	\$ 571,752
Accrued expenses	790,445	938,696
	\$ 2,219,304	\$ 1,510,448

\$207,995 of the \$790,445 accrued expenses relates to amounts accrued for creator costs.

The Company's future capital requirements will depend upon many factors including, without limitation, the success of its marketing and distribution channels. The Company has limited capital resources, and, prior to the business combination during the current period ended May 31, 2022, the Company's operating subsidiary relied upon the issuance of convertible promissory notes required for marketing the products, paying for software maintenance and development, and to fund the administration of the Company. Since the Company does not expect to generate substantial profit from operations in the immediate future, it may continue to rely upon the sales of equity and debt securities to raise capital, which would result in further dilution to the shareholders, and draws from its operating line of credit. There is no assurance that financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company or at all. See "Risk Factors".

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

#### **RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of the Board of Directors.

These transactions were agreed upon by the Board of Directors and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

During the year ended May 31, 2022, the Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees of \$9,164 (2021 - \$156,563) to Mr. Michael Racic, CEO, President, corporate secretary and a director of the Company. At May 31, 2022, the Company advanced \$nil (May 31, 2021 - \$9,740) to Mr. Racic.
- b) Paid or accrued consulting fees of \$9,164 (2021 - \$156,563) to Mr. Steven Goldberg, COO of the Company. At May 31, 2022, the Company advanced \$nil (May 31, 2021 - \$9,740) to Mr. Goldberg. Paid or accrued HR consulting fees of \$nil (2021 - \$42,256) to a company controlled by the COO. At May 31, 2022, the Company owed \$nil (May 31, 2021 - \$nil) to a company controlled by the COO.
- c) Paid or accrued consulting fees of \$nil (2021 - \$24,000) to Cross Davis & Company LLP, the accounting firm in which Mr. Scott Davis, the former CFO of the Company, is a partner. At May 31, 2022, the Company owed \$nil (May 31, 2021 - \$nil) to Cross Davis & Company LLP.
- d) Paid or accrued consulting fees of \$41,500 (2021 - \$nil) to Ty Consulting Inc., the accounting firm in which Mr. Sean Ty, the CFO of the Company, is a principal. At May 31, 2022, the Company owed \$32,959 (May 31, 2021 - \$nil) to Ty Consulting Inc.

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- e) Paid or accrued consulting fees of \$5,000 (2021 - \$nil) to Mr. Chris Foster, CFO. At May 31, 2022, the Company owed \$nil (May 31, 2021 - \$nil) to Mr. Chris Foster.
- f) Paid or accrued consulting fees for CEO services of \$21,249 (2021 - \$Nil) and advertising and promotion expenses of \$111,219 (2021 - \$155,791) to Prime Wire Media Inc. ("Prime Wire"), a private company controlled by Mr. John-David A. Belfontaine, CEO and Chairman. At May 31, 2022, the Company owed \$194,314 (May 31, 2021 - \$68,143) to Prime Wire. At May 31, 2022, the Company advanced \$nil (May 31, 2021 - \$12,296) to Prime Wire for services.
- g) Paid or accrued legal fees of \$nil (2021 - \$73,000) to Purdy Law Professional Corporation ("Purdy Law"), a private company controlled by Mr. Brendan Purdy, a director of the Company. At May 31, 2022, the Company owed \$175 (May 31, 2021 - \$175) to Purdy Law.

The remuneration of directors and other members of key management personnel during the year ended May 31, 2022 and 2021 are as follows:

Year ended May 31, 2022	Salaries and benefits	Fees	Share-based compensation	Total
Chief Executive Officer and Chairman, Director	\$ -	\$ 133,548	\$ -	\$ 133,548
Chief Financial Officer	-	5,000	-	5,000
Chief Revenue Officer and Chief Commercial Officer	111,449	-	-	111,449
Former Chief Executive Officer and President	-	9,164	-	9,164
Former Chief Operating Officer	-	9,164	-	9,164
Former Chief Financial Officer	-	51,808	-	51,808
Non-executive directors and other key management	-	-	-	-
	\$ 111,449	\$ 208,684	\$ -	\$ 320,133
<hr/>				
Year ended May 31, 2021				
Chief Executive Officer and President	\$ -	\$ 156,563	\$ 202,445	\$ 359,008
Chief Operating Officer	-	156,563	173,525	330,088
Chief Financial Officer	-	24,000	-	24,000
Non-executive directors and other key management	451,072	271,047	665,179	1,387,298
	\$ 451,072	\$ 608,173	\$ 1,041,149	\$ 2,100,394

**SUBSEQUENT EVENTS**

Subsequent to the year ended May 31, 2022,

- The Company has commenced litigation against the two former co-founders of Hashoff (the "Defendants"). The Company alleges that the Defendants made several material misrepresentations during the due diligence stage of the Company's purchase of Hashoff as well as breaching several material contracts. The Company seeks the recovery of all amounts owing as a result of the Defendants' misconduct, including damages in the amount of \$5,500,000 for a goodwill impairment charge, breach of contract, and fraudulent misrepresentation and otherwise negligent misrepresentation.
- The above-mentioned two Defendants filed a Notice of Intent to Defend against the Company's litigation and filed an associated Statement of Claim wherein the Defendants claim damages in the amount of \$3,000,000.
- The Company initiated a strategic restructuring of its wholly owned Hashoff, LLC subsidiary. The goal of restructuring its subsidiary is to apply objective third-party financial analysis to current business operations to assess long-term viability and to optimize organizational structures. On June 1, 2022, Hashoff retained the services of a strategic development and restructuring firm to assess legal and financial viability. The Hashoff restructuring team has completed a thorough and objective viability assessment. After presenting its report and reviewing the facts, the board voted unanimously to accept the

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recommendations of the strategic development and restructuring firm to commence a formal orderly wind-down and subsequent dissolution of Hashoff in accordance with Section 18-801 of the Delaware Limited Liability Company Act.

- The Company entered into a debt settlement agreement with Prime Wire to settle \$75,000 in common shares of the Company and with Ty Consulting Inc. to settle \$15,954 in common shares of the Company.
- 300,000 and 500,000 stock options, to purchase common shares in the capital of the Company at exercise prices of \$0.10 and \$0.70 per share, respectively, held by Mr. Michael Racic, former CEO, President, Company, and Mr. Steve Goldberg, former COO of the Company, the former CEO, expired.

**OUTSTANDING SHARES, STOCK OPTIONS, AND WARRANTS**

As at the date of this report, the Company had the following outstanding:

- 45,242,266 common shares
- 4,178,100 preferred shares
- 356,659 warrants
- Stock options

Number of Options	Exercise Price (\$)	Expiry Date
37,738	2.95	Nov. 17, 2022
5,767	3.41	Nov. 17, 2022
1,017	9.32	Feb. 21, 2023
14,012	2.27	Aug. 23, 2023
56,500	2.27	Sep. 23, 2023
11,865	2.27	Jan. 16, 2024
203,400	2.73	Jun. 14, 2024
27,120	3.41	Aug. 7, 2024
74,015	2.27	May 13, 2025
780,000	0.10	Aug. 21, 2024
626,000	0.10	Aug. 21, 2024
1,800,000	0.70	Jan. 25, 2026
<b>3,637,434</b>		

**RECENT ACCOUNTING POLICIES**

Please refer to the May 31, 2022 unaudited consolidated financial statements on [www.sedar.com](http://www.sedar.com).

**FINANCIAL INSTRUMENTS**

Please refer to the May 31, 2022 unaudited consolidated financial statements on [www.sedar.com](http://www.sedar.com).

**PROPOSED TRANSACTIONS**

There are no proposed transactions that have not been disclosed herein.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates. Please refer to Note 2 in the May 31, 2022 unaudited consolidated financial statements on [www.sedar.com](http://www.sedar.com) for "Use of Estimates and Judgments".

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

### **Changes in Internal Control over Financial Reporting ("ICFR")**

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited consolidated financial statements and the audited annual consolidated financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

## **OTHER MD&A REQUIREMENTS**

Additional disclosure of the Company's material change reports, news releases and other information can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

## **RISK FACTORS AND UNCERTAINTIES**

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Company's operations. The extent of the impact of this outbreak and related containment measures on the Company's operations cannot be reliably estimated at the date of these consolidated financial statements.

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 MD&A, 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.

If any of the following risks actually occur, the Company's business, financial condition, capital resources, results or future operations could be materially adversely affected. In such a case, the price of the common shares could decline, and investors may lose all or part of their investment.

### ***Dependence on third parties, including users and content providers***

DGTL is reliant to an extent on third parties, including content providers, users, and affiliate network publishers. DGTL's success is partially dependent on its ability to attract and retain quality content providers. There can be no assurance that these business relationships will continue to be maintained or that new ones will be successfully formed. A breach or disruption in these relationships could be detrimental to the future business, operating results and/or profitability of DGTL. Moreover, DGTL's financial performance will be significantly determined by its success in adding, retaining, and engaging active users of its services. If users do not perceive DGTL's content as interesting, unique and useful, DGTL may not be able to attract or retain additional users, which could adversely affect the business.

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***Reliance on Management***

The future success of DGTL Holdings Inc. is dependent on the ability, expertise, judgement and good faith of its senior executive management. As of March 19th, former Chief Executive Officer (CEO) Mr. Mike Racic and the former Chief Operations Officer (COO)/Chairman of the Audit Committee, Mr. Steven Goldberg were both replaced at the senior executive level. From May 31, 2021 to March 2, 2022, under the executive management of the former CEO Mr. Racic and former COO/Chairman of the Audit Committee Mr. Steven Goldberg, DGTL experienced a (47.9%) year-over-year decline in annual revenue (\$2,515,355 as of May 31, 2022 vs. \$3,976,793 as of May 31, 2022), a late filing of the FY2021 audited financials, a late filing of the FYQ1 2022 quarterly financials, a board initiated legal claim of \$5,500,000 in damages against the co-founders of Hashoff LLC, Mr. Joel Wright and Mr. Tom Jessiman (whom Mr. Racic and Mr. Goldberg introduced to the Company) for fraudulent misconduct and/or otherwise negligent misconduct, and a net loss and comprehensive loss for FY May 31, 2022 of \$4,535,289.

In Q4 FY2022, DGTL Holdings made significant positive changes to the senior executive management team. On March 2, 2022, Mr. Steven M. Brown was appointed as the new Chief Commercial Officer of DGTL Holdings Inc. in the completion of the acquisition of Engagement Labs Inc. On March 19, 2022, John Belfontaine, (founder of DGTL Holdings Inc. and largest individual Class A common shareholder) was appointed as the new Chief Executive Officer and Chairman of the Board. April 11th, 2022, former interim Chief Financial Officer (CFO), Mr. Sean Ty was replaced by permanent CFO Mr. Chris Foster and Independent Director Mr. David Beck was appointed as the new Chairman of the Audit Committee. These significant improvements at the senior executive level have added significant operational management ability, expertise, sound judgement, good faith and corporate governance experience in the executive administration of venture stage public companies in the interactive media and communications sector. Moving forward, management is confident in its ability to provide executive and operational experience and ability to the growth of DGTL Holdings Inc.

***Factors which may Prevent Realization of Growth Targets***

There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- Competitive conditions in the industry, including new products, product announcements and special pricing offered by competitors;
- Market acceptance of service offering;
- Ability to hire, train and retain sufficient qualified sales and professional services staff;
- Ability to complete service obligations related to subscriptions in a timely manner;
- Varying size, timing and contractual terms of marketing campaigns, which may delay the recognition of revenue;
- Ability to maintain existing relationships and to create new relationships to assist with sales and marketing efforts;
- The discretionary nature of advertising purchase and budget cycles and changes in their budgets for, and timing of, content production and related services;
- The length and variability of the sales cycles;
- Strategic decisions by DGTL or competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- General weakening of the economy resulting in a decrease in the overall demand for SaaS/CaaS and related services;
- Changes in DGTL's pricing policies and the pricing policies of DGTL's competitors;
- Timing of service development and new service offering initiatives;
- Changes in the mix of revenue attributable to substantially lower-margin service revenue as opposed to higher margin managed service revenues; and
- Cancellation of recurring monthly software contracts.

As a result, there is a risk that DGTL may not have services to meet the anticipated demand or to meet future demand when it arises.

Because DGTL's annual revenue is dependent upon a relatively small number of transactions, even minor variations in the rate and timing of conversion of sales prospects into revenue could cause the plan or budget to be inaccurate, and those variations could adversely affect financial results. Delays, reductions in the amount, or cancellations of customers' purchases would adversely affect DGTL's revenues, results of operations, and financial condition.

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***Additional Financing***

In order to execute the anticipated growth strategy, DGTL may require additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms, which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit DGTL's growth and may have a material adverse effect upon future profitability. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

***Historical Losses and Negative Operating Cash Flows***

DGTL has a history of operating losses and may generate continued operating losses and negative cash flows in the future while it carries out its current business plan to further develop and expand its network of digital media properties. DGTL has made significant up-front investments in acquiring significant digital media assets, marketing, and general and administrative expenses in order to rapidly develop and expand its business. The successful development and commercialization of these operations will depend on a number of significant financial, logistical, technical, marketing, legal, competitive, economic and other factors, the outcome of which cannot be predicted. There is no guarantee that DGTL's operations will be profitable or produce positive cash flow or that DGTL will be successful in generating significant revenues in the future or at all. DGTL's inability to ultimately generate sufficient revenues to become profitable and have positive cash flows could have a material adverse effect on its prospects, business, financial condition, results of operations or overall viability as an operating business.

***Competition***

The industry in which DGTL operates is highly competitive and competition could intensify, or any technological advantages held by DGTL may be reduced or lost, as a result of technological advances by its competitors.

If DGTL does not compete effectively with these competitors, its revenue may not grow. DGTL has experienced competition from a number of software and advertising technologies companies and expects continued competition in the future. DGTL's competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards. Increased competition may cause price reductions, reduced gross margins and reduced growth in sales, any of which could have a material adverse effect on the business, results of operations and financial condition of DGTL. DGTL faces substantial competition from established competitors, many of which may have greater financial, engineering, manufacturing and marketing resources than it does. Many of these companies also have a larger installed base of users, have longer operating histories or have greater name recognition than DGTL does. There can be no assurance that DGTL will successfully differentiate its current and proposed service offerings from the offerings of its competitors, or that the marketplace will consider the service offerings of DGTL, to be superior to competing offerings.

Because of the early stage of the industry in which DGTL operates, DGTL expects to face additional competition from new entrants. To maintain DGTL's competitive position, it is believed that DGTL will be required to continue a high level of investment in engineering, research and development, marketing and customer service and support. There can be no assurance that DGTL will have sufficient resources to continue to make these investments, that it will be able to make the technological advances necessary to maintain its competitive position, or that its products will receive market acceptance. DGTL's competitors may be able to respond more quickly to changes in customer requirements and devote greater resources to the enhancement, promotion and sale of their products. DGTL may not be able to compete successfully in the future, and increased competition may result in price reductions, reduced profit margins, loss of market share and an inability to generate cash flows that are sufficient to maintain or expand its development of new products.

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***Reliance on New Product and Service Offerings***

The success of the business of DGTL is dependent upon its ability to develop new products and enhance existing services. To keep pace with technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance, DGTL must enhance and improve existing products and must also continue to introduce new products and services. If DGTL is unable to successfully develop new offerings or enhance and improve existing offerings or it fails to position and/or price its services to meet market demand, the business and operating results of DGTL will be adversely affected. Any new service offerings could require long development and testing periods and may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenue.

***Dependence on Personnel***

Due to the technical nature of its business and the dynamic market in which DGTL competes, DGTL's success depends on its ability to attract and retain highly skilled developers, technology, engineering, managerial, marketing and sales personnel. In particular, DGTL's future success depends in part on the continued services of each of its current executive officers and other key employees and contractors. Competition for qualified personnel in the advertising technology, SaaS, and CaaS industries is intense. DGTL believes that there are only a limited number of persons with the requisite skills to serve in many key positions and it is difficult to hire and retain these persons. The loss of one or more of these key personnel may have a significant adverse effect on DGTL's sales, operations, technological development and profits.

***Difficulty to Forecast***

DGTL must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of DGTL.

***Variable Revenues / Earnings***

The revenues and earnings of DGTL may fluctuate from quarter to quarter. Revenues and earnings may vary quarter to quarter as a result of a number of factors, including the timing of substantial sales orders, activities of DGTL's competitors, and cyclical fluctuations related to the evolution of SaaS/CaaS technologies.

***Uncertainty of Pricing Model Changes***

If DGTL is required to change its pricing models to compete successfully, margins and operating results may be adversely affected. The intensely competitive market in which DGTL operates may require that prices be reduced. If competitors offer deep discounts on certain products or services in an effort to recapture or gain market share or to sell other software products, DGTL may be required to lower prices or offer other favourable terms to compete successfully. Any such changes would be likely to reduce margins and could adversely affect operating results.

Some competitors may bundle software products that compete with DGTL service offerings for promotional purposes or as a long-term pricing strategy or provide guarantees of prices and product implementations. These practices could, over time, limit the prices that DGTL can charge for its products. If DGTL cannot offset price reductions with a corresponding increase in the number of sales or with lower spending, then the reduced software licensing and managed service revenue resulting from lower prices would adversely affect margins and operating results.

***Inability to Develop and Maintain Strategic Relationships***

DGTL may not be able to successfully develop and maintain strategic relationships to sell and implement its service offerings. DGTL has or is developing relationships with third-party systems integrators, software and hardware vendors. These third parties may provide DGTL with customer referrals, cooperate in marketing DGTL's products and provide its customers with systems implementation services or additional complementary products. However, DGTL does not have formal agreements governing ongoing relationships with certain of these third-party providers and the agreements in place generally do not include obligations with respect to generating

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sales opportunities or co-operating on future business. Should any of these third parties go out of business or choose not to work with DGTL, it may be forced to increase the development of those capabilities internally, incurring significant expense and adversely affecting operating margins. These third-party providers may work with other companies which have products that compete with the DGTL products. DGTL could lose sales opportunities if it fails to work effectively with these parties or they choose not to work with DGTL.

***Technological Errors***

Errors in DGTL services could result in significant costs to DGTL and could impair its ability to sell its service offerings. DGTL service offerings are complex and, accordingly, they may contain errors, or “bugs”, that could be detected at any point in their life cycle. The reputation of DGTL could be materially and adversely affected by errors in the service offerings. These errors could result in significant costs to DGTL, delay planned release dates and impair the ability to sell products in the future. The costs incurred in correcting any errors may be substantial and could adversely affect operating margins. While DGTL plans to continually test for errors and work with customers through maintenance support services to identify and correct bugs, errors may be found in the future.

***Third Party Licenses***

DGTL licenses software from third parties. The loss of rights to use this software could increase operating expenses and could adversely affect DGTL's ability to compete. DGTL may license certain technologies used in its products from third parties, generally on a non-exclusive basis. The termination of any of these licenses, or the failure of the licensors to adequately maintain or update their products, could delay DGTL's ability to ship its products, as DGTL may need to seek to implement alternative technology offered by other sources. This may require unplanned investments by DGTL. In addition, alternative technology may not be available on commercially reasonable terms. In the future, it may be necessary or desirable to obtain other third-party technology licenses relating to one or more products or relating to current or future technologies to enhance DGTL's offerings. There is a risk that DGTL will not be able to obtain licensing rights to the needed technology on commercially reasonable terms, if at all.

***Management of Growth***

DGTL may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of DGTL to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of DGTL to deal with this growth may have a material adverse effect on DGTL's business, financial condition, results of operations and prospects.

***Litigation***

DGTL may become party to litigation from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which DGTL becomes involved be determined against DGTL such a decision could adversely affect DGTL's ability to continue operating and the market price for the Company's Common Shares and could use significant resources. Even if DGTL is involved in litigation and wins, litigation can redirect significant company resources.

***Intellectual Property***

DGTL does not hold any patents and intends to rely substantially on trade secrets, copyright legislation, common law trademark protection and trademark applications and registrations, nondisclosure and other contractual agreements. DGTL may consider filing patent applications in the future if strategically and commercially reasonable. DGTL cannot assure that steps taken to protect its intellectual property will be adequate, that competitors will not independently develop or patent substantially equivalent or superior technologies or be able to design around any future patents that DGTL may receive. Despite DGTL's best efforts, filing patent applications may not result in enforceable patent rights in all jurisdictions that DGTL does, or may, operate in. Further, any issued patents or third-party patents to which DGTL has licensed rights, may be of a restricted scope that does not cover possible foundational technologies and/or technologies practiced by others. Unauthorized parties may attempt to copy aspects of our products or to obtain information we regard as proprietary. Policing unauthorized use of proprietary technology, if required, may be difficult, time-consuming and costly. If a third-party misappropriates DGTL's intellectual property, DGTL may be unable to enforce its rights. If it is unable to protect its intellectual property against unauthorized use by others, it could have an adverse effect on our competitive position. DGTL may be challenged by allegations of its infringement of the intellectual property of others. There is no assurance DGTL will be successful

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in defending such claims and, if DGTL is unsuccessful, there is no assurance that it will be successful in obtaining a license for the intellectual property in question. Intellectual property claims are expensive and time consuming to defend and, even if they are without merit, may cause delay in the introduction of new products or services. In addition, our managerial resources could be diverted in order to defend our rights, which could disrupt our operations.

***Liquidity Risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they become due.

***Regulation***

DGTL is subject to general business regulations and laws as well as regulations and laws specifically governing collection of information and the internet. Existing and future laws and regulations may impede DGTL's growth strategies. These regulations and laws may cover taxation, privacy, data protection, pricing, content, copyrights, distribution, consumer protection, web services, websites, and the characteristics and quality of products and services. Unfavourable changes in regulations and laws could decrease demand for DGTL's digital media properties and inventory and increase its cost of doing business or otherwise have a material adverse effect on DGTL's reputation, popularity, results of operations, and financial condition.

As a result of disclosure of information in filings required of a public company, DGTL's business and financial condition are more visible, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, the Company's business and results of operations could be harmed, and even if the claims do not result in litigation or are resolved in its favor, these claims, and the time and resources necessary to resolve them, could divert the resources of the Company's management and harm its business and results of operations.

***Security of Digital Media Properties***

DGTL cannot guarantee absolute protection against unauthorized attempts to access its IT systems, including malicious third party applications or denial of service attacks that may interfere with or exploit security flaws in its digital media properties. Viruses, worms, and other malicious software programs could jeopardize the security of information stored in a user's computer or in DGTL's computer systems or attempt to change the internet experience of users by interfering with DGTL's ability to connect with a user. If any compromise to DGTL's security measures were to occur and DGTL's efforts to combat this breach were unsuccessful, DGTL's reputation may be harmed leading to an adverse effect on DGTL's financial condition and future prospects.

***General***

Although management believes that the above risks fairly and comprehensibly illustrate all material risks facing the Company, the risks noted above do not necessarily comprise all those potentially faced by the Company as it is impossible to foresee all possible risks.

Although the Directors will seek to minimise the impact of the risk factors, an investment in the Company should only be made by investors able to sustain a total loss of their investment. Investors are strongly recommended to consult a person who specialises in investments of this nature before making any decision to invest.