



FOGCHAIN CORP.
(FORMERLY MUKUBA RESOURCES LIMITED)

Management's Discussion and Analysis
For the Year ended December 31, 2018

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd.)
Management Discussion & Analysis
December 31, 2018

1.1 Date

This Management Discussion and Analysis (“MD&A”) of FogChain Corp. (formerly Mukuba Resources Ltd.) (the “Company”) has been prepared by management as of April 30, 2019 and should be read in conjunction with the audited consolidated financial statements and related notes thereto for the years ended December 31, 2018 and 2017, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) and are reported in United States (“US”) dollars unless otherwise stated.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that may constitute “forward-looking statements”. Forward-looking statements include but are not limited to, statements regarding future anticipated business developments and the timing thereof, regulatory compliance, sufficiency of working capital, and business and financing plans. Forward-looking statements are based on the beliefs, estimates and opinions of the Company’s management on the date the statements are made and they involve a number of material risks and uncertainties. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company’s ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

The Company has based the forward-looking statements largely on the Company’s current expectations, estimates, assumptions, and projections about future events and financial and other trends that the Company believes, as of the date of such statements, may affect its business, financial condition and results of operations. Such expectations, estimates, assumptions, and projections, many of which are beyond the Company’s control, include, but are not limited to: management’s expectations regarding the future business, objectives and operations of the Company; the Company’s anticipated cash needs and the need for additional financing; the Company’s ability to successfully complete future financings; the acceptance by the marketplace of new technologies and solutions; the Company’s expectations regarding its competitive position; the Company’s expectations regarding regulatory developments and the impact of the regulatory environment in which the Company operates; the Company’s ability to attract and retain qualified management personnel and key employees; and anticipated trends and challenges in the Company’s business and the markets in which it operates. Assumptions underlying the Company’s working capital requirements are based on management’s experience with other public companies. Forward-looking statements pertaining to the Company’s need for and ability to raise capital in the future are based on the projected costs of operating a blockchain software development platform and management’s experience with raising funds in current market circumstances. Forward-looking statements regarding treatment by governmental authorities assumes no material change in regulations, policies, or the application of the same by such authorities. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements with the risks set forth.

1.2 Overall Performance

FogChain Corp. (formerly Mukuba Resources Limited) (“FogChain” or the “Company”) was incorporated on February 7, 1984 under the *Business Corporations Act (Ontario)*.

On May 24, 2018, the Company completed a reverse takeover transaction (the “RTO”), which was effected pursuant to a merger agreement between Mukuba Resources Ltd. and FogChain Inc. (“Fog Inc.”), a private company existing under the laws of Delaware with its head office in San Carlos, California. As part of the transaction, the Company consolidated its share capital at a ratio of one post consolidated common shares

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for 1.66 pre-consolidated common shares, created restricted voting shares in the capital of the Company (“Restricted Common Shares”), changed its name to FogChain Corp. effective May 23, 2018, voluntarily delisted its common shares from the TSX Venture Exchange effective May 28, 2018, and commenced trading its shares on the Canadian Securities Exchange (“CSE”) on May 29, 2018, under the symbol FOG.

Pursuant to the RTO, the Company issued an aggregate of 45,353,884 common shares and 18,630,000 Class A convertible restricted common shares (the “restricted shares”) of the Company in exchange for all of the issued and outstanding shares of Fog Inc. In conjunction to the RTO, the Company issued an aggregate of 12,990,451 common shares for finder’s fees, debt settlement and conversion of convertible notes. Upon closing of the transaction, the shareholders of Fog Inc. owned 96% of the common shares of the Company and, as a result, the transaction is considered a reverse acquisition of the Company by Fog Inc.

General Description of the Business

FogChain is a fully integrated, end-to-end software development life cycle (SDLC) and quality assurance solutions provider. FogChain’s suite of services and technology provides application development at scale with greater speed, efficiency and at a lower cost. FogChain’s Build-Once-Deploy-Everywhere software architecture provides developers with a suite of tools to build, test, and monitor exciting new applications in a unified environment.

Company Highlights

Corporate

- In connection to the RTO, the Company completed a concurrent financing of 9,983,884 subscription receipts at a price of CAD\$0.54 per subscription receipt for total proceeds of \$4,108,121. The Company paid \$427,302 in share issuance costs for agent’s commission, legal and transfer agent costs. The Company also issued 686,255 agent’s warrants at an exercise price of CAD\$0.54 expiring on May 24, 2020.
- Consolidation of common shares on a basis of 1.66 pre-consolidated common shares for one post consolidated common share.
- Completed its business combination with Fog Inc. and commenced trading on the CSE on May 29, 2018 under the symbol “FOG”.
- Changed its auditors from UHY McGovern Hurley LLP to Dale Matheson Carr-Hilton Labonte LLP.
- Listed its common shares on the OTC Markets QB Exchange under the symbol FOGCF and on the Frankfurt Stock Exchange under the symbol MUU3.
- Changes in board members:
 - Karamveer Thakur resigned as a board member
 - Patrick Quilter appointed as Chief Strategy Officer and board member
 - Zachary Dymala-Dolesky appointed as a board member

Operations

- Acquired the RadJav rapid application development platform and other related assets from Higher Edge Software, LLC.
- Acquired software and intellectual property from Quilmont LLC specializing in automated testing, continuous integration and deployment, mobile and website development and software quality assurance.
- Launched a new automated testing managed service for software applications, *Test Case Manager*.
- Acquired an application monitoring and benchmarking platform and other related assets from AppMark, Inc.

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Products

RadJav

RadJav is a software development platform and decentralized datacenter. This platform provides rapid application development tools and resources to build and launch applications across all devices and operating systems all using the same code.

To-date, RadJav has completed its integration of RadJav to connect with top operating systems, Linux, Microsoft Windows, Mac OSX and Apple iOS 12, Google's Chrome DevTools and Android 9 operating system, and Visual Studio Code.

In April 2019, RadJav released its latest version and is now in Beta phase. Highlights of the latest release include:

- Create native applications using a single code base across all mainstream desktop, tablet and mobile operating systems
- Fully integrated with FogChain's Trident platform for development, testing and monitoring
- Cryptographic library included for the development of secure apps
- Visual Studio code is integrated and will be fully bundled for easy setup and deployment of applications
- Bundled batch file scripts to easily and quickly create iOS and Android apps
- Easily create databases using RocksDB, an embeddable key-value store for fast storage
- Full documentation, templates, and examples provided in our GitHub repository

The Company filed a Blockchain-based patent application covering RadJav's proof of competition consensus methodology and a new patent covering secured data access control using localized cryptographic technology.

Test Case Manager (TCM)

TCM is a patented automated testing product that allows organizations to accomplish substantial cost savings and improved time to market by automating their test cases. This container-based solution is comprised of a sleek, web UI and an innovative Selenium/Appium architecture that product development teams strive to achieve. The container approach is highly scalable and can exist onsite or accessed in the Cloud. The UI defines workflows and communication to aid in the implementation of Continuous Improvement & Continuous Development (CI/CD,) Test Driven Development (TDD), Business Process Testing (BPT), and the needs of independent QA teams. Automation engineers can leverage their Selenium and Appium skills by developing code within a tightly organized, keyword structure. Application analysts and subject matter experts will gravitate to the user-friendly drag-and-drop features for creating automation steps.

In March 2019, FogChain completed the development and release of significant new capabilities including the ability to capture mobile objects and elements to build an object repository for functional mobile automation.

AppMark

This full-featured Synthetic Monitoring service allows organizations to monitor the performance of their applications in a new and efficient manner. Users receive daily benchmarked performance reports, set timers, and email notifications when an issue occurs with their product thereby minimizing customer impact.

Trident

A unified cross-platform application combining FogChain's RadJav, Test Case Manager and Synthetic Monitoring services applications into one platform. This platform provides developers with a suite of tools to

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build, test and monitor new applications using a single code-base while being natively deployed across desktop, tablet and mobile devices.

1.3 Selected Annual Information

	December 31, 2018	December 31, 2017	April 13, 2016 (Date of incorporation) to December 31, 2016
Total revenues	\$ 194,345	\$ Nil	\$ Nil
Gross Profit	\$ 100,863	\$ Nil	\$ Nil
Net and Comprehensive Loss	\$ (6,495,346)	\$ (74,267)	\$ (2,520)
Loss per share	\$ (0.10)	\$ (0.00)	\$ (0.00)
Total assets	\$ 4,317,086	\$ 353,462	\$ Nil
Total long-term liabilities	\$ Nil	\$ Nil	\$ Nil
Cash dividends declared per share for each class of share	\$ Nil	\$ Nil	\$ Nil

1.4 Results of Operations

Year ended December 31, 2018

During the year ended December 31, 2018, the Company incurred an overall net loss of \$6,495,346 or \$0.10 per share compared to a net loss of \$74,267 or \$0.00 per share, an increase in loss of \$6,421,079. In 2017, the Company was not yet fully operational. In May 2018, the Company completed its RTO and incurred a total of \$2,686,401 in listing expenses which primarily attributed to the Company's net loss.

Upon the Company's acquisition and further development of RadJav and TCM platforms, the Company earned its first sales totaling \$194,345 during the year for IT support services, specifically, automated quality assurance test scripting, software development, performance monitoring, and onsite consulting & training. The Company earned a gross profit of \$100,863 or 52%. There were no sales in fiscal 2017.

The Company also earned interest income of \$6,513 from the private placement proceeds held in a trust account.

In addition to the listing expenses, the Company incurred the following costs which significantly attributed to the net loss:

Amortization (non-cash) of \$1,207,397 on its equipment and intangible assets.

Consulting fees - \$261,558 for business development, financial and advisory services.

Marketing - \$118,258 to increase the Company's presence to existing and potential investors following the completion of the RTO.

Office and administration - \$232,781 (2017 - \$20,261) which includes administrative services, general office costs as operations have increased and foreign exchange loss on Canadian bank balances.

Professional fees - \$635,361 (2017 - \$18,006) which includes legal costs in connection to general corporate matters, private placement and accounting and audit fees.

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Regulatory and transfer agent fees - \$39,576 paid in connection to the RTO and listing fees paid to the CSE and the OTC Markets and transfer agent services to maintain the Company's share treasury and escrow arrangements.

Rent - \$42,426 (2017 - \$36,000) for the Company's operations office in San Carlos, California.

Salaries and benefits - \$488,416 paid to the officers of the Company and technical staff.

A fair value of \$89,671 was recorded on 1,920,000 stock options granted in October 2018.

The Company issued share based payments at a total fair value of \$111,204. 32,524 common shares at a fair value were issued to two shareholders as consideration for a waiver and release of a voting support agreement and 1 Million common shares at a fair market value of \$97,825 were issued for the assets purchased from AppMark.

Software costs - \$147,692 for product licensing fees and other software subscriptions and acquisitions.

Travel - \$25,473 for management's travel costs for various meetings with the management team, brokers, lawyers and various investors within Canada and the USA.

During the year, the Company also recognized an impairment of \$516,507 (non- cash) assessed on its RadJav platform.

Three months ended December 31, 2018

During the three months ended December 31, 2018, the Company incurred a net loss of \$2,570,262 or \$0.04 per share compared to a net loss of \$47,267 for the three months ended December 31, 2017, an increase in net loss of \$2,522,995. The Company earned total revenues of \$162,825 and a gross profit of \$69,343 or 43% in the fourth quarter. Operations commenced in the current fiscal year thereby increasing operating expenses. It also issued its first grant to stock options and recognized an impairment of \$516,507 assessed on its RadJav platform.

EBITA and Adjusted EBITA

	Three Months Ended December 31,		Years Ended December 31,	
	2018	2017	2018	2017
Net loss – as reported	\$ (2,570,262)	\$ (47,267)	\$ (6,495,346)	\$ (74,267)
Add back (deduct):				
Interest Income	(839)	-	(6,513)	-
Amortization of equipment and intangible assets	1,207,397	-	1,207,397	-
EBITA (loss)	(1,363,704)	(47,267)	(5,294,462)	(74,267)
Other non-cash items:				
Share based compensation	89,671	-	89,671	-
Share based payments	109,084	-	111,204	-
Consulting fees	-	-	11,259	-
Listing expenses	-	-	2,536,300	-
Impairment of intangibles	516,507	-	516,507	-
Adjusted EBITA (loss)	\$ (648,442)	\$ (47,267)	\$ (2,029,521)	\$ (74,267)

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EBITDA is defined as Earnings (from operations) before Interest, Taxes, Depreciation and Amortization. Adjusted EBITDA is defined as Earnings (from operations) before Interest, Taxes, Depreciation, Amortization and other non-cash items including share-based payment costs.

EBITDA and Adjusted EBITDA are not performance measures defined under IFRS and they are not considered an alternative to income or loss from operations, or to comprehensive earnings or loss, in the context of measuring a company's performance. Management believes that providing certain non-GAAP performance measures, in addition to IFRS measures, provides users of the Company's financial statements with an enhanced understanding of its results and related trends and increases transparency and clarity. Management believes that EBITDA and Adjusted EBITDA are important measures of operating performance because it allows management, investors and others to evaluate and compare the Company's operating results, including its return on capital and operating efficiencies, from period-to-period by removing the impact of the Company's capital structure (interest expense to service outstanding debt), asset base (depreciation and amortization), tax consequences, and other non-operating items not requiring cash outlays including the adjustment to the fair value of investments and share-based compensation. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation.

Summary of Quarterly Results

The following is a summary of certain unaudited financial information for each of the last quarters since inception on April 13, 2016:

Quarter ended	Sales	Gross Profit	Operating expenses	Net Loss	Loss per share
December 31, 2018	\$ 162,825	\$ 69,343	\$ 2,124,157	\$ (2,570,262)	\$ (0.04)
September 30, 2018	31,520	31,520	573,344	(541,403)	(0.00)
June 30, 2018	-	-	395,006	(3,076,374)	(0.06)
March 31, 2018	-	-	307,307	(307,307)	(0.00)
December 31, 2017	-	-	47,267	(47,267)	(0.00)
September 30, 2017	-	-	9,000	(9,000)	(0.00)
June 30, 2017	-	-	9,000	(9,000)	(0.00)
March 31, 2017	-	-	9,000	(9,000)	(0.00)

December 31, 2018 – higher net loss due to increased operations and recognition of impairment of intangible assets.

September 30, 2018 – increased operating activities with the acquisition of two software products. The quarter also earned its first sales from IT support services.

June 30, 2018 – the quarter included listing expenses in connection to the completion of the RTO.

March 31, 2018 – the first full quarter to reflect the increase in operations of the Company.

December 31, 2017 – the Company commenced active operations during this period.

March 31, 2017 to September 30, 2017 – the Company was newly incorporated on April 13, 2016 and operations were not active during these interim periods.

1.6/1.7 Liquidity and Capital Resources

The Company reported working capital of \$1,693,571 at December 31, 2018 compared to working capital deficiency of \$67,872 at December 31, 2017, representing an increase in working capital of \$1,761,443.

As at December 31, 2018, the Company had net cash on hand of \$1,801,412 compared to \$353,462 as at December 31, 2017, representing an increase of \$1,447,950. During the year ended December 31, 2018, the Company used \$1,975,795 of its cash in operating activities.

The Company's investing activities included the acquisition of equipment and intangible assets totaling \$270,757 and received cash of \$17,214 on the acquisition of Quilmont.

During the year ended December 31, 2018, the Company completed its equity financing in connection to the

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RTO for net proceeds of \$3,680,819.

Current assets excluding cash as at December 31, 2018 consisted of receivables of \$65,128 which comprised of government sales tax credits of \$2,783 (December 31, 2017 - \$Nil) and trade receivables of \$62,345 (December 31, 2017 - \$Nil), and prepaids of \$18,230 (December 31, 2017 - \$Nil).

Current liabilities as at December 31, 2018 consisted of trade payables and accrued liabilities of \$191,200 (December 31, 2017 - \$13,774), dues to related parties of \$Nil (December 31, 2017 - \$7,560), and convertible debentures of \$Nil (December 31, 2017 - \$400,000).

The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future. The Company has an accumulated deficit of \$6,572,133 including a loss for the year ended December 31, 2018 of \$6,495,346. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

Although the Company has been successful in raising funds in the past, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future. The other sources of funds potentially available to the Company are through the exercise of outstanding stock options and share purchase warrants. See Item 1.15 – Other Requirements – Summary of Outstanding Share Data. There can be no assurance, whatsoever, that any or all of these outstanding exercisable securities will be exercised. The Company has and may continue to have capital requirements in excess of its currently available resources.

Risk Factors and Uncertainties

The Company can be exposed, in varying degrees, to a variety of financial related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts which is held with reputable US and Canadian banks. Therefore, credit risk is assessed as low.

The Company's secondary exposure to credit risk is on its receivables. The Company has credit risk as it relates to the collection of its receivables. Current receivables are due from two customers consisting of 96% and refundable Canadian government sales taxes consisting of the remaining 4% of total receivables.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash and cash equivalent balances to ensure that it is able to meet its short term and long term obligations as and when they fall due.

As at December 31, 2018, the Company had working capital of \$1,693,571 (December 31, 2017 –working capital deficiency of \$67,872).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rates and is subject to the movement in interest rates. Management considers the interest rate to be

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minimal.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, and accounts payable and accrued liabilities that are denominated in Canadian Dollars. Management does not hedge its exposure to foreign exchange risk and does not believe the Company's net exposure to foreign currency risk is significant.

As at December 31, 2018, the Company had net financial assets of CAD\$139,047. A 10% change in the US dollar versus the Canadian dollar would give rise to a gain/loss of approximately \$10,192.

(c) Price risk

The Company is not exposed to price risk.

1.8 Off-Balance Sheet Arrangements

The Company did not enter into any off-balance sheet arrangements.

1.9 Related Party Transactions

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers.

During the year ended December 31, 2018, the remuneration of the key management personnel were as follows:

	December 31, 2018	December 31, 2017
Chief Executive Officer	\$ 117,000	\$ -
VP Product Marketing & Corporate Secretary	91,667	-
Chief Strategy Officer	40,000	-
Total	\$ 248,667	\$ -

Other related party transactions and balances

- (i) The Company leases office space on a month to month basis from Newton Energy, Inc., a company with a common director and shareholder, James Cerna, for a monthly rent of \$3,000 plus \$420 in telecommunication services.

During the year ended December 31, 2018, the Company paid a total of \$41,460 (2017 - \$41,040) in rent and telecommunications charges.

As at December 31, 2018, the Company owed James Cerna, director and officer of the Company, \$Nil (December 31, 2017 - \$7,560) in expense reimbursements. This amount was included in due to related party.

- (ii) As at December 31, 2018, \$200 (2017 - \$Nil) was owed to Anthony Cerna, officer of the Company for reimbursement of expenses. This amount was included in the trade payables and accrued liabilities.

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- (iii) As at December 31, 2018, \$930 (2017 – \$Nil) was owed to Patrick Quilter, director and officer of the Company for reimbursement of expenses. This amount was included in the trade payables and accrued liabilities.
- (iv) In connection to the purchase agreement dated August 29, 2018 (Note 6(b)), 4,100,000 common shares were issued to Quilmont, a company wholly owned by Patrick Quilter, a director and officer of the Company.
- (v) The former Chief Executive Officer and former Chief Financial Officer of FogChain is a senior employee of Marrelli Support Services (“Marrelli”). During the year ended December 31, 2018, the Company issued 84,868 common shares to settle outstanding debt of \$45,829 due to Marrelli.
- (vi) The Company’s former legal counsel, Peterson McVicar LLP, was issued 123,059 common shares to settle outstanding debt of \$91,452.

1.10 Fourth Quarter and Subsequent Events

On October 1, 2018, the Company granted 1,920,000 stock options to directors, employees and consultants to the Company at an exercise price of CAD\$0.28 per share expiring on October 1, 2022.

Please also see *1.4 Results of Operations*.

Subsequent to December 31, 2018, the Company:

- a) Appointed Newgate Communications as PR adviser.
- b) Engaged a consultant on January 8, 2019 to provide advisory services for strategic consulting matters and investor relations activities in exchange for total cash consideration of \$100,000 paid in equal quarterly payments and an aggregate of 2 million common shares over a one year term.

1.11 Proposed Transactions

None

1.12 Critical Accounting Estimates

Not applicable to venture issuers.

1.13 Changes in Accounting Policies including Initial Adoption

Our significant accounting policies are set out in Note 2 of the audited financial statements for the year ended December 31, 2018.

1.14 Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, and trades payables.

The Company has exposures to financial risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which

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the Company is exposed are liquidity risk and funding risk.

1.15 Other Requirements

Summary of Outstanding Share Data as at April 30, 2019:

Authorized - Unlimited common shares without par value

Issued – Common Shares: 75,622,224 (includes 2,430,000 in escrow shares)

Issued – Class A Restricted Convertible Voting Common Shares – 18,630,000 (includes 13,972,500 in escrow shares)

Warrants – 686,255

Options – 1,908,750

Additional disclosures pertaining to the Company's management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

On behalf of the Board of Directors, thank you for your continued support.

"James Cerna"

James Cerna
Director & CEO