

# Globalive Technology Inc.

## Management Discussion and Analysis (Quarterly Highlights)

For the period from March 1, 2018 to June 30, 2018

Dated: August 10, 2018

This management discussion and analysis quarterly highlights (the “MD&A”) provides a quarterly update on the financial condition and results of operations of Globalive Technology Inc. (“GT” or the “Company”) for the period from March 1, 2018 to June 30, 2018 (the “Financial Period”) and is provided as of August 10, 2018 (the “MD&A Date”). This MD&A should be read in conjunction with the Company’s financial statements for the Financial Period (the “Financial Statements”) and with the Company’s first management discussion and analysis dated as of May 25, 2018 and the Company’s filing statement dated as of May 29, 2018 (collectively, the “First MD&A”), all of which are incorporated by reference into this MD&A.

The Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts presented are stated in Canadian dollars, unless otherwise indicated.

## **PART I - FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A constitute “forward-looking statements”, including but not limited to statements about potential software development projects or customers in the pipeline for certain of the Company’s joint ventures, statements about the Company’s conditional and discretionary call and first refusal rights with respect to a potential business acquisition, and statements about the development of certain technologies and joint ventures that are still in the early stages of their inception. These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact, including those identified above, may be forward-looking statements.

Forward-looking statements are often, but not always, identified using words such as “may”, “would”, “could”, “will”, “intend”, “plan”, “propose”, “anticipate”, “believe”, “aim”, “seek”, “estimate”, “project”, “predict” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon by investors as actual results may vary. These statements speak as of the MD&A Date and are expressly qualified, in their entirety, by this cautionary statement. The Company’s actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors, including but not limited to a breakdown in the Company’s relationship with its joint venture partners, difficulties or delays in the development of new technologies, technologies not functioning as expected, third parties not using technologies and services as expected, economic conditions making certain technologies or services less attractive than anticipated, competitors in the industry, and other risks as set out in the First MD&A.

## **PART II - INTRODUCTION**

### **The Company**

GT was formed on June 8, 2018, by the amalgamation of Globalive Technology Partners Inc. (“GTP”) and Corporate Catalyst Acquisition Inc. (“CCA”). Its registered and records offices are located at East Tower, Bay Adelaide Centre, 22 Adelaide Street West, Suite 3400, Toronto, Ontario, M5H 4E3, and its head office is located at 48 Yonge Street, Suite 1200, Toronto, Ontario, M5E 1G6.

### **Corporate History**

GTP was incorporated under the *Business Corporations Act* (Ontario) on December 7, 2017, with the goal of commercializing technologies, including those based on artificial intelligence and machine learning, blockchain and the internet of things. This strategy included entering into joint ventures with third parties (“Collaborators”) who had existing customers for these technologies and co-developing new software applications and technology platforms for use in the Collaborators’ businesses and for licensing to third-parties. In appropriate cases, in furtherance of its core business, GTP would also provide capital support to its Collaborators and joint ventures.

On June 8, 2018, GTP completed a reverse takeover transaction (the “RTO Transaction”) with CCA, a capital pool company listed on the NEX Exchange, resulting in the formation of GT. On June 13, 2018, following the completion of the RTO Transaction, GT’s common shares commenced trading on the TSX Venture Exchange (“TSX-V”). GT is the successor of GTP and carries on its same goals and business.

## Year-End

Following the RTO Transaction, GT changed its financial year end from February 28th to December 31<sup>st</sup>, resulting in a four-month reporting period for its second calendar quarter, from March 1st to June 30th, 2018.

## PART III - OPERATING HIGHLIGHTS

Key operating milestones and developments since the date of the First MD&A are as follows:

- **Joint Venture with Business Instincts Group Inc. (Globalive BIG Dev Inc.):** On May 24, 2018, the Company completed the initial organization and set-up of its joint venture with Business Instincts Group Inc. The joint venture is a full service, agile development and continuous delivery software development firm dedicated to building and launching innovative new technologies. The joint venture is being carried out through a special purpose vehicle, Globalive BIG Dev Inc. (“GBD”), which currently has 11 potential software development projects in its pipeline. The Company provided initial funding to GBD during the Financial Period of \$1,250,000. GBD is owned 51% by the Company and 49% by Business Instincts Group Inc., and the financial statements of the Company and GBD were consolidated for the Financial Period.
- **Mining-as-a-Service Joint Venture:** On June 11, 2018, the Company entered into a joint venture agreement with HyperBlock Inc. (“Hyperblock”) to provide digital currency mining-as-a-service to retail customers. The joint venture also generates digital currency for the Company when it has excess capacity that is not being used to service customers, which is converted into U.S. dollars on a monthly basis. The joint venture launched in June 2018 and generated initial revenues of \$55,979 in that month, prior to onboarding any customers. All of the joint venture’s 800 servers were fully operational by the middle of July 2018.
- **Put, Call and Right of First Refusal (Flexiti Financial Inc.):**
  - o On May 24, 2018, the Company entered into an agreement with a related party, 2629331 Ontario Inc. (“262 Ontario”), in which it obtained a right of first refusal over any acquisition of 262 Ontario and granted the owners of 262 Ontario the right to put that entity to the Company on certain terms and conditions.
  - o On June 7, 2018, 262 Ontario acquired a 41.4% equity interest in, and 51% voting control over, Wellspring Holding Corporation, the parent company of Flexiti Financial Inc., a financial technology lender offering technology-enabled instant credit approvals at the point-of-sale for big-ticket retailers.
  - o On June 21, 2018, the Company and 262 Ontario amended and restated their previously-disclosed agreement (the “Put/Call Agreement”) with the result that (i) the Company has a right of first refusal to acquire 262 Ontario in the event of a proposed sale to a third party; (ii) the Company has a call right that it can exercise to acquire 262 Ontario for a purchase price payable by the issuance of 13,333,333 common shares of the Company (“GT Shares”); and the Company has given the owners of 262 Ontario a put right to compel the Company to acquire it for a purchase price payable by the issuance of 5,000,000 GT Shares.

The exercise of these rights are subject to certain terms and conditions, including TSX-V approval. There can be no assurance at this time that either the put, call or right of first refusal will be exercised or, if exercised, that the conditions to completing the acquisition of 262 Ontario will be satisfied.

- **Consolidated Billing Platform:** On July 11, 2018, the Company entered into a binding term sheet with Sponsor Energy Inc. to establish a joint venture that will offer streamlined, consolidated billing services for utilities and small household bills.
- **Multi-Asset Trading Platform:** As previously disclosed, the Company was negotiating with Coinsquare Ltd. for a license to use their cryptocurrency exchange technology platform in the United Kingdom and European Union; however, the parties were ultimately unable to agree on definitive terms for that arrangement. The Company has determined that it may be beneficial to develop its own technology and expand the scope of services and products that it intends to offer beyond cryptocurrencies and is now exploring ways in which to leverage its technology resources and relationships to achieve its strategic goals with a broader range of services and product offerings.

- **Hiring:** The Company is expanding its product and engineering team to focus on three core competencies: billing, commerce and research and development (particularly in the areas of blockchain and artificial intelligence). Since the date of the First MD&A, the Company has hired published and patent-awarded data scientists, and engineers with backgrounds in fintech, billing systems development and foundational hyperledger development.
- **Investments:** The Company continues to make strategic investments in existing and potential future Collaborators and other strategic partners:
  - o On June 7, 2018, the Company acquired certain strategic assets from related parties (Globalive Capital Inc. and 2330573 Ontario Inc.) consisting of securities in technology companies who are or may become Collaborators or who are viewed by management as offering products or services that are complementary or otherwise of interest to the Company. The companies whose securities were acquired consist of: Timeplay Inc., Wellspring Holding Corporation, Flexiti Financial Inc., Eigen Innovations Inc., Civic Resource Group International Inc., Civic Resource Group Exchange, Inc., TouchBistro Inc. and Pitchpoint Solutions Inc.
  - o During the Financial Period, the Company also allocated capital into FutureVault Inc., HyperBlock, Eigen Innovations Inc. and Civic Resource Group International Inc.
  - o Following the end of the Financial Period, but prior to the MD&A Date, the Company also allocated capital into ACORN Biolabs Inc. and XBL Investments Inc., which will be reflected in the financial statements for its third quarter operations.

## PART IV - LIQUIDITY AND CAPITAL RESOURCES

### Non-IFRS Financial Measures

This MD&A and the First MD&A make use of a non-IFRS financial measure, “working capital”, that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Working capital consists of current assets minus investments minus current liabilities plus promissory notes. Working capital excludes any digital assets and investments. For a more detailed explanation of management’s approach to working capital and the risks and uncertainties of using this financial measure to evaluate the Company’s performance, please see the First MD&A.

### Cash Balance and Working Capital

As at June 30, 2018, GT had a cash balance of \$26,354,036 and working capital of \$28,802,853 available to fund the Company’s operations. Working capital is reconciled to the amounts in the Unaudited Condensed Interim Consolidated Statements of Financial Position as at June 30 and February 28, 2018 as follows:

	<u>June 30, 2018</u>	<u>February 28, 2018</u>
Current Assets	\$44,547,540	\$10,118,699
Less: Investments	<u>(15,463,695)</u>	<u>(8,675,001)</u>
	29,066,712	\$1,443,698
Less: Current Liabilities	(248,492)	(996,012)
Plus: Promissory Note	<u>-</u>	<u>750,000</u>
	(248,492)	(246,012)
<b>Working Capital</b>	<b><u>28,834,853</u></b>	<b><u>\$1,197,686</u></b>

Being in its inception phase, the Company currently generates cash by raising equity capital, with some non-material revenue generated by some of its initial joint ventures. Management believes that this will provide enough liquidity to support the Company’s

objective to capitalize on the creation of joint ventures with Collaborators and will support the Company's normal working capital needs during the next 24 months of operation.

## PART V - PERFORMANCE

### Review of Operations and Financial Results

During the Financial Period, the Company recorded a loss of (\$7,047,815) mainly relating to fair value adjustments for its equity investments as follows:

	February 28, 2018	June 30, 2018
Investments at estimated fair market	9,721,977	16,770,265
Investments at cost	2,832,840	16,427,839
Unrealized gain (loss) from investments	6,889,137	(342,426)
Change in unrealized gain (loss) from investments		(6,546,708)
Equity pickup from investments in associates		(43,328)
Unrealized (gain) loss from investments allocated to capital account		(1,375,814)
Revenues		55,979
Other income		46,372
<b>Total loss</b>		<b>(7,863,498)</b>

Expenditures for the Financial Period totaled \$2,254,285 and included a non-cash listing fee recognized from the difference between the fair market value of the GT Shares issued to CCA and the net asset value of CCA as shown below:

Fair value of GT Shares issued to CCA	\$723,790
Less: cancellation of the CCA's share capital account	\$(831,324)
Less: cancellation of the CCA's contributed surplus account	\$(129,295)
plus: cancellation of the CCA's retained deficit account	\$839,252
<b>Listing fee (allocated to expenses)</b>	<b>\$602,423</b>

Other expenses included marketing and public relations expenses of \$422,817, professional fees (including legal, accounting and consulting expenses) of \$256,507, salary compensation of \$262,772, share based compensation of \$384,678, other general and administration expenses of \$270,255 and depreciation of property and equipment of \$23,448.

## PART VI - Financial Highlights

A summary of selected financial information for the period from inception on December 7, 2017 to February 28, 2018, and for the Financial Period, is as follows:

Statement of Income and Comprehensive income: (in thousands of dollars)	June 30, 2018	February 28, 2018	Change
Total income (loss)	(7,863)	6,889	(14,752)
Operating expenses	(2,254)	(457)	(1,797)
Net income (loss) before taxes	(10,118)	6,432	(16,550)
Deferred income tax recovery (expense)	913	(913)	1,826
Net income after taxes	(9,205)	5,519	(14,724)

**Earnings per share:**  
(in dollars)

Basic	(0.110)	0.146	(0.257)
Diluted	(0.110)	0.133	(0.244)

**Statement of Financial Position:**  
(in thousands of dollars)

Working capital	28,835	1,198	27,637
Total Assets	50,467	12,480	37,987
Total Liabilities	248	1,909	(1,661)

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**PART VII - COMMITMENTS AND CONTINGENCIES:**

GT has entered into an agreement to purchase an aggregate of \$625,000 preferred shares of ACORN Biolabs Inc. The Company funded \$312,500 of this commitment after the Financial Period but before the MD&A Date, with the balance expected to be funded during the third quarter in 2018.

**PART VIII - FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

As of June 30, 2018, the Company's financial instruments include cash, investments at fair value through profit or loss, other receivables, accounts payables, accrued liabilities and the Put/Call Agreement. For fair value determinations, in addition to the estimation of fair value of financial instruments as described below, please refer to note 7 of the Financial Statements.

As at June 30, 2018, the fair value of cash, other receivables and accounts payables and accrued liabilities approximated their carrying value due to their short-term nature.

As at June 30, 2018, the Company carried investments in certain technology companies to satisfy its objective of driving pipelines for potential Collaborators, as described above. These securities are classified as fair value through profit or loss. Please refer to notes 6 and 7 of the Financial Statements for more information.

The Company obtained a third-party valuation to estimate the value of its rights and obligations under the Put/Call Agreement mentioned in Part III above. Please refer to notes 3(d) and 7 of the Financial Statements for more information.

**PART IX - FINANCIAL RISKS**

**Digital Currency Risk**

The Company is subject to certain risks and uncertainties including those associated with digital currencies. While it is GT's intent not to carry digital currencies on its balance sheet, there may be times when this occurs. These digital currencies can be categorized as having higher volatility and less liquidity than fiat currencies, which could have an adverse effect on the Company's results, business prospects or financial position.

**Other Financial Risks**

As of the MD&A Date, there have been no material changes to the other financial risks identified in the First MD&A.

**PART X - RELATED PARTY TRANSACTIONS**

The Company completed several related party transactions during the period covered by this MD&A, consisting of:

- **Vend-in Transaction:** On June 7, 2018, the Company completed the Vend-in Transaction with two related parties, Globalive Capital Inc. and 2330573 Ontario Inc., as described above.

- **Put/Call/Right of First Refusal (Flexiti Financial Inc.):** On July 21, 2018, the Company negotiated an amended and restated Put, Call and ROFR Agreement with two related parties, Globalive Capital Inc. and 262 Ontario, as described above.
- **Payments to Globalive Media Inc. / Globalive Capital Inc./ VRG Capital Corp.:** On March 31, 2018, January 1, 2018, and April 1, 2018 Globalive Media Inc., Globalive Capital Inc., and VRG Capital Corp. entered into service agreements respectively with the Company to provide the Company with certain functions and supporting roles. Mr. Anthony Lacavera, the Company's Chief Executive Officer and one of its Directors, controls Globalive Media Corp. and Globalive Capital Inc., while Mr. J.R. Kingsley Ward, the Company's Chairman and one of its Directors, is a Managing Partner of VRG Capital Corp.

## PART XI - SHARE CAPITAL

### Overview

As at June 30, 2018, the Company's authorized number of common shares was unlimited without par value, while the Company's number of issued common shares as of same date was 136,536,212 shares. A summary of the Company's issued and outstanding common shares is as follows:

Description	Shares	Amount \$
Seed Financing	65,040,020	5,052,001
Non-brokered private placement Convertible Debentures	14,537,508	7,268,789
Brokered Private Placement (net of \$3,132,091 issue cost)	30,000,000	26,867,909
GCI Vend-In assets	19,914,894	11,333,261
Due from investors for the Initial Seed Financing share issuance	6,320,000	316,000
Issuance of the new GT shares to CCA shareholders	723,790	723,790
<b>Total</b>	<b>136,536,212</b>	<b>51,529,842</b>

### Highlights

Key changes to the Company's share capital since the date of the First MD&A are as follows:

- **RTO Transaction:** On April 5, 2018, GTP completed the brokered private placement of 30,000,000 subscription receipts ("GTP Subscription Receipts") with Canaccord Genuity Corp., Clarus Securities Inc., Eventus Capital Corp. and Laurentian Bank Securities Inc. acting as agents in respect of the private placement at a price of \$1.00 per GT Subscription Receipt for gross proceeds of \$30,000,000, less the fees and commissions of the agents. Each GTP Subscription Receipt automatically converted into one GT Share upon completion of the RTO Transaction on June 8, 2018, and the funds were released to the Company.
- **Vend-in Transaction:** On June 7, 2018, GT acquired certain assets, consisting of securities and warrants to acquire securities of certain technology companies who are or may become Collaborators or who are viewed by management as offering products or services that are complimentary or otherwise of interest to the Company, from Globalive Capital Inc. and 2330573 Ontario Inc. In satisfaction of the payment for these assets, GT issued an aggregate of 19,914,894 GTP Shares to the vendors.
- **Employee Stock Compensation Plan:** On June 8, 2018, the Company approved an omnibus equity incentive plan which provides the board of directors (or the appointed compensation committee) with the discretionary ability to issue compensatory awards based on GT Shares, options, restricted share units, share appreciation rights, etc., to employees, directors and consultants of the Company. The total number of GT Shares that can be awarded under the plan is 27,307,242 GT Shares. As of the MD&A Date, there are an aggregate of 7,250,000 options for GT Shares and 7,250,000 restricted share units for GT Shares issued to the Company's officers, employees and consultants.

- **Dividends or Distributions:** GT has not declared or paid any dividends or distributions on the GT Shares to date (and GTP did not pay any dividends or distributions on the GTP Shares prior to the RTO Transaction). The payments of dividends or distributions in the future are dependent on GT's earnings, financial condition and such other factors as the Board of GT considers appropriate. GT currently does not anticipate paying any dividends in the foreseeable future.

**PART XII - ADDITIONAL INFORMATION:**

Additional information relating to GT is available on SEDAR at [www.sedar.com](http://www.sedar.com).