# Globalive Technology Inc.

## Management Discussion and Analysis

For the period from January 1, 2019 to December 31, 2019

Dated: April 14, 2020

This management discussion and analysis (the "**MD&A**") of the financial condition and results of operations of Globalive Technology Inc. ("**GT**" or the "**Company**") is for the period from January 1, 2019 to December 31, 2019 (the "**Reporting Period**") and is provided as of April 14, 2020 (the "**MD&A Date**"). This MD&A should be read in conjunction with the Company's audited financial statements for the Reporting Period (the "**Financial Statements**").

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 its business and strategic plans and those of its business ventures and consolidated subsidiaries; future expected revenues, investments, expenses and losses; payment of future dividends and distributions; existing and potential future business relationships; expectations for future growth; the vesting and exercise of awards issued under its equity compensation plan; existing and potential future transactional opportunities, including the potential to acquire a control position or other significant equity stake in the Flexiti Group (as defined below); statements about the Company's call and first refusal rights with respect to the Flexiti Group; statements about the Company's conditional exercise of its call right with respect to the Flexiti Group; the commercial terms of any transaction in respect of the Flexiti Group, including liabilities that may be incurred and the Company's plans in respect of those liabilities; the availability of adequate financing for the Company and the Flexiti Group; the Company's relationship with the Flexiti Group and its other business venture partners and Collaborators (as defined below); the Company's software development projects; expected future performance, revenues, expenses, losses and operations of the Company's business ventures; expected performance of the Company's Collaborators and other technology companies that the Company has invested in; statements about the Company's short and medium term working capital requirements; and the potential effect of the novel coronavirus pandemic and the response of governments, regulators, businesses and customers to the pandemic on existing and potential transactional opportunities, the availability of financing, the performance and viability of the Company's business ventures, business partners and investee technology companies. 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", "subject to", "dependant on", "anticipate", "future", "potential", "later", "on certain terms and conditions", "conditional on", "faces", "possibility", "risk", "expects", "in the process of", "trends" 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 entirely, 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 changes to the Company's business focus or strategic plan; changes in market and industry conditions; unexpected operating gains or losses; management's assessment of the viability of different businesses and business partners; a breakdown in the Company's relationship with its existing or potential future business venture and transactional partners and investee companies; changes in the Company's management and employees; the availability of future transactional opportunities; the satisfaction of the conditions precedent to completing any existing business or transactional opportunities, including the availability of adequate financing and regulatory, shareholder and third-party approvals; other parties seeking to acquire an interest in the Flexiti Group; 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, businesses or services less attractive than anticipated; competitors in the industry; the novel coronavirus pandemic and the response of governments, regulators, businesses and customers to the pandemic impacting on the value and performance of the Company's business partners and investee technology companies, the timing and viability of existing transactional opportunities and the availability of future transactional opportunities, the availability of financing, business interruptions due to illness, work-from home policies or supply chain disruptions, and other risks, including those set out in the Financial Statements. Except as may be required by Canadian securities law and the rules of the TSX Venture Exchange, the Company is under no obligation to update any forward-looking statements should material facts change due to new information, future events or other factors and does not undertake to do so.

## 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, blockchain and the internet of things. This strategy involved entering into business 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 business of building and commercializing software solutions using optimal technology stacks.

### Share Capital

The Company's authorized capital consists of an unlimited number of common shares ("**GT Shares**") without par value. At the end of the Reporting Period there were 138,908,895 GT Shares issued and outstanding, together with 4,050,000 options and 2,483,338 restricted share units ("**RSU**") outstanding under the Company's Omnibus Equity Compensation Plan 2018 (the "**Equity Plan**"), each of which is exercisable for one GT Share subject to applicable vesting and other terms and, in the case of options, payment of the applicable exercise price. During the Reporting Period, following the receipt of shareholder approval at the Company's annual general meeting on June 20, 2019 (the "**AGM**"), the exercise price for all of the Company's issued options was amended to $0.25/share from an original exercise price of $1.00/share.

After the Reporting Period, but prior to the MD&A Date, certain events have resulted in the issuance, cancellation or forfeiture of additional GT Shares, options and RSUs:

- The Company has issued an aggregate of 949,997 GT Shares to employees and directors of the Company in settlement of RSUs that vested in the ordinary course on January 1, 2020 and April 1, 2020 under the Equity Plan.

- The Company has issued 490,796 GT Shares to the Company's Chief Executive Officer in settlement of his net salary for the period from October 1, 2019 to December 31, 2019, in accordance with the compensation structure approved by the shareholders of the Company at the AGM. The Company and the Chief Executive Officer agreed to settle his net salary for the period from January 1, 2020 to March 31, 2020 in cash, such that no additional shares were issued for that period.

- The Company initiated a normal course issuer bid program ("**NCIB**") on February 3, 2020 under which the Company aims to purchase for cancellation up to 5% of its issued and outstanding shares by December 31, 2020. As at the MD&A Date, the Company has cancelled 550,000 GT Shares under this program.

- An employee departure resulted in the forfeiture of 41,668 unvested RSUs and 83,334 unvested options.

As at the MD&A Date, there are therefore a total of 139,779,688 GT shares, 3,966,666 options for GT Shares and 1,491,673 RSUs for GT Shares issued and outstanding.

The Company has not declared or paid any dividends or distributions on the GT Shares to date. The payments of dividends or distributions in the future are dependent on the Company's earnings, financial condition and such other factors as the board of directors considers appropriate. The Company currently does not anticipate paying any dividends in the foreseeable future.

**Changes to Financial Year-End**

The initial financial year-end of GTP was February 28, resulting in a first financial year that was approximately 3 months in length (from December 7, 2017 to February 28, 2018, the "**Initial Period**"). Upon completing the RTO Transaction, the year-end of GT was changed to December 31, resulting in a 10-month Reporting Period from March 1, 2018 to December 31, 2018 (the "**Prior Period**"). The different lengths of the financial years should be carefully considered when comparing the financial performance of the Company during the Reporting Period against the Prior Period and the Initial Period.

**Non-IFRS Financial Measures**

This MD&A makes 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 current investments minus current liabilities plus promissory notes. Working capital excludes any digital assets and investments. Working capital should not be considered in isolation or as an alternative or substitute from measures prepared in accordance with IFRS (such as Net and Comprehensive Income).

## PART III - OVERALL PERFORMANCE

The Company's current focus is on research, development and transactional opportunities for growth. During the Reporting Period, due to a significant decline in applicable markets, the Company substantially ceased its operations in the blockchain and cryptocurrency space and took steps to wind-down its business ventures in those areas. The Company has also taken steps to conserve its available capital for use in other business ventures and transactional opportunities, reducing its employee count and overhead, surrendering non-essential leases and obtaining approval at the Company's AGM to pay its Chief Executive Officer's net salary in shares of the Company, rather than in cash, for the period from July 1, 2019 to June 30, 2020.

In total, the Company experienced a net loss of $14,448,574 during the Reporting Period, consisting primarily of losses resulting from the re-valuation of certain investments, one-time expenses relating to the wind-down of the Company's business ventures in the blockchain and cryptocurrency spaces and other ordinary operating expenses. The Company also continues to make and maintain strategic investments technology companies, including existing and potential future Collaborators, and made $4,306,529 of investments in such companies during the Reporting Period (compared to $16,341,997 in the Prior Period).

## PART IV - SELECTED ANNUAL INFORMATION

The Company's net losses during the Reporting Period were comprised primarily of realized and unrealized losses from investments held at fair value ($8,690,745), expenses ($5,208,672), losses from discontinued operations ($485,245) and other losses ($458,656). Revenues generated by the Company's business ventures were entirely offset by the fees and expenses required to operate, maintain and in some cases wind-down those ventures. Other income generated by interest on cash deposits and dividends received from investments was $263,390 (compared to $777,819 in the Prior Period).

The Company's expenses during the Reporting Period consisted of employee and service provider fees and wages, including: employee salaries and wages ($2,768,121), non-cash employee equity compensation ($962,079), legal and accounting professional fees ($831,128), marketing fees ($138,908), and office, general and administrative expenses ($495,848) relating to rent, insurance, license fees and other miscellaneous expenses, and some minor depreciation of property and equipment ($12,588). The Company's total expenses in the Reporting Period ($5,208,672) compare favourably to its expenses in the Prior Period ($10,994,685), owing primarily to the Company's capital conservation measures, and include a number of one-time expenses relating to the wind-down of certain business ventures and the initial implementation of some of the capital conservation measures during the Reporting Period.

The unrealized loss from investments held at fair value of ($8,690,745) reflects a re-valuation by the Company of certain senior secured debentures that it acquired in 2018 in 2629331 Ontario Inc. ("**262**"), the controlling shareholder of FLX Holding Corp. ("**FLX**"), the parent of Flexiti Financial Inc ("**Flexiti**", and together with FLX and their respective subsidiaries, the "**Flexiti Group**") following a series of internal financing rounds in those companies, as well as losses relating to foreign exchange rates. These losses are partially offset by a gain of $1,310,116 realized by the Company on one of its private equity holdings. While the Company experienced fewer losses from investments held at fair value in the Reporting Period as compared to the Prior Period ($10,598,541), these figures are not directly comparable, having each been driven by specific one-time events relating to different financial assets/investments held by the Company.

The Company's losses from discontinued operations ($485,245) relate to the wind-down of the Company's cryptocurrency mining venture with HyperBlock Inc. ("**HyperBlock**"). The wind-down of this venture began and ended within the Reporting Period and, as such, the Company did not experience any comparable losses in the Prior Period.

The Company also experienced other losses ($458,656) during the Reporting Period, relating primarily to the wind-down of its agile software development venture with Business Instincts Group Inc. ("**BIG**") and the sale of certain fixed assets used in connection with the business ventures wound-down during the Reporting Period. This compares favourably to other losses in the Prior Period ($2,398,155), which consisted primarily of other write-downs of business ventures and investments in the blockchain and cryptocurrency space.

The following is a summary of selected financial information for each of the Company's two completed financial periods, the year ended December 31, 2019 and the ten-month period ended December 31, 2018:

| | **December 31, 2019** | **December 31, 2018** |
|---|---:|---:|
| **Total Revenue and other income (loss)** | | |
| *Revenue* | Nil | Nil |
| *Other Income* | $264,390 | $777,819 |
| *Equity pickup from investments in associates* | Nil | $(116,975) |
| *Other Losses* | $(458,656) | $(2,398,155) |
| *Change in unrealized gain (loss) from investments held at fair value through profit or loss.* | $(8,690,745) | $(10,598,541) |
| **Profit / Loss from Cont. Ops. Attributable to Owners of the Parent** | | |
| *Per Share* | $(0.101) | $(0.183) |
| *Per Diluted Share* | $(0.101) | $(0.183) |
| **Profit / Loss Attributable to Owners of the Parent** | | |
| *Per Share* | $(0.105) | $(0.195) |
| *Per Diluted Share* | $(0.105) | $(0.195) |
| **Total Assets** | $24,205,551 | $38,311,011 |
| **Total Liabilities** | $152,807 | $1,046,334 |
| *Current Liabilities* | $152,807 | $1,046,334 |
| *Non-Current Liabilities* | Nil | Nil |
| **Distributions / Cash Dividends** | | |
| *Common Shares* | Nil | Nil |

Performance during the 10-month Prior Period and the 12-month Reporting Period must be compared carefully, with a view to the different lengths of those two periods.

## PART V - REVIEW OF OPERATIONS

The core of the Company's operating business is building and commercializing software solutions using optimal technology stacks. The Company is also engaged in pursuing a number of transactional opportunities for growth, and periodically makes investments in technology companies who are existing and potential future Collaborators.

**Operations during the Reporting Period**

Key operating milestones and developments during the Reporting Period were as follows:

- ***<u>Interest in the Flexiti Group:</u>*** The most significant activity engaged in by the Company during the Reporting Period and up to the MD&A Date relates to its interest in the Flexiti Group, a Canadian point-of-sale retail lender. The Company continued to take steps during the Reporting Period to support its interest in the Flexiti Group and to position itself to potentially acquire control of, or a more significant equity position in, the Flexiti Group. These steps included: (i) exercising its call right to acquire (and subsequently amalgamate with) 262, the controlling shareholder of FLX, subject to certain conditions precedent including the Company being satisfied that adequate financing can be raised by the Company, FLX and Flexiti to support the business of the Flexiti Group, (ii) working with the Flexiti Group and its key stakeholders to see if the foregoing conditions can be satisfied, (iii) providing a secured $3,000,000 loan to 262 to allow it to participate in internal Flexiti Group securities offerings to preserve its equity position in those companies, and (iv) participating in non-binding discussions around a possible business combination or other transaction between the Company, FLX and Flexiti, which was ultimately not pursued.

  The following is a more detailed summary of the steps taken during the Reporting Period and up to the MD&A Date:

  - On January 1, 2019, the Company and Flexiti entered into a services agreement which provided that the Company's Chief Technology Officer and Chief People Officer would dedicate a portion of their working time to delivering management services to Flexiti.

  - On January 9, 2019 and February 20, 2019, the Company announced it is exercising the call right to acquire 262 under a put, call and right of first refusal agreement dated June 21, 2018 (the "**Put/Call Agreement**"), subject to certain conditions precedent, including the Company's satisfaction that adequate financing can be obtained to fund the Flexiti Group. The Company continues to work with the Flexiti Group to see if these conditions can be satisfied.

  - On February 22, 2019, FLX completed an offering for Series 2 Class B Preferred Shares of FLX, convertible into common shares of FLX, which was made available to FLX shareholders *pro rata* according to their existing interests in the company. The Company participated in the FLX rights offering directly for its *pro rata* share of 1.5% ($225,000) and advanced a $3,000,000 secured loan to 262 to allow it to participate for its *pro rata* share of 41.4% of the rights offering ($2,635,000). The shares acquired by 262 in this offering form part of the security held by the Company in respect of its loan to 262.

  - On April 30, 2019, Flexiti offered a limited number of Class A Shares to existing stakeholders, including 262 who participated for $250,000. These shares form part of the security held by the Company in respect of its loan to 262.

  - From July 2019 through December 2019, the Company worked with the Flexiti Group and its key stakeholders to support the ongoing financing efforts of the Flexiti Group. These efforts included participating in non-binding discussions around a possible business combination or other transaction that would result in the Company owning a more significant portion of the common equity of FLX and Flexiti. These discussions did not proceed beyond the non-binding stage and, as of the MD&A Date, are no longer being actively pursued.

  There can be no assurance at this time that the conditions necessary to complete the transactions associated with the exercise of the Company's call right over 262 will be satisfied or that any such transaction will be consummated. The Company faces risks relating to its interest in the Flexiti Group, including the risk that adequate financing cannot be secured to support the operations and growth of the Flexiti Group, the possibility of a breakdown in the Company's relationship and negotiations with the Flexiti Group, the risk that a transaction to acquire control of the Flexiti Group cannot be consummated, or cannot be consummated on terms as favourable as anticipated, including because of a lack of necessary third-party approvals, the risk of competition from third-parties also interested in acquiring the Flexiti Group, the risk that the Company will not have sufficient capital to complete a transaction, the dilution of 262's interest in the Flexiti Group, and other risks typical of transactions of this nature.

  The foregoing risks have been exacerbated, following the end of the Reporting Period but prior to the MD&A Date, by recent developments relating to the novel coronavirus pandemic, including the measures implemented by governments, regulators, businesses and customers to respond to the pandemic, the significant decline and heightened volatility in world markets, and the potential effect on the Flexiti Group's business and retail partners. The risks and uncertainties presented by the foregoing may impact the desirability, feasibility and economic terms of a transaction by the Company to acquire a more significant interest in the Flexiti Group. Consequently, the Company is in the process of re-evaluating any potential transaction involving the Flexiti Group while it waits for markets to stabilize and for the full effect of the pandemic to become clear.

The Company expects it will continue to spend capital on its interest in Flexiti in the ordinary course to preserve its existing position. If the Company decides to continue to pursue a transaction, then it will spend additional capital to negotiate such a transaction and, if a transaction is ultimately consummated, will likely be required to incur material debt and issue a significant number of GT Shares in order to fulfill its obligations in respect of that transaction.

- ***Consolidated Billing Platform (Sponsor):*** The Company has been engaged in developing a utility commerce management platform that bundles the billing for utility services and other similar household bills into a single consolidated invoicing and payment regime for Neighbor Billing Inc. ("**Neighbor**"). During the Reporting Period, following a thorough consideration of market conditions and strategic alternatives, the Company determined that the additional capital required to fund the next phase of Neighbor's development and operations exceeded what the Company and its business partner, Sponsor Energy Inc. ("**Sponsor**"), were prepared to make available. On June 4, 2019, the Company completed a transaction to conclude its business venture with Sponsor, with the result that the Company is now the sole owner of Neighbor and its associated intellectual property, but has granted limited licenses to Sponsor to allow it to commercialize certain of the intellectual property on a non-exclusive basis in the utilities market. The Chief Technology Officer, Chief People Officer and certain employees engaged by the Company to work solely on the Neighbor billing platform departed the Company during the Reporting Period and the Company does not anticipate pursuing any further development of Neighbor in the near term.

- ***Blockchain and Cryptocurrency Business Ventures:*** During the Prior Period the Company pursued and formed a number of business ventures with partners in the blockchain and cryptocurrency space, including: (i) a business venture with HyperBlock formed on June 11, 2018, to provide digital currency mining-as-a-service to retail customers, and (ii) a business venture with BIG formed on May 24, 2018, to form an agile development and continuous delivery software development firm dedicated to launching innovative solutions in the blockchain space. The blockchain and cryptocurrency markets declined significantly during the Prior Period and these ventures did not perform to the Company's expectations.

  The Company is not actively pursuing additional business partners or opportunities in the blockchain or cryptocurrency space and took steps during the Reporting Period to wind-down its existing business ventures in this space: selling the digital currency mining equipment from its business venture with HyperBlock to HyperBlock for a purchase price of $63,920, and selling its interest in its business venture with BIG to BIG for a debenture in the principal amount of $1,250,000.

- ***Investments:*** The Company has made and continues to make strategic investments in existing and potential future Collaborators and other strategic partners. During the Reporting Period, the Company allocated additional capital into Xtreme Blockchain Labs Inc., Pitchpoint Solutions Inc., Civic Resources Group International (d/b/a "**CivicConnect**"), Acorn Biolabs Inc. and the Blockchain and Artificial Intelligence Fund established by Creative Destruction Labs at the University of Toronto (the "**CDL Bc-AI Fund**"). After the Reporting Period but prior to the MD&A Date, the Company also allocated some further capital to CivicConnect. The details of these investments and their valuation are described in the Financial Statements.

  The Company faces risks in connection with its strategic investments that are typical of venture investing in early-stage technology companies, including but not limited to: changes to the Company's business focus, strategic plan or capital requirements making follow-on investments or the formation of business ventures with potential Collaborators unattractive; changes in market and industry conditions for investees; unexpected operating gains or losses in the investees; a breakdown in the Company's relationship with its existing or potential future investees and Collaborators; the availability of adequate financing for investees; difficulties or delays in the development of new technologies by investees; investee technologies not functioning as expected; third parties not using investee technologies and services as expected; economic conditions making certain investee technologies or services less attractive than anticipated; and competitors in investee industries. Following the end of the Reporting Period, the Company now also faces risks associated with the novel coronavirus pandemic and the response of governments, regulators, businesses and customers to the pandemic, which may have a significant effect on the Company's strategic investments, including but not limited to: reducing the availability of financing and transactional opportunities to investees; reductions in investee working capital and liquidity, staffing and supply chain challenges faced by investees due to illness; business disruptions caused by the closure of non-essential businesses and mandatory or optional work-from-home policies; the loss of existing and potential customers and business partners for investees; and other risks typical for technology companies operating during the novel coronavirus pandemic.

**Operations during the Fourth Quarter**

The most significant developments for the Company during the quarter ended December 31, 2019 included (i) working with the Flexiti Group and its key stakeholders to support the ongoing financing efforts of the Flexiti Group, as described in greater detail above, (ii) investigating other potential opportunities for growth through transactions with third parties, (iii) allocating some additional capital to Acorn Biolabs Inc., and (iv) meeting in an advisory capacity with certain Collaborators and technology companies that the Company has invested in.

## PART VI - SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial information for each quarter since the completion of the RTO Transaction:

***Reporting Period***

| | Dec 31, 2019 | Sept 30, 2019 | June 30, 2019 | March 31, 2019 |
|---|---|---|---|---|
| **Total Revenue** | - | - | - | - |
| **Profit / Loss from Cont. Ops. Attributable to Owners of the Parent** | | | | |
| *Per Share* | $(0.016) | $0.007 | $(0.080) | $(0.012) |
| *Per Diluted Share* | $(0.016) | $0.007 | $(0.080) | $(0.012) |
| **Profit / Loss Attributable to Owners of the Parent** | | | | |
| *Per Share* | $(0.016) | $0.007 | $(0.080) | $(0.016) |
| *Per Diluted Share* | $(0.016) | $0.007 | $(0.080) | $(0.016) |

***Prior Period***

| | Dec 31, 2018 | Sept 30, 2018 | June 30, 2018[1] |
|---|---|---|---|
| **Total Revenue** | | | |
| **Profit / Loss from Cont. Ops. Attributable to Owners of the Parent** | | | |
| *Per Share* | $(0.040) | $(0.033) | $(0.11) |
| *Per Diluted Share* | $(0.040) | $(0.033) | $(0.11) |
| **Profit / Loss Attributable to Owners of the Parent** | | | |
| *Per Share* | $(0.052) | $(0.033) | $(0.11) |
| *Per Diluted Share* | $(0.052) | $(0.033) | $(0.11) |

Management does not believe the quarter-by-quarter performance of the Company at this stage of the Company's development reflects any significant long-term trends. Expenses, revenues, profits, losses, assets, liabilities and cash flow in each of the recent quarters have been determined primarily by one-time investments, transactions and events and are not likely to be indicative of future performance trends (positive or negative). The Company's decision to exit its blockchain and cryptocurrency business ventures

[1] The period ended June 30, 2018 was a 4-month period running from March 1, 2018 to June 30, 2018, whereas the other periods shown in this table are 3-month periods. Readers should carefully consider the different length of this period when comparing it to the results from other quarters.

means that revenues generated by those ventures will not continue into future quarters, and there can be no assurance that the conditions necessary to continue to pursue, negotiate or complete a transaction with the Flexiti Group will be met. Furthermore, any quarterly trends from the Reporting Period and the Prior Period would likely be disrupted in any event by the challenges, risks and uncertainties presented by the novel coronavirus pandemic, which are expected to begin to impact the Company in Q1 2020.

## PART VII - LIQUIDITY AND CAPITAL RESOURCES

### Cash Balance and Working Capital

As at the end of the Reporting Period, the Company had a cash balance of $8,860,276 and working capital of $8,764,497 available to fund the Company's operations (compared to cash of $13,436,845 and working capital of $13,546,228 for the Prior Period). Working capital is reconciled to the amounts in the Statements of Financial Position as at the end of each quarter of the Reporting Period and the Prior Period as follows:

***Reporting Period***

| | December 31, 2019 | September 30, 2019 | June 30, 2019 | March 31, 2019 |
|---|---|---|---|---|
| Current Assets | 19,903,889 | 21,498,682 | 20,961,237 | 24,093,321 |
| Less: Investments | (10,986,585) | (11,985,727) | (13,799,291) | (14,516,954) |
| | 8,917,304 | 9,512,955 | 7,161,946 | 9,576,367 |
| Less: Current Liabilities | (152,807) | (113,416) | (344,712) | (652,311) |
| Plus: Promissory Note | - | - | - | - |
| | (152,807) | (113,416) | (344,712) | (652,311) |
| **Working Capital** | 8,764,497 | 9,399,539 | 6,817,234 | 8,924,056 |

***Prior Period***

| | December 31, 2018 | September 30, 2018 | June 30, 2018 | February 28, 2018[2] |
|---|---|---|---|---|
| Current Assets | 29,170,674 | 40,966,871 | 44,547,540 | 10,118,699 |
| Less: Investments | (14,578,112) | (15,217,037) | (15,463,695) | (8,675,001) |
| | 14,592,562 | 25,749,834 | 29,066,712 | 1,443,698 |
| Less: Current Liabilities | (1,046,334) | (381,077) | (248,492) | (996,012) |
| Plus: Promissory Note | - | - | - | 750,000 |
| | (1,046,334) | (381,077) | (248,492) | (246,012) |
| **Working Capital** | 13,546,228 | 25,368,757 | 28,834,853 | 1,197,686 |

The Company currently generates cash by raising equity capital, with modest amounts of additional income raised through realizations on its investments in technology companies and Collaborators. Management believes that this will provide enough liquidity to support the Company's existing operations and normal working capital needs for the 12 months following the end of the Reporting Period.

[2] As the Prior Period was a 10-month period running from March 1, 2018 to December 31, 2018, working capital is shown as at the end of the previous financial period on February 28, 2018, rather than for the first quarter of the Prior Period.

Notwithstanding the foregoing, if the Company decides to continue to pursue an exercise of its call right to acquire a control position over the Flexiti Group, additional financing through the issuance of debt or equity securities will likely be required in order to achieve the Company's business objectives. Management is currently investigating opportunities for suitable financing, and the completion of any of the foregoing transactions is conditional on management being satisfied that appropriate financing is available. Following the end of the Reporting Period but prior to the MD&A Date, developments relating to the novel coronavirus pandemic and the reactions of governments, regulators, businesses and customers have impacted on the availability and cost of financing and have increased the risk that adequate financing for such a transaction may not be available, or may not be available on terms satisfactory or advantageous to the Company.

## PART VIII - COMMITMENTS AND CONTINGENCIES

The Company did not have any material commitments or contingencies as at the end of the Reporting Period. During the Reporting Period, the Company funded US $250,000 to the CDL Bc-AI Fund in satisfaction of a commitment entered into in the Prior Period, and terminated its membership agreement to lease office space in Toronto, Ontario and its lease for office space in New York, New York.

After the end of the Reporting Period, but prior to the MD&A Date, the Company initiated its NCIB program in which it has committed to purchasing up to 5% of its issued and outstanding common shares on or before December 31, 2020. The NCIB is an automatic securities purchase plan, such that the specific timing of any share purchase under the program will be determined by the Company's broker in accordance with applicable laws and standing instructions from management with respect to maximum price and total funds available for purchases. There can be no assurance as to the precise number of common shares that will be repurchased or the price at which they will be purchased, and the Company may discontinue its purchase at any time, subject to compliance with applicable regulatory requirements. These risks have been exacerbated in recent months by the novel coronavirus pandemic and the response of governments, regulators, businesses and customers to the pandemic, which have resulted in a significant decline and increased volatility in global markets which may impact on share price and the availability of shares to be purchased through the NCIB.

## PART IX - OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any material off balance sheet arrangements.

## PART X - CHANGES IN ACCOUNTING POLICIES

**New and amended standards**

The following are new and amended accounting standards applied by the Company effective at the start of the Reporting Period.

- ***IFRS 16 "Leases":*** IFRS 16 requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

  Management has determined that this standard has no material impact on the Financial Statements.

- ***IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments:*** IFRIC 23 clarifies how the requirements of *IAS 12 – "Income Taxes"* should be applied when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on or after January 1, 2019, with modified retrospective or retrospective application.

  Adoption of IFRIC 23 had no significant impact on the Company's consolidated financial statements.

- ***IFRS Annual Improvements 2015-2017:*** In December 2017 the International Accounting Standards Board ("**IASB**") issued amendments to clarify the requirements of four IFRS standards. The amendments are effective for annual periods beginning on or after January 1, 2019, primarily with prospective application.

Adoption of the amendments had no impact on the Company's consolidated financial statements.

**New and amended standards issued but not yet effective**

The following new standards and amendments have been issued by the IASB and were not yet effective for the Reporting Period. The company does not expect to adopt any of them in advance of their respective effective dates.

- ***Conceptual Framework for Financial Reporting (''Conceptual Framework'')**:* On March 29, 2018, the IASB published a revised Conceptual Framework that includes revised definitions of an asset and a liability as well as new guidance on measurement, derecognition, presentation and disclosure. The revised Conceptual Framework does not constitute an accounting pronouncement and will not result in any immediate change to IFRS, but the IASB and IFRS Interpretations Committee will use it in setting future standards. The revised Conceptual Framework is effective for the Company beginning on January 1, 2020 and will apply when developing an accounting policy for an issue not addressed by IFRS.

- ***Definition of Material (Amendments to IAS 1 and IAS 8):*** On October 31, 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to clarify the definition of ''material''. The amendments are applied prospectively on or after January 1, 2020 and are not expected to have a significant impact on the Company's consolidated financial statements.

- ***Definition of a Business (Amendments to IFRS 3):*** On October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations to narrow the definition of a business and clarify the distinction between a business combination and an asset acquisition. The amendments are applied prospectively to all business combinations and asset acquisitions on or after January 1, 2020 and are not expected to have a significant impact on the Company's consolidated financial statements.

## PART XI - FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

As at the end of the Reporting Period and the Prior Period, the Company's financial instruments included cash, investments at fair value through profit or loss, other receivables, accounts payables, accrued liabilities, promissory notes and its rights under 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 notes 3(f) and 8 of the Financial Statements.

As at the end of the Reporting Period, the fair value of cash, other receivables, prepaid expenses, accounts payable and accrued liabilities approximated their carrying value due to their short-term nature.

As at the end of the Reporting Period, the Company carried investments in certain technology companies and potential Collaborators. 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 in the Prior Period to estimate the value of its rights and obligations under the Put/Call Agreement mentioned above. Please refer to note 4 of the Financial Statements for more information.

## PART XII - FINANCIAL RISKS

The Company's activities expose it to a variety of financial risks that arise as a result of its operating, investing, and financing activities including:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Price risk.

This note presents information about the Company's exposure to the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included in the Financial Statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

**Credit Risk**

Credit risk is the potential for financial loss to the Company if a counterparty in a transaction fails to meet its obligations. The Company's cash and cash equivalents, other receivables and investments are exposed to credit risk. The Company monitors its credit risk management policies continuously to evaluate their effectiveness and feels that the creditworthiness of its counterparties is currently satisfactory. Cash and cash equivalents primarily consist of highly liquid temporary deposits with Canadian chartered banks. While the novel coronavirus pandemic is expected to increase credit risk generally across global markets, the Company does not expect to experience any disproportionate increase in its own credit risk and continues to believe the creditworthiness of its counterparties is satisfactory.

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come 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 when due.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. To achieve this objective, the Company prepares annual operational expenditure budgets which are regularly monitored and updated as considered necessary. As at the end of the Reporting Period, the Company had $8,860,276 of cash available to settle $152,807 of financial liabilities.

The Company's accounts payable and accrued expenses are non-interest bearing and are due in less than 90 days.

While the novel coronavirus pandemic is expected to increase liquidity risk generally across global markets, the Company does not expect to experience any disproportionate increase in its own liquidity risk.

**Market Risk**

Market risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in interest rates, foreign exchange rates or equity prices.

Since December 31, 2019 there have been more frequent changes to interest rates and foreign exchange rates, and significant volatility in markets for equity securities, due, among other things, to uncertainty around the impact of the novel coronavirus pandemic and the reactions of governments, regulators, businesses and customers. These events may impact the fair values of the Company's investments in private companies, the amount of which cannot be reliably determined at this point in time. If the financial markets and/or the overall economy are impacted for an extended period, the Company's investment results may be adversely affected for a period of time into the future.

The Company's investments are classified at FVTPL, therefore changes in fair market value on securities are recorded in net income. Further risks related to market risks that are present in the Company are as follows:

- ***Price Risk:*** The Company is exposed to equity securities price risk because of investments held by the Company. As at the end of the Reporting Period, had the fair values of the investments at FVTPL increased or decreased by 30%, with all other variables held constant, net income would have increased or decreased by approximately $4,585,000 (December 31, 2018 - $7,058,000). The novel coronavirus pandemic has resulted, after the Reporting Period but prior to the MD&A Date, in a significant decline in global securities markets and heightened volatility which are expected to significantly increase price risk for the Company in the short to medium term.

- ***<u>Interest Rate Risk:</u>*** The Company's interest rate risk arises from investments in debt instruments carried at FVTPL and cash balances with variable rates of interest as fair value of these financial instruments can fluctuate because of changes in market interest rates. As at the end of the Reporting Period and the Prior Period, the Company's exposure to interest rate risk is immaterial and is only limited to interest income on cash balances based on variable rates.

- ***<u>Currency Risk:</u>*** Currency risk arises from financial instruments that are denominated in a currency other than the functional currency of the Company, which is the Canadian dollar. The Company is exposed to the risk that the value of investments denominated in currency other than Canadian dollars will fluctuate due to changes in exchange rates. The Company's investments denominated in United States Dollars ("**USD**") and Great Britain Pounds ("**GBP**") are marked accordingly in the schedule of investments included in note 6 of the Financial Statements. As at the end of the Reporting Period, the approximate impact on the Company if the CAD weakened by 5% in relation to USD and GBP would be a gain of $414,000 and $nil respectively (as at the end of the Prior Period it would have been $383,000 and $5,000 respectively). If the Canadian dollar were to strengthen relative to these currencies, the opposite would occur. In practice, actual results may differ from this sensitivity analysis and the difference could be material. The novel coronavirus pandemic has resulted, after the Reporting Period but prior to the MD&A Date, in a significant decline in the value of the Canadian dollar against USD and GBP and the Company expects to experience significantly increased currency risk in the short to medium term.

## PART XIII - RELATED PARTY TRANSACTIONS

The Company completed several related party transactions during the Reporting Period and prior to the MD&A Date, which have been described in greater detail above. In summary, related party transactions during the Reporting Period and prior to the MD&A Date included:

- ***<u>Loan to 262 Ontario:</u>*** On February 22, 2019, the Company made a loan of $3,000,000 to 262 Ontario to allow it to participate for its *pro rata* share ($2,635,000) of the Series 2 Class B Preferred Shares of FLX and to acquire a further $250,000 of Class A Shares of Flexiti. The loan is secured by a first ranking charge over the shares acquired using the loan proceeds. The Company and 262 are both controlled by Globalive Capital Inc.

- ***<u>Flexiti Dividends:</u>*** The Company receives dividends at a rate of 15% per annum on $1,000,000 Class A Shares of Flexiti that it acquired in the Prior Period. These dividend payments were suspended in May 2019 and have not been resumed as at the MD&A Date. The Company and, indirectly, Flexiti are both controlled by Globalive Capital Inc.

- ***<u>Option Price Amendment:</u>*** At the Company's AGM, the shareholders approved an amendment to the Company's issued and outstanding vested and unvested options, including 3,625,000 options issued to insiders of the Company, to amend the exercise price of those options from $1.00 to $0.25. The amendment went into effect on July 31, 2019.

- ***<u>Change to Form of CEO Compensation</u>***: At the Company's AGM, the shareholders approved an amendment to the form of compensation paid by the Company to its Chief Executive Officer. During the period from July 1, 2019 until June 30, 2020, the Chief Executive Officer will receive his net pay quarterly, in arrears, in common shares of the Company, issued at the price per common share on the last day markets were open in the applicable quarter, up to a maximum of 1,590,910 shares. The first such payment was made on October 1, 2019 by issuing 631,023 shares in satisfaction of a net salary of $44,171.67 owing for the period from July 1, 2019 to September 30, 2019. The second such payment was made on January 2, 2019 by issuing 490,796 shares in satisfaction of a net salary of $44,171.67 owing for the period from October 1, 2019 to December 31, 2019. After the Reporting Period, the Company agreed with its Chief Executive Officer to pay his net salary for the period from January 1, 2020 to March 31, 2020 entirely in cash, such that no additional GT Shares were issued for that period.

- ***<u>Payments to Globalive Media Inc.</u>***: On March 31, 2018, the Company entered into a service agreement with Globalive Media Inc. to provide the Company with certain functions and supporting roles relating to marketing and public relations, resulting in a payment of $53,000 to Globalive Media Inc. during the Reporting Period. The Company subsequently terminated the service agreement with Globalive Media Inc. and does not expect to incur additional expenses under that agreement after the Reporting Period. Anthony Lacavera, the Company's chief executive officer and one of its directors, controls Globalive Media Inc.

## PART XIV - PROPOSED TRANSACTIONS

As at the MD&A Date, the Company's only significant proposed transaction is the exercise of the call right to acquire a controlling interest in the Flexiti Group, which the Company is in the process of re-evaluating as described in greater detail above. The transaction is subject to a number of conditions, including management being satisfied that adequate financing is available to fund the Flexiti Group's needs, the approval of the TSX-V and the approval of disinterested shareholders of the Company. At this time there can be no assurance that the transaction will be completed.

## PART XV - ADDITIONAL INFORMATION:

Additional information relating to the Company, including its annual information form, is available on SEDAR at www.sedar.com.