



**GLOBAL CANNABIS APPLICATIONS CORP.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

For the six months ended December 31, 2018

## **1.1 Date of Report: March 1, 2019**

The following Management Discussion and Analysis (“MD&A”) of Global Cannabis Applications Corp. (the “Company” or “Global Cannabis”) has been prepared by management, in accordance with the requirements of National Instrument 51-102, and should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto for the period ended December 31, 2018.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including that within the consolidated financial statements and MD&A, is complete and reliable. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company.

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

### **Forward-Looking Statements**

This MD&A contains forward-looking statements and forward-looking information (collectively, “forward-looking statements”) within the meaning of applicable Canadian and US securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact are forward-looking statements. 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. These forward-looking statements include, but are not limited to, statements concerning:

- the Company’s strategies and objectives, both generally and in respect of its existing business and planned business operations;
- the Company’s plans to acquire users for its products;
- the Company’s future cash requirements;
- general business and economic conditions;
- the Company’s ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations; and,
- the timing, pricing, completion, and regulatory approvals of proposed financings if applicable.

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward-looking statements are risks and uncertainties beyond the Company’s ability to predict or control, including, but not limited to, risks related to the Company’s ability to raise the necessary capital or to be fully able to implement its business strategies, and other risks identified herein under “Risk Factors”.

The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward looking statements contained in this MD&A. Such statements are based on a number of assumptions, which may prove incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- conditions in the financial markets generally, and with respect to the prospects for small capitalization commercial/technology companies specifically;
- the Company’s ability to roll out its business plan which includes new product launches and associated planning in production, sales, distribution and marketing; and,
- the Company’s ability to secure and retain employees and contractors to carry out its business plans.

These forward-looking statements are made as of the date hereof and the Company does not intend and does not assume any obligation, to update these forward-looking statements, except as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on

forward-looking statements.

## **1.2 Overall Performance**

### **Nature of Business and Overall Performance**

The Company was incorporated on July 14, 2014, under the *Business Corporation Act* (British Columbia) under the name of Kluster Technologies Inc. On August 1, 2014, the Company changed its name to Antisocial Holdings Ltd. and later changed its name to Fundamental Applications Corp. (“Fundamental”) on September 2, 2014. On April 10, 2017, the Company changed its name to Global Cannabis Applications Corp.

On September 18, 2014, the Company commenced trading on the Canadian Securities Exchange (“CSE”) under the trading symbol “FUN”. On April 18, 2017, in connection with the Company’s change of name, the Company commenced trading on the CSE under the trading symbol “APP”.

The head office of the Company is Suite 830, 1100 Melville Street, Vancouver, BC V6E 4A6. The registered and records office of the Company is Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7. Global Cannabis is a global leader in designing, developing, marketing and acquiring innovative data technologies for the cannabis industry. Its Citizen Green platform is the world’s first end-to-end -- from patient to regulator -- medical cannabis data solution. It uses six core technologies -- mobile applications, artificial intelligence, regtech (regulatory technology), smart databases, blockchain and digital reward tokens -- to qualify candidates for clinical studies. The Citizen Green platform is now complete and now in its commercialization stage. Sales and marketing efforts have commenced in relation to expanding users of the platform.

### **Significant Acquisitions and Dispositions**

On April 8, 2015, the Company completed the acquisition of Foro Technologies Inc. (“Foro”), further details can be found in previous MDAs.

On September 21, 2016, the Company completed the acquisition of OPINIT LLC (“OPINIT”), acquiring a mobile application whereby the Company issued 7,500,000 shares for 100% of the issued and outstanding shares of OPINIT (Note 8). Of the 7,500,000 shares, 3,500,000 with a fair value of \$472,500 were released immediately and the remaining 4,000,000 shares (the “Milestone Shares”) are subject to release restrictions whereby they shall be released upon achievement of certain milestones. A total of 2,000,000 of the Milestone Shares shall be released upon the completion of the development and release of the BETA version of the university instance desktop portal including integration feeds from OPINIT mobile application and the Foro mobile application. The remaining 2,000,000 Milestone Shares will be released pro-rata to the Opinit Shareholders in connection with the combined user counts of both the OPINIT mobile application and the Foro Mobile Application. The milestone shares were valued on the date of the acquisition based on the probability that they would be realized in the future and an additional \$317,250 was recorded. On December 28, 2016, the total combined user count was over 300,000, accordingly, the Company released 1,000,000 Milestone shares with a fair value of \$135,000. In addition to the shares released for the milestone, 50,000 shares with a fair value of \$2,000 were issued for advisory fees related to reaching the milestone. The Company issued 175,000 shares, which have been recorded with a fair value of \$23,625, to an arm’s-length finder. In the event that the Company enters into any form of amalgamation, merger, arrangement or similar transaction which results in the acquisition of 20% or more of the voting securities of the Company, the entirety of the Milestone Shares will be issued and released to the OPINIT shareholders. On November 30, 2018, the Company came to an agreement with the original Opinit Shareholders whereby it issued 1,500,000 shares with a fair value of \$240,000 pro-rata to the Opinit Shareholders to cancel any remaining Milestone requirements.

The Company uses portions of the Foro and OPINIT codebase within the Citizen Green platform.

## **1.3 Selected Annual Information**

N/A (Annual requirement)

## 1.4 Results of Operations

### *Results of Operations for the six months ended December 31, 2018, compared to 2017*

The Company incurred a net and comprehensive loss of \$2,996,615 for the six months ended December 31, 2018, (the “Current Period”) compared to a net and comprehensive loss of \$1,770,563 for the six months ended December 31, 2017 (the “Comparative Period”). During the Current Period, the Company has significantly increased its efforts to market and complete development of its mobile application suite continuing the process of developing the Citizen Green Token (“CGT”) while integrating AI and blockchain technology within the Company’s technology suite.

The difference in net and comprehensive loss incurred during the Current Period, compared to that incurred during the Comparative Period was largely a result of the following:

- Accounting and audit fees increased \$29,832 to \$45,187 in the Current Period from \$15,355 in the Comparative Period due to costs associated with a more intensive audit due to the Company’s international subsidiaries and accounting costs expended within those subsidiaries.
- Consulting Fees increased by \$616,626 to \$1,280,017 (Comparative Period: \$663,391) as significantly more consultants were used in the Current Period in connection with the investigation and integration of blockchain technologies and AI into the Company’s technology suite and the creation of the CGT. During the Current Period, the Company has been focussed on the cannabis marketplace with a significant emphasis on the use of artificial intelligence and block chain technologies within the Company’s mobile application Citizen Green and the corresponding platform. Consultants in these fields are scarce and demand higher remuneration.
- Marketing increased by \$339,423 to \$728,504 (Comparative Period: \$389,081) as marketing expenditures were increased with the shift to the Cannabis marketplace, the introduction of the CannaLife mobile application, the announcement of the investigation and integration of blockchain technologies within the cannabis industry, the creation of the CGT, and the launch of the Citizen Green platform.
- Research and development costs increased by \$445,965 to \$528,783 (Comparative Period: \$82,818) due to costs associated with AI and blockchain development within the Citizen Green platform.
- Travel-related costs increased by \$68,346 to \$104,635 (Comparative Period: \$36,289). The Company’s key consultants are now located in Lithuania, Canada, USA, Australia, and Israel; accordingly, consultants and corporate executives are now required to travel for in-person meetings.

During the six months ended December 31, 2018, the Company continued to focus on the development of its Citizen Green platform (a dedicated app providing users options on where to purchase cannabis safely and legally, and to provide a forum to interconnect the cannabis community) and to commence the integration of block chain technologies into the Company’s technology to help secure the associated data. The platform has now been completed and has reached the commercialization stage.

### *Results of Operations for the three months ended December 31, 2018, compared to 2017*

The Company incurred a net and comprehensive loss of \$1,256,311 for the three months ended December 31, 2018, (the “Current Period”) compared to a net and comprehensive loss of \$1,338,334 for the three months ended December 31, 2017 (the “Comparative Period”). Variances in costs between the Current Period and the Comparative Period can be attributed to the same factors as in the six-month comparisons. Significant changes are as follows:

<b>Cost</b>	<b>Three months ended December 31, 2018</b>	<b>Three months ended December 31, 2017</b>	<b>Difference (2018 vs 2017)</b>
Consulting fees	\$275,721	\$496,748	(\$221,027)
Marketing costs	\$219,278	\$330,635	(\$111,357)
Research and development	\$523,423	\$62,004	\$461,419
Share-based payments	\$168,400	\$306,050	(\$137,650)

## 1.5 Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters.

<b>Three months ended</b>	<b>Total revenues</b>	<b>Net loss</b>	<b>Loss Per Share (basic and diluted)</b>
December 31, 2018	Nil	(1,256,311)	\$0.01
September 30, 2018	Nil	(1,740,304)	0.02
June 30, 2018	Nil	(2,136,147)	0.03
March 31, 2018	Nil	(1,566,400)	0.03
December 31, 2017	Nil	(1,338,334)	0.02
September 30, 2017	Nil	(432,229)	0.01
June 30, 2017	Nil	(294,192)	0.02
March 31, 2017	Nil	(339,924)	0.01

Marketing costs accounted for much of the variances within 2017. The Company continued to build the Citizen Green platform (CannaLife launched November 30, 2017, Prescriptii launched January 18, 2018) and implemented blockchain and token technologies (CGT) within the platform. The platform is designed for medical cannabis retailers to build loyalty with patients while growing their underlying retail business. During the quarter ended September 30, 2018, and December 31, 2018, the Company increased its efforts to complete the Citizen Green platform and related apps and began marketing the product prior to its commercial release.

## 1.6 Liquidity

As at December 31, 2018, the Company had working capital of \$2,780,869 (\$59,960 in cash, \$70,992 in prepaid expenses, -\$2,199 in GST receivable, \$3,343,795 in loan receivable, \$372,415 in loan payable, and \$307,764 in accounts payable) compared to working capital of \$2,726,213 (\$629,873 in cash, \$120,367 in prepaid expenses, \$71,239 in GST receivable, \$2,616,438 in loan receivable, \$246,455 in accounts payable, and \$465,249 in loan payable) at June 30, 2018.

The Company has not pledged any of its assets as security for loans, or otherwise is not subject to any debt covenants. Based on current information, the Company anticipates that its working capital is insufficient to meet its expected ongoing obligations for the coming year.

The Company has financed its operations to date primarily through the issuance of common shares and the exercise of stock options or warrants. The Company continues to seek capital through various means including the issuance of equity and/or debt. During this period the Company has not received loans from a third party to fund operating expenses.

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

## 1.7 Capital Resources

At December 31, 2018, the capital of the Company consists of cash in the bank, loan receivable, and GST/HST recoverable totaling \$3,401,556. The Company will have to generate additional cash from either debt or equity raised through the Canadian public markets to meet its commitments.

## 1.8 Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

## 1.9 Transactions with Related Parties

Related party transactions are comprised of services rendered by directors and/or officers of the Company or a company with a director in common. Related party transactions are in the ordinary course of business and are measured at the exchange amount.

### *Key management compensation*

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. During the six months ended December 31, 2018, the Company entered into the following transactions with key management personnel:

	Six months ended	
	December 31, 2018	December 31, 2017
Fees paid or accrued for services provided by the CEO (B. Moore)	\$ 129,976	\$ 148,703
Fees paid or accrued for services provided by the CFO (A. Helm)	58,000	53,500
Fees paid or accrued for CTO services (Eyal Margalit)	110,582	-
Fees paid or accrued for services as the CMO (Hanan Gelbendorf)	126,415	-
Stock-based compensation to the Company's CEO (B. Moore)	74,837	73,750
Stock-based compensation to the Company's CFO (A. Helm)	29,837	73,750
Stock-based compensation to the Company's CTO (Eyal Margalit)	22,827	-
Stock-based compensation to the Company's CMO (Hanan Gelbendorf)	10,205	-

The transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

At December 31, 2018, a balance of \$12,600 (2017: \$Nil) was owing to related parties (\$12,600 due to a company controlled by A. Helm, the Company's CFO). This amount is unsecured, non-interest bearing and due on demand.

## 1.10 Second Quarter

The second quarter's focus was the continued development and completion of the Citizen Green platform - a dedicated app providing users options on where to purchase cannabis safely and legally, and to provide a forum to interconnect the cannabis community. During the quarter the Company continued to integrate blockchain technologies within its technology suite while developing the CGT framework and integrating artificial technology processes within the platform. The platform has been completed and is now at the commercialization stage.

### *Second Quarter Highlights*

- On October 30, 2018, the Company announced that it has closed the first tranche of its non-brokered private placement. Pursuant to the first tranche of the private placement, the Company has issued 2,916,116 units at a price of \$0.18 per unit for gross proceeds of \$524,900.88. Each financing unit consists of one common share and one common share purchase warrant, whereby each warrant entitles the holder to purchase one additional common share of the Company for a period of two years from closing at an exercise price of \$0.33 per common share. Finders' fees in the form of cash commissions totalling \$31,598.07 and non-transferable finders' warrants totalling 175,544, representing 7 per cent of the gross proceeds from certain subscribers and 7 per cent of the number of financing units distributed, respectively, have been paid and issued to certain arm's-length finders. Each finder's warrant entitles the holder to purchase one additional common share of the Company for a period of two years from closing at an exercise price of \$0.33 per common share. In addition, in connection with the private placement, the Company has settled an aggregate of \$197,499.96 in debt through the issuance of 1,097,222 units, each issued at a deemed value of \$0.18, to various creditors, one of whom is a director and officer of the Company. Each creditor unit also consists of one common share and one common share purchase

warrant, whereby each warrant entitles the holder to purchase one additional common share of the Company for a period of two years from closing at an exercise price of \$0.33 per common share.

- On November 26, 2018, the Company announced that it has appointed Alon Tzipory to the position of Chief Operating Officer, effective immediately, as approved by the board of directors.
- On November 27, 2018, the Company closed the second and final tranche of its non-brokered private placement. Pursuant to the second and final tranche of the private placement, the Company has issued 450,000 units at a price of \$0.18 per unit for gross proceeds of \$81,000.00. Each financing unit consists of one common share and one common share purchase warrant, whereby each warrant entitles the holder to purchase one additional common share of the Company for a period of two years from closing at an exercise price of \$0.33 per common share. Finders' fees in the form of cash commissions totalling \$5,670.00 and non-transferable finders' warrants totalling 31,500, representing 7 per cent of the gross proceeds from certain subscribers and 7 per cent of the number of financing units distributed, respectively, have been paid and issued to a certain arm's-length finder. Each finder's warrant entitles the holder to purchase one additional common share of the Company for a period of two years from closing at an exercise price of \$0.33 per common share. In addition, in connection with the private placement, the Company has settled an aggregate of \$124,900.20 in debt through the issuance of 693,890 units, each issued at a deemed value of \$0.18 to various creditors, two of whom are officers of the Company. Each creditor unit also consists of one common share and one common share purchase warrant, whereby each warrant entitles the holder to purchase one additional common share of the Company for a period of two years from closing at an exercise price of \$0.33 per common share.
- On December 3, 2018 the Company announced that it has signed a binding letter of intent with Grassroots SpA, an online cannabis company with over 3,000 patients across the country of Chile, to enter into a licensing agreement whereby Grassroots will acquire the exclusive distribution rights to sell Global Cannabis technologies in Chile for the period of the contract and Global Cannabis will provide new and existing technologies for Spanish-speaking markets.
- On December 5, 2018, the Company announced that it has appointed Qualid (Q) Ladraa to the position of brand ambassador. Mr. Ladraa is a successful Los Angeles-based brand builder with a long and impressive list of clients and brands to his credit. Mr. Ladraa was a judge on the television show Germany's Next Top Model by Heidi Klum, appearing on all five seasons of the highly rated program. Mr. Ladraa was also instrumental in developing the fashion brand Ed Hardy.
- On December 19, 2018, the Company announced that its marketing and sales campaign targeting medical cannabis dispensaries in cannabis-friendly jurisdictions across North America is gaining momentum with Los Angeles-based Downtown Meds signing a binding letter of intent to use the smart-technology-driven Citizen Green Community in its three retail locations and to become a licensed reseller of the Global Cannabis Applications solution.

### **1.11 Proposed Transactions**

There are no proposed transactions that will materially affect the performance of the Company.

### **1.12 Critical Accounting Estimates**

#### *Significant Estimates and Assumptions*

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and estimating the fair value for share-based payment transactions. The assumptions and models used for estimating fair value for share-based payment transactions.

### *Significant Judgements*

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements is the classification of financial instruments and the going concern assumption.

### **1.13 Changes in Accounting Policies**

Changes in accounting policies have been disclosed within the condensed consolidated interim financial statements for the period ending December 31, 2018.

### **1.14 Financial Instruments and Risk Management**

As at December 31, 2018, the Company's financial instruments consist of cash, loan receivable, accounts payable and accrued liabilities.

#### *Fair value*

The carrying value of cash, accounts payable and accrued liabilities approximate their fair value due to the relatively short-term nature of these instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

#### *Credit risk*

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and amounts receivable. The risk arises from the non-performance of counterparties of contractual financial obligations. The Company's primary exposure to credit risk is on its loan receivable. This risk is managed by obtaining a loan security of 13,636,363 shares of the Company owned by the borrower.

#### *Liquidity risk*

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

The Company intends to meet its current obligations in the following year with funds to be raised through private placements.

#### *Interest rate risk*

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management does not believe the Company is exposed to significant interest rate risk as liabilities and cash are either fixed rate (7.0%) or non-interest bearing as at December 31, 2018.

### **1.15 Other MD&A Requirements**

This MD&A should be read in conjunction with the unaudited financial statements for the period ended December 31, 2018. This MD&A is intended to assist the reader's understanding of the Company and its operations,



business, strategies, performance and future outlook from the perspective of management. The documents mentioned above, as well as news releases and other important information may be viewed through the SEDAR website at [www.sedar.com](http://www.sedar.com).

This MD&A may contain management estimates of anticipated future trends, activities, or results; these are not a guarantee of future performance, since actual results may vary based on factors and variables outside of management's control. Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible to ensure that information disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's Audit Committee meets with management to review the financial statement results, including the MD&A, and to discuss other financial, operating and internal control matters. The Audit Committee is free to meet with the independent auditors throughout the year.

### Summary of Outstanding Share Data

The following table outlines outstanding share data as of the date of this report:

	<b>Number Issued and Outstanding</b>
<b>Common shares</b>	95,665,269
<b>Stock Options</b>	8,445,000
<b>Warrants</b>	38,965,371
<b>Fully Diluted</b>	<b>143,075,640</b>

### Directors and Officers

As of the date of this report, the Company's directors and officers are Bradley Moore (Director and Chief Executive Officer), Jeffrey Hayzlett (Director), Alexander Helmel (Director and Chief Financial Officer), Hanan Gelbendorf (Chief Marketing Officer), and Alon Tzipory (Chief Operating Officer).

### 1.16 Subsequent Events

Events subsequent to December 31, 2018:

- The Company received aggregate proceeds of \$23,900 from the exercise of 30,000 common share purchase warrants and 200,000 stock options.
- The Company cancelled an aggregate of 725,000 stock options.
- The Company granted the following stock options:
  - (a) 175,000 stock options, each exercisable at \$0.10 until January 1, 2024;
  - (b) 400,000 stock options, each exercisable at \$0.13 until January 8, 2024;
  - (c) 700,000 stock options, each exercisable at \$0.105 until January 17, 2024;
  - (d) 50,000 stock options, each exercisable at \$0.105 until January 29, 2024;
  - (e) 50,000 stock options, each exercisable at \$0.10 until February 13, 2024;
  - (f) 35,000 stock options, each exercisable at \$0.10 until February 19, 2024; and
  - (g) 50,000 stock options, each exercisable at \$0.10 until February 27, 2024.