



**GLOBAL CANNABIS APPLICATIONS CORP.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

For the year ended June 30, 2019

## **1.1 Date of Report: October 28, 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 audited consolidated financial statements and notes thereto for the year ended June 30, 2019.

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 designs, develops, markets and acquires 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 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.

### 1.3 Selected Annual Information

<b>Year ending:</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	June 30, 2017
	<b>(\$)</b>	<b>(\$)</b>	(\$)
<b>Results of Operations</b>			
Total Revenues	-	-	-
Net Income (Loss)	<b>(7,561,745)</b>	<b>(5,473,110)</b>	(1,476,441)
Basic and Diluted income (Loss)	<b>(0.08)</b>	<b>(0.08)</b>	(0.044)
Number of shares outstanding (weighted av.)	<b>93,506,660</b>	<b>59,393,442</b>	33,520,918
<b>Financial Position</b>			
Total Assets	<b>937,693</b>	<b>4,019,535</b>	1,034,603
Long Term Debt	-	-	-
Cash Dividends declared	-	-	-

### 1.4 Results of Operations

#### *Results of Operations for the year ended June 30, 2019, compared to 2018*

The Company incurred a net and comprehensive loss of \$7,561,745 for the twelve months ended June 30, 2019, (the “Current Year”) compared to a net and comprehensive loss of \$5,473,110 for the year ended June 30, 2018 (the “Comparative Year”). During the Current Year, the Company has completed the Citizen Green platform with successful integration of AI and blockchain technology within the platform.

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

- Consulting Fees decreased by \$191,270 to \$1,887,122 (Comparative Year: \$2,078,392). During the Current Year, consulting services were high in Q1 and Q2 but decreased slightly in Q3 and Q4. Consultants were used in connection with the investigation and integration of blockchain technologies and AI into the Company’s technology suite and the creation of the CGT. 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 decreased by \$833,344 to \$696,613 (Comparative Year: \$1,529,957). 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, and the launch of the Citizen Green platform. In Q3 and Q4, marketing expenditures were reduced significantly which caused an overall decrease for the Current Year.
- Research and development costs increased by \$925,437 to \$1,134,288 (Comparative Year: \$208,851) due to costs associated with AI and blockchain development within the Citizen Green platform. These costs were allocated to R&D as they did not meet IFRS capitalization criteria.
- Share based payments decreased from \$985,317 to \$624,940 as a result of fewer stock options being granted during the Current Year.
- Impairment of \$406,688 was realized in the Current Year compared to \$106,454 in the Comparative Year. See note 4 of the accompanying financial statements for more details.
- The Company recorded a decrease of \$2,168,987 (Comparative Year: \$116,438) in the fair value of its loan receivable. (See note 6 in the accompanying financial statements).

During the year ended June 30, 2019, the Company continued to focus on the development and completion 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). The company completed the integration of block chain technologies into the Company’s technology to help secure the associated data and completed the

implementation of AI (Artificial Intelligence) into the platform. The platform has now been completed, has reached the commercialization stage and is currently being marketed to potential clients.

### 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>
June 30, 2019	Nil	(4,182,563)	\$0.04
March 31, 2019	Nil	(382,569)	0.004
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

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. During the three months ended March 31, 2019, the Company significantly decreased expenditures related to consulting, marketing, research and development as the platform has entered the commercialization stage. During the quarter ended June 30, 2019 the Company continued discussions marketing the project to potential strategic partners in the cannabis industry.

### 1.6 Liquidity

As at June 30, 2019, the Company had a working capital deficit of \$668,060 (\$6,980 in cash, \$17,500 in prepaid expenses, -\$15,097 in GST receivable, \$886,364 in loan receivable, 385,563 in loan payable, \$672,185 in accounts payable and \$536,253 accruals) 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.

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 June 30, 2019, the capital of the Company consists of cash in the bank, loan receivable, and GST/HST recoverable totaling \$925,941. The Company will have to generate additional cash from either debt or equity raised through the Canadian public markets to meet its commitments.

As at the date of this MD&A, the Company had 6,805,000 stock options with exercise prices between \$0.10 and \$0.64, and 38,465,605 warrants with exercise prices between \$0.10 and \$0.55 which, if all exercised, would generate cash proceeds of \$15,607,515. There is no assurance that these exercises will occur.

### 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 year ended June 30, 2019, the Company entered into the following transactions with key management personnel:

	Year ended	
	June 30, 2019	June 30, 2018
Fees paid or accrued for services provided by the CEO (B. Moore)	\$ 289,500	\$ 343,039
Fees paid or accrued for services provided by the CFO (A. Helmel)	106,000	101,500
Fees paid or accrued for CTO services (Eyal Margalit)	213,568	46,236
Fees paid or accrued for services as the CMO (Hanan Gelbendorf)	204,227	16,481
Fees paid to a company controlled by the CMO for marketing (H. Gelbendorf)	33,318	-
Fees paid to a company controlled by a director for marketing (J. Hazlett)	-	31,733
Stock-based compensation to the Company's CEO (B. Moore)	141,470	73,750
Stock-based compensation to the Company's CFO (A. Helmel)	51,407	73,750
Stock-based compensation a Company's director (J. Hazlett)	-	6,941
Stock-based compensation to the Company's CTO (Eyal Margalit)	22,827	13,320
Stock-based compensation to the Company's CMO (Hanan Gelbendorf)	10,206	19,980
Stock-based compensation to a director of a subsidiary (Jason Webb)	-	128,967

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 June 30, 2019, a balance of \$318,768 (2018: \$Nil) was owing to related parties and included in accounts payable. This amount is unsecured, non-interest bearing and due on demand.

### 1.10 Fourth Quarter

The fourth quarter's focus was the marketing of the Citizen Green platform.

#### *Fourth Quarter Highlights*

- On May 13, 2019, the Company announced that it has signed a software license agreement for its Citizen Green Prescriptii patient-care solution with Sequoya Cannabis Ltd., a Canadian medical cannabis distribution and cannabidiol extraction firm with operations in Poland.
- On April 5, 2019 the Company closed a non-brokered private placement of 3,662,566 units at a price of \$0.075 per unit for gross proceeds of \$274,692.45.

### **1.11 Proposed Transactions**

There are no proposed transactions that will materially affect the performance of the Company other than those which have been disclosed in the Company's news releases.

### **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 policies in the accompanying financial statements were:

- Evaluating whether or not costs incurred by the Company in developing its data technologies and applications meet the criteria for capitalizing as intangible assets. Management determined that as at June 30, 2019, it was not able to demonstrate with sufficient certainty that it is probable the economic benefits will flow to the Company. Accordingly, all research and development costs incurred to date have been capitalized.
- Evaluating whether or not there are indicators of impairment relating to the costs capitalized as intangibles by the Company for its data technologies and applications are assessed for indicators of impairment.
- Evaluating whether or not the Company can recover its loan receivable.
- Estimation of the Fair value of the loan receivable including the consideration of the discount rate and related impact to the financial statements of a change in this discount rate.

Other significant judgments in applying the Company's accounting policies relate to the assessment of the Company's ability to continue as a going concern (Note 1) and the classification of its financial instruments.

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

Changes in accounting policies have been disclosed within the consolidated financial statements for the year ending June 30, 2019.

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

As at June 30, 2019, the Company's financial instruments consist of cash, loan receivable, accounts payable and accrued liabilities.

#### *Fair value*

The carrying value of cash, loan receivable, accounts payable, accrued liabilities, and loan payable 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 partially managed by obtaining a loan security of 13,636,363 shares of the Company owned by the guarantor and by a personal guarantee from the guarantor. As at the date of this report, the loan receivable has not been repaid and the Company is negotiating terms with the borrower and guarantor.

#### *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, loan receivable, and cash are either fixed rate (7.0% for loan payable and 12% for loan receivable) or non-interest bearing as at June 30, 2019.

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

This MD&A should be read in conjunction with the audited financial statements for the year ended June 30, 2019. 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>	100,619,501
<b>Stock Options</b>	6,805,000
<b>Warrants</b>	38,465,605
<b>Fully Diluted</b>	<b>145,890,106</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 June 30, 2019:

- On August 14, 2019, the Company signed a letter of intent with Porto Group Global, a Portugal-based private company with offices in Israel, whereby the Company and Porto Group shall enter into a joint venture to establish a cannabis cultivation and distribution company in Portugal for the European Union (EU) marketplace .