

WIKILEAF TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND
ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
("MD&A")

FOR THE THREE AND NINE MONTHS
ENDED SEPTEMBER 30, 2019



OPEN
📍 1.2mi

CLOSED
📍 1.4mi





Management Discussion and Analysis

The following management discussion and analysis (“**MD&A**”) of the results of the operations and financial position of Wikileaf Technologies, Inc., formerly Kona Capital Ltd. (the “**Company**”, “**we**”, “**us**”, “**our**”) prepared for the three-months and nine-months ended September 30, 2019 should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2018 and with the unaudited interim condensed consolidated financial statements for the three and nine-months ended September 30, 2019. All figures contained in this MD&A are presented in Canadian dollars. This MD&A contains information up to and including November 27, 2019.

Forward-Looking Statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company’s future performance. All statements, other than statements of historical fact, may be forward-looking statements. The MD&A includes forward looking information with respect to our Wikileaf brand and its ability to capitalize on compelling opportunities in the future.

Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “propose”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” 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 those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Company’s actual results could differ materially from those anticipated in these forward looking statements as a result of various risk factors, including, but not limited to:

- assumptions about the ability of the Company to raise necessary capital for its existing operations and expansion plans,
- the ability of the Company to retain key management personnel,
- assumptions related to our ability to attract and retain advertisers
- the ability of the Company to continue to increase organic user traffic on the platform which in turn attracts dispensary and brand advertisers



Canadian Companies with US Marijuana-Related Assets

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 (Revised) *Issuers with US Marijuana-Related Activities* (the “Staff Notice”), which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the US as permitted within a particular state’s regulatory framework. All issuers with US cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in required disclosure documents.

Such disclosure includes, but is not limited to, (i) a description of the nature of a reporting issuer’s involvement in the US marijuana industry; (ii) disclosure that marijuana is illegal under US federal law and that enforcement of relevant laws is a significant risk; (iii) related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer’s ability to operate in the US; and (iv) a discussion of the reporting issuer’s ability to access public and private capital, including which financing options are and are not available to support continuing operations. Additional disclosures are required to the extent a reporting issuer is deemed to be directly or indirectly engaged in the US marijuana industry, or deemed to have “ancillary industry involvement”, all as further described in the Staff Notice. At this time, the Company’s involvement in the US cannabis industry is limited and its industry involvement of cannabis activities is “Ancillary” through direct control of a website that provides services to third parties who are involved in the US marijuana industry. In addition, the Company does not operate, nor control any subsidiary that is directly engaged in the cultivation or distribution of marijuana in accordance with any US state license. As a result of the Company having cannabis-related operations in the US, the Company is subject to the requirements of the Staff Notice and accordingly provides the following disclosures:

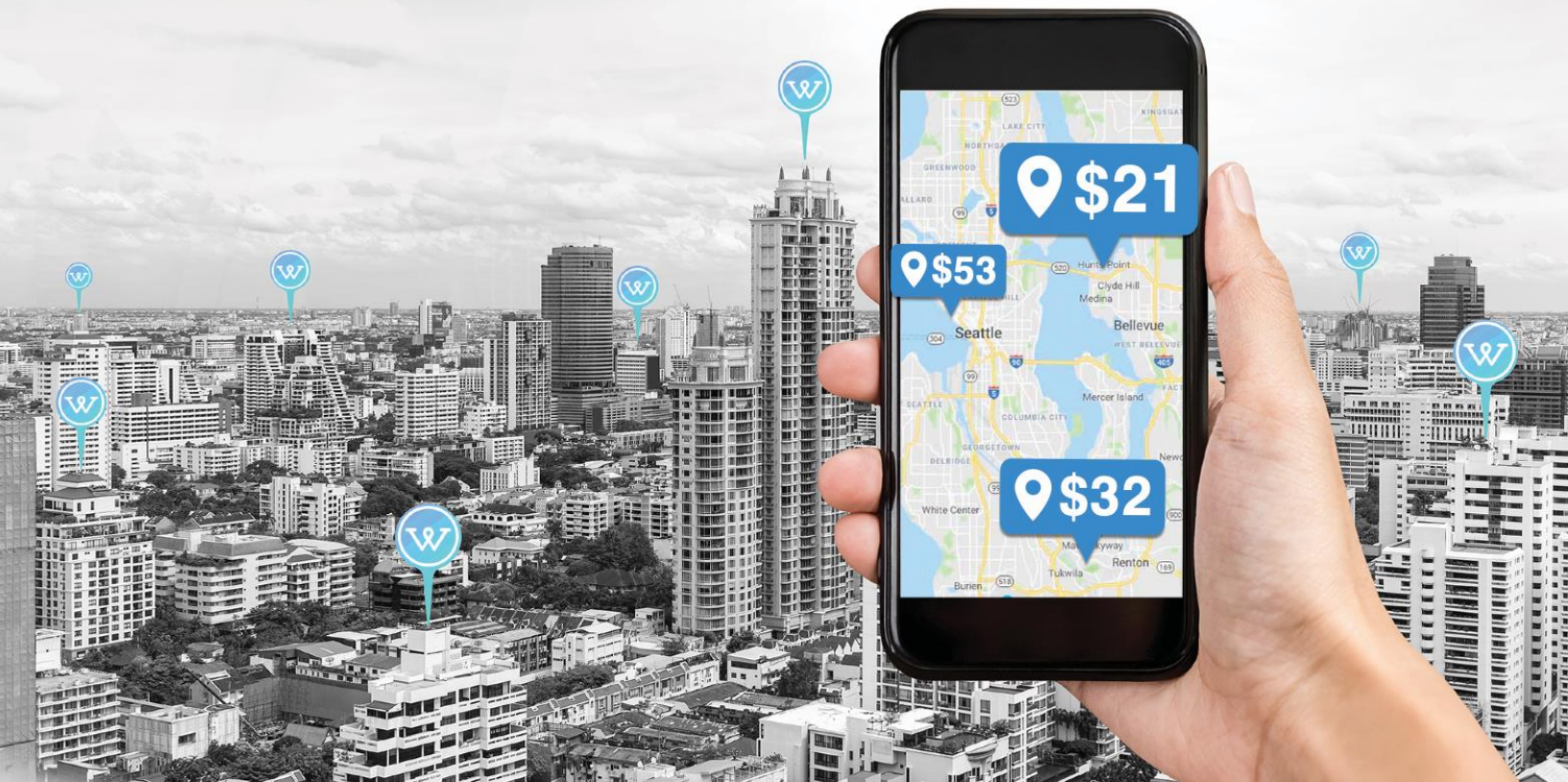
Compliance with Applicable State Laws in the US

The Company has not obtained legal advice regarding compliance with applicable state regulatory frameworks and exposure and implication arising from US federal laws in the states where it conducts operations. To the best of the Company’s knowledge, the Company is not aware of any non-compliance with applicable licensing requirements and the regulatory framework enacted by the applicable US state. The Company is not aware of: (i) any non-compliance with respect to marijuana-related activities, or (ii) any notices of violation with respect to its marijuana-related activities by its respective regulatory authorities.



WIKILEAF

Operational Overview





Overview

The Company owns and operates [Wikileaf.com](https://www.wikileaf.com), one of the leading price comparison sites to help cannabis consumers find location-based pricing information about individual marijuana strains and products – at the critical moment when they are deciding where to spend their money.

Each day, tens of thousands of cannabis consumers use the Wikileaf website to find and interact with local dispensaries and brands to learn about and find the best prices for their desired cannabis strains and products.

Dispensaries and cannabis brands in turn use our free digital listing services to engage with consumers as an additional point of consumer engagement. Our active database of over 6,000 licensed US cannabis dispensaries and brands attracts a vibrant community of cannabis users seeking information on pricing and cannabis strains.

Our valuation proposition is our data. With millions of inquiries on the Wikileaf platform that are tied to specific geographical locations, Wikileaf is able to provide an understanding of local customer behavioural trends and user psychographics to individual dispensaries and brands that will help inform their inventory purchasing, product stocking and strain cultivation decisions.

The Company intends to begin providing a comprehensive suite of marketing software, to help cannabis dispensaries and brands maximize business opportunities by digitally geo-targeting consumers based on their individual tastes and preferences. We aim to release the commercialized version of these products in Q4 2019. Our anticipated subscription revenue will be derived from participating dispensary locations and brands who pay a monthly fee for access to digital marketing tools and business intelligence to help them effectively target new customers and achieve their advertising needs, while growing and managing their businesses and brands. All participating dispensary and brand clients receive access to a dashboard portal on our website that provides individualized program performance analytics, and a customer relationship management (CRM) tool that captures detailed information about each contact made with dispensary's profile on [Wikileaf.com](https://www.wikileaf.com), in addition to location-specific demographic and psychographic analytics. In addition, we intend to provide sponsored strain and location advertising, pre-ordering and similar strategies on a recurring monthly subscription or cost-per-click basis/referral basis to dispensaries and businesses promoting their brands on our mobile applications, websites and our partner distribution network.

We expect 2019 will be a transition year for the Company as we begin to establish the sales infrastructure and team to commence commercialization, with continued investment in product development and personnel. As a result, we expect our operating expenses will continue to increase for the foreseeable future.

Recent Developments

The Merger Transaction

On May 14, 2019, the Company, its wholly-owned subsidiary OWS Merger Sub, Inc. (“Merger Sub”) and One Web Services, Inc. (“One Web”) completed (the “Closing”) of a business combination transaction pursuant to an Agreement and Plan of Merger, dated April 8, 2019, by and among the Company, Merger Sub and One Web whereby: (i) Merger Sub merged with and into One Web, whereupon One Web survived as the wholly-owned subsidiary of the Company; and (ii) the Company changed its name to “Wikileaf Technologies Inc.” (“Wikileaf”).

Pursuant to the Merger, holders of common shares (on an as-converted basis) of One Web received 9.8078 fully paid and non-assessable common shares (rounded down to the nearest whole share) in the authorized share structure of the Company in exchange for each One Web share held by such shareholders. Consequently, the Company owns 100% of One Web and One Web shareholders became shareholders of the Company. In addition, holders of One Web options received options to purchase the Company Shares, in lieu of shares otherwise issuable prior to the effective time of the merger, adjusted in accordance with the terms of the various agreements, plans, and certificates representing the foregoing options.

Private Placement Offering of Subscription Receipts

The Company completed a non-brokered private placement financing (the “Private Placement Offering”) of securities (pursuant to prospectus and registration exemptions in Canada, the United States, and in other jurisdictions) to raise aggregate gross proceeds of \$6,848,000 through the issuance of 13,696,000 subscription receipts of the Company at a price of \$0.50 per Subscription Receipt. The Private Placement Offering is required in order to satisfy closing conditions of the Transaction.

Canadian Stock Exchange Listing

On September 25, 2019, Wikileaf effectively listed publicly on the Canadian Stock Exchange (“CSE”). The above described subscription receipts were exchanged for no additional consideration, into common shares of Wikileaf.

Key Metrics

Management has identified **organic site traffic, unique users, dispensary locations and brands** as relevant to investors assessment of our operational results.

Organic Site Traffic

We calculate desktop and mobile user ‘engagement’ as the number of organic user sessions (traffic) as measured by Google Analytics. This traffic metric is a good indicator of our user’s level of engagement with our desktop website, mobile website and mobile apps. This metric is solely our organic traffic and does not represent traffic acquired via our content partner sites, which display a Wikileaf widget for price comparison, deals and strain information.

For the Three Months

Ended September 30, 2019 and 2018

(in thousands)

	2019	2018	% Change
Average Monthly Traffic - Total	925.7	361.6	156%

We believe highly engaged users conducting price comparison and informational searches are more likely to be ‘purchase-ready’ consumers and therefore more sought-after by our future advertising clients. We attribute the tremendous growth in our monthly site traffic primarily to Google’s recent re-indexing¹ of the Wikileaf site.

Organic traffic continued to grow at an accelerated pace subsequent to the end of the quarter, surpassing 1.1 million user sessions on a monthly basis. Our user growth team has worked diligently to maintain the site’s ‘white hat’² status by using proper site indexing processes, while providing site development guidance to ensure SEO (search engine optimization) compliance. Conversely, many of our competitors employ less than admirable traffic acquisition strategies.

Unique Users

We calculate unique visitors as the number of individual ‘users’ as measured by Google Analytics who have visited our desktop, mobile website and mobile apps at least once in a given month, averaged over a three-month period.

Measuring unique visitors is important to us because our future revenue will depend in part on our ability to enable dispensaries and brands to connect with our users. We count a unique visitor the first time an individual accesses one of our mobile applications using a mobile device during a calendar month and the first time an individual accesses our website using a web browser in a calendar month.

For the Three Months Ended September 30, 2019 and 2018

(in thousands)

	2019	2018	% Change
Average Monthly Unique Users	675.9	286.9	136%

We attribute the tremendous annual growth in unique visitors primarily to Google’s re-indexing of our site (explained above). Future growth in unique users will be tied to future releases of Wikileaf.com and the release of the next versions of our Android and iOS mobile apps.

Unique site users continued to grow at an accelerated pace subsequent to the end of the quarter, surpassing 873,000 unique users on a monthly basis.

1 Re-indexing is the process whereby Google re-evaluates webpages and scores resident content as more or less relevant.

2 Term referring to ‘following all search engine rules and policies’

Active Dispensary Locations

Active Dispensary Locations represents the cumulative number of licensed cannabis dispensaries and delivery services that are viewable on Wikileaf.com as of a given date that have been actively engaged with the site over the previous 30 days. We define a dispensary location as each individual dispensary address or multi-site delivery operation operating legally within their respective jurisdiction that has a free business listing on Wikileaf.com available to be viewed by our users.

As of September, 2019, and 2018

	2019	2018	% Change
Active Dispensary Locations	4,655	2,305	102%

Our current active dispensary location count represents approximately 90% US market presence based on dispensary count statistics provided by *Cannabiz Media* and our own internal calculations, based on site issued dispensary licenses. Our total aggregate US dispensary count, as well as our relative market presence, has changed significantly with California moving towards a more disciplined licensing regime, with many legacy locations not qualifying for licensing under the new regulations. The Company endeavors to remove any dispensary location operating unlicensed and illegally within the revised regulatory regime.

Dispensary count continued to grow subsequent to the end of the quarter, surpassing 5,000 licensed locations at the filing date.

Brands

The Brands category is represented by national cannabis branded products, licensed producers and processors. Brands use Wikileaf to promote their unique products, strains and services as well as to amplify their visibility and reach. We began signing up brands in Q1, 2018.

**For the Three Months
Ended September 30, 2019 and 2018**

	2019	2018	% Change
Brands	117	80	46%

There are approximately 5,000 licensed cultivators and 2,500 infused product manufacturers in the US per: data provided by *Marijuana Business Daily*. These numbers are expected to increase significantly as more states continue to legalize both medicinally and recreationally. Customers seeking a particular cultivator’s strain or a particular product or brand can use Wikileaf to locate said strain, product or brand at a retailer nearby for the cheapest price.

Growth Strategy

Our objective is to further extend our position as a leading provider of price transparency and informational tools for cannabis users. To accomplish this, we intend to:

Improve our User Experience. Our mission is to empower the cannabis consumer. To that end, we provide real time price comparison of cannabis strains and brands based on a user's location. In addition, we provide informational tools such as strain and brand profiles, dispensary reviews, instructional videos and news content. We intend to continue developing technology offerings to meet the ever-changing expectations of today's cannabis consumers, with the goal of earning consumers' preference for Wikileaf's site features.

Grow our Audience and Increase User Engagement. We intend to expand our content distribution, targeted marketing and advertising programs, public relations and social media initiatives to efficiently increase consumer awareness for our brand. We also intend to increase our user footprint via international expansion with language specific offerings. We have over 4,300 dispensaries, retailers and brands from across the United States and Canada with profiles on Wikileaf and as legalization initiatives continue to proliferate worldwide, the Company intends to take advantage of the opportunity to scale its platform globally.

Grow the number of Dispensaries and Brands on Wikileaf. We intend to promote our niche valuation proposition to dispensaries and brands who are severely hindered from advertising online and benefit from a highly targeted, purchase intent audience.

Deepen and Expand our Services to Dispensaries and Brands. We intend to deepen and expand our platform beyond advertising services for dispensaries and brands through the development ancillary services as it pertains to pre-ordering facilities, cannabis delivery and eCommerce opportunities.

Leverage our Data. With millions of pricing inquiries on our Wikileaf platform that are tied to specific geographical locations, our platform is able to provide an understanding of local customer behavioral trends and user psychographics to individual dispensaries and brands aiming to properly service local customers in addition to multi-state operators seeking to understand state/local market dynamics based on user search queries.



WIKILEAF

Financial Overview



Selected Financial Information

The following table highlights certain information and financial data of the Company for the three-month and nine months ended September 30, 2019 and September 30, 2018 respectively. Information set forth below should be read in conjunction with the September 30, 2019 unaudited interim condensed consolidated financial statements.

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Revenue	-	-	-	-
Net loss	(1,610,566)	(883,513)	(6,218,335)	(2,442,424)
		09/30/2019	12/31/2018	
Cash		5,738,132	225,037	
Total assets		5,839,754	234,288	
Total shareholders' equity (deficiency)		2,104,256	(1,578,636)	

Revenue

The Company’s revenue was nil during the three months and nine months ended September 30, 2019 and 2018. The Company’s management has chosen to not begin commercialization initiatives until it has achieved a significant market presence with regards to user traffic and engagement as well as the total number of US dispensaries and brands resident on the website. The Company anticipates beginning monetization of the platform in the fourth quarter of 2019.

Operating Expenses

Operating expenses during the three months ended September 30, 2019 and 2018 totalled \$1,610,566 and \$883,513 respectively. Operating expenses during the nine months ended September 30, 2019 and 2018 totalled \$6,218,725 and \$2,442,424 respectively. The increase in operating expenses period-to-period is a result of increased expenses related to cost of the reverse takeover and increases in salaries and benefits, share-based compensation and professional fees.

Marketing Expenses

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Marketing & Entertainment	41,587	113,067	71,036	424,767

Marketing expenses during the three months ended September 30, 2019 and 2018 totaled \$ 41,587 and \$113,067 respectively, and for the nine months ended September 30, 2019 and 2018, totalled \$71,036 and \$424,767 respectively. The significant decrease in marketing expenses period-to-period is a result of decreased expenses related to reduced traffic referral partnerships employed by the Company. We anticipate that this expense will increase materially over time as the Company begins commercialization of its platform with customers and initiates several marketing campaigns.

Professional Fees

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Professional Fees	493,641	350,199	1,410,108	668,682

Professional fees during the three months ended September 30, 2019 and 2018 totaled \$493,641 and \$350,199 respectively, and for the nine months ended September 30, 2019 and 2018, totalled \$1,410,108 and \$668,682 respectively. The increase in professional fees period-to-period is a result of increased legal and audit related expenses related to the Company's public listing. We anticipate that this expense will decrease over time as the aforementioned expenses were largely non-recurring.

Salaries & Benefits

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Salaries & Benefits	558,551	245,689	1,207,117	811,866

Salary and benefit expenses during three months ended September 30, 2019 and 2018 totaled \$558,551 and \$245,689, respectively, and for the nine months ended September 30, 2019 and 2018, totalled \$1,207,117 and \$811,866 respectively. The increase in salaries and benefits from the prior year periods is a result of increased staffing attributed to our Canadian office for development of the platform.

Outstanding Share Data

As of the date of this MD&A, 113,695,484 common shares are issued and outstanding. In the first quarter, the Company conducted a private placement of 13,276,000 subscription receipts for gross proceeds of \$6,638,000. An additional 420,000 subscription receipts were issued in the second quarter for gross proceeds of \$210,000. Transactions costs related to the issuance of the subscription receipts amounted to \$285,531. At the time of issuance, each subscription receipt was automatically exchangeable without any further action on the part of the holder or payment of any additional consideration for one common share of the Company on the date the Company obtained a final receipt for a prospectus and became a reporting issuer in the Province of Ontario. Accordingly, the subscription receipts were converted into common shares with the Company effectively listing on the CSE.

Share Capitalization	9/30/2019	12/31/2018
Common shares	113,695,484	4,438,334 ⁽¹⁾
Subscription Receipts	-	537,333

(1) Total shares outstanding prior to forward split of 1.00489:1

Loss per share

Basic and diluted loss per share for the three months ended September 30, 2019 and 2018 was -\$0.02 per share and -\$0.01 per share respectively, and for the nine months ended September 30 2019 and 2018 was -\$0.07 per share and -\$0.03 per share respectively. The increase in loss per share is a result of the increase in operating expenses from period-to-period, related to the cost of the reverse takeover and increases in salaries and benefits, share-based compensation and professional fees.

Liquidity and Capital Resources

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Cash used in operating activities	(1,244,932)	(753,054)	(2,751,858)	(2,062,846)
Cash used in investing activities	5,661,936	-	5,947,809	-
Cash from financing activities	854,251	819,576	2,320,330	1,449,694

The Company's cash used in operations for the three months ended September 30, 2019 was \$1,244,932 (2018: \$753,054) and for the nine months ended September 30, 2019 was \$2,751,858 (2018: \$2,062,846). The increase was attributed to fees relating to the reverse takeover combined with increases in professional fees and salaries and benefits.

The Company's cash received from investing activities for the three months ended September 30, 2019 was \$5,661,936 (2018: \$0) and for the nine months ended September 30, 2019 was \$5,947,809 (2018: \$0). This increase in cash was due to funds being received as a result of the Private Placement Offering.

The Company's cash received from financing activities for the three months ended September 30, 2019 was \$854,251 (2018: \$819,576) and for the nine months ended September 30, 2019 was \$2,320,330 (2018: \$1,449,694). This increase in cash received was due to advances received from the parent company.

The Company's positive cash flow in 2019 is a result of advances from the parent company and private placement financings completed during the periods in question. The Company does not anticipate any material capital expenditures in the remainder of 2019. The Company has negative working capital largely attributed to trade and other payables, promissory note payable to related parties and advances provided by the parent company. The Company's management believes that the Company is in good condition to continue as a going concern, as a result of the closing of the merger with One Web.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

Related Party Transactions

The Company entered into related party transactions with its parent company Nesta Holding Co. Ltd. ("Nesta") The arrangement requires the Company to pay a fee of US\$60,000 (US\$50,000 in 2018) per quarter for management services rendered. At September 30, 2019, the Company has accrued US\$660,000 (US\$480,000 as at December 31, 2018) pursuant to this arrangement.

In addition, the Company has unsecured promissory notes ("notes") issued to Nesta. The notes bear interest at prime plus 1% (6.0%) The principal amount and interest are due upon the Company's completion of an equity financing for an amount exceeding gross proceeds of \$10,000,000.

As at September 30, 2019, the outstanding balance was \$483,561 (\$498,131 as at December 31, 2018) with interest payable of \$141,252 as at September 30, 2019 (\$121,224 as at December 31, 2018)

Nesta has provided an acknowledgment to the Company confirming that it will not seek repayment of accrued management fees up to August 31, 2019, non-interest bearing advances, notes payable and accrued interest until the Company has revenue of \$2,500,000 or on occurrence of a subsequent significant financing of the Company over \$5,000,000 and as such none of these amounts owing are included in the determination of available funds of the Company.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, trade and other payables, advances from the parent company and notes payable to related parties. Management has disclosed the impact of credit, liquidity, foreign currency, and interest rate risk below and in the audited consolidated financial statements.

Credit risk

Financial instruments that can potentially subject the Company to a concentration of credit risk consists primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The Company does not have any financial assets except as disclosed in this MD&A.

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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising additional equity financing in excess of anticipated cash needs or increasing revenue.

Critical Accounting Policies and Estimates

The Company has prepared the accompanying unaudited interim condensed consolidated financial statements in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies adopted in the Company's most recent annual financial statements for the year ended December 31, 2018. They do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018.

When preparing the interim consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Significant accounting estimates:

- The valuation of stock options issued.
- The determination of the useful life of equipment for the calculation of depreciation.

Significant accounting judgments:

- The evaluation of the Company's ability to continue as a going concern.
- The extent to which the deferred tax assets can be recognized and utilized based on the assessment of the probability of the Company's future taxable income.

IFRS 16 – Leases

IFRS 16, Leases ("IFRS16"), which replaced IAS 17, Leases along with three interpretations (IFRIC 4, Determining whether an Arrangement contains a Lease; SIC 15, Operating Leases - Incentives; and SIC 27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease), introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees, as well as new disclosure requirements. IFRS 16 became effective for annual reporting periods beginning on or after January 1, 2019. Upon adoption, the Company applied the practical expedient of excluding leases for which the lease term ends within 12 months of the date of initial application. The adoption of the new standard had no material impact as the lease contracts are all of 12 months or less.