



FUNDAMENTAL APPLICATIONS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARCH 31, 2015

Introduction

The following Management Discussion and Analysis (“MD&A”) of Fundamental Application Corp. (the “Company” or “Fundamental”) has been prepared by management, in accordance with the requirements of National Instrument 51-102 as of June 1, 2015 and should be read in conjunction with the consolidated financial statements and accompany notes for the period ended March 31, 2015 and the related notes contained therein which have been prepared under International Financial Reporting Standards (“IFRS”). 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 certain forward-looking statements and information relating to the Company that are based on the beliefs of our management as well as assumptions made by and information currently available to us. When used in this document, the words “*anticipate*”, “*believe*”, “*estimate*”, “*expect*” and similar expressions, as they relate to our company or our management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of our exploration properties. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or our achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

Overall Performance

Nature of Business and Overall Performance

Fundamental was incorporated on July 14, 2014 under the Business Corporation Act of British Columbia under the name of Kluster Technologies Inc. The Company is in the development of Serum, a social media application for smartphones. On August 1, 2014, the Company changed its name to Antisocial Networks Ltd. and later changed the name to Fundamental Applications Corp. on September 2, 2014.

On September 18, 2014, the Company commenced trading on the Canadian Securities Exchange (“CSE”) under the trading symbol “FUN”.

The head office of the Company is Suite 1820 – 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

Fundamental are an innovative technology company that focuses on developing applications for the mobile industry. SerumTM is the project currently taking to market.

SerumTM is an innovative and unique mobile chat application which enables users to post questions and have text conversations with a group of their friends anonymously. No one involved in the conversation is aware of who is responding. SerumTM also provides control to the user over conversations they initiate such as adding or removing participants. SerumTM goes beyond existing applications such as

Whisper and Secret, which only allow for one-way conversations, by creating an interactive way of sharing. Serum™ also goes above and beyond in terms of implementing protocols for anti-bullying.

On October 30, 2014, the Company announced that it has submitted Serum the application to the iTunes store pending final stage of approval. Serum is officially out of beta and prepping for its live launch. On November 17, 2014, Serum is now available for download in the iTunes store

Plan of Arrangement

On July 21, 2014, the Company entered into an arrangement agreement and plan of arrangement (the “Arrangement”) with Antisocial Holdings Ltd. (“Antisocial”), and Salient Corporate Services Inc. (“Salient”).

Pursuant to the Arrangement, the following principal steps were completed on September 12, 2014:

- Antisocial purchased all the issued and outstanding common shares of Fundamental, a wholly-owned subsidiary of Salient incorporated on July 14, 2014 for the sole purpose of the Arrangement, from Salient for consideration of \$10,000 and paid \$7,920 for estimated expenses that Salient incurred during the transaction;
- Fundamental acquired 13,700,000 common shares of Antisocial, being all the issued and outstanding share capital, from all the shareholders of Antisocial through a 1-for-1 share exchange;
- Fundamental issued 396,000 common shares of Fundamental to Salient for 1,000 common shares and \$7,920 in cash, which were subsequently distributed to the shareholders of Salient as of the record date of August 20, 2014, on a pro-rated basis according to their shareholdings;

Upon the Arrangement becoming effective on September 12, 2014, Fundamental became a reporting issuer in the jurisdictions of Alberta and British Columbia, and issued a total of 14,096,000 common shares.

As a result of the arrangement, the former shareholders of Antisocial, for accounting purposes, are considered to have acquired control of the Company. Accordingly, the arrangement has been accounted for as a reverse takeover that was not a business combination and effectively a capital transaction of the Company. As Antisocial is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on April 4, 2014 are included in the consolidated financial statements at their historical carrying value. The consolidated financial statements are a continuation of Antisocial in accordance with IFRS 3, Business Combinations. The Company’s results of operations are included from September 12, 2014 onwards.

The public company listing cost does not meet the criteria for recognition of an intangible asset in accordance with IAS 38 “Intangible Assets”. Accordingly, the Company charged \$17,920 to the Statement of Comprehensive Loss on the date of the reverse acquisition.

Significant Acquisitions and Dispositions

On April 15, 2014, the Company commenced development of the Serum smartphone application and has incurred \$186,451 of development costs during the period ended March 31, 2015 (June 30, 2014 - \$50,000). The Company continue with the design and development of the Application Software, and hope to complete development this year.

On July 31, 2104, the Company completed an Asset Purchase Agreement with Vibecast Corp. for the purchase of the intellectual property and intellectual property rights, the application software, and the Trade-Marks using the term “Serum”. In consideration, the Company issued to Vibecast Corp

3,000,000 common shares at a deemed price of \$0.02 to acquire all the assets relating to the Application Software (the "Serum™ Assets").

As of March 31, 2015, the application is still in its development stage, and development costs will be assessed for impairment in future periods.

Proposed Transaction

On January 20, 2015, the Company announced the signing of a non-binding Letter of Intent (the "LOI") with Foro Technologies Inc. ("Foro"). Foro is the owner of the intellectual property and rights for two organically built applications. The LOI outlines the general terms and conditions. The Company will acquire 100% of the issued shares in the capital of Foro. The acquisition was negotiated at arm's length and is expected to be superseded by a definitive agreement to be signed by the parties.

Selected Annual Information

Results of Operations For The Nine Month Period Ended March 31, 2015

The Company incurred a loss of \$1,172,995 for the nine months ended March 31, 2015. Loss per share totaled \$0.01.

Trends in expenses and the composition of significant expenses during the nine months ended March 31, 2015 were:

- Non-cash share-based payments of \$314,500 represents the fair value of the 850,000 share purchase options granted on September 18, 2014 to directors, officers and consultants of the Company;
- \$245,039 in marketing expense were incurred in connection with the live launch of Serum application and \$336,815 in advertising and promotion of the application on North-American and European markets;
- the Company completed its listing on the Canadian Securities Exchange and incurred legal fees of \$95,297 and listing and transfer agent costs of \$30,190.
- Listing expense of \$17,920 was paid as consideration to Salien pursuant to the terms of the Arrangement;
- Incurred consulting fees of \$77,129 consisting of \$25,000 paid to a company with a director in common and \$9,728 for an evaluation report on the intellectual property of Vibecast Corp.

Summary of Quarterly Results

The following is a summary of the Company's financial results for the most recently completed quarters. There are no quarterly results to report prior to June 30, 2014 as the Company was incorporated on April 4, 2014.

	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Period from inception on April 4, 2014 to June 30, 2014
	\$	\$	\$	\$
Net sales	-	-	-	-
Net loss	(123,654)	(569,349)	(479,992)	(57,069)
Basic and diluted net loss per share	(0.01)	(0.03)	(0.04)	(0.01)

Results Of Operations For The Three Month Period Ended December 31, 2014

The net loss for the period was \$123,564 primarily due to the following individual items:

- Interest accrued on outstanding short term loans of \$11,772.
- Filing and regulatory fees of \$4,618 as a result of listing fees to the CSE and transfer agent fees;
- Professional fees of \$25,362 incurred in regards to the Arrangement and the Company's financings.
- \$21,000 in marketing expense were incurred in connection with the live launch of Serum application and \$21,000 in advertising and promotion of the application on North-American and European markets;
- Incurred consulting fees of \$18,000.

During the period, basic and diluted loss per shares was \$0.01.

Liquidity

As at March 31, 2015, the Company had working capital deficiency of \$622,826, including \$1,478 in cash as compared to working capital of \$203,612, including cash of \$241,612 at June 30, 2014.

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'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. See subsequent event for additional information.

Short-term Loan

During the nine month period ended March 31, 2015, a director of the Company advanced \$367,000 to the Company for working capital. The advance bears interest of 8% per annum, is unsecured and is due on demand.

During the nine month period ended March 31, 2015, a shareholder of the Company advanced \$35,000 to the Company for working capital. The advance is bears interest of 8% per annum is unsecured and is due on demand.

Capital Resources

The Company does not have any other commitments for material capital expenditures.

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.

	The nine months ended March 31, 2015	
Administrative expenses		
Consulting fees	\$	59,000
Management fees		16,000

Share-based payments	166,500
	\$ 241,500

During the nine month period ended March 31, 2015, a director of the Company advanced \$367,000 to the Company for working capital. The advance is non-interest bearing, unsecured and is due on demand.

Key management compensation

The Company considers its Chief Executive Officer, Chief Financial Officer and directors of the Company to be key management. During the nine month period ended March 31, 2015, the recorded \$241,500 in key management compensation as noted in the above table (June 30, 2014 - \$Nil).

Off Balance Sheet Arrangements

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

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.

Changes in Accounting Policies

N/A

Significant Accounting Policies

New accounting policies that the Company has adopted during the nine months ended March 31, 2015 or expects to adopt are noted below (also disclosed in the annual June 30, 2014 financial statements):

The following new standards and interpretations are not yet effective and have not been applied in preparing these financial statements. The Company is currently evaluating the potential impacts of these new standards and does not anticipate any material changes to the financial statements upon

adoption of this new and revised accounting pronouncement.

IFRS 9 – Financial Instruments (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39.

Financial Instruments and Risk Management

As at March 31, 2015, the Company's financial instruments consist of cash, 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 has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

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 non interest bearing as at December 31, 2014.

Subsequent Events

Subsequent to March 31, 2015:

On April 9, 2015, the Company completed an acquisition of Foro Technologies Inc. whereby Fundamental exchanged 1.7 million shares for 100% of the issued and outstanding shares of Foro. 500,000 of the 1.7 million shares will be released immediately and the remaining 1.2 million shares will be subject to escrow restrictions and released upon the achievement of certain milestones. 600,000 of the escrowed shares will be released once Foro reaches a minimum of 25,000 regular users of Foro and the remaining 600,000 escrowed shares will be released once Foro reaches 50,000 regular users of Foro. If the milestones have not been achieved within 12 months of closing of the acquisition of Foro, all escrowed shares not yet released will be cancelled. Concurrent with the acquisition, Fundamental issued 464,927 shares and contributed a cash payment of \$50,000 to payout certain creditors of Foro.

On April 9, 2015 Fundamental completed a private placement of 1,393,778 units at a price of \$0.18 per unit for gross proceeds of \$250,884.04. Each unit is comprised of one common share and one half common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share of Fundamental at a price of \$0.30 at any time prior to April 9, 2017. Finder's fees totaling \$7,245 in cash were paid and 40,250 in common share broker warrants were issued in connection with this private placement. All securities issued under this private placement are subject to a statutory four month hold period and will not be tradeable until August 10, 2015.

On April 9, 2015, granted 100,000 stock options to an officer of the Company.

On April 22, 2015, the Company added Ali Saheli as the Company's Chief Technology Officer.

On May 8, 2015, the Company appointed Alexander Helmel to the Board of Directors, filling the vacancy created by the resignation of Nickolas Miller. Nickolast Miller remains an advisor to the Company.

Other MD&A Requirements

a) Additional information relating to the Company is on SEDAR at www.sedar.com.

b) Disclosure of Outstanding Share Data:

As at the date of this MD&A, the Company had 14,601,166 issued and outstanding common shares, 1,264,472 outstanding warrants and 525,000 stock options.

Warrants outstanding as at the date of the MDA:

Number of Warrants	Exercise Price	Expiry Date
11,667	\$0.30	November 10, 2015
166,666	\$0.75	November 10, 2015
188,500	\$0.75	December 17, 2015
150,000	\$0.75	February 2, 2016
10,500	\$0.30	February 2, 2016
737,139	\$0.30	April 8, 2017
<u>1,264,472</u>		

Share Purchase Options as at the date of the MDA:

As at the date of the MDA, there were 525,000 share purchase options outstanding entitling the holders to purchase one common share at a price of \$0.50. These options expire on September 18, 2019. Additionally, there were 100,000 share purchase options outstanding entitling the holder to purchase one common share at a price of \$0.28. These options expire on April 9, 2020.

Directors And Officers

As of the date of this report, the Company's directors and officers are Richard Whitehead (CEO and Director), Julian Ing (CFO and Director), Alexander Helmelt (Director), and Ali Saheli (CTO).

Risks And Uncertainties

The Company's future growth and profitability will depend on the effectiveness and efficiency of advertising and promotional costs, including the Company's ability to (i) create brand recognition for the Products; (ii) determine appropriate advertising strategies, messages and media; and (iii) maintain acceptable operating margins on such costs. There can be no assurance that advertising and promotional costs will result in revenues for the Company's business in the future, or will generate awareness of the Company's technologies or services. In addition, no assurance can be given that the Company will be able to manage the Company's advertising and promotional costs on a cost-effective basis.