



**FUNDAMENTAL APPLICATIONS CORP.**

MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended September 30, 2016

## **1.1 Date of Report: November 29, 2016**

The following Management Discussion and Analysis (“MD&A”) of Fundamental Applications Corp. (the “Company” or “Fundamental”) has been prepared by management, in accordance with the requirements of National Instrument 51-102 as of November 29, 2016, and should be read in conjunction with the unaudited consolidated financial statements and notes thereto for the period ended September 30, 2016, and the audited consolidated financial statements and notes thereto for the year ended June 30, 2016, all which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

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.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. In particular, up to September 12, 2014 the Company was operating as a private company with constrained resources; accordingly, drawing trends from the Company's limited operating history is difficult.

## **1.2 Overall Performance**

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

Fundamental 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. on September 2, 2014.

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

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

Fundamental designs, develops, markets, and acquires innovative mobile applications targeted at the "Millennials" generation, people born in an age of digital technology, internet access, and smartphones. This demographic is an early adopter of mobile technology, has significant discretionary income, and is lifestyle driven with a willingness to try new things. The Company's four leading mobile platforms are OPINIT, an app that enables users to create and share emotion driven content; Foro, a peer-to-peer mobile ecommerce marketplace app; Truth, a one-to-one anonymous messaging app; and Serum™, an app that enables users to post questions to their friends and receive answers anonymously.

### **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; and,
- 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 July 31, 2014, 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", for the Application Software named "Serum" which had been in development since April 15, 2014. 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<sup>TM</sup> Assets").

On April 8, 2015, the Company completed the acquisition of Foro Technologies Inc. ("Foro"), the owner of the intellectual property and rights for two organically built applications, Truth and Foro.

Pursuant to the terms of the Foro acquisition, Fundamental exchanged \$50,000 cash and 1,460,000 shares for 100% of the issued and outstanding shares of Foro. A total of 500,000 of the 1,460,000 shares were released immediately and the remaining 960,000 shares are subject to escrow restrictions and will be released upon the achievement of certain milestones. A total of 600,000 of the escrowed shares will be released once Foro reaches a minimum of 25,000 regular users of Foro and the remaining 360,000 escrowed shares will be released once Foro reaches 50,000 regular users Foro. If the milestones had not been achieved by April 8, 2016, all escrowed shares not yet released were to be cancelled. Concurrent with the acquisition, Fundamental issued 224,927 shares and the cash consideration of \$50,000 was used to payout certain creditors of Foro Technologies Inc. On April 9, 2016, the date which is 12 months after closing, the milestones had not been met; accordingly, the 960,000 escrowed shares were subsequently returned to treasury.

On September 22, 2016, the Company completed the acquisition of OPINIT LLC ("OPINIT") pursuant to which the Company exchanged an aggregate of 3,500,000 common shares in the capital of Fundamental (the "Shares") for 100% of the issued and outstanding shares of OPINIT. In addition, the securityholders of OPINIT will be issued up to an additional 4,000,000 Shares upon the satisfaction of certain performance milestones, as detailed in the Share Exchange Agreement (which has been filed for reference on SEDAR). Concurrent with the acquisition, Fundamental issued 175,000 shares to an arm's length finder.

### **1.3 Selected Annual Information**

N/A

### **1.4 Results of Operations**

#### ***Results of Operations for the three months ended September 30, 2016, compared to 2015***

The Company incurred a net and comprehensive loss of \$424,375 for the period ended September 30, 2016, compared to a net and comprehensive loss of \$722,269 for the same period in 2015. During this period, the Company has continued to market and develop its mobile application suite.

Specifically, the difference in net and comprehensive loss incurred during the three month period ended September 30, 2016, compared to that incurred during the comparable period in 2015 was largely a result of the following:

- Consulting fees increased to \$199,571 in 2016 from \$100,668 in 2015 primarily due to continued marketing and development of the Company's mobile applications.
- Marketing costs decreased to \$109,146 from \$162,014 in 2015 as a result of the Company decreasing Foro marketing during the summer out of school period.
- Listing costs in the 2015 period were associated with the initial OTC listing. There were none in 2016.

- Transfer agent and filing fees increased to \$17,067 from \$4,550. The difference of \$12,517 is primarily due to the annual cost of the OTC listing established in 2015.
- Development and Research costs dropped \$82,890 to \$17,110 as the Foro acquisition and redevelopment had been completed.
- No stock options were granted during the period ended September 30, 2016. During the same period in 2015, incentive stock options were granted to its directors, officers and consultants which required the corresponding share based payment entry of \$269,948.
- Travel increased to \$18,596 (2015: \$7,977) due to travel related to marketing and consultant related activity.

### 1.5 Summary of Quarterly Results

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

Three months ended	Total revenues	Net loss	Loss Per Share (basic and diluted)
Sep 30, 2016	Nil	\$(424,375)	\$0.02
June 30, 2016**	Nil	(709,581)	0.04
Mar 31, 2016	Nil	(209,597)	0.01
Dec 31, 2015	Nil	(191,814)	0.01
Sep 30, 2015*	Nil	(452,321)	0.04
June 30, 2015	Nil	(454,802)	0.04
Mar 31, 2015	Nil	(123,654)	0.01
Dec 31, 2014	Nil	(569,349)	0.05

\* SBC of \$269,948 is not included in this total

\*\* SBC of \$213,514 and Gain/Loss Debt Settlement of \$172,516 is not included in this total

### 1.6 Liquidity

As at September 30, 2016, the Company had working capital deficiency of \$636,923 (\$10,635 in cash and \$28,195 in GST recoverable) compared to a working capital deficiency of \$366,172, (\$73,599 in cash and \$3,618 in GST recoverable) at September 30, 2015.

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 year the Company has 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. See section 1.16 Subsequent Events for additional information.

### **1.7 Capital Resources**

At September 30, 2016, the capital of the Company consists of cash in the bank and GST/HST recoverable totaling \$38,830. The Company will have to generate additional cash from 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***

The Company considers its Chief Executive Officer, Chief Financial Officer and directors of the Company to be key management. The Company has incurred charges during the period from directors and senior management, or companies controlled by them, for management fees and consulting fees in the amount of \$65,071 (2015 - \$19,500). Amounts due to related parties are interest free and unsecured, and are payable on demand. The Company also recorded share based compensation for key management during the period in the amount of \$Nil (2015 - \$169,681).

At September 30, 2016, a balance of \$37,500 (2015: \$12,000) is owing to related parties. This amount is unsecured, non-interest bearing and due on demand.

### **1.10 Fourth Quarter**

N/A

### **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**

No changes in accounting policies.

### **Significant Accounting Policies**

New accounting policies that the Company has adopted during the period or expects to adopt are noted below (also disclosed in the annual June 30, 2016, 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.

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

As at September 30, 2016, 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 either fixed rate (8%) or non-interest bearing as at September 30, 2016.

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

This MD&A was prepared on November 29, 2016. This MD&A should be read in conjunction with the unaudited financial statements for the period ended September 30, 2016. This MD&A is intended to assist the reader's understanding of Fundamental 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. Fundamental'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>	31,039,527
<b>Stock Options</b>	2,360,000
<b>Warrants</b>	3,672,355
<b>Fully Diluted</b>	<b>37,071,882</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), Khalil Bhimji (Director), Jeffrey Hayzlett (Director), and Alexander Helmel (Director and Interim Chief Financial Officer).

## 1.16 Subsequent Events

Subsequent to September 30, 2016, the Company:

- a) Issued 1,664,772 shares to settle debt of \$183,125;
- b) Completed a private placement of 1,045,454 units at \$0.11 per unit. Each unit was 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 \$0.30 for two years; and
- c) On October 24, 2016, the Company granted an aggregate of 560,000 stock options to Directors, Officers, or consultants. Each option is exercisable at a price of \$0.15 for a period of five years.