

**ENTHEOS CAPITAL CORP.**

**Management's Discussion and Analysis**

**For the year ended December 31, 2020**

**1500 – 409 Granville Street  
Vancouver, BC  
V6C 1T2**

## **DESCRIPTION OF BUSINESS AND OVERVIEW OF OPERATIONS AND FINANCIAL CONDITION**

The following is management's discussion and analysis ("MD&A"), prepared as of February 19, 2021. This MD&A should be read in conjunction with the Company's audited Financial Statements and the accompanying notes for the year ended December 31, 2020, all as prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

This report includes certain statements that may be deemed "forward-looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical facts that address such matters as future events or developments that the Company expects, are forward looking statements and, as such, are subject to risks, uncertainties, assumptions and other factors of which are beyond the reasonable control of the Company. You can identify these statements by forward-looking words such as "expects", "does not expect", "plans", "anticipates", "does not anticipate", "believes", "intends", "estimated", "projects", "potential", "scheduled", "forecast", "budget", and similar expressions, or that events or conditions "will", "would", "may", "could", "should" or "might" occur and similar words. Such statements give the Company's current expectations or forecasts of future events and are not guarantees of future performance and actual results or developments may differ materially from those expressed in, or implied by, this forward-looking information. With respect to forward-looking statements and information contained herein, we have made numerous assumptions including among other things anticipated costs and expenditures and the Company's ability to achieve its goals. Although management believes that the assumptions made, and the expectations represented by such statements or information are reasonable, there can be no assurance that a forward-looking statement or information herein will prove to be accurate. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Factors that could cause actual results to differ materially from those in forward-looking statements include, for example, such matters as continued availability of capital and financing and general economic, market or business conditions. Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking statements or information. Any forward-looking statements are expressly qualified in their entirety by this cautionary statement. The information contained herein is stated as of the current date and subject to change after that date and the Company does not undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Description of Business**

The Company provides business advisory services to public and non-public companies. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol ENTH. The Company is actively seeking opportunities to seek to graduate from the NEX.

On February 7, 2021, the Company entered into a binding letter agreement with The BC Bud Corporation ("BCBC") whereby the Company will acquire all of the issued and outstanding securities of BCBC by way of a share exchange (the "Transaction"). Upon the successful completion the Transaction, it is anticipated that the Company will carry on the business of BCBC (the "Resulting Issuer") and will seek to delist its common shares from the TSX-V and list its common shares on the Canadian Securities Exchange ("CSE") such that on the date of closing, the common shares of the Resulting Issuer would be listed on the CSE as a life science issuer in the cannabis industry. The Transaction constitutes a 'reverse takeover' of the Company.

### **Information Concerning BCBC**

BCBC is incorporated under the laws of Canada and is an early-stage company pursuing premium recreational cannabis products in the cannabis industry through licensing, manufacturing and joint venture agreements with licensed producers under the *Cannabis Act*. BCBC is not a licensed producer. Its expected branded products will include BCBC flower products, edibles under the brand 'Canna Beans', concentrates sold as Solventless Solutions, 'Buds' beverages line and select lifestyle apparel.

***Transaction Summary***

Pursuant to the Transaction, the Company will issue common shares in its capital ("ENTH Shares") to the holders of common shares in the capital of BCBC ("BCBC Shares") on the basis of approximately 2.1 ENTH Shares for each BCBC Share. It is anticipated that approximately 26,250,000 ENTH Shares will be issued pursuant to the Transaction based on the current capital structure of BCBC. The Company currently has 13,651,815 ENTH Shares issued and outstanding.

No advances to be made by the Company to BCBC are contemplated by the letter agreement and no finder's fees are payable in connection with the Transaction.

The Transaction is subject to a number of terms and conditions, including, but not limited to, the parties entering into a definitive agreement with respect to the Transaction on or before March 15, 2021 (such agreement to include representations, warranties, conditions and covenants typical for a transaction of this nature), the completion of a private placement by the Company to raise gross proceeds of at least \$1,000,000 as further described below, the approval of a majority of the minority shareholders in the Company, and the approval of the CSE and other applicable regulatory authorities. Additionally, the delisting of the ENTH Shares in advance of the listing on the CSE will also require the approval of a majority of the minority shareholders in the Company.

Upon completion of the Transaction, the Company intends to change its name to "The BC Bud Co." and the parties expect that the CSE will assign a new trading symbol for the Resulting Issuer.

Trading in the ENTH Shares has been halted and is expected to remain halted pending the satisfaction of the listing requirements of the CSE. There can be no assurance that trading of ENTH shares will resume prior to the completion of the Transaction and it is not anticipated that trading will resume on the TSXV prior to delisting. Further details concerning the Transaction (including additional financial information) and other matters will be announced if and when a definitive agreement is reached.

Approval for the Transaction will be sought from the Company's shareholders on a date to be determined.

***Management and Board of Directors of Resulting Issuer***

Upon completion of the Transaction, Corey Larricq will resign as a Director of the Company and Samantha Shorter will resign as Chief Financial Officer of the Company. Brayden Sutton will remain as CEO and a Director and Josh Taylor will remain as a Director and be appointed as President. BCBC will appoint two new Directors of the Company to be determined and a new Chief Financial Officer and Corporate Secretary.

Further information with respect to the Transaction is in the Company's news release dated February 11, 2021.

**PERFORMANCE SUMMARY**

The following is a summary of the significant events and transactions that occurred during the year ended December 31, 2020 and for the subsequent period to the report date hereof:

- Effective April 1, 2020, the Company effected a share consolidation on the basis of ten (10) pre-consolidation common shares for one (1) post-consolidation share. The Company concurrently changed its name from Waterfront Capital Corporation to Entheos Capital Corp.
- On April 2020, the Company completed a private placement of 3,333,331 units at a price of \$0.075 per unit ("April Unit") for gross proceeds of \$250,000. Each April Unit consists of one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder to purchase a common share at a price of \$0.15 per share for a period of one year.
- On May 22, 2020, the Company completed a private placement at 5,000,000 units at a price of \$0.15 per unit ("May Unit") for gross proceeds of \$750,000. Each May Unit consists of one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder to purchase a common share at a price of \$0.30 per share for a period of one year.
- Subsequent to December 31, 2020, the Company issued 483,333 common shares pursuant to the exercise of warrants for gross proceeds of \$75,000.

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**SELECTED ANNUAL INFORMATION**

	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>	<b>Year Ended December 31, 2018</b>
Revenues	-	-	-
Operating loss	(170,225)	(298,269)	(505,127)
Net loss and comprehensive loss	(143,242)	(292,497)	(507,863)
Basic loss per share	(0.01)	(0.07)	(0.12)
Diluted loss per share	(0.01)	(0.07)	(0.12)
Total assets	887,339	78,876	264,728

The operating losses for the periods presented reflect activity directed toward due diligence and transaction work. As at December 31, 2020, the Company had not completed a successful transaction.

**SUMMARY OF QUARTERLY RESULTS**

The following is a summary of quarterly results of the Company for the eight most recently completed financial quarters ended December 31, 2020:

	<b>December 31, 2020</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>March 31, 2020</b>
Total assets	\$ 887,339	\$ 849,400	\$ 870,972	\$ 2,381
Working capital (deficit)	838,413	824,251	859,257	(83,266)
Shareholders' equity (deficit)	838,413	824,251	859,257	(83,266)
Total revenue	-	-	-	-
Operating expenses	30,838	35,006	45,977	58,404
Net loss and comprehensive loss	(30,838)	(35,006)	(45,977)	(31,421)
Basic loss per share	(0.00)	(0.00)	(0.00)	(0.01)
Diluted loss per share	(0.00)	(0.00)	(0.00)	(0.01)

	<b>December 31, 2019</b>	<b>September 30, 2019</b>	<b>June 30, 2019</b>	<b>March 31, 2019</b>
Total assets	\$ 78,876	\$ 114,944	\$ 129,584	\$ 202,042
Working capital (deficit)	(51,845)	36,915	101,934	177,483
Shareholders' equity (deficit)	(51,845)	36,915	101,934	177,483
Total revenue	-	-	-	-
Operating expenses	89,892	65,636	77,964	64,777
Net loss and comprehensive loss	(88,760)	(65,019)	(75,549)	(63,169)
Basic loss per share	(0.02)	(0.01)	(0.02)	(0.01)
Diluted loss per share	(0.02)	(0.01)	(0.02)	(0.01)

**Results of Operations**

The following discussion addresses the operating results and financial condition of the Company for the three and twelve months ended December 31, 2020, compared with the three and twelve months ended December 31, 2019. The Management's Discussion and Analysis should be read in conjunction with the Company's financial statements and the accompanying notes for the year ended December 31, 2020.

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**For the three-month period ended December 31, 2020:**

The Company had a net loss for the three-month period ended December 31, 2020 of \$30,838 (2019 - \$88,760). The net decrease of \$57,922 in the net loss for the three-month period ended compared to the three-month period ended December 31, 2019 was impacted by the differences below:

- Consulting fees of \$25,500 (2019 - \$32,500) include amounts paid to management and directors in the respective periods. The detailed recipients are provided below in Transactions with Related Parties.
- Office and miscellaneous of \$322 (2019 - \$8,383) decreased as the Company moved premises and reduced recurring expenditures.
- Professional fees of \$4,864 (2019 - \$36,958) decreased as the Company changed management and objectives for operations. In the prior period, the Company incurred additional legal costs with respect to prospective agreements.
- Regulatory and transfer agent fees of \$152 (2019 - \$1,885) decreased as the Company has reduced corporate activity.
- Rent of \$Nil (2019 - \$5,955) decreased as the Company left its former premises.
- Wages and benefits of \$Nil (2019 - \$4,205) decreased as the Company does not have any employees as of the end of fiscal 2019.

**For the twelve-month period ended December 31, 2020:**

The Company had a net loss for the twelve-month period ended December 31, 2020 of \$143,242 (2019 - \$292,497). The net decrease of \$149,255 in the net loss for the twelve-month period ended compared to the twelve-month period ended December 31, 2019 was impacted by the differences below:

- Consulting fees of \$105,000 (2019 - \$112,000) include amounts paid to management and directors in the respective periods. The detailed recipients are provided below in Transactions with Related Parties.
- Office and miscellaneous of \$2,255 (2019 - \$23,794) decreased as the Company moved premises and reduced recurring expenditures.
- Professional fees of \$38,537 (2019 - \$101,965) decreased as the Company changed management and objectives for operations. In the prior period, the Company incurred additional legal costs with respect to prospective agreements.
- Regulatory and transfer agent fees of \$22,448 (2019 - \$16,684) increased as the Company incurred costs with respect to the annual general meeting and share consolidation.
- Rent of \$1,985 (2019 - \$23,818) decreased as the Company left its former premises.
- Wages and benefits of \$Nil (2019 - \$20,002) decreased as the Company does not have any employees as of the end of fiscal 2019.
- Gain on debt settlement of \$26,472 (2019 - \$nil) related to the settlement of outstanding debts in January 2020 as described above.

**OFF BALANCE SHEET ARRANGEMENTS**

The Company is not a party to any off-balance sheet arrangements or transactions.

**PROPOSED TRANSACTIONS**

The Company does not have any proposed transactions.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company has financed its operations to date primarily through the issuance of common shares and exercise of warrants. The Company continues to seek capital through various means including the issuance of equity and/or debt. The Company anticipates spending some of its capital resources on exploring new business opportunities during the upcoming year.

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The Company assesses its financing requirements and its ability to access equity or debt markets on an ongoing basis. The assessment considers: the stage and success of the Company's evaluation activities to date; the continued participation of the Company's investors in evaluation activities; and financial market conditions. Further financing may be required to cover the Company's long-term cash requirements. It is possible that future economic events and global conditions may result in further volatility in the financial markets which could negatively impact the Company's ability to access equity or debt markets in the future.

As at December 31, 2020, the Company had working capital of \$838,413 compared to a working capital deficiency of \$51,845 as at December 31, 2019. As at December 31, 2020, the Company had cash of \$882,821 compared to cash of \$1,220 as at December 31, 2019.

Net cash used in operating activities for the period ended December 31, 2020 was \$156,913 compared to \$183,455 for the same period in the prior year. The difference in cash used related largely to the reduction of operating expenses.

Net cash provided by investing activities for the period ended December 31, 2020 was \$5,014 (2019 – \$40,492) for principal repayments on the loan extended in 2018 and assigned for settlement of debts in the year ended December 31, 2020.

In the year ended December 31, 2020, the Company raised \$1,000,000 in private placement funds and \$45,000 in warrant exercise for which share issuance costs of \$11,500 were expended.

**TRANSACTIONS WITH RELATED PARTIES**

During the period ended December 31, 2020, the Company recovered, paid or accrued the following amounts to directors, companies or limited partnerships controlled by directors, and/or companies with common directors:

<b>Name of Company</b>	<b>Directors/Officers</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Waterfront Capital Partners Inc. (formerly Criterion Capital Corporation) (consulting fees)	Douglas L. Mason (former CEO and director)	2,500	30,000
Sead Hamzagic, Inc. (consulting fees)	Sead Hamzagic (former CFO)	2,500	30,000
Joshua Taylor (director's fees)	Joshua Taylor	6,000	1,000
Corey Larricq (director's fees)	Corey Larricq	6,000	2,000
Joseph Bleakley (director's fees)	Joseph Bleakley	-	1,000
Sutton Ventures Ltd. (consulting fees)	Brayden Sutton	57,500	30,000
Red Fern Consulting Ltd. (consulting fees)	Samantha Shorter, CFO	27,500	-
Beachfront Enterprises Limited Partnership (rent)	a limited partnership, the majority of which is owned by a director, namely, Douglas L. Mason (former CEO and director)	1,985	23,818

During the period ended December 31, 2020, the Company reimbursed Waterfront Communications Inc. (a company with certain former directors in common) on a cost basis, to cover shared administrative payroll costs, included in wages and benefits, in the amount of \$Nil (2019 - \$20,002) and shared expenses in the amount of \$Nil (2019 - \$14,635).

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Included in accounts payable at December 31, 2020 is \$36,500 (2019 - \$60,172) due to companies controlled by directors, directors and former directors and/or companies with certain directors in common.

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

## **CAPITAL MANAGEMENT**

The Company manages its components of equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, or acquire assets. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

There have been no changes to the Company's approach to capital management during the year ended December 31, 2020. The Company is not subject to externally imposed capital requirements.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

## **FINANCIAL INSTRUMENTS**

### **Fair value**

The Company classifies its cash and investments as fair value through profit or loss measured at level 1 inputs of the fair value hierarchy. Loan receivable and accounts payable and accrued liabilities are carried at amortized cost.

The carrying values of loan receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

### **Credit risk**

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash, investments, accounts receivable, and loan receivable. Management believes that the credit risk concentration with respect to cash is remote as it maintains accounts with highly rated financial institutions.

### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2020, the Company had working capital of \$838,413 (2019 – working capital deficiency of \$51,845). All of the Company's liabilities are due within 90 days of December 31, 2020.

### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk. The Company is not currently exposed to any significant interest rate or foreign currency risk. The Company is exposed to other price risk with respect to its investments, as they are carried at fair values based on quoted market prices.

### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the impairment of assets, valuation of share-based payments and recognition of deferred tax amounts.

#### Critical accounting estimates:

#### **Income taxes**

Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences and, accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time.

#### **Fair value estimates of equity instruments**

The fair value of each stock option granted is estimated at the grant date using the Black-Scholes option pricing model. The estimated life of the stock options and conversion at grant date is based on the expected life of the options and assumptions about the expected exercise pattern. Expected volatility of stock options is estimated based on the volatility of companies comparable in size and operations to the Company.

### **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the financial statements.

### **OUTSTANDING SHARE DATA AS OF FEBRUARY 19, 2021:**

- a) Authorized Share Capital:
  - unlimited number of common shares without par value
  - unlimited number of preferred shares without par value
  
- b) Issued and Outstanding Shares:
  - 13,651,815 common shares
  
- c) Outstanding incentive stock options:

Number of Options	Exercise Price	Expiry Date
85,000	\$ 1.00	October 13, 2022



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d) Outstanding warrants:

Number of Options	Exercise Price	Expiry Date
816,666	\$ 0.15	April 13, 2021
<u>2,500,000</u>	0.30	May 22, 2021
3,316,667		

**OFFICERS AND DIRECTORS**

Brayden Sutton, CEO and Director  
Samantha Shorter, CFO  
Corey Larricq, Director  
Joshua Taylor, Director