



**MOUNTAIN VALLEY MD HOLDINGS INC.**

**Unaudited Interim Condensed Consolidated Financial Statements  
For the six months period ended September 30, 2020 and 2019**

(Expressed in Canadian Dollars)

#### NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS FOR 2020 PERIODS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements for the six months ended September 30, 2020 in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of the interim financial statements by an entity's auditor

**MOUNTAIN VALLEY MD HOLDINGS INC.**

(formerly Meadow Bay Gold Corporation)

**Consolidated Statements of Financial Position****(Expressed in Canadian Dollars)**

	Note	September 30, 2020	March 31, 2020 (audited)
<b>TOTAL ASSETS</b>			
CURRENT			
Cash		\$ 418,401	\$ 1,741,563
Commodity taxes recoverable		184,398	123,992
Prepaid expenses and deposits		162,371	290,239
Note receivable	8	104,534	102,027
Right to use asset, current portion	17	-	7,208
Due from shareholder	13	-	98,492
		<u>869,704</u>	<u>2,363,521</u>
NON-CURRENT			
Right to use asset	17	106,239	-
Intellectual property	5	4,843,245	4,993,323
Licences	3	341,250	300,000
Equity investments	7	2,793,558	2,870,224
Investment in associates	6	280,001	280,001
Property and equipment	10	1,541,765	1,426,815
		<u>9,906,058</u>	<u>9,870,363</u>
		<u>\$ 10,775,762</u>	<u>\$ 12,233,884</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
CURRENT			
Accounts payable and accrued liabilities	13	\$ 343,812	\$ 611,865
Lease liability, current portion	17	31,430	6,563
Mortgage payable	11	320,000	320,000
		<u>695,242</u>	<u>938,428</u>
NON-CURRENT			
Lease liability	17	73,844	-
Share redemption liability	7	2,518,600	2,518,600
Convertible note	9	-	226,672
		<u>3,287,686</u>	<u>3,683,700</u>
SHAREHOLDER'S EQUITY			
Share capital	12	26,620,582	25,962,332
Contributed surplus	12	350,367	442,010
Warrants	12	1,887,488	1,887,488
Deficit		(21,370,361)	(19,741,646)
		<u>7,488,076</u>	<u>8,550,184</u>
		<u>\$ 10,775,762</u>	<u>\$ 12,233,884</u>

GOING CONCERN (Note 1)

COMMITMENTS AND CONTINGENT LIABILITIES (Note 18)

SUBSEQUENT EVENTS (Note 19)

Approved on behalf of the Board:

*/s/ "Dennis Hancock"**/s/ "Kevin Puloski"*

**MOUNTAIN VALLEY MD HOLDINGS INC.**  
(formerly Meadow Bay Gold Corporation)  
**Consolidated Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**

	Note	Three month period ended September 30,		Six month period ended September 30,	
		2020	2019	2020	2019
<b>EXPENSES</b>					
Amortization of intangible assets	5	\$ 83,499	\$ -	\$ 166,721	\$ -
Depreciation of tangible and right-of use assets	17	19,800	-	36,088	-
General and administrative	13	561,442	505,620	1,028,405	869,593
Stock based compensation	12	16,642	-	28,283	-
<b>NET LOSS BEFORE OTHER ITEMS</b>		<b>681,383</b>	505,620	<b>1,259,497</b>	869,593
<b>OTHER (INCOME) EXPENSE</b>					
Accretion and interest on convertible debt	9	11,457	-	20,183	-
Interest earned on convertible note	8	(1,260)	-	(2,507)	-
Investment income and other		-	-	(4,495)	(4,957)
Loss from equity accounted associate	6	133,210	-	265,265	-
Mortgage interest paid	11	5,573	4,764	14,698	11,700
Unrealized loss on equity investment	7	43,332	-	76,666	-
Unrealized gain on foreign exchange		(11,123)	-	(592)	-
		<b>181,189</b>	4,764	<b>369,218</b>	<b>6,743</b>
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>\$ 862,572</b>	\$ 510,384	<b>\$ 1,628,715</b>	\$ 876,336
<b>BASIC AND DILUTED LOSS PER SHARE</b>					
		<b>\$ (0.00)</b>	\$ (0.00)	<b>\$ (0.01)</b>	\$ (0.00)
Weighted average number of shares outstanding		<b>249,117,933</b>	202,963,194	<b>247,567,173</b>	200,568,933

# MOUNTAIN VALLEY MD HOLDINGS INC.

(formerly Meadow Bay Gold Corporation)

## Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Note	Class A Number of shares	Class A Share capital \$	Class B Number of shares	Class B Share capital \$	Common shares Number of shares	Common shares Share capital \$	Contributed surplus \$	Warrants \$	Deficit \$	Total \$
<b>Balance at March 31, 2019</b>		70,625,200	737,501	112,217,807	11,113,477	-	-	-	-	(897,032)	10,953,946
Shares issued for investment	12	-	-	16,000,000	3,200,000	-	-	-	-	-	3,200,000
Shares issued for services	12	-	-	1,960,500	392,100	-	-	-	-	-	392,100
Shares issued for private placement	12	-	-	3,977,500	957,467	-	-	-	-	-	957,467
Net loss for the period		-	-	-	-	-	-	-	-	(876,336)	(876,336)
<b>Balance at September 30, 2019</b>		70,625,200	737,501	134,155,807	15,663,044	-	-	-	-	(1,773,368)	14,627,177
<b>Balance at March 31, 2020</b>		-	-	-	-	243,691,267	25,962,332	442,010	1,887,488	(19,741,646)	8,550,184
Shares issued for debt	12	-	-	-	-	1,740,000	87,000	-	-	-	87,000
Exercise of stock options	12	-	-	-	-	2,100,000	107,000	-	-	-	107,000
Issuance of stock options	12	-	-	-	-	-	-	28,283	-	-	28,283
Conversion of convertible note	9	-	-	-	-	875,000	350,000	(119,926)	-	-	230,074
Shares issued for finder's fees	12	-	-	-	-	250,000	41,250	-	-	-	41,250
Shares for services	12	-	-	-	-	912,500	73,000	-	-	-	73,000
Net loss for the period		-	-	-	-	-	-	-	-	(1,628,715)	(1,628,715)
<b>Balance at September 30, 2020</b>		-	-	-	-	249,568,767	26,620,582	350,367	1,887,488	(21,370,361)	7,488,076

**MOUNTAIN VALLEY MD HOLDINGS INC.**

(formerly Meadow Bay Gold Corporation)

**Consolidated Statements of Cash flows****(Expressed in Canadian Dollars)**

		Six month period ended September 30,	
	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Operating activities:</b>			
Net loss and comprehensive loss for the period	\$	(1,628,715)	(876,336)
Adjustments for:			
Common shares issued for consulting services	12	25,000	-
Stock based compensation	12	28,283	-
Loss from equity accounted associates	6	133,210	-
Accretion on convertible debt		3,402	-
Amortization of intangible assets	5	166,721	-
Depreciation of tangible and right-of use assets	17	36,088	-
Interest earned on convertible note	8	(2,507)	-
Unrealized loss on equity investment	7	76,666	-
		(1,161,852)	(876,336)
Changes in non-cash operating working capital			
GST/HST receivable		(60,406)	(26,627)
Lease liability		(10,654)	-
Prepaid expenses and deposits		127,868	(23,798)
Due from shareholder		98,492	-
Accounts payable		(276,418)	528,977
<b>Net cash used in operating activities:</b>		<b>(1,282,970)</b>	<b>(397,784)</b>
<b>Investing activities:</b>			
Investments in associates		-	(4,984,957)
Legal fees to acquire trademarks and patents		(16,643)	-
Purchase of convertible note		-	(350,000)
Deposit - investment in associate	6(a)	-	(130,000)
Additions of property and equipment	10	(130,549)	-
<b>Net cash used in investing activities:</b>		<b>(147,192)</b>	<b>(5,464,957)</b>
<b>Financing activities:</b>			
Subscriptions received	12	-	171,967
Issuance of share capital	12	-	723,400
Exercise of stock options	12	107,000	-
<b>Net cash used in finance activities:</b>		<b>107,000</b>	<b>895,367</b>
<b>Net change in cash</b>		<b>(1,323,162)</b>	<b>(4,967,374)</b>
Cash - Beginning of period		1,741,563	9,086,662
<b>Cash - End of period</b>	<b>\$</b>	<b>418,401</b>	<b>4,119,288</b>

# **MOUNTAIN VALLEY MD HOLDINGS INC.**

(formerly Meadow Bay Gold Corporation)

## **Notes to the Consolidated Financial Statements**

**For the six months ended September 30, 2020 and 2019**

**(Expressed in Canadian Dollars)**

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Mountain Valley MD Holdings Inc. ("MVMDH" or the "Company"), formerly Meadow Bay Gold Corporation ("Meadow Bay"), was incorporated under the provisions of the British Columbia Business Corporations Act on March 8, 2005. The Company is building a world-class health and wellness organization centred around the implementation of its patented Quicksome™ oral drug formulation and delivery technologies to innovate industry leading products that are sought out globally.

On Feb 21, 2020, the Company completed a reverse takeover transaction (Note 4), pursuant to which it has acquired all of the outstanding securities of the privately held Mountain Valley MD Inc. As part of the Transaction, the Company changed its name to "Mountain Valley MD Holdings Inc." and consolidated the common shares of the Company, on the basis of one (1) post-consolidation common share for every eight (8) pre-consolidation common shares.

The Company's common shares trade on the Canadian Securities Exchange under the new ticker symbol "MVMD."

The address of the Company's registered and records office is 610 – 475 West Georgia Street, Vancouver, BC V6B 4M9 and the principal place of business is 260 Edgeley Boulevard, Unit 4, Vaughan, Ontario, Canada, L4K 3Y4.

#### *Going Concern*

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company is in the start up phase, it incurred a loss of \$1,628,715 during the period ended September 30, 2020 (September 30, 2019: \$876,336) and, as of that date, the Company has accumulated losses since inception of \$21,370,361 (September 30, 2019: \$1,773,368). These factors indicate material uncertainties that cast substantial doubt about to the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent on achieving profitable operations, commercializing its intellectual property and investments in associates, and obtaining the necessary financing in order to develop these assets further. The outcome of these matters cannot be predicted at this time. The Company will continue to review the prospects of raising additional debt and equity financing to support its operations until such time that its operations become self-sustaining, to fund its research and development activities and to ensure the realization of its assets and discharge of its liabilities. While the Company is expending its best efforts to achieve the above plans, there is no assurance that any such activity will generate sufficient funds for future operations.

The Company may periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. The Company has cash of \$418,401 (2019: \$4,119,288), at September 30, 2020 to meet current financial obligations of \$695,242 (September 30, 2019: \$609,114). See Note 19(b) and (c) - subsequent events.

These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

# **MOUNTAIN VALLEY MD HOLDINGS INC.**

(formerly Meadow Bay Gold Corporation)

## **Notes to the Consolidated Financial Statements For the six months ended September 30, 2020 and 2019 (Expressed in Canadian Dollars)**

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### **.... Note 1. NATURE OF OPERATIONS AND GOING CONCERN (Continued)**

#### *COVID-19*

The outbreak of the novel strain of coronavirus ("COVID-19") has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Government has reacted with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Company in future periods.

### **2. BASIS OF PRESENTATION**

#### a) Statement of compliance

These unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, have been omitted or condensed. These unaudited interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2020.

The Company's board of directors approved the release of these consolidated financial statements on November 30, 2020.

#### b) Basis of measurement

Depending on the applicable IFRS requirements, the measurement basis used in the preparation of these consolidated financial statements is historical cost or fair value. These consolidated financial statements, except for the statement of cash flows, are based on the accrual basis. These consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in section c).

#### c) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires the use of judgments and/or estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the consolidated financial statements. For significant estimates and judgements refer to the audited consolidated financial statements for the year ended March 31, 2020.



## **MOUNTAIN VALLEY MD HOLDINGS INC.**

(formerly Meadow Bay Gold Corporation)

### **Notes to the Consolidated Financial Statements**

**For the six months ended September 30, 2020 and 2019**

**(Expressed in Canadian Dollars)**

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### **3. LICENCES**

On November 15, 2019, Mountain Valley MD Inc. entered into a share purchase agreement with a private company in Colombia, Colverde MD SAS, ("Colverde") for the purposes of acquiring its assets.

- MVMD acquired 100% of the shares of Colverde for a purchase price of \$1,738,750 paid as follows:
  - \$130,000 refundable deposit (paid on July 16, 2019); and
  - \$1,608,750 in Class B common shares of MVMD at a fair value equal to \$0.165 per share which is , being 9,750,000 shares (issued on Dec 23<sup>rd</sup>). Fair value of the Class B common shares provided as consideration was based on Level 2 inputs under IFRS 13 fair value hierarchy and is based on the fair value of the Class B common shares issued in the most recent private placement.

Colverde is non-operating and its assets are a licences for the cultivation of psychoactive cannabis plants issued on November 23, 2018 by the Ministry of Justice and Law, a licence for the manufacture of cannabis derivatives issued on September 12, 2018 by the Colombian Ministry of Health and Social Protection, and a licence for the cultivation of non-psychoactive cannabis plants issued on December 16, 2019 by the Ministry of Justice and Law , as well as a month to month lease for land located in Tabio, a municipality and town of Colombia in the department of Cundinamarca. Colverde has also made application for registration with the Colombia Agricultural Institute as a producer of certified seed (the "Colverde Application"). All securities issued as payment are subject to escrow until the Colverde Application is approved. All the requirements were met subsequent to year end and escrow shares were released.

The Company reviewed the guidance provided under IFRS 3, Business Combinations, for definition of business and determined that the above business combinations did not have any processes or outputs and therefore did not meet the definition of a business. Consequently, this business combination is accounted for as an assets acquisition and the entirety of the assets acquired pertains to licenses.

Colverde is an asset not in use and management determined there was indicators of impairment. As a result, management performed a test of impairment. In assessing if an impairment loss was required, the recoverable amount was determined to be equal to its fair value less costs to sell of \$300,000. Fair value was determined based on Level 3 fair value hierarchy. The inputs used in determining the fair value of the license were based on similar comparing the suite of license to other similar licenses sold.

On August 7, 2020, the Company entered into a supply and license agreement with Agroresults Inc., a private Canadian corporation, to sell and distribute Nano Max 1000 plant stimulant technology under the "Cannabloom" brand. The Company issued 250,000 shares as finders fees at a fair value equal to \$0.165 per share or \$41,250.

**MOUNTAIN VALLEY MD HOLDINGS INC.**  
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**Notes to the Consolidated Financial Statements**  
**For the six months ended September 30, 2020 and 2019**  
**(Expressed in Canadian Dollars)**

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.... **Note 3. LICENSES (Continued)**

A continuity schedule of the licenses is as follows:

<b>Purchase consideration</b>	
	<b>\$</b>
Shares issued	1,608,750
Cash paid	130,000
<hr/>	
<b>Total purchase consideration</b>	<b>1,738,750</b>
<hr/>	
<b>Identified intangible assets</b>	
License	1,738,750
<hr/>	
Impairment	(1,438,750)
<hr/>	
Carrying value at March 31, 2020	300,000
<hr/>	
Shares issued	41,250
<hr/>	
<b>Carrying value at September 30, 2020</b>	<b>341,250</b>

Management has determined no change in the carrying value of the license as at September 30, 2020.

**4. AMALGAMATION AGREEMENT**

On June 28, 2019, Mountain Valley MD Inc. entered into an amalgamation agreement with Meadow Bay Gold Corporation ("MBGC"), a reporting issuer in the provinces of British Columbia, Alberta and Ontario, and a wholly-owned Ontario subsidiary of MBGC ("Subco") to effect the combination of their respective businesses and assets by way of a "three-cornered amalgamation" between MBGC, MVMD and Subco (the "Amalgamation") to form a new corporation ("Amalco") in accordance with the provisions of the Business Corporations Act (Ontario) (the "OBCA") (completed on February 21, 2020). Pursuant to the amalgamation agreement:

- MBGC agreed to consolidate its issued and outstanding common shares on an 8 pre-consolidation common shares for 1 post-consolidation share basis prior to completion of the Amalgamation;
- MVMD agreed to subscribe for 350 MBGC convertible debentures (*subscribed for on July 11, 2019 and \$350,000 paid*) subject to the MBGC financing fee of \$24,500 (paid).

On the effective date of the amalgamation:

- Subco and MVMD would amalgamate to form Amalco and will continue on as one corporation under the OBCA;
- every MVMD Class A and Class B common share prior to the amalgamation would receive one post-consolidation MBGC share;
- every Subco share prior to the amalgamation would receive one Amalco share; and
- the name of Amalco will be Mountain Valley MD Inc., or as otherwise agreed by the parties

## **MOUNTAIN VALLEY MD HOLDINGS INC.**

(formerly Meadow Bay Gold Corporation)

### **Notes to the Consolidated Financial Statements For the six months ended September 30, 2020 and 2019 (Expressed in Canadian Dollars)**

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#### **.... Note 4. AMALGAMATION AGREEMENT (Continued)**

On February 21, 2020, the Company completed the reverse takeover transaction (the "Transaction") with MBGC and Subco by way of three-cornered amalgamation. Pursuant to the terms of the Amalgamation Agreement, the Company amalgamated with Subco and MBGC acquired all of the outstanding securities of the Company such that the Company became a wholly owned subsidiary of MBGC. As part of the Transaction and immediately prior to the amalgamation, MBGC changed its name to "Mountain Valley MD Holdings Inc." ("MVMDH") and consolidated the common shares of MVMDH, on the basis of one (1) post-consolidation common share for every eight (8) pre-consolidation common shares. An aggregate of 236,434,236 Shares were issued to the former shareholders of the Company in consideration for the same number of shares of MVMDH.

Although the Transaction resulted in MVMD becoming a wholly-owned subsidiary of MBGC, the Transaction constitutes a reverse acquisition of MBGC by MVMD in-as-much as the former shareholders of MVMD own a substantial majority of the issued and outstanding common shares of the resulting corporation. For accounting purposes, MVMD is considered the accounting acquirer and MBGC the accounting acquiree. The reverse acquisition has been accounted for in accordance with the guidance provided in IFRS 3, "Business Combinations". As MBGC did not meet the definition of a business under the guidance from IFRS 3, the reverse acquisition does not constitute a business combination and accordingly, the reverse acquisition has been accounted for in accordance with guidance provided in IFRS 2, "Share-Based Payment". The net asset purchase price was determined as an equity settled share-based payment, under IFRS 2, , at the fair value of the equity instruments issued by the Company, based on the market value of the Company's common shares on the date of closing the RTO. The market value has been determined based on Level 2 inputs under IFRS 13 fair value hierarchy basis of a recent private placement of units on January 24, 2020.

The transaction costs relating to the RTO plus the aggregate of the fair value of the consideration paid and the net liabilities acquired has been recognized as listing expenses, in the consolidated statement of loss and comprehensive loss. There are no costs pertaining to the former operations of MBGC after the date of the RTO and there are no prior operating expenses, of MBGC, included in these consolidated financial statements.

**MOUNTAIN VALLEY MD HOLDINGS INC.**  
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**Notes to the Consolidated Financial Statements**  
**For the six months ended September 30, 2020 and 2019**  
**(Expressed in Canadian Dollars)**

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.... **Note 4. AMALGAMATION AGREEMENT (Continued)**

The purchase price allocation for the assets were determined as follows during the fiscal year ended March 31, 2020:

<b>Purchase consideration:</b>	<b>\$</b>
Common shares issued	5,091,647
Option, warrants issued	156,097
Bridge financing provided	350,000
Termination fee	126,000
Professional fees incurred	138,411
<b>Total purchase consideration</b>	<b>5,862,155</b>
<b>Assets acquired and liabilities assumed:</b>	
Cash	418
Commodity taxes receivable	31,525
Prepaid expenses and deposits	9,580
Investment	2,398,750
Share redemption liability	(2,398,750)
Right of use assets	14,007
Accounts payable and accrued liabilities	(137,341)
Lease liability	(14,743)
Convertible debenture	(219,983)
	(316,537)
<b>Listing expense</b>	<b>6,178,692</b>
	<b>5,862,155</b>

**5. INTELLECTUAL PROPERTY**

On December 20, 2019, Mountain Valley MD Inc. entered into an intellectual property asset purchase agreement with a private Delaware corporation ("Delaware Privco"), in the business of developing, manufacturing and licensing desiccated liposomes. The Company, through Mountain Valley MD Inc. acquired a portfolio of patents, and trademarks. Management determined all the value is attributable to the patents.

On the closing date (February 10, 2020), the Privco Assets were sold, transferred and assigned to a subsidiary of MVMD (Mountain Valley MD Inc).

## **MOUNTAIN VALLEY MD HOLDINGS INC.**

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### **Notes to the Consolidated Financial Statements**

**For the six months ended September 30, 2020 and 2019**

**(Expressed in Canadian Dollars)**

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#### **.... Note 5. INTELLECTUAL PROPERTY (Continued)**

The consideration comprised of:

- an initial payment of \$100,000 (paid on July 11, 2019) related to a specified third party expenses and a deposit;
- an amount equal to \$500,000 (\$150,000 paid October 16<sup>th</sup>) less the deposit and 10,000,000 Class B common shares on the closing date (issued and subject to an escrow agreement pending delivery of certain post-closing deliverables). The Fair value of the Class B common shares provided as consideration of \$0.36 was based on Level 2 inputs under IFRS 13 fair value hierarchy resulting from the fair value of the Class B common shares issued in the most recent private placement

The Company issued 2,400,000 Class B common shares at \$0.36 as finders fees related to the transaction. Fair value of the Class B common shares provided as consideration was based on the fair value of the Class B common shares issued in the most recent private placement.

As part of the acquisition agreement the Company entered into an arrangement where Delaware corporation will provide services for certain post closing deliverables to be delivered at various times within twenty-four (24) months from the closing date. The following are the details on the services and the consideration to be paid:

- \$250,000 and 5,000,000 common shares following the completion of a specified milestone and its assignment to MMVD or a subsidiary of MVMD and thereafter upon receipt of combined licensing fees and royalties in connection therewith equal to a minimum value of \$USD 200,000;
- \$250,000 and 5,000,000 common shares following the completion of a second specified milestone and its assignment to MVMD or a subsidiary of MVMD and thereafter upon receipt of orders equal to a minimum value of \$USD 200,000;
- 2,500,000 common shares upon the achievement of production and sales of the specified product resulting in a minimum net profit of \$50,000;
- An additional 2,500,000 common shares upon the achievement of production and sales of the specified product resulting in a minimum net profit of \$50,000
- 10,000,000 warrants upon receipt by MVMD or a subsidiary of MVMD of a minimum of \$USD 2,000,000 in gross revenues arising from the assigned assets.

The above milestone payments have not been accounted for as part of the acquisition as they are contingent on future events which cannot be determined at this time.

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(formerly Meadow Bay Gold Corporation)  
**Notes to the Consolidated Financial Statements**  
For the six months ended September 30, 2020 and 2019  
(Expressed in Canadian Dollars)

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.... **Note 5. INTELLECTUAL PROPERTY (Continued)**

The Company's intellectual property consists of the following:

	\$	
<b>Allocated purchase price</b>		
Shares issued	3,600,000	a)
Finders fees: shares issued	864,000	b)
Cash paid	575,344	
Total purchase consideration	5,039,344	
<b>Identified intangible assets</b>		
Patents	5,039,344	
Amortization for the year	(46,021)	c)
Carrying value at March 31, 2020	4,993,323	
Additions	16,643	
Amortization for the period	(166,721)	d)
<b>Carrying value at September 30, 2020</b>	<b>4,843,245</b>	

- a) The Company issued 10,000,000 Class B common shares at a fair value of \$0.36. Fair value of the Class B common shares provided as consideration was based on Level 2 inputs under IFRS 13 fair value hierarchy and is based on the fair value of the Class B common shares issued in the most recent private placement.
- b) 2,400,000 Class B common shares were issued as finders fee with a fair value of \$0.36, in conjunction with this transaction. Fair value of the Class B common shares provided as consideration was based on Level 2 inputs under IFRS 13 fair value hierarchy and is based on the fair value of the Class B common shares issued in the most recent private placement.
- c) The Company recorded \$46,021 of depreciation during the year (2019: \$Nil) based on the estimated useful life of the portfolio of patents.
- d) The Company recorded \$166,721 of depreciation during the six-month period ended (2019: \$Nil) based on the estimated useful life of the portfolio of patents.

## MOUNTAIN VALLEY MD HOLDINGS INC.

(formerly Meadow Bay Gold Corporation)

### Notes to the Consolidated Financial Statements

For the six months ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

#### 6. INVESTMENT IN ASSOCIATES

	2020	2019
	\$	\$
Sativa Nativa SAS (a)	280,000	-
CCJC Holdings Inc. (b)	1	-
	<b>280,001</b>	-

##### a) Sativa Nativa

On April 4, 2019, Mountain Valley MD Inc. "MVMD or the Company" entered into a subscription and share purchase agreement (the "SSPA") with Sativa Nativa SAS ("Sativa Nativa"). Sativa Nativa is a company incorporated in the Republic of Columbia, is a cultivator of cannabis. Pursuant to the SSPA:

- MVMD subscribed for 17,892,248 common shares (representing 10% post subscription) of Sativa Nativa (*issued to MVMD (Colombia) Inc. on April 11, 2019*) for an aggregate subscription price of \$2,800,000 cash (*paid on April 11, 2019*);
- MVMD agreed to purchase an additional 26,838,372 common shares of Sativa Nativa (representing 15% post subscription) from existing shareholders of Sativa Nativa (*transferred to MVMD (Colombia) Inc. on April 11, 2019*) for an aggregate purchase price of \$3,815,000 payable as follows:
  - a cash payment of \$2,000,000 (*paid on April 11, 2019*); and
  - \$1,815,000 in Class B common shares of the Company at a fair value equal to \$0.165 per share (*11,000,000 Class B common shares issued on April 11, 2019*); the \$100,000 deposit paid by MVMD during March 2019, pursuant to the LOI, which was returned to MVMD on April 4, 2019.; and

Fair value of the Class B common shares provided as consideration was based on Level 2 inputs under IFRS 13 fair value hierarchy and is based on the fair value of the Class B common shares issued in the most recent private placement.

The total consideration provided for the 25% interest in Sativa Nativa on April 4, 2019 was \$6,615,000.

The Company recorded its share of Sativa Nativa loss for the year ended March 31, 2020 of \$135,276. The Company recorded its share of Sativa Nativa loss for the six-month period ended September 30, 2020 of \$265,265.

As at March 31, 2020, the Company performed its annual impairment test on its investment in Sativa Nativa. The recoverable amount of all CGU's was determined based Level 3 inputs under the IFRS 13 fair value hierarchy resulting from a discounted future cash flow model. The key assumptions use in the estimates of the recoverable amounts are described as follows:

- Cash flows: Estimated cash flows were projected based on the Company's business plans, which are based on actual operating results from internal sources as well as industry and market trends. The forecasts were extended to a total of five years (with a terminal year thereafter);
- Terminal value growth rate: The terminal growth rate of 1.5% to 2.5% was based on historical and projected consumer price inflation, historical and projected economic indicators, and projected industry growth; and
- Discount rate: The post-tax discount rate was 25%

## **MOUNTAIN VALLEY MD HOLDINGS INC.**

(formerly Meadow Bay Gold Corporation)

### **Notes to the Consolidated Financial Statements For the six months ended September 30, 2020 and 2019 (Expressed in Canadian Dollars)**

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#### **.... Note 6. INVESTMENT IN ASSOCIATES (Continued)**

As of March 31, 2020, management determined impairment charges of \$6,199,724. These impairment charges are recognized in impairment in associates. As of September 30, 2020, management has deemed no impairment in associates.

#### **b) CCJC Holdings Inc.**

On June 10, 2019, Mountain Valley MD Inc. "MVMD or the Company" entered into a Subscription Agreement with CCJC Holdings Inc. "CCJC" and acquired 1,333,333 common shares of CCJC, representing 10% of the issued and outstanding shares of CCJC, by way of conversion of a promissory note in the amount of \$817,573 (USD\$600,000) (Note 11).

Also on June 10, 2019, MVMD entered into share purchase agreements with CCJC and acquired an additional 1,333,334 common shares of CCJC, representing a second 10% of the issued and outstanding shares of CCJC, by the issuance of 5,000,000 Class B common shares at a fair value of \$0.165 for consideration of \$825,000. Fair value of the Class B common shares provided as consideration was based on Level 2 inputs under IFRS 13 fair value hierarchy and is based on the fair value of the Class B common shares issued in the most recent private placement. The terms of an option to acquire an additional 40% equity interest in CCJC was considered in the shares purchase agreement, for an additional payment of USD\$2,000,000 plus the issuance of 8,000,000 Class "B" common shares of MVMD. The share purchase agreement required for the option to be negotiated in good faith by MVMD and the shareholders of CCJC, separately from the share purchase agreement. The Company has no plans to proceed with further negotiations to purchase an additional equity interest in CCJC.

The total consideration provided for the 20% interest in CCJC on June 10, 2019 was \$1,642,573

As at March 31, 2020, the Company determined the net investment in CCJC had indications of impairment. The net investment in CCJC was determined to be fully impaired based on no registrations granted to date, no active market for applications, and uncertainty as to the application process, therefore MVMD incurred an impairment of \$1,642,573.

## **7. EQUITY INVESTMENTS**

The following summarizes the Company's investments at September 30, 2020:

	2020	2019
	\$	\$
Sixth Wave Innovations Inc. (a)	<b>90,000</b>	-
Winchester MD (b)	<b>184,958</b>	
Palisade Goldcorp Ltd. (c)	<b>1,118,600</b>	
1234721 B.C. Ltd (c)	<b>1,400,000</b>	-
	<b>2,793,558</b>	-



**MOUNTAIN VALLEY MD HOLDINGS INC.**  
(formerly Meadow Bay Gold Corporation)  
**Notes to the Consolidated Financial Statements**  
For the six months ended September 30, 2020 and 2019  
(Expressed in Canadian Dollars)

.... Note 7. EQUITY INVESTMENTS (Continued)

	March 31, 2020	Additions	Unrealized Gains / (Losses)	September 30, 2020
Sixth Wave Innovations Inc. (a)	\$ 166,666	\$ -	\$ (76,666)	\$ 90,000
Winchester MD (b)	184,958	-	-	184,958
Palisade Goldcorp Ltd. (c)	1,118,600	-	-	1,118,600
1234721 B.C. Ltd (c)	1,400,000	-	-	1,400,000
	<b>2,870,224</b>	<b>-</b>	<b>(76,666)</b>	<b>2,793,558</b>

**a) Sixth Wave Innovations Inc.**

On October 1, 2019, Mountain Valley MD Inc. subscribed for 333,333 ordinary shares of Sixth Wave Innovations Inc. (CSE: SIXW) by way of private placement for a subscription price of \$250,000.

As at September 30, 2020, management re-valued the investment to \$90,000 based on Level 1 input under the IFRS 13 fair value hierarchy using the trading price of Sixth Wave Innovations Inc. as at September 30, 2020.

**b) Winchester MD**

On May 9, 2019, Mountain Valley MD Inc. subscribed for 700,000 ordinary shares for a subscription price of \$184,958 (£105,000), with a company in the United Kingdom, Winchester MD, that is an established, fully integrated European-based medical cannabis company. The Company has reviewed the valuation of this equity investment in light of relevant information available and determined that the valuation as at September 30, 2020 has not changed from the initial subscription price.

**c) Exploration Privco shares**

On November 18, 2019, the Company disposed of its shares of Desert Hawk Resources Inc. to Casino Gold Corp, Casino Gold Corp. issued 10,000,000 shares to the Company which represents approximately 5.8% of Casino Gold's issued and outstanding shares.

## **MOUNTAIN VALLEY MD HOLDINGS INC.**

(formerly Meadow Bay Gold Corporation)

### **Notes to the Consolidated Financial Statements**

**For the six months ended September 30, 2020 and 2019**

**(Expressed in Canadian Dollars)**

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#### **.... Note 7. EQUITY INVESTMENTS (Continued)**

In January 2020, Casino Gold Corp completed a plan of arrangement in which the Company was split into two private companies, and the Company now owns the following equity investments:

- 2,000,000 common shares of 1234721 B.C. Ltd.
- 799,000 common shares of Palisade Goldcorp Ltd.

As at March 31, 2020, management re-valued the investments based on Level 2 inputs under the IFRS 13 fair value hierarchy and consists of observable transaction prices using valuation on the private companies' recent private placement raise, and the fair value of the equity investment was increased by \$119,850 to \$2,518,600. As at September 30, 2020, management has determined the value has not changed.

Prior to the amalgamation (Note 4) shareholders of MBGC received one Class B share of MBGC for every common share of MBGC held. The Company is required to redeem all of the outstanding Class B shares of MBGC for an amount equal to any distribution by Casino Gold to its shareholders received by the Company, proceeds from the disposal of any or all of the Casino Gold shares along with the remainder of the Casino Gold shares not disposed of by the Company or if the Company decides to distribute the Casino Gold shares. As a result, the MBGC Class B shares have been presented as share redemption liability and are fair valued at each reporting date based on the fair value of the underlining Casino Gold shares.

#### **8. NOTE RECEIVABLE**

On November 4, 2019, the Company advanced \$100,000 to a private company "CAD Privco," and received a 5% note receivable that is convertible into shares at any time during the term of the note, upon any additional capital raise by CAD Privco. The Company will have the right to convert the note into equity at any time prior to the maturity date of November 4, 2022, upon any additional raise of CAD Privco at a 20% discount. As at September 30, 2020, the Company accrued \$4,534 (2019: \$Nil) in interest related to this note receivable.

## MOUNTAIN VALLEY MD HOLDINGS INC.

(formerly Meadow Bay Gold Corporation)

### Notes to the Consolidated Financial Statements For the six months ended September 30, 2020 and 2019 (Expressed in Canadian Dollars)

#### 9. CONVERTIBLE NOTE

On July 11, 2019, the Company issued a convertible note to Nevada King Mining Ltd. (formerly 1234721 B.C. Ltd). in the principal amount of \$350,000 (\$350,000 paid) including 350,000 warrants pursuant to the amalgamation agreement (43,750 warrants post amalgamation). The convertible note bears interest at 10% per annum which accrues and is payable on the earlier of the conversion date or maturity, matures on July 11, 2023, is convertible at the option of the holder in \$10,000 increments or multiples thereof and is redeemable in certain circumstances by the Company. The convertible note is convertible at \$0.05 pre-amalgamation and \$0.40 post amalgamation.

For accounting purposes, the convertible note is a hybrid financial instrument and was allocated into corresponding liability, equity (conversion feature) and warrants components at the date of issue. The Company used Level 3 inputs under the IFRS 13 fair value hierarchy which allocated the values based on their fair market value at date of issue. The debt component is subsequently accreted to the face value of the debt portions of the convertible note at the effective interest rate of 25%. Upon issuance of the unsecured note, the fair value of the debt component was \$217,575 based on an effective interest rate of 25% and the remaining inputs are consistent with the terms of the debt, the warrants were \$12,500 based on the Black-Scholes Model and residual of the difference between the face value of the debt and the sum of the fair value of the debt and the warrants was allocated to the conversion feature for a fair value of \$119,926. No transactional costs were incurred.

On July 14, 2020, the full amount was converted post-amalgamation and the Company issued 875,000 shares.

#### 10. PROPERTY AND EQUIPMENT

	Land	Building	Equipment	Total
	\$	\$	\$	\$
<b>Cost</b>				
At March 31, 2020	814,000	635,855	-	1,449,855
Additions	-	-	130,550	130,550
<b>At September 30, 2020</b>	<b>\$ 814,000</b>	<b>\$ 635,855</b>	<b>\$ 130,550</b>	<b>\$ 1,580,405</b>
<b>Accumulated amortization</b>				
At March 31, 2020	-	23,040	-	23,040
Depreciation expense	-	11,520	4,080	15,600
<b>At September 30, 2020</b>	<b>-</b>	<b>34,560</b>	<b>4,080</b>	<b>38,640</b>
<b>Carrying amounts:</b>				
At March 31, 2020	814,000	612,815	-	1,426,815
<b>At September 30, 2020</b>	<b>814,000</b>	<b>601,295</b>	<b>126,470</b>	<b>1,541,765</b>

Land and building consist of a 33-acre property located in Qualicum Beach, British Columbia. See Note 11.

## **MOUNTAIN VALLEY MD HOLDINGS INC.**

(formerly Meadow Bay Gold Corporation)

### **Notes to the Consolidated Financial Statements For the six months ended September 30, 2020 and 2019 (Expressed in Canadian Dollars)**

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#### **11. MORTGAGE PAYABLE**

On January 27, 2015, 0987182 B.C. Ltd., a wholly owned subsidiary of Mountain Valley Medicinals, Inc. ("MVM"), being a wholly-owned subsidiary of MVMD, entered into a first mortgage for the principal amount of \$310,000 on a building located in Qualicum Beach, British Columbia. The mortgage renewed on February 21, 2020, bears interest at 6.99%, has interest-only monthly payments of \$1,864, can be prepaid without penalty and matures on February 21, 2021. An assignment of rents was given to the lender by way of additional and collateral security.

#### **12. SHARE CAPITAL**

##### a) Share Capital

###### *Authorized*

The Company has authorized share capital of:

- Unlimited Common Shares without par value.
- Unlimited Class B non-voting shares – see Note 7(c)

###### *Issued and outstanding*

The Company has issued share capital of 249,568,767 Common Shares.

###### Share issuance from April 1, 2019 to September 30, 2019

On April 11, 2019, MVMD paid \$2,000,000 cash and issued 11,000,000 Class B common shares at \$0.165 pursuant to the SSPA with Colombian Privco (Note 6). Fair value of the Class B common shares provided as consideration was based on Level 2 inputs under IFRS 13 fair value hierarchy and is based on the fair value of the Class B common shares issued in the most recent private placement.

On June 5, 2019, MVMD completed a fourth tranche of a private placement offering of \$0.20 per unit each unit consisting of one Class "B" common share and one half of one share purchase warrant, each warrant exercisable at \$0.35 per Class B common share for 2 years from the issuance date, subject to acceleration provisions. MVMD issued 3,977,500 Class B common shares and 3,977,500 Class B common share purchase warrants for gross proceeds of \$785,500. MVMD also settled shares for debt by issuance of 325,000 Class B common shares and 325,000 Class B common share purchase warrants. The fair value of the warrants issued in the unit offering was determined to be \$0.035 based on Level 2 inputs under IFRS 13 fair value hierarchy using a barrier option pricing model. Inputs into the model included: (a) strike price of \$0.35; (b) expected term of 2 years; (c) risk free rate of 1.89%; (d) volatility of 100%; (e) barrier price of \$0.50; and (f) rebate of \$0.15. The class B common shares were ascribed a value of \$0.165.

On June 10, 2019, MVMD entered into share purchase agreements with US Privco and acquired an additional 1,333,334 common shares of US Privco, representing a second 10% of the issued and outstanding shares of US Privco, by the issuance of 5,000,000 Class B common shares at \$0.165, on June 14, 2019 (Note 6). Fair value of the Class B common shares provided as consideration was based on Level 2 inputs under IFRS 13 fair value hierarchy and is based on the fair value of the Class B common shares issued in the most recent private placement.

## **MOUNTAIN VALLEY MD HOLDINGS INC.**

(formerly Meadow Bay Gold Corporation)

### **Notes to the Consolidated Financial Statements**

**For the six months ended September 30, 2020 and 2019**

**(Expressed in Canadian Dollars)**

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#### **.... Note 12. SHARE CAPITAL (Continued)**

On July 3, 2019, the Company issued 773,000 Class B common shares at \$0.20 pursuant to shares-for-services agreements for a value of \$154,600.

On September 27, 2019, the Company issued 87,500 Class B common shares at \$0.20 per share to various individuals for accounts payable.

On September 27, 2019, the Company issued 775,000 Class B common shares pursuant to shares-for-services agreements.

From July to September 30, 2019, the Company received subscriptions totalling \$171,967 relating to an offering of units at \$0.40 per unit, each unit consisting of one Class "B" common share and one half of one share purchase warrant, each warrant exercisable at \$0.60 per Class B common share for 2 years from the issuance date, subject to acceleration provisions.

#### *Share issuance from April 1, 2020 to September 30, 2020*

On May 1, 2020, the Company issued 912,500 common shares to settle accounts payable in the amount of \$48,000 and \$25,000 related to general consulting services.

On May 7, 2020, the Company issued 1,740,000 common shares at a fair value share price of \$0.05 and made cash payments totaling \$74,095 to the former CFO and CEO of Meadow Bay Gold Corporation regarding a termination fee. As at March 31, 2020, the Company accrued these fees in accounts payable.

On May 28, 2020, the Company issued 1,500,000 shares in regard to the exercise of stock options at \$0.05. The Company received \$75,000 in gross proceeds.

On July 17, 2020, the Company issued 875,000 common shares with the conversion of the outstanding convertible debenture referred to in Note 9.

On July 28, 2020, the Company issued 300,000 shares in regard to the exercise of stock options at \$0.05. The Company received \$15,000 in gross proceeds.

On August 4, 2020, the Company issued 200,000 shares in regard to the exercise of stock options at \$0.05. The Company received \$10,000 in gross proceeds.

On August 4, 2020, the Company issued 100,000 shares in regard to the exercise of stock options at \$0.07. The Company received \$7,000 in gross proceeds.

On August 10, 2020, the Company issued 250,000 shares at \$0.165 in regard to finder's fees related to a supply and license agreement (Note 3). The fair value was determined based on the Company's recent trading price.

**MOUNTAIN VALLEY MD HOLDINGS INC.**  
(formerly Meadow Bay Gold Corporation)  
**Notes to the Consolidated Financial Statements**  
**For the six months ended September 30, 2020 and 2019**  
**(Expressed in Canadian Dollars)**

---

.... **Note 12. SHARE CAPITAL (Continued)**

b) Stock Options

In January 2019, pursuant to its stock option plan, MVMD granted 8,288,500 stock options to officers, directors and consultants of MVMD to purchase up to 8,288,500 Class A common shares of MVMD at an exercise price of \$0.05. The options vest and become exercisable as at the date upon which MVMD becomes listed for trading on any nationally recognized stock exchange in Canada. The options expire five years following the vesting date. The Company recognized \$290,351 in stock-based compensation expense in relation to this grant as at March 31, 2020.

On March 13, 2020, the Company granted 4,800,000 stock options to officers, directors and consultants of the Company to purchase 4,800,000 common shares of the Company at an exercise price of \$0.07. The options vest in stages over a period of two years. The options expire five years following the vesting date. The Company recognized \$31,733 in stock-based compensation expense in relation to this grant as at March 31, 2020.

On May 4, 2020, the Company granted 250,000 stock options at \$0.075 to an officer of the Company. The options are exercisable for a period of five (5) years from the date of grant. The options vest over a one (1) year period. The Company recognized \$7,761 in stock-based compensation expense in relation to this grant as at September 30, 2020.

On August 31, 2020, the Company granted 100,000 stock options at \$0.22 to an advisor. The options are exercisable for a period of five (5) years from the date of grant. The options vest over a one (1) year period. On the same date, the Company also signed a month to month advisory agreement for \$835 per month with the same individual. The Company recognized \$16,642 in stock-based compensation expense in relation to this grant as at September 30, 2020.

The table below summarizes assumptions used by the Company in calculating the value of stock options based on the Black-Scholes Model:

	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Share price	\$0.075	\$0.05
Expected dividend yield	\$nil	\$nil
Volatility	90%	90%
Expected life (years)	5	5
Forfeiture rate	10%	0%
Risk-free rate	0.53%	1.89%

Volatility was estimated using the average comparable companies in the industry that have trading history and volatility history.

**MOUNTAIN VALLEY MD HOLDINGS INC.**  
(formerly Meadow Bay Gold Corporation)  
**Notes to the Consolidated Financial Statements**  
For the six months ended September 30, 2020 and 2019  
(Expressed in Canadian Dollars)

---

.... **Note 12. SHARE CAPITAL (Continued)**

The continuity of the Company's stock options is as follows:

	Outstanding Options	Weighted Average Exercise Price
		\$
Balance at September 30, 2019	8,288,500	0.05
Balance at March 31, 2020	13,499,438	0.11
Issued	350,000	0.120
Forfeited	(400,000)	0.070
Expired	(410,938)	2.02
Exercised	(2,100,000)	0.05
Balance at September 30, 2020	<b>10,938,500</b>	<b>0.06</b>

The following table summarizes the stock options outstanding at September 30, 2020:

Expiry Date	Number	Weighted Average Exercise Price	Options exercisable
May 3, 2025	6,288,500	0.05	6,288,500
March 13, 2025	4,300,000	0.07	2,150,000
May 1, 2025	250,000	0.075	50,000
August 20, 2025	100,000	0.22	20,000
	<b>10,938,500</b>	<b>0.06</b>	<b>8,438,500</b>

c) Warrants

The continuity of the Company's share purchase warrants is as follows:

	Outstanding Warrants	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
			\$
March 31, 2019	45,601,659	1.39	0.35
Issued	4,302,500	0.16	0.35
September 30, 2019	49,904,159	1.55	0.35
March 31, 2020	51,856,919	0.97	0.38
Expired	(600,613)	-	2.01
<b>September 30, 2020</b>	<b>51,256,306</b>	<b>0.78</b>	<b>0.37</b>

**MOUNTAIN VALLEY MD HOLDINGS INC.**  
(formerly Meadow Bay Gold Corporation)  
**Notes to the Consolidated Financial Statements**  
For the six months ended September 30, 2020 and 2019  
(Expressed in Canadian Dollars)

---

.... **Note 12. SHARE CAPITAL (Continued)**

The following table summarizes the share purchase warrants outstanding at September 30, 2020:

Expiry Date	Number	Weighted Average Exercise Price
February 21, 2021	38,388,910	0.35
March 8, 2021	4,114,537	0.35
March 8, 2021	3,098,212	0.35
June 5, 2021	4,302,500	0.35
January 4, 2022	1,308,397	0.60
July 11, 2023	43,750	0.48
	51,256,306	0.38

**13. RELATED PARTY TRANSACTIONS**

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence for the period ended September 30, 2020 and 2019:

Period ended September 30,	2020	2019
	\$	\$
Short-term benefits	165,000	272,393
Business development	-	59,200
	165,000	331,593

Included in accounts payable and accrued liabilities as at September 30, 2020, was \$Nil (2019: \$57,500) owing to related parties. The payment terms are similar to the payment terms of non-related party trade payables.



## **MOUNTAIN VALLEY MD HOLDINGS INC.**

(formerly Meadow Bay Gold Corporation)

### **Notes to the Consolidated Financial Statements**

**For the six months ended September 30, 2020 and 2019**

**(Expressed in Canadian Dollars)**

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#### **.... Note 13. RELATED PARTY TRANSACTIONS (Continued)**

On June 10, 2019, MVMD entered into a consulting agreement for President and CEO services with a company controlled by the CEO for his consulting services. Pursuant to the agreement:

- the consultant received the following compensation:
  - in and for any part of the period from June 10, 2019 and concluding on August 30, 2019 (the “initial term”), MVMD will pay the consultant \$40,000 for the period from June 10, 2019 to June 30, 2019 and \$57,500 for each of July and August, payable by the issuance of an aggregate of 775,000 Class B Common shares of MVMD at a valued price of \$0.20 per share on or about the termination date of the initial term; and
  - thereafter, in and for any part of each contract year in which the services are provided, such compensation as approved by the board of directors and as agreed between the consultant and MVMD; and
- the agreement will continue until either party gives the other 60 days written notice of termination.

Effective October 15, 2019, the Company agreed to an amendment to the consulting agreement with the President and CEO of the Company to extend the initial term of the agreement until February 28, 2020, or such earlier or later date as agreed by the parties, for the same monthly compensation, payable by the issuance of Class B Common shares of MVMD at a fair value price of \$0.40 per share. Attached to each Class B Common share is a half warrant, each warrant exercisable at \$0.60 per Class B common share for 2 years from the issuance date, subject to acceleration provisions

#### **14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The fair value of the Company’s financial assets and liabilities approximate the carrying amount due to their short-term nature and capacity for prompt liquidation.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of 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 and 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 did not have any transfers between levels during the period.

As at September 30, 2020, the Company did not have any financial assets and liabilities which are measured at fair value, other than Equity Investments. There were no transfers between Level 1, 2 or 3 during the period ended September 30, 2020.

## **MOUNTAIN VALLEY MD HOLDINGS INC.**

(formerly Meadow Bay Gold Corporation)

### **Notes to the Consolidated Financial Statements**

**For the six months ended September 30, 2020 and 2019**

**(Expressed in Canadian Dollars)**

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#### **.... Note 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

a) Credit risk

Credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. Credit risk arises from cash, deposits and note receivable. The amount of credit risk related to cash and cash equivalents is considered insignificant as the Company's funds are held with a Schedule I bank.

The credit risk for both the cash and cash equivalent and note receivable is monitored quarterly, and any change is reflected as an adjustment through expected credit loss.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities. As at September 30, 2020, the Company had cash of \$418,401 to meet current financial liabilities of \$695,241.

As at September 30, 2020, the Company's financial liabilities have contractual maturities as summarized below:

	Due within		
	0-12 months	1-2 years	2-3 years
	\$	\$	\$
Accounts payable and accrued liabilities	343,811	-	-
Lease liability	31,430	-	-
Mortgage payable	320,000	-	-
<b>Total</b>	<b>695,241</b>	<b>-</b>	<b>-</b>

As at September 30, 2019, the Company liabilities of \$609,114 are all due within twelve (12) months.

c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of currency risk, interest rate risk, and other price risk.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company does not expect any material movements in the underlying market risk variables over a one-year period. However, a 10% change in the equity investments will translate to a \$279,355 gain or loss from equity investments.

**MOUNTAIN VALLEY MD HOLDINGS INC.**  
(formerly Meadow Bay Gold Corporation)  
**Notes to the Consolidated Financial Statements**  
**For the six months ended September 30, 2020 and 2019**  
**(Expressed in Canadian Dollars)**

---

**15. SEGMENT INFORMATION**

All of the Company's fixed assets are located in Canada. The Company has investments in associates (Note 6) and licenses (Note 3) that are located in Colombia.

**16. CAPITAL MANAGEMENT**

The Company manages its cash, common shares, warrants and share purchase options as capital. The Company's objectives when managing capital are to safeguard its 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, acquire or dispose of assets or adjust the amount of cash held.

In order to maximize ongoing operating efforts, the Company does not pay out dividends. The Company expects its current capital resources will be sufficient to carry out its planned operations in the near term.

**17. RIGHT TO USE ASSET AND LEASE LIABILITY**

As of September 30, 2020, the Company's right to use asset consisted of the following:

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Balance, March 31, 2020	7,208
Additions	119,520
Depreciation during the period	(20,489)
<b>Balance, September 30, 2020</b>	<b>106,239</b>

As of September 30, 2020, the Company's lease liability consisted of the following:

---

Balance, March 31, 2020	6,563
Additions	119,520
Interest incurred on lease liability	202
Lease payments	(14,448)
<b>Balance, September 30, 2020</b>	<b>105,274</b>

Lease liability - current portion	31,430
Lease liability - non-current portion	73,844

## **MOUNTAIN VALLEY MD HOLDINGS INC.**

(formerly Meadow Bay Gold Corporation)

### **Notes to the Consolidated Financial Statements**

**For the six months ended September 30, 2020 and 2019**

**(Expressed in Canadian Dollars)**

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#### **18. COMMITMENTS AND CONTINGENT LIABILITIES**

- a) On December 20, 2019, MVMD entered into a consulting agreement for \$15,000 per month with an individual who will lead all scientific, technical research and development for the Company's portfolio of health and wellness products.
- b) On March 4, 2020, MVMD signed a three (3) year lease agreement for office premises in Vaughan, Ontario. The rental term began June 1, 2020 and payments consist of \$3,611 per month in year one (1) increasing to \$3,750 per month in year three (3).

The Company paid a deposit of \$19,057 in relation to the lease agreement.

- c) On March 16, 2020, the Company entered into a consulting agreement for \$10,000 per month with an individual who will provide product development services for a duration of twelve (12) months.
- d) On May 1, 2020, the Company signed a consulting agreement with an officer of the Company for monthly services. The Company will pay the consultant \$7,500 per month for a period of twenty-four (24) months.
- e) On May 1, 2020, the Company signed a consulting agreement with an officer of the Company for monthly services. The Company will pay the consultant \$20,000 per month for a period of thirty-six (36) months deemed to be incurring as at February 1, 2020.

#### **19. SUBSEQUENT EVENTS**

- a) On October 1, 2020, the Company signed a strategic advisory agreement for a period of twelve (12) months. The Company will pay \$15,000 per month to be settled in cash or common shares.
- b) On November 24, 2020, the Company entered into a share purchase and exchange agreement (the "SPA") with Circadian Wellness Corp. ("CW"), a private Ontario corporation, for the sale of MVMD's subsidiaries (Mountain Valley Medicinals and 0987182 BC Ltd.) and their respective assets, including the property in British Columbia (Notes 10 and 11), for a purchase price of \$1,000,000 (increased for prepaid assets) (the "MVM Sale"). Pursuant to the terms of the SPA, subject to certain conditions, MVMD will sell, transfer and assign all of the outstanding securities of MVM to CW for a deposit of \$100,000 on signing of the SPA, a cash payment of \$334,233.62, the issuance of 3,111,111 common shares of CW (the "CW Shares") at \$0.09 per share (representing an approximate 9.17% equity interest in CW), and the payment (or assumption) of the Mortgage (\$320,000). The MVM Sale is anticipated to close on or about December 2, 2020. As a result of acquiring the CW Shares, MVMD will become a party to the unanimous shareholder agreement of CW.
- c) On November 24, 2020, the Company signed a binding letter of intent with CW to enter into a licence agreement (the "CW Licence Agreement") for the licence of MVMD's Quicksome™ technology and unique formulations to be prepared for CW. CW will pay an advance payment to MVMD of \$250,000, representing the Company's first revenues. The CW Licence Agreement is anticipated to be completed before the end of December 2020.