# MOUNTAIN VALLEY MD HOLDINGS INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (QUARTERLY HIGHLIGHTS)

## FOR THE THREE MONTHS ENDED JUNE 30, 2021

### CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

The information presented in this Management's Discussion and Analysis – Quarterly Highlights ("MD&A") contains statements with respect to Mountain Valley MD Holdings Inc. ("Company") concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, "forward–looking statements" or "forward-looking information" (collectively "forward-looking statements") as those terms are used in securities laws applicable in Canada

These forward-looking statements include, but are not limited to, factors that may affect our ability to achieve our objectives and to successfully develop and commercialize our assets, including but not limited to the Company's intellectual property assets. Such forward–looking statements include but are not limited to those with respect to: the ability to advance the Company's business plan effectively generally and in particular during the COVID-19 pandemic; the impact of short selling activity on the Company's ability to advance its objectives, attract and retain directors, officers, advisors and other personnel, and the ability to complete financing as and when need for general working capital and to satisfy the Company's objectives; the ability to keep pace with developments in similar industries and remain competitive; the reliance on third party suppliers; the ability to protect and enforce intellectual property and related rights; the ability to manage human resources effectively and the retention of skilled personnel; the ability to manage key suppliers effectively; the ability to test and implement its proprietary technologies, the variety of health and wellness applications, and impact thereof; the ability to navigate regulatory requirements and regimes in a timely and cost-effective manner or at all; and events described in this MD&A, which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward–looking statements.

The reader should verify all claims and do their own due diligence before investing in any securities mentioned or implied in this document. Investing in securities is speculative and carries a high degree of risk.

These statements are based on management's current expectations and are subject to a number of uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. Forward-looking statements are based on management's current plans, estimates, projections, beliefs, and opinions and we do not undertake any obligation to update forward-looking statements should the assumptions related to these plans, estimates, projections, beliefs and opinions change, except as required by law.

The Company is not making any express or implied claims that its product(s) or intended product(s) has or have the ability to eliminate, cure or contain any virus, ailment or other medical condition, including but not limited to the COVID-19 (or SARS-2 Coronavirus).

**Management Discussion and Analysis – Quarterly Highlights**

This Management Discussion and Analysis – Quarterly Highlights ("MD&A") have been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1 – *Management Discussion and Analysis*, in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations.* is intended to help the reader understand the Company's financial statements. The statements are provided for the purpose of reviewing the interim financial statements for the three months ended June 30, 2021 and comparing results to the previous period. The MD&A should be read in conjunction with the Company's audited consolidated financial statements and corresponding notes for the fiscal years ending March 31, 2021 and 2020 and the unaudited interim consolidated financial statements for the three months ended March 31, 2021. The results for the three month period ended June 30, 2021 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at August 29, 2021 unless otherwise indicated.

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and all monetary amounts are expressed in Canadian dollars. The following comments may contain management estimates of anticipated future trends, activities, or results. These are not a guarantee of future performance, since actual results could change based on other factors and variables beyond management control.

The management of the Company is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The board of directors of the Company follow recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders.

The audit committee of the Company meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

The reader is encouraged to review the Company's statutory filings on www.sedar.com.

**Description of Business**

The Company is a publicly traded health and wellness company that currently trades on the CSE under the symbol “MVMD.CN”. Through its wholly owned subsidiary Mountain Valley MD Inc, it is building a world-class organization centered around the implementation and licensing of its key technologies to global pharmaceutical, vaccine and nutraceutical third parties:

- patented Quicksome™ oral drug formulation and delivery technologies,
- patented Quicksol™ solubility formulation technology, and
- patent-pending dose sparing adjuvant.

The Company’s patented Quicksome™ desiccation technology utilizes advanced liposomes and other stabilizing molecules to encapsulate and formulate active ingredients into highly efficient product formats that are consumed orally. The result is a new generation of product formulations that, if successfully commercialized, could be capable of delivering vaccines, drugs and nutraceuticals into the body faster, with greater impact, efficiency and accuracy.

The Company’s patented Quicksol™ technology covers all highly solubilized macrocyclic lactones that, if successfully commercialized, could be effectively applied in multiple viral applications that could positively impact human and animal health globally.

The Company’s Patent-Pending Porous Aluminum Nanostructure Adjuvant (“PANA”) has high surface area for vaccine-antigen binding that the Company believes may provide dose sparing advantages with long-term stability in aqueous media, and greater stability in harsh environments.

The Company has one subsidiary, Mountain Valley MD Inc. Mountain Valley MD Inc. has two wholly owned subsidiaries: Colverde MD S.A.S, a corporation incorporated under the laws of the Republic of Colombia on February 20, 2018; and MVMD (Colombia) Inc., a corporation incorporated under the laws of the province of Ontario on April 11, 2019.

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 and head office is 260 Edgeley Boulevard, Unit 4, Concord, Ontario, Canada, L4K 3Y4

**Operational Highlights for and Subsequent to First Quarter 2022**

*Ivectosol™- BSL-4 Level Study*

On May 18, 2021, the Company announced that it had received study results for its Bio Safety Level 4 ("BSL-4") lab study of COVID-19 viral clearance in transgenic mice, designed to prove the superiority of the Company's solubilized Ivermectin technology versus commercially available oral form in speed and efficacy of viral clearance. The results were as follows:

- A single dose of 2.5 milligrams per kilogram of Ivectosol™ was effective at interfering with viral replication and driving viral clearance of the B.1.1.7 COVID-19 variant.
- Tests done in vitro showed the same antiviral effect at 5uM Ivectosol™ concentration after 24 hours and again after 48 hours against all three COVID-19 variants tested - the original B.1.1.7 variant, the South African B.1.351 variant, and the P.1 Brazil variant.

The Company is currently evaluating the timing and budget implications for a combined pharmacokinetic and phase one human trial to verify the efficacy of Ivectosol™ sublingual wafers in COVID-19 infected patients. The new human studies are anticipated to determine overall efficacy, speed of viral clearance and safety levels of the Ivermectin drug in the Company's Ivectosol™ formulation as applied to COVID-19 as a prophylaxis and broad therapeutic. If the Company chooses to proceed with phase I human trials, the trials will likely commence later in 2021.

The Company is not making any express or implied claims that its technology or product has the ability to eliminate, cure or contain the COVID-19 (or SARS-2 Coronavirus) at this time.

*Quicksol™ GMP Production*

On June 24, 2021, the Company announced that its GMP production partner had reported positive results from the initial manufacturing assessment of Ivectosol™. Management believes this confirms the Company's ability to supply the GMP production quantities necessary for planned oncology and COVID-19 phased human trials and support the 505(b)(2) pathway application with the FDA.

*Husbandry Animal*

On May 11, 2021, the Company announced that it had commenced husbandry animal trials to validate its injectable solubilized Ivermectin technology, Ivectosol™ 1%, versus current commercially available forms to treat a broad category of animal parasites. The trials commenced in Canada to study poultry, swine, and cattle, and in Bangladesh to study poultry, goat, and cattle. Given the high viscosity of the Company's Ivectosol™ 1% product, trials included administration of the Ivectosol™ 1% by way of a needleless applicator that "injects" the solution into the animal by way of compressed air force. Initial feedback was that the trial dosing was easily accomplished in the animals with the needleless applicator with no adverse reactions across poultry, goat, swine, and cattle applications. The poultry trials were the first to be completed of the broader husbandry group and the Company has received indication from the Quality Control Lead that the trials were successful. The Company is anticipating the formal trial report on poultry in August 2021. It was originally anticipated before the end of July 2021, however has been slightly delayed due to COVID-19 lockdowns in Bangladesh that have impacted staffing and facility access.

The trials were conducted under supervision of The People's Republic of Bangladesh's Ministry of Fisheries & Livestock and the Ministry of Agriculture to support key approvals and near-term commercialization steps inside Bangladesh.

Successful husbandry animal trial results are necessary for the Company to proceed with its next phase of the project, which includes Bangladesh government approval of Ivectosol™ for use in husbandry animals inside the country, coordinating the production of animal grade Ivectosol™ and the commencement of the business development steps to pursue commercialization opportunities inside

Bangladesh and more broadly to look at global sales and licensing opportunities. The business model for this next phase of commercialization to pursue the husbandry animal market will require less than $250,000 CDN for capital expenditures and is anticipated to be moving forward over the third and fourth fiscal quarters of 2021.

*Oncology*

On May 3, 2021, the Company announced that it had filed a novel cancer adjuvant patent for direct intratumoral injection, intravenously, infusions or instillations as adjuvants for broad chemotherapeutic to immunotherapeutic cancer regimens. The Company also announced that it was proceeding with three separate pre-clinical trials with specialized third-party cancer CROs: (1) triple-negative breast cancer; (2) metastatic melanoma; and (3) Lewis Lung Carcinoma as a proxy for non-small cell lung carcinoma.

Leading up to the implementation of pre-clinical trial cancer research, the Company had been extensively researching the drug ivermectin, including its impact on cancer, and had included numerous abstracts at the end of this media release. All the research articles reviewed by the Company involve either existing oral ivermectin in a murine model or the in-vitro testing of ivermectin utilizing organic solvents for solubilization that would be prohibited in a human intravenous or intratumoral administration.

As cited by Pharmacological Research in January 2021[1], Ivermectin has demonstrated antitumor effects in preclinical studies in a variety of cancer cells and promotes programmed cancer cell death, including apoptosis, autophagy, and necrosis. The research also identifies how ivermectin has been shown to inhibit tumor stem cells and reverse multidrug resistance.

The Company filed its cancer adjuvant patent application on March 22, 2021, Novel Injectable, Infusable, Instillable Ivermectin Adjuvant for Cancer Therapies for its solubilized ivermectin (Ivectosol™). The patent-pending adjuvant utilizes the Company's advances in macrocyclic lactone solubility to consider Ivectosol™ as a viable adjuvant for numerous cancer therapies. As the Company's solubility technology applied to the ivermectin drug is the only form in the world that uses strictly excipients that are currently approved by the FDA, management believes it's a leading candidate for human injection or intravenous infusion.

The pre-clinical trials that are being conducted are designed to prove the utility of Ivectosol™ to synergize and improve various cancer regimens currently in use and as a potent enhancer of current immunotherapies and chemotherapies for difficult to treat cancers.

Study One: Triple-negative breast cancer
Study Two: Metastatic melanoma
Study Three: Lewis lung carcinoma as a proxy for non-small cell lung carcinoma

All three studies will assess tumor growth and metastases through bioluminescence imaging, a non-invasive optical imaging modality designed to visualize and quantify bioluminescent signal in tissues. Complete readout with flow cytometry and statistical evaluation of study results is estimated to be completed in the third quarter of 2021.

According to the World Health Organization, cancer is a leading cause of death worldwide, accounting for nearly 10 million deaths in 2020[2]. The World Cancer Day foundation estimates the total annual economic cost of cancer at approximately US$1.16 trillion[3].

The Company believes the research will have near-immediate application to direct human trials based

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[1] January 2021 - Ivermectin, a potential anticancer drug derived from an antiparasitic drug https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7505114/

[2] World Health Organization – Cancer https://www.who.int/news-room/fact-sheets/detail/cancer

[3] World Cancer Day Foundation - Global and national economic impact https://www.worldcancerday.org/financial-and-economic-impact

on safety and efficacy of ivermectin. As at the date of this MD&A, the Company had been advised that the contract research organization engaged to perform the pre-clinical trials has successfully implanted melanoma, small lung and triple-negative breast tumor cells, with no toxicity of the initial treatment. The Company plans to pursue human phase trials if current pre-clinical trials are successful and has been developing a detailed project plan that includes staff resourcing, funding, trial protocol, targeted contract research organizations, and overall timelines. An oncology phase one human trial could take 12 to 18 months to complete and cost up to $10 million USD depending on final scope and patient trial size.

*Dose Sparing Adjuvant*

On May 11, 2021, the Company announced that it had filed the Porous Aluminum Nano-Structured Adjuvant patent application to support and protect the Company's work on advanced vaccine dose sparing work.

On June 24, 2021, the Company announced the results of a does sparing adjuvant study, which was conducted by Tulane University School of Medicine in New Orleans, Louisiana, United States as its Contract Research Organization ("CRO") and had commenced in February 2021. The study was designed to compare existing Alhydrogel adjuvant to the Company's stable nano-particulate adjuvant by both intramuscular injection and intradermal injection immunization, evaluating the antibody responses following vaccination with fractional doses of IPV comparing delivery types with IPV alone or adjuvanted.

The evaluation of the Company's novel aluminum nanoparticle adjuvant from this study demonstrated no toxicity or adverse reactions when combined with tIPV in intramuscular or intradermal injection. However, the initial results were not satisfactory in terms of producing a robust response or desired elevation in the immune response over IPV alone.

Dr. Clements and Dr. Norton confirmed their support for the scientific rationale of the Company's technology and the team postulated that a change in dose, surface charge or dosing interval may support a positive research outcome. The Company will continue its work with Tulane University to evaluate the impact of applying key changes, both with respect to the IPV and an additional vaccine, in several animal models of interest from both a scientific and commercialization standpoint. The next phase of formulation rework and testing is expected to be completed within the 2021 calendar year and total expenditures are anticipated to be less than $100,000 CDN.

*Cold Chain*

On July 31, 2020, the Company announced its results from a U.S. Food and Drug Administration (FDA) Polio Vaccine Lab evaluation that confirmed the Company had successfully preserved Polio D Antigen in its proprietary Quicksome™ rapid dissolve oral technology. Using the Company's proprietary 3-step low temperature Quicksome™ manufacturing process, the Company was able to stabilize and preserve Polio D Antigen in a sublingual application at levels comparable to traditional commercial vaccines, however without the need for cold chain preservation (refrigeration) to prevent degradation. The Company is working with the FDA's Polio Lab to conduct advanced cold chain stability tests on the Inactivated Poliovirus Vaccine (IPV) embedded with the Quicksome™ technology. Cold chain tests are planned across the World Health Organization's (WHO) guideline temperature requirements for all three defined vaccine management categories including traditional cold chain between +2°C and +8°C, Extended Controlled Temperature Conditions (ECTC) above +8°C for a specified number of days to support vaccine distribution, and Controlled Temperature Chain (CTC) where the vaccine must be able to tolerate ambient temperatures of at least +40°C for a minimum of 3 days.

Cold chain is a temperature-controlled supply chain that prescribes necessary conditions during the transport, storage, and handling of vaccines to preserve a temperature range between +2°C and +8°C from the time the vaccine is produced until it is administered.

If successful, the Company believes its proprietary Quicksome™ manufacturing technology will enable

partners to commence large-scale production of numerous vaccines and proteins at temperatures that maintain and preserve their biological action, which would allow for long term stability and ease of global distribution, appropriate for pandemic preparedness, stockpiling with other administration and distribution advantages. The Company also believes this technology would allow the development of work to achieve needleless administration when necessary or required by its partners, with no pain, reducing risk of infection and common site injection reactions, as well as reducing the complexities associated with medically supervised patient injections.

On June 24, 2021, The Company announced results of a recent cold chain ELISA evaluation and that it had formally entered into a two-year collaborative research agreement with the FDA, which will govern the Company's cold chain project going forward. The collaborative research agreement will support the continuation of research, development, and evaluation of the Company's Quicksome™ controlled cold chain technology.

The cold chain ELISA data from the FDA Polio Research Lab was based on an evaluation of the Company's work with its Quicksome™ desiccated liposome technology. The controlled cold chain evaluation was the Company's first attempt at assessing the ability of a thin Quicksome™ desiccated liposome layer of Trivalent Inactivated Poliovirus Vaccine (tIPV), using a method of preservation in a vial for five days of exposure at 40 degrees Celsius and then reconstituted for injection at the point of administration. The trivalent IPV stability evaluation was conducted to assess the preservation application of the Company's Quicksome™ technology after 5 days exposure to 40 degrees Celsius. Trivalent IPV is composed of three serotypes of inactivated polioviruses.

IPV serotype two – achieved 100% preservation and stability at 40 degrees Celsius.
IPV serotypes one and three - achieved 50% preservation and stability at 40 degrees Celsius .

The 100% preservation and stability of IPV serotype two exceeds the World Health Organization's (WHO) guideline temperature requirements for all three defined vaccine management categories*[4] including traditional cold chain between +2°C and +8°C, Extended Controlled Temperature Conditions (ECTC) above +8°C for a specified number of days to support vaccine distribution, and Controlled Temperature Chain (CTC) where the vaccine must be able to tolerate ambient temperatures of at least +40°C for a minimum of 3 days.

All three tIPV serotypes achieved 100% preservation and stability at 30 degrees Celsius, building on previous attainment of 25 degrees Celsius by the FDA Polio Lab.

IPV serotypes one and three will be the focus of the next phase of evaluation the Company will conduct by focusing on lowering residual moisture content, achieving more robust liposomal protection, and faster drying of the mixture within the vial. The Company's objective is to achieve full CTC compliance at 40°C for tIPV polio vaccines in a vial format that can be reconstituted at the point of administration for injection and is immediately commencing this work. The next phase of formulation rework and testing is expected to be completed within the 2021 calendar year and total expenditures are anticipated to be less than $50,000 CDN.

*Appointment of Chief Medical Officer*

Subsequent to the three-month period ended June 30, 2021, on August 3, 2021, the Company announced the appointment of Dr. Azhar Rana as the Company's Chief Medical Officer.

Dr. Rana brings to the Company nearly two decades of life sciences experience in clinical development, pre and post launch medical affairs, regulatory and commercial strategy, including 10 years of pharmaceutical leadership at Bristol Myers-Squibb, Novo Nordisk and AstraZeneca. During his pharmaceutical career, Dr. Rana has gained experience in the development, launch, and life cycle

[4] WHO - The controlled temperature chain - https://www.who.int/immunization/programmes_systems/supply_chain/resources/CTC_FAQ_English_November_2016.pdf

management of novel therapeutics, leading and collaborating with teams in clinical operations and development, medical affairs, regulatory affairs, quality, and pharmacovigilance. Dr. Rana established the North American organization for integrated medhealth communications (imc Group), a globally recognized medical communications agency supporting pharmaceutical, biotech and medical device companies. As President & Managing Director, Dr. Rana led an extensive cross-functional medical marketing team, working with global companies and healthcare professionals at different stages of drug and device development. He brings a wealth of experience in a number of disease areas, including virology, oncology, inflammation and metabolic disease. Dr. Rana completed his medical degree at the Aga Khan University and subsequently trained in internal medicine in the United Kingdom

**Intellectual Property**

The Company's Quicksome™ technology is protected by its trade secrets, principal process patents and the ongoing formulation patents as new molecules and products are developed. The Company's recent Quicksol™ solubility technology, encompassing all highly solubilized macrocyclic lactones, and its PANA dose sparing adjuvant has also been filed for patent protection. One of the principal patent applications, titled *Preparation of Desiccated Liposomes for Use in Compressible Delivery Systems*, has been renewed recently for an additional four years.

On June 24, 2021, the Company announced that the United States Patent Trademark Office (USPTO) had approved the Company's patent application related to its invention of Water Dissolvable Macrocyclic Lactone Cyclodextrin Complexes. The original patent request was filed on November 10, 2020, and an accelerated patent examination request was filed in late December 2020. The accelerated review was supported by data which provided additional formulation analyses of different diluted concentrations of its Quicksol™ ivermectin in solution. This data was fast-tracked by the Company for completion and validation by a third-party CRO.

Additionally, the Company's Quicksol™ trademark application has received Notice of Allowance from the U.S. Trademark Office on August 17, 2021, under Serial number 90/352,408.

The Company extensively protects its trade secrets and formulations, maintains its patent portfolio, and extensions, and anticipates ongoing filings to continue to protect its intellectual property which it believes is the core of its value proposition for future licensing agreements.

**Trends and Risks**

The most significant trends and uncertainties which management expects could impact its business and financial condition continue to focus on the global spread of the COVID-19 virus. The current climate of uncertainty around the spread, speed and fatality of this virus globally is a potential threat to general business development activities, the raw material supply chain for the company's product formulation work, employee engagement on key business activities, and the overall capitalization of the business.

The health of the team has not to date been impacted and the Company has been able to continue to work effectively on many key business priorities.

**Summary of Quarterly Results**

The following is a summary of the periods ended June 30, 2020 to June 30, 2021, which have been derived from the financial statements of the Company. This summary should be read in conjunction with the March 31, 2021 audited consolidated financial statements and the interim consolidated statements of the Company for the same periods.

(Unaudited, in thousands of Canadian Dollars, except for per share amounts)

| | June 30, 2021 $ | March 31, 2021 $ | December 31, 2020 $ (Restated) | September 30, 2020 $ (Restated) |
|---|---|---|---|---|
| Total assets | 29,674 | 31,608 | 15,268 | 10,776 |
| Working capital | 18,479 | 20,010 | 5,940 | 175 |
| Non-current financial liabilities | 40 | 44 | 58 | 74 |
| Revenue | $Nil | $Nil | $Nil | $Nil |
| Net income (loss) | (2,128) | (5,304) | (1,210) | (863) |
| Earnings (loss) per share | (0.01) | (0.02) | (0.00) | (0.00) |
| Weighted average common shares oustanding | 328,670,283 | 263,510,981 | 252,831,065 | 249,117,933 |

| | June 30, 2020 $ (Restated) | March 31, 2020 $ (Restated) | December 31, 2019 $ | September 30, 2019 $ |
|---|---|---|---|---|
| Total assets | 11,543 | 12,234 | 17,051 | 4,494 |
| Working capital | 972 | 1,426 | 2,592 | 3,885 |
| Non-current financial liabilities | 320 | 227 | $Nil | $Nil |
| Revenue | $Nil | $Nil | $Nil | $Nil |
| Net income (loss) | (766) | (16,966) | (883) | (510) |
| Earnings (loss) per share | (0.00) | (0.08) | (0.00) | (0.00) |
| Weighted average common shares oustanding | 246,010,266 | 208,414,518 | 204,568,933 | 202,963,194 |

Significant variations in the most recent eight quarters are discussed below (Unaudited, in thousands of Canadian Dollars, except for per share amounts):

For the three-month period ended June 30, 2021, the Company incurred a loss of $2,128 as compared to a loss of $766 for the three-month period ended June 30, 2020, which consisted of the following:

- The Company incurred $839 in research and development costs relating to its pre-clinical trials and research. The Company did not incur any research and development costs for the three-month period ended June 30, 2020.
- The Company recorded additional stock-based compensation of $64 in relation to vesting of stock options granted in previous periods as compared to $12 for the three-month period ended June 30, 2020.
- The Company incurred $1,049 in general and administrative costs in the three-month period ended June 30, 2020 as compared to $487 in general and administrative costs for the three-month period ended June 30, 2020. The difference relates to increased public relations costs, legal fees, and consulting fees in the normal course of business.

For the quarter ended March 31, 2021, the Company incurred a loss of $5,304, which consisted of the following:

- The Company incurred $1,182 in research and development costs relating to its pre-clinical trials and research.
- The Company has impaired its cannabis licences in Colverde in the amount of $300. Management has strategically chosen not to pursue this asset at this time.
- The Company recorded additional stock-based compensation of $784 in relation to an additional grant of stock options in the fourth quarter.
- The Company incurred $1,236 in general and administrative costs in the fourth quarter relating to increased public relations costs, legal fees related to warrant exercises during the fourth quarter, and consulting fees in the normal course of business.
- The Company incurred a loss from debt settlement of $4,036.

For the quarter ended December 31, 2020, the Company incurred a loss of $1,210 which mainly consisted of the following:

- The Company incurred a $455 loss from the sale of its wholly owned subsidiary Mountain Valley Medicinals Inc.
- General and administrative decreased from $874 for the quarter ended December 31, 2019 to $431 for the quarter ended December 31, 2020 as the Company performed additional consulting and legal work related to ongoing acquisitions in its 3rd quarter of 2019.
- The Company has written down the equity investment in Winchester MD Inc., a UK Company, in the amount of $185. Based on information that became available management deemed the Company to be impaired.

For the quarter ended September 30, 2020, the Company incurred a loss of $863 which mainly consisted of the following:

- The Company incurred a $133 loss from equity associate (September 30, 2019: $Nil), which represents the Company's share of operating costs relating to the investment in Sativa Nativa SAS.
- General and administrative remained relatively stable from $505 for the quarter ended September 30, 2019 to $561 for the quarter ended September 30, 2020 as follows: Legal and accounting fees were $150 for the quarter ended September 30, 2020, compared to $198 for the quarter ended September 30, 2019 as the Company completed acquisitions in 2019 that required additional legal work.

**Liquidity and Capital Resources**

(Unaudited, in thousands of Canadian Dollars, except for per share amounts)

As at June 30, 2021, the Company has cash of $18,234 compared to $945 as at June 30, 2020. The Company has working capital of $18,479 as at June 30, 2021 compared to working capital of $971 as at June 30, 2020. Working capital increased mainly due to shareholders exercising 48.9 million warrants for gross proceeds of $17,257.

The Company has total debt of $855 at June 30, 2021 ($993 as at June 30, 2020). Cash consumed by operating activities after changes in non-cash working capital during the three-month period ended June 30, 2021, was $1,646, compared to cash consumed of $838 at June 30, 2020. The Company paid out considerably more fees for public relations activities, and fees to consultants, lawyers and other professionals in relation to developing its proprietary technology.

For the three-month period ended June 30, 2021, investing activities consumed cash of $15 compared

to the comparable period June 30, 2020, in which investing activities consumed cash of $33.

For the three-month period ended June 30, 2021, financing activities provided cash of $385 from the exercise of stock options and exercise of share purchase warrants, compared to the comparable period June 30, 2020, in which financing activities provided cash of $75 related to the exercise of stock options.

See the three-month period ended June 30, 2021, interim condensed consolidated financial statements for a breakdown of share transactions during the period and comparable period.

At present, the Company's operations do not generate cash flow and its business plan and focus is on developing and licensing its intellectual property technology assets.

**Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

**Related Party Transactions**

Key Management includes personnel having the authority and responsibility for planning, directing and controlling the Company and includes the directors and executive officers:

| | **Three months ended June 30, 2021** $ | Three months ended June 30, 2020 $ |
|---|---|---|
| Short-term benefits | **83** | 115 |
| Stock based compensation | **6** | 2 |
| | **89** | 117 |

**Critical Accounting Estimates**

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, 2021.

**Financial Instruments and Risk Management**

The Company's financial instruments include cash and cash equivalents, note receivable, accounts payable and accrued liabilities, and lease liability. The carrying amounts of these financial instruments are a reasonable estimate of their fair values based on their current nature and current market rates for similar financial 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 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.

As at June 30, 2021, 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 three-month period ended June 30, 2021.

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 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 large Canadian bank. The Company obtains financial information from the creditor to determine the carrying amount of the note receivable.

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 June 30, 2021, 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 | 531 | - | - |
| Lease liability | 34 | 40 | - |
| Total | 565 | 40 | - |

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

The Company has completed a sensitivity analysis to estimate the impact on comprehensive earnings which a change in the equity investments would have on the Company during the three-month period ended June 30, 2021. As a result, a 10% change in the equity investments will translate to a $501 (June 30, 2020, $283) gain or loss from equity investments.

**Outstanding Share Data**

The Company had the following common shares, preferred shares, stock options and warrants outstanding as at the date of this report:

| | |
|---|---|
| Issued and Outstanding Common shares | 329,222,591 |
| Class B (non-voting) shares | 50,056,229 |
| Stock options | 16,888,500 |
| Warrants | 15,167,441 |

**Subsequent Events**

Subsequent to June 30, 2021:

a) The Company granted 3,690,000 stock options at $0.27 to certain directors, officers, and consultants in accordance with the Company's stock option plan. The stock options are exercisable for a period of 5 years and must meet certain vesting terms.

b) The Company granted 1,000,000 stock options at $0.365 to an officer in accordance with the Company's stock option plan. The stock options are exercisable for a period of 5 years and must meet certain vesting criteria.

**Additional Information**

Additional information concerning the Company and its operations is available on SEDAR at www.sedar.com.