

# **WESTCOT VENTURES CORP.**

**Management's Discussion & Analysis**

**Six Months Ended July 31, 2019 and 2018**

**(Expressed in Canadian Dollars)**

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Westcot Ventures Corp. ("the Company" or "Westcot") was incorporated on July 4, 2006 under the laws of the Business Corporations Act (British Columbia). Effective June 17, 2014, the Company's listing was transferred to the NEX board of the TSX Venture Exchange (the "Exchange") due to the Company's failure to maintain the requirements for a TSX Venture Tier 2 company. The Company was listed for trading on the NEX board of the Exchange under the symbol "SPW.H". In September 2017, the Company changed its name to Westcot Ventures Corp. and is listed under the symbol "WET.H". (See Proposed Transaction).

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of the Company for the three months ended April 30, 2019 and is prepared as of September 27, 2019. The MD&A should be read in conjunction with the Company's condensed interim financial statements and related notes for the six months ended July 31, 2019 and 2018, and with the audited financial statements and related notes for the years ended January 31, 2019, and 2018, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

## Cautionary Note Regarding Forward-Looking Information

This document may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this document and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation.

Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the timing and implementation of the proposed transaction with Far West, estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements 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 the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

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## **Stock Consolidation and Share Split**

On July 12, 2018, the Company completed a two-for-one forward share split ("Forward Split") of the Company's current issued and outstanding common shares. All comparative references herein to the number of shares, options, warrants, weighted average number of common shares and loss per share have been restated for the Forward Split, including all such numbers presented for the prior year.

## **Proposed Transaction**

On July 17, 2019, the Company entered into a definitive agreement with WPD Pharmaceuticals Inc. ("WPD") pursuant to which Westcot will, subject to certain conditions, acquire all of the issued and outstanding shares of WPD (collectively, the "Transaction").

The Transaction is an arm's length transaction that is expected to constitute a change of business ("COB") pursuant to Exchange Policy 5.2 – Changes of Business and Reverse Takeovers. It is anticipated that, following the Transaction, the resulting entity will be classified as a Tier 2 life sciences issuer on the Exchange.

WPD is a privately-held biotechnology research and development company, which was incorporated in Poland on September 1, 2017. WPD operates in the pharmaceuticals industry with a focus on oncology in the research and development of medicinal products involving biological compounds and small molecules.

Westcot will acquire all of the issued and outstanding shares of WPD in exchange for 67,000,000 common shares of Westcot. The common shares of the resulting entity will therefore be principally owned by the existing shareholders of WPD. Westcot has agreed to provide WPD with a secured bridge loan for \$200,000, subject to Exchange approval.

The Transaction is subject to regulatory approval.

## **Risks and Uncertainties**

**No Assurance of Profitability:** The Company has no history of earnings and, due to the nature of its proposed business, there can be no assurance that the Company will ever be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the sale of its common shares. While the Company may generate additional working capital through further equity offerings, there can be no assurance that any such funds will be available on favourable terms, or at all. Failure to raise such additional capital could put the continued viability of the Company at risk.

**Financial statements have been prepared assuming the Company will continue on a going concern basis:** The financial statements have been prepared on the basis that the Company will continue as a going concern. The Company has not yet achieved profitable operations, has incurred significant operating losses and negative cash flows from operations, and has been reliant on external debt and equity financing. As at July 31, 2019, the Company has accumulated losses of \$2,868,048. There is no assurance that the Company will be successful in generating and maintaining profitable operations or in securing future debt or equity financing for its working capital and development activities. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would likely differ significantly from their going concern assumption carrying values.

**Dependence Upon Others and Key Personnel:** The Company is dependent upon the services of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or the inability of the Company to attract and retain additional highly-skilled employees may adversely affect its business and future operations.

**Share Price Volatility:** In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that significant fluctuations in the trading price of the Company's common shares will not

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occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

**Financing Risks:** The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it to fund working capital requirements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the Company not being able to maintain an active business.

**Dilution to the Company's existing shareholders:** The Company will require additional equity financing to be raised in the future. The Company may issue securities on less than favourable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of equity securities or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

## Summary of Quarterly Information

Below is selected financial information from continuing operations for the most recent eight quarters. The quarterly results presented in the table below were prepared in accordance with IFRS.

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| Quarter ended    | Loss<br>\$ | Loss<br>per share<br>\$ |
|------------------|------------|-------------------------|
| July 31, 2019    | (214,370)  | (0.01)                  |
| April 30, 2019   | (139,793)  | (0.00)                  |
| January 31, 2019 | (225,810)  | (0.01)                  |
| October 31, 2018 | (236,546)  | (0.01)                  |
| July 31, 2018    | (150,865)  | (0.01)                  |
| April 30, 2018   | (166,215)  | (0.01)                  |
| January 31, 2018 | (131,963)  | (0.01)                  |
| October 31, 2017 | (137,358)  | (0.04)                  |

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The increase in net loss for the quarter ended January 31, 2019 is largely due to higher professional fees of \$51,495 and transaction fees of \$25,000 related to a previously proposed transaction which did not complete, as well as an increase in travel costs of \$20,509.

The increase in net loss for the quarter ended October 31, 2018 is principally related to transaction costs of \$85,000 accrued for a previously proposed change of business transaction which did not complete.

## Results of Operations

### Three months ended July 31, 2019 compared with three months ended July 31, 2018

During the three months ended July 31, 2019, the Company reported a net loss of \$214,370 as compared to a net loss of \$150,865 during the same period in the prior fiscal year, representing an increase of \$63,505.

Expenses for the three months ended July 31, 2019, were \$226,366 compared to \$150,563 for the quarter ended July 31, 2018, representing an increase of \$75,803. This was largely related to transaction costs of \$83,498 incurred in the current quarter related to the proposed transaction.

For the quarter ended July 31, 2019, other items totaled to a net income of \$11,996, compared to a net expense of \$302 for the quarter ended July 31, 2018, representing an increase in income of \$12,298. The increase is largely due to interest income of \$11,996 on funds in trust.

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## **Six months ended July 31, 2019 compared with six months ended July 31, 2018**

During the six months ended July 31, 2019, the Company reported a net loss of \$354,163 as compared to a net loss of \$317,080 during the same period in the prior fiscal year, representing an increase of \$37,083.

Expenses for the six months ended July 31, 2019, were \$377,734 compared to \$315,513 for the period ended July 31, 2018, representing an increase of \$62,221. This was largely related to transaction costs of \$95,998 incurred in the current period related to the previously proposed and currently proposed transactions. This increase was partially offset by a decrease in consulting fees of \$13,675, a decrease in director fees of \$5,500, and a decrease in travel and promotion of \$16,642. The decrease in consulting and travel and promotion is related to the fact that the Company is no longer searching for a potential transaction, having entered into the agreement with WPD. The decrease in director fees is related to a decrease in the average number of directors during the period.

For the period ended July 31, 2019, other items totaled to a net income of \$23,571, compared to a net expense of \$1,567 for the period ended July 31, 2018, representing an increase in income of \$25,138. The increase is largely due to interest income of \$23,552 on funds in trust.

## **Liquidity and Capital Resources**

The Company has no revenue generating operations from which it can internally generate funds. The Company has financed its operations and met its capital requirements primarily through short-term loans, convertible debentures, the issuance of capital stock by way of private placements and the exercise of share purchase warrants previously issued.

As at July 31, 2019, the Company had working capital of \$619,755 compared to \$973,918 at January 31, 2019.

Although the Company has previously been successful in raising the funds required for its operations, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

## **Summary of Outstanding Share Data**

As at July 31, 2019, there were 32,120,392 shares issued and outstanding and no warrants outstanding.

In addition, at July 31, 2019, 7,899,996 subscription receipts were outstanding. Each subscription receipt will be converted into one unit of the Company. Each unit will consist of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to obtain an additional common share of the Company at a price of \$0.50 for a period of 24 months from the date of issuance.

As at the date of this MD&A, there were 32,120,392 shares and 7,899,996 subscription receipts issued and outstanding.

## **Related Party Transactions**

Details of transactions between the Company and related parties are described as follows.

The Company incurred the following transactions with directors, officers or companies controlled by officers during the periods ended July 31, 2019 and 2018:

|                                       | <u>2019</u>    | <u>2018</u>    |
|---------------------------------------|----------------|----------------|
|                                       | \$             | \$             |
| Management fees to CEO                | 30,000         | -              |
| Management fees to CFO                | 7,143          | -              |
| Management fees to former CEO's       | 3,000          | 32,250         |
| Management fees to a former CFO       | -              | 9,000          |
| Directors fees                        | 5,000          | 10,500         |
| Consulting fees to a shareholder      | 181,575        | 50,000         |
| Interest on debenture to a former CEO | -              | 6              |
|                                       | <u>226,718</u> | <u>101,756</u> |

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## Related Party Balances

The following related party amounts were reflected in the statement of financial position as at July 31, 2019 and January 31, 2019:

|                                  | July 31,<br>2019 | January 31,<br>2019 |
|----------------------------------|------------------|---------------------|
|                                  | \$               | \$                  |
| Interest payable to a former CEO | (243)            | (243)               |
| Accounts payable to a former CEO | (150)            | (100)               |
| Accrued liabilities to directors | (5,900)          | (7,825)             |
| Due to shareholders              | -                | (48,175)            |
| Due from shareholder             | 49,984           | 49,984              |
|                                  | <u>43,691</u>    | <u>(6,359)</u>      |

## Critical Accounting Estimates

In the application of the Company's accounting policies which are described in Note 2 of the Company's annual audited financial statements as at and for the year ended January 31, 2019, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements relate to deferred tax assets, share-based compensation and going concern.

## New Accounting Standards

### IFRS 16 – Leases

On February 1, 2019, the Company adopted IFRS 16. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The adoption of IFRS 16 had no impact on the condensed interim financial statements as the Company does not have any leases.

## Financial Instruments and Other Instruments

### Fair Value of Financial Instruments

The Company's financial instruments consist of cash, receivables, subscription receipts in trust, accounts payable, subscription receipts and accrued interest on convertible debentures. The carrying values of cash, receivables, subscription receipts in trust, accounts payable, subscription receipts and accrued interest approximate their fair values because of their short-term nature and/or the existence of market related interest rates on the instruments. Convertible debentures are measured at amortized cost using the effective interest rate method and their carrying value approximates their fair value. These estimates are subjective and involve uncertainties and matters of significant

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judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of hierarchy are:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

## **Financial Instruments Risk**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes:

### **(i) Credit Risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions. The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

### **(ii) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, that it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. There can be no assurance that the Company will be successful in generating and maintaining profitable operations or will be able to secure future debt or equity financing for its working capital and development activities.

### **(iii) Interest Rate Risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest on the Company's loans payable and debentures is based on a fixed rate, and as such, the Company is not exposed to significant interest rate risk.

## **Additional Information**

Additional information relating to Westcot Ventures Corp. can be accessed under the Company's public filings found at [www.sedar.com](http://www.sedar.com).