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Form Type	File Name	Description
20-F/A	betr_20fa.htm	FORM 20-F/A
EX-3.1	betr_ex31.htm	ARTICLES OF INCORPORATION
EX-99.1	betr_ex991.htm	FINANCIAL STATEMENTS
EX-101.INS	betr-20200131.xml	XBRL INSTANCE DOCUMENT
EX-101.SCH	betr-20200131.xsd	XBRL TAXONOMY EXTENSION SCHEMA
EX-101.LAB	betr-20200131_lab.xml	XBRL TAXONOMY EXTENSION LABEL LINKBASE
EX-101.CAL	betr-20200131_cal.xml	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
EX-101.PRE	betr-20200131_pre.xml	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE
EX-101.DEF	betr-20200131_def.xml	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
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Module and Segment References

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F/A
Amendment No. 1

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE
SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended January 31, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of an event requiring this shell company report _____

For the transition period from _____ to _____

BETTERLIFE PHARMA INC.

(Exact name of Registrant as specified in its charter)

(Translation of the Registrant's name into English)

CANADA

(Jurisdiction of incorporation or organization)

1275 West 6th Avenue, #300, Vancouver, British Columbia, Canada V6H 1A6

(Address of principal executive offices)

Ahmad Doroudian, CEO, tel: 604-805-7783, email: ahmad.doroudian@blifepharma.com address: 1275

West 6th Avenue, #300, Vancouver, British Columbia, Canada V6H 1A6

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common shares	BETR	Canadian Securities Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.

Common Stock
(Title of Class)

SEC 1852 (05-19) Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Emerging growth company	<input type="checkbox"/>

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP <input type="checkbox"/>	International Financial Reporting Standards as issued by the International Accounting Standards Board <input checked="" type="checkbox"/>	Other <input type="checkbox"/>
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If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

2(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 20-F of BetterLife Pharma Inc. for the year ended January 31, 2020, originally filed with the Securities and Exchange Commission on June 1, 2020 (the “Original Filing”), is being filed solely to include the XBRL files, which were omitted from the Original Filing.

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Introduction

BetterLife Pharma Inc. (“BetterLife”, the “Company” or “we”) was incorporated in British Columbia under the Business Corporations Act on June 10, 2002. On December 5, 2019, we changed our name from Pivot Pharmaceuticals Inc. to BetterLife Pharma Inc.

We are a biopharmaceutical company engaged in the development and commercialization of patented, differentiated and premium quality nutraceuticals and pharmaceuticals.

Our registered office is located at c/o Alexander Holburn Beaudin + Lang LLP, 2700 - 700 West Georgia Street, Vancouver, British Columbia, Canada V7Y 1B8.

BetterLife has not earned any revenue and has an accumulated deficit of \$54,660,516 as at January 31, 2020. Our continued operations are dependent on our ability to generate future cash flows through additional financing or commercialization, which have been impacted as a result of the global outbreak of coronavirus (“COVID-19”) (refer to “Risk Factors”). Management intends to continue to pursue additional financing through issuances of equity. There is no assurance that additional funding will be available on a timely basis or on terms acceptable to us. In addition, we continue procurement of our products set to launch in the US and anticipate our US launch to continue once the current pandemic situation improves. These events or conditions indicate that a material uncertainty exists that casts substantial doubts on our ability to continue as a going concern.

Item 1. Identity of Directors, Senior Management and Advisors

The directors of the Company are Ahmad Doroudian, Robert Metcalfe, Anthony Pullen and Wolfgang Renz. In addition, Ahmad Doroudian serves as our Chief Executive Officer; Chris Lucky serves as our Chief Operating Officer; and Moira Ong serves as our Chief Financial Officer. See Item 6 for further information. The business address for all directors and senior management is: 1275 West 6th Avenue, #300, Vancouver, British Columbia, Canada V6H 1A6.

Our PCAOB registered independent auditors are MNP LLP, Chartered Professional Accountants, Toronto, ON, Canada. For further information, see the consolidated financial statements under Item 8.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information**A. Selected Financial Data**

The following selected information should be read in conjunction with our consolidated financial statements, and notes, filed with this Form 20-F/A. This information, and all other financial information in this Form 20-F/A, is stated in Canadian dollars unless otherwise noted.

The financial information is presented on the basis of International Financial Reporting Standards.

Selected Consolidated Financial and Operating Data

Operating Data	January 31, 2020	January 31, 2019	January 31, 2018
Revenue	\$ nil	\$ nil	\$ nil
Operating expenses	\$ 18,731,199	\$ 6,908,952	\$ 1,534,897
Other income (expenses)	\$ (857,563)	\$ (2,345,838)	\$ 1,312,543
Net loss	\$ (19,588,762)	\$ (9,254,790)	\$ (42,354)
Net loss per share, basic and fully diluted	\$ (0.13)	\$ (0.10)	\$ (0.00)
Weighted average number of shares outstanding – basic and diluted	<u>150,359,090</u>	<u>90,201,387</u>	<u></u>
	January 31, 2020	January 31, 2019	January 31, 2018
Consolidated Balance Sheet Data			
Operating cash	\$ 2,681,704	\$ 74,800	\$ 79,304
Working capital (deficiency)	\$ 2,520,474	\$ (5,185,332)	\$ (344,141)
Total assets	\$ 8,250,779	\$ 10,306,750	\$ 471,826
Total long-term liabilities	\$ 4,634,154	\$ 1,408,486	\$ –
Shareholders' equity (deficiency)	\$ 2,656,561	\$ 3,495,512	\$ (55,792)
Number of shares outstanding	<u>172,081,135</u>	<u>96,899,678</u>	<u>82,373,559</u>

Exchange Rates

In this Form 20-F/A, references to “dollars”, “\$” are to Canadian dollars, unless otherwise specified. As at January 31, 2020, the exchange rate, as quoted by the Bank of Canada, was \$1.3233 for each US dollar.

B. Capitalization and Indebtedness

Refer to “Selected Financial Data”.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Forward Looking-Statements and Risk Factors**Forward-looking Statements**

In this document, we are showing you a picture which is part historical (events which have happened) and part predictive (events which we believe will happen). Except for the historical information, all of the information in this document comprises “forward looking” statements. Specifically, all statements (other than statements of historical fact) regarding our financial position, business strategy and plans and objectives are forward-looking statements. These forward-looking statements are based on the beliefs of management, as well as assumptions made by, and information currently available to management. These statements involve known and unknown risks, including the risks resulting from economic and market conditions, accurately forecasting operating and capital expenditures and capital needs, successful anticipation of competition which may not yet be fully developed, and other business conditions. Our use of the words “anticipate”, “believe”, “estimate”, “expect”, “may”, “will”, “continue” and “intend”, and similar words or phrases, are intended to identify forward-looking statements (also known as “cautionary statements”). These statements reflect our current views with respect to future events. They are subject to the realization in fact of assumptions, but what we now believe will occur may turn out to be inaccurate or incomplete. We cannot assure you that our expectations will prove to be correct. Actual operating results and financial performance may prove to be very different from what we now predict or anticipate. The “risk factors” below specifically address all of the factors now identifiable by us that may influence future operating results and financial performance.

Risks Related to the Business

The COVID-19 pandemic and related government responses could have a material and adverse effect on BetterLife's business, financial condition and results of operations.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Our business and financial condition may be adversely impacted by the effects of COVID-19 and other infectious diseases.

The extent to which COVID-19 and other infectious diseases may impact our business, operations, financial condition and the market for our securities will depend on future developments and government responses, which are highly uncertain and cannot be predicted. These include the duration, severity and scope of the outbreak and the actions taken by governmental entities to address and mitigate the pandemic. Our business and operations could be adversely affected by the continued global spread of COVID-19 and any government actions to slow the spread of the infectious disease. Areas that may be impacted include, but without limitation, workforce productivity and health, disruptions to supply chains, limitations on travel and ability to successfully commercialize our product portfolios and deliver end products to customers.

Given the uncertainty and lack of predictability surrounding COVID-19, we are not able to the length and severity of impact to our business and operations. As a result, risks associated with COVID-19 may impact key estimates and assumptions used in our consolidated financial statements.

There is substantial doubt as to whether we will continue operations. If we discontinue operations, you could lose your investment.

Our financial statements have been prepared on the going concern basis, which assumes that we will be able to realize our assets and discharge our liabilities in the normal course of business. However, as at January 31, 2020, we have not earned any revenues and had an accumulated deficit of \$54,660,516. We anticipate that we will incur increased expenses and there is a risk we will not realize sufficient revenues to offset those expenses. Our ability to continue our operations is dependent on obtaining additional financing and generating future revenues, and no assurance can be given that we will successfully be able to do so. Accordingly, our financial statements contain disclosure of management's determination that these factors raise substantial doubt about our ability to continue as a going concern. Importantly, the inclusion in our financial statements of a going concern opinion may negatively impact our ability to raise future financing and achieve future revenue. The threat of our ability to continue as a going concern will be removed only when, in the opinion of our auditor, our revenues have reached a level that is able to sustain our business operations.

If we are unable to obtain additional financing from outside sources and eventually generate enough revenues, we may be forced to sell a portion or all of our assets, or curtail or discontinue our operations. If any of these happens, you could lose all or part of your investment. Our financial statements do not include any adjustments to our recorded assets or liabilities that might be necessary if we become unable to continue as a going concern.

We have incurred operating losses in each year since our inception and we may continue to incur substantial and increasing losses for the foreseeable future. We also have negative capital cash flows from operating activities. If we cannot generate sufficient revenues to operate profitably or with positive cash flow from operating activities, we may suspend or cease our operations.

We have not generated any revenue since our inception on June 10, 2002 and we have incurred operating and net losses in each year of our existence. We experienced a net loss of \$19,588,762 for the year ended January 31, 2020, compared to a net loss of \$9,254,790 for the year ended January 31, 2019. We expect to incur substantial and increasing losses for the foreseeable future as we research, develop and commercialize our products. If our products do not achieve market acceptance, we may never generate any revenue. We also cannot assure you that we will be profitable even if we successfully commercialize our products. If we fail to generate sufficient revenues to operate profitably, or if we are unable to fund our continuing losses, you could lose all or part of your investment.

We will require substantial additional funds to complete our development and commercialization activities, and if such funds are not available we may need to significantly curtail or cease our operations.

We will require substantial funds to develop, manufacture and market our products. If we do not raise sufficient funds, our plan of operation will be delayed until such time as we raise sufficient funds, provided we are able to do so. Further, the cost of carrying out our operating activities and development activities is not fixed, and our cash levels may at any time prove to be insufficient to finance them. Our financing needs may change substantially because a number of factors which are difficult to predict or which may be outside of our control. These include increased competition, the costs of licensing existing drugs and protecting rights to our proprietary technology and the time required to obtain required licenses.

We may not succeed in raising the additional funds that we require because such funds may not be available to us on acceptable terms, if at all. We intend to seek additional funding through strategic alliances or through public or private sales of our equity securities, and we may also obtain equipment leases and pursue opportunities to obtain debt financing in the future. If we are unable to obtain sufficient funding on a timely basis, we may be forced to significantly curtail or cease our operations.

Our inability to complete our development projects in a timely manner could have a material adverse effect of our results of operations, financial condition and cash flows.

If our projects are not completed in a timely fashion, our Company could experience:

- additional competition in the industry for our products; and
- delay in obtaining future inflow of cash from financial or partnership activities, any of which could have a material adverse effect of our results of operations, financial condition and cash flows.

Any products that we may develop as a pharmaceutical product will be subject to extensive governmental regulations relating to development activities, conduct of clinical trials, manufacturing and commercialization. In the United States, for example, the prospective products that we intend to develop and market are regulated by the FDA under its new drug development and review process. Before such products can be marketed, we must obtain clearance from the FDA by submitting an investigational new drug application, then by successfully completing human testing under three phases of clinical trials, and finally by submitting a new drug application.

The time required to obtain approvals for our prospective products from the FDA and other agencies in foreign locales with similar processes is unpredictable. We expect to be able to accelerate the approval process and to increase the chances of approval by using existing and approved drugs as the basis for our own technology. However, we cannot guarantee that our expectations will be realized, and there is no assurance that we will ever receive regulatory approval to use our proprietary substances, methods and processes. If we do not obtain such regulatory approval, we may never become profitable.

We may not commence clinical testing for any of our prospective pharmaceutical products and the commercial value of any clinical study that we may conduct will depend significantly upon our choice of indication and our patient population selection. If we are unable to commence clinical testing or if we make a poor choice in terms of clinical strategy, we may never achieve revenues.

In order to commence clinical testing, we must successfully complete and obtain positive scientific results from pre-clinical studies and, in the case of an existing drug that we are re-profiling for a new indication, adopt existing pre-clinical or early stage clinical studies to our own research. If we successfully complete any clinical study of our own, the commercial value of any such study will significantly depend upon our choice of indication and our patient population selection for that indication.

We will rely on third parties to conduct our research, development and manufacturing activities. If these third parties do not perform as contractually required, fail to meet our manufacturing requirements and applicable regulatory requirements or otherwise expected, we may not be able to commercialize our products, which may prevent us from becoming profitable.

We will rely on contract manufacturers as a source suppliers for our products.

Because of our planned reliance on contract manufacturers, we may also be exposed to additional risks, including those related to intellectual property and the failure of such manufacturers to comply with strictly-enforced regulatory requirements, manufacture components to our specifications, or deliver sufficient component quantities to us in a timely manner. For example, a contract manufacturer working on our behalf may violate the intellectual property rights of a third party in manufacturing a component of one of our products, and if such a violation occurs without our knowledge, we may be held vicariously liable for the acts of our contractor, incur related costs and court mandated damages, or become enjoined from selling products which violate those third-party intellectual property rights. Similarly, if a contract manufacturer working on our behalf is found to be in violation of FDA or other national regulatory standards regarding the manufacture, packaging or labeling of any of our products, we could face any number of adverse consequences including costly regulatory investigations and fines, interruptions in the flow of our products or materials, product recalls, or liability to consumers regarding any of our products that do not meet such regulatory requirements. If any of these events occurs, if our relationship with any of our potential contract manufacturers terminates, or if any such manufacturer is unable fulfill its obligations to us for any reason, our product development and commercialization efforts could suffer and we may never realize a profit.

If we are unable to establish a sales, marketing and distribution infrastructure or enter into collaborations with partners to perform these functions, we may not be successful in commercializing our product candidates.

In order to successfully commercialize any of our product candidates, we must either develop a satisfactory sales, marketing and distribution infrastructure or enter into collaborations with partners to perform these services for us. We will require substantial resources to create such an infrastructure, and we may never possess the resources to do so. For example, we may be unable to recruit and retain an adequate number of effective sales and marketing personnel or we may incur unforeseen costs and expenses in connection with developing the necessary infrastructure.

Although we plan to develop our own sales and marketing organizations in some markets, we intend to enter into partnering, co-promotion and other distribution arrangements to commercialize our products in most markets. We may not be able to enter into collaborations on acceptable terms, if at all, and we may face competition in our search for partners with whom we may collaborate. If we are not able to build a satisfactory sales, marketing and distribution infrastructure or collaborate with one or more partners to perform these functions, we may not be able to successfully commercialize our product candidates, which could cause us to cease our operations.

Our product candidates may never gain market acceptance, which could prevent us from generating revenues.

The success of our products will depend on their acceptance by customers and the public, among other things. Market acceptance of, and demand for, any product that we develop and commercialize will depend on many factors, including:

- our ability to provide acceptable evidence of safety and efficacy;
- the effectiveness of our or our collaborators' sales, marketing and distribution strategy; and
- publicity concerning our products or competing products.

If our product candidates fail to gain market acceptance, we may be unable to generate sufficient revenue to continue our business.

We face potential product liability exposure, and any claim brought against us may cause us to divert resources from our normal operations or terminate selling, distributing and marketing any of our products. This may cause us to cease our operations as it relates to that product.

The sale of any of our products may expose us to product liability claims from consumers. Although we plan to obtain product liability insurance coverage with limits that we hope will be customary and adequate to provide us with coverage for foreseeable risks, our insurance coverage may be insufficient to reimburse us for the actual expenses or losses we may suffer.

Even if we are able to successfully defend ourselves against any potential claims, we will likely incur substantial costs in the form of unanticipated expenses and negative publicity. This could result in decreased demand for our products, an impaired business reputation, revenue loss or an inability to continue commercializing our products. Any of these consequences could cause us to cease our operations.

Our industry is highly competitive, and many of our potential competitors, either alone or together with their partners, have substantially greater financial resources, development programs, and regulatory experience, expertise in the protection of intellectual property rights, and manufacturing, distribution and sales and marketing capabilities than us. As a result, they may be able to:

- develop and market products that are faster to market and less expensive than our products;
- commercialize competing products before we can launch any of our products;
- initiate or withstand substantial price competition more successfully than us;
- enjoy greater success in recruiting skilled workers from a limited pool of available talent; and
- more effectively negotiate third-party licenses and strategic alliances.

The manufacturing of all of our products will be subject to ongoing regulatory requirements, and may therefore be the subject of regulatory or enforcement action. The associated costs could prevent us from achieving our goals or becoming profitable.

Our products, third-party manufacturing facilities and processes and advertising and promotional activities will be subject to significant review and ongoing and changing regulation by various regulatory agencies. Our failure to comply with any regulatory requirements may subject us to administrative and judicial sanctions, which may include warning letters, civil and criminal penalties, injunctions, product seizures or detention, product recalls, total or partial suspension of production, or the denial of pending product marketing applications.

Regulatory or enforcement actions could adversely affect our ability to develop, market and sell our products successfully and harm our reputation, which could lead to reduced market demand for such products. Consequently, the costs associated with any such action could cause our business to suffer and prevent us from achieving our goals or becoming profitable.

Since certain of our directors are located outside of Canada, you may be limited in your ability to enforce Canadian civil actions against them for damages to the value of your investment.

We plan to indemnify our directors and officers against liability to us and our security holders, and such indemnification could increase our operating costs.

Our Articles allow us to indemnify our directors and officers against claims associated with carrying out the duties of their offices. Our Articles also allow us to reimburse them for the costs of certain legal defenses. Insofar as indemnification for liabilities arising under relevant securities legislation may be permitted to our directors, officers or control persons, certain securities regulations may deem that such indemnification is against public policy and is therefore unenforceable in that jurisdiction.

Since our officers and directors are aware that they may be indemnified for carrying out the duties of their offices, they may be less motivated to meet the standards required by law to properly carry out such duties, which could increase our operating costs. Further, if our officers and directors file a claim against us for indemnification, the associated expenses could also increase our operating costs.

Certain jurisdictions currently allow the medicinal use of cannabis. Many other jurisdictions do not. There can be no assurance that additional jurisdictions will allow the medicinal use of cannabis or that those jurisdictions which currently allow it will continue to do so. If either of these events occur, then not only will our growth prospects in this field be materially impacted, we may experience a declining market for our products.

Your legal recourse as a United States investor could be limited.

The Company is incorporated under the laws of Canada. Most of the assets now are located outside of Canada or the United States. Only our audit firm and some of our lawyers are residents of Canada. As a result, if any of our Canadian or US shareholders were to bring a lawsuit in the Canada or the United States against the officers, directors or experts in Canada, it may be difficult to effect service of legal process on those people who reside outside of the United States or Canada, based on civil liability under the Securities Act of 1933 or the Securities Exchange Act of 1934 or equivalent Canadian securities laws. In addition, we have been advised that a judgment of a United States court based solely upon civil liability under these laws would probably be enforceable in Canada, but only if the U.S. court in which the judgments were obtained had a basis for jurisdiction in the matter. We also have been advised that there is substantial doubt whether an action could be brought successfully in Canada in the first instance on the basis of liability predicated solely upon the United States' securities laws.

Risks Related to Our Stock

Trading on the OTC Bulletin Board and the Canadian Securities Exchange (the "CSE") may be volatile and sporadic, which could depress the market price of our common stock and make it difficult for our stockholders to resell their shares.

Our common stock is quoted on the OTCQB service of the Financial Industry Regulatory Authority and is traded on the CSE. Trading in stock quoted on the OTC Bulletin Board or listed on the CSE is often thin and characterized by wide fluctuations in trading prices, due to many factors that may have little to do with our operations or business prospects. This volatility could depress the market price of our common stock for reasons unrelated to operating performance. Moreover, the OTC Bulletin Board is not a stock exchange, and trading of securities on the OTC Bulletin Board is often more sporadic than the trading of securities listed on a quotation system like NASDAQ or a stock exchange like Amex. Accordingly, shareholders may have difficulty reselling any of their shares.

Our stock is a penny stock. Trading of our stock may be restricted by the SEC's penny stock regulations and FINRA's sales practice requirements, which may limit a stockholder's ability to buy and sell our stock.

Our stock is a penny stock. The Securities and Exchange Commission in the United States (the "SEC") has adopted Rule 15g-9 which generally defines "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors". The term "accredited investor" refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in, and limit the marketability of, our common stock.

In addition to the “penny stock” rules promulgated by the Securities and Exchange Commission, the Financial Industry Regulatory Authority has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer’s financial status, tax status, investment objectives and other information. Under interpretations of these rules, the Financial Industry Regulatory Authority believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. The Financial Industry Regulatory Authority requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock.

You will experience dilution or subordinated stockholder rights, privileges and preferences as a result of our financing efforts.

We must raise additional capital from external sources to carry out our business plan over the next two years. To do so, we may issue debt securities, equity securities or a combination of these securities; however, we may not be able to sell these securities, particularly under current market conditions. Even if we are successful in finding buyers for our securities, such buyers could demand high interest rates or require us to agree to onerous operating covenants, which could in turn harm our ability to operate our business by reducing our cash flow and restricting our operating activities. If we choose to sell shares of our common stock, this will result in dilution to our existing stockholders. In addition, any shares of common stock we may issue may have rights, privileges and preferences superior to those of our current stockholders.

We do not intend to pay dividends and there will thus be fewer ways in which you are able to make a gain on your investment, if at all.

We have never paid dividends and do not intend to pay any dividends for the foreseeable future. To the extent that we may require additional funding currently not provided for in our financing plan, our funding sources may prohibit the declaration of dividends. Because we do not intend to pay dividends, any gain on your investment will need to result from an appreciation in the price of our common stock. There will therefore be fewer ways in which you are able to make a gain on your investment, if at all. There is also no guarantee that your investment will appreciate.

If we are unable to maintain and enforce our proprietary intellectual property rights, we may not be able to operate profitably.

Our commercial success will depend, in part, on obtaining and maintaining patent protection, trade secret protection and regulatory protection of our technologies and patents as well as successfully defending third-party challenges to such technologies and patents. We will be able to protect our technologies and patents from use by third parties only to the extent that valid and enforceable patents, trade secrets or regulatory protection cover them and we have exclusive rights to use them. The ability of our licensors, collaborators and suppliers to maintain their patent rights against third-party challenges to their validity, scope or enforceability will also play an important role in determining our future.

In addition, our commercial success will depend, in part, on maintaining patent rights we have licensed and plan to license in the future, related to products we may market in the future. Since we will not fully control the patent prosecution of any licensed patent applications, it is possible that our licensors will not devote the same resources or attention to the prosecution of the licensed patent applications as we would if we controlled the prosecution of the applications ourselves. Consequently, the resulting patent protection, if any, may not be as strong or comprehensive as it would be had we done so.

The patent positions of biopharmaceutical companies can be highly uncertain and involve complex legal and factual questions that include unresolved principles and issues. No consistent policy regarding the breadth of claims allowed regarding such companies' patents has emerged to date in the United States, and the patent situation outside the United States is even more uncertain. Changes in either the patent laws or in interpretations of patent laws in the United States or other countries may diminish the value of our intellectual property. Accordingly, we cannot predict with any certainty the range of claims that may be allowed or enforced concerning our patents or third-party patents.

We also rely on trade secrets to protect our technologies, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. While we seek to protect confidential information, in part, through confidentiality agreements with our consultants and scientific and other advisors, they may unintentionally or willfully disclose our information to competitors. Enforcing a claim against a third party related to the illegal acquisition and use of trade secrets can be expensive and time consuming, and the outcome is often unpredictable. If we are not able to maintain patent or trade secret protection on our technologies and product candidates, then we may not be able to exclude competitors from developing or marketing competing products, and we may not be able to operate profitably.

If we are the subject of an intellectual property infringement claim, the cost of participating in any litigation could cause us to go out of business.

There has been, and we believe that there will continue to be, significant litigation and demands for licenses in our industry regarding patent and other intellectual property rights. Although we anticipate having a valid defense to any allegation that our current product candidates, production methods and other activities infringe the valid and enforceable intellectual property rights of any third parties, we cannot be certain that a third party will not challenge our position in the future. Other parties may own patent rights that we might infringe with our products or other activities, and our competitors or other patent holders may assert that our products and the methods we employ are covered by their patents. These parties could bring claims against us that would cause us to incur substantial litigation expenses and, if successful, may require us to pay substantial damages. Some of our potential competitors may be better able to sustain the costs of complex patent litigation, and depending on the circumstances, we could be forced to stop or delay our research, development, manufacturing or sales activities. Any of these costs could cause us to go out of business.

We may in the future be required to license patent rights from third-party owners in order to develop our products candidates. If we cannot obtain those licenses or if third-party owners do not properly maintain or enforce the patents underlying such licenses, we may not be able to market or sell our planned products.

We have licensed patent-protected technologies with certain parties and we may also license other intellectual property from other third parties, if we believe it is necessary or useful to use additional third-party intellectual property to develop our products. Typically, we would seek to negotiate and obtain any required third party licenses immediately following the completion of preliminary research to establish a concept and plan of development for a new product candidate. We will also be required to pay license fees, certain milestones or royalties or both to obtain such licenses, and there is no guarantee that such licenses will be available on acceptable terms, if at all. Even if we are able to successfully obtain a license, certain rights may be non- or co-exclusive, and this would give our competitors access to some of the intellectual property as us, which could ultimately prevent us from commercializing a product.

Upon obtaining a license, our business prospects will depend, in part, on the ability of our licensors to obtain, maintain and enforce patent protection on our licensed intellectual property. Our licensors may terminate our license, may not pursue and successfully prosecute any potential patent infringement claim, may fail to maintain their patent applications, or may pursue any litigation less aggressively than we would. Without protection for the intellectual property that we license, other companies may be able to offer substantially similar products for sale, and we may not be able to market or sell our planned products or generate any revenues.

Item 4. Information on the Company

A. History and Development of the Company

We are a publicly traded corporation incorporated on June 10, 2002 in the Province of British Columbia, Canada under the name “649186 B.C. Ltd.”. On September 9, 2003, we changed our name to “Xerxes Health Corp.”. On June 26, 2007, we changed our name to “Neurokine Pharmaceuticals Inc.”. On April 7, 2015, we changed our name to “Pivot Pharmaceuticals Inc.” and on December 5, 2019, we changed our name to “BetterLife Pharma Inc.”.

Our registered office is located at c/o Alexander Holburn Beaudin + Lang LLP, 2700 - 700 West Georgia Street, Vancouver, British Columbia V7Y 1B8, Canada.

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>. Our website address is <http://www.abetterlifepharma.com>.

B. Overview

We are a science-based innovative medical wellness company aspiring to offer high-quality preventive and self-care products to our customers. We have an agreement, through our wholly-owned subsidiary, BLife Therapeutics Inc. (“BLife”), pursuant to which BLife will acquire worldwide rights (other than in Greater China, Japan and ASEAN countries) to, among other things, manufacture, have manufactured, use, offer for sale and sell AP-003 for all inhalation delivery therapeutic, diagnostic and prophylactic applications related to the COVID-19.

We have also invested in the acquisition and licensing of patented drug delivery technologies and have developed and tested differentiated cannabis formulations. Our products will be manufactured at current Good Manufacturing Practices (“GMP”) accredited facilities in Canada (50,000-sq. ft. cGMP facility located in Dollard-des-Ormeaux, Quebec) and United States. Our premium branded product line includes tablets, capsules and soft gels, bulk powder, stick packs, infused beverages, oral solutions, lotions, creams, gels, gums, mints, candies and intimate lubricant.

Our management team has implemented a business-minded and cost-conscious approach to product research and development and will use contract development and manufacturing organizations on a fee for service basis to perform any research, development or production that is required.

On September 12, 2017, we entered into a licensing agreement with Altum Pharmaceuticals Inc. (“Altum”) whereby we were granted worldwide rights to BiPhasix Transdermal Drug Delivery Technology (“BiPhasix Technology”) for the delivery and commercialization of cannabinoids, and tetrahydrocannabinol (“THC”) based products. Financial consideration included:

- Issuance of 2,500,000 common shares on effective date of agreement;
- Issuance of 2,500,000 common shares upon Health Canada Natural Product Number (“NPN”) approval;
- Royalties on annual gross sales; and
- For pharmaceutical products, milestone payments payable upon first Investigative New Drug Approval, upon positive outcome of Phase II trial in first indication, and upon New Drug Application approval.

On February 28, 2018, we completed the acquisition of Pivot Naturals, LLC (previously ERS Holdings, LLC) (“Pivot Naturals”) pursuant to an Exchange Agreement dated as of February 10, 2018 among the Company, Pivot Naturals and the members of Pivot Naturals. As consideration for the purchase, the Company paid US\$333,333 in cash on closing, US\$333,333 in September 2018 and US\$333,333 in May 2019 for total cash payment of US\$1 million. In addition, we also issued 5,000,000 common shares and may pay royalties on future net sales. Pursuant to the acquisition of Pivot Naturals, we acquired a patented technology called “RTIC” Ready-To-Infuse-Cannabis (“RTIC”), relating to the transformation of cannabis oil into powder for infusion into a variety of products. In February and April 2020, we transferred 75% and 25% of our membership interest of Pivot Naturals, respectively, and BetterLife has strategically exited the California cannabis market.

On March 2, 2018, we completed the acquisition of Thrudermic, LLC (“Thrudermic”) and worldwide rights to Thrudermic’s patented Transdermal Nanotechnology for the development and commercialization of transdermal cannabinoids pursuant to an exchange agreement dated March 2, 2018 among the Company, Dr. Joseph Borovsky, Dr. Leonid Lurya and Thrudermic. As consideration for the purchase, we paid \$1 in cash on closing and issued 500,000 common shares.

On December 17, 2018, we entered into a joint venture arrangement whereby BetterLife holds 50% of the issued and outstanding shares of Pivot-Cartagena Joint Venture Inc. (“Pivot-Cartagena JV”). Pivot-Cartagena JV will develop and commercialize cannabis-infused non-alcoholic beverages combining the industry expertise of Licorera del Sur with our patented RTIC™ powderization technologies.

In March 2020, we completed the acquisition of SolMic AG (“Solmic”) and the patented Solmic solubilization drug delivery technology for oral platform. Consideration for the acquisition included CHF10,000 for the acquisition of Solmic and EUR50,000 for the patents.

On May 6, 2020, we signed a letter of intent to enter into a license agreement to acquire worldwide rights (other than in Greater China, Japan and ASEAN countries) to commercialize and sell AP-003, a potential COVID-19 treatment, from Altum. Under the terms of the transaction, on closing we will issue 10,000,000 common shares to Altum and grant to Altum 5,000,000 warrants to acquire an equivalent number of common shares at a price of \$0.19 per common share. The warrants will have a term of two years and are only exercisable upon successful completion of the clinical trial. Subject to the satisfaction of certain conditions precedent, upon registration of the proposed product in a major market, we will pay US\$5,000,000 in cash to Altum and Altum will be entitled to a tiered royalty equal to 7% of net sales on the first US\$50,000,000 in a calendar year and a reduced royalty equal to 5% of net sales in any calendar year that are in excess of US\$50,000,000. Closing is contingent on, among other things, BetterLife undertaking an equity financing of at least US\$5,000,000 and Altum obtaining an exclusive license with respect to certain intellectual property from Canadian governmental research and technology organization.

In May 2020, we secured “hard” lock-up agreements from shareholders of Altum representing 67.45% of the outstanding common shares of Altum. We intend to approach Altum to discuss a merger transaction to take place by way of a plan of arrangement or such similar transaction. Pursuant to the terms of the proposed acquisition, we will issue 4.582 common shares for each Altum common share. Closing of the transaction is subject to receipt of all required approvals and completion of our due diligence. If or when the transaction closes, the letter of intent signed on May 6, 2020 between BetterLife and Altum will be nullified.

Platform Technologies

AP-003

AP-003 is a patent pending proprietary Interferon α 2b (“IFN α 2b”) inhalation formulation. In recent studies IFN α 2b has been shown to be effective in slowing viral replication. In the study published in May 2020 in *Frontiers of Immunology* titled “Interferon- α 2b Treatment for COVID-19”, the authors examined the course of disease in a cohort of 77 individuals with confirmed COVID-19 admitted to Union Hospital, Tongji Medical College, Wuhan, China, between January 16 and February 20, 2020. To the knowledge of the authors, the findings presented in the study were the first to suggest therapeutic efficacy of IFN- α 2b in Covid-19 disease. Altum is planning a randomized, double-blind, placebo controlled trial of AP-003 in early stage COVID-19 patients is to start in the near future.

Cautionary note: We are not making any express or implied claims that Altum’s AP-003 or any other product has the ability to treat, eliminate, cure or contain the COVID-19 (or SARS-2 Coronavirus) at this time. Further, the safety and efficacy of Altum’s AP-003 are under investigation and market authorization has not yet been obtained.

BiPhasix Transdermal Drug Delivery Technology (Topical Platform)

We acquired worldwide rights from Altum for its patented topical transdermal drug delivery technology platform, which will be used for the delivery and commercialization of cannabinoid, CBD and THC-based products. The BiPhasix Technology has the potential to deliver drugs less invasively than by injections. It also has the potential to topically deliver therapeutic amounts of drugs with better absorption rates, where creams, ointments or conventional liposomes have not been effective.

Thrudermic Transdermal Nanotechnology (Topical Platform)

We acquired the worldwide rights to Thrudermic's patented Transdermal Nanotechnology for the development and commercialization of transdermal cannabinoids. Developed in Israel, the Thrudermic lipid-based nano dispersion technology for topical cannabinoids uses FDA approved materials. The technology has the ability to specifically formulate individual drugs to control and prolong drug release while maintaining steady therapeutic concentrations. The technology can handle water soluble and water insoluble drugs with no change to the skin morphology, no sensitivity to the digestive system, no pain from injections and no observed adverse reactions.

Solmic Solubilization Drug Delivery Technology (Oral Platform)

Through its acquisition of Solmic, we acquired the worldwide rights to the Solmic's Micelle oral drug delivery technology for cannabinoids.

Ready-To-Infuse Cannabis Technology

Our patented RTIC process technology creates precise and repeatable dosing of cannabis by transforming concentrated cannabis oil into a stable, emulsifiable, odorless and flavorless powder form. The derived powder may then be encapsulated and infused for use in beverages, edibles, lotions and additional health and personal care products. The RTIC process is conducive for manufacturing of a wide array of products.

C. Organizational Structure

Our company operates through several wholly-owned subsidiaries as follows:

- Pivot Pharmaceuticals Manufacturing Corp. (Canada)
- BetterLife Pharma US Inc. (U.S.A.)
- Thrudermic, LLC (U.S.A.)
- Pivot Europe Pharmaceuticals AG (Lichtenstein)
- Solmic AG (Switzerland)

D. Property, Plants and Equipment

We currently lease our head office in Vancouver, British Columbia, Canada. We also have a 50,000 square foot facility located in Dollard-des-Ormeaux, Quebec, Canada which we will be manufacturing our products in. Half of this facility is operated by our contract manufacturer, Bio V Pharma Inc. ("Bio V"). On a fee-for-service basis, Bio V will manufacture products for our Canadian and international customers. The other half of the building will be operated by us, which focus will be on the manufacturing of edibles. This facility at Dollard-des-Ormeaux will fall under our pending Health Canada Standard Processor and Sale for Medical Purposes license.

As of January 31, 2020, we leased a 6,000 square foot facility in Costa Mesa, CA, U.S.A, which was assigned together with the assignment of 100% of our membership interest in Pivot Naturals in April 2020.

We own certain manufacturing equipment, which is housed at our contract manufacturing location in Tennessee, U.S.A. We also own the security system located in our facility in Dollard-des-Ormeaux, Quebec, Canada.

We plan on relying on contract manufacturers to produce sufficient quantities for large scale commercialization. These contract manufacturers will be subject to extensive government regulations. Regulatory authorities in the markets that we intend to serve require that drugs be manufactured, packaged and labeled in conformity with current GMP as set by the FDA. In this regard, we engage only contract manufacturers who have the capability to manufacture products in compliance with current GMP in bulk quantities for commercialization. We also safeguard our intellectual property when working with contract manufacturers by working only with manufacturers who in our estimation have a strong track record of safeguarding confidential information and who are willing to enter into agreements with us that impose upon them strict intellectual property protection measures

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

A. Operating Results

	YEAR ENDED	
	January 31, 2020	January 31, 2019
Revenue	\$ nil	\$ nil
Operating expenses	(18,731,199)	(6,908,952)
Other income (expense):		
Accretion expense on convertible debentures	(380,754)	(1,078,141)
Gain on repayment of promissory note	–	8,890
Interest expense	(48,024)	(4,862)
Interest income	4,479	4,196
Loss on extinguishment of convertible debentures	–	(1,240,773)
Loss on impairment of equipment	(3,901)	–
Loss on impairment of loan receivable	(213,085)	–
Other	48,382	(35,148)
Settlement of legal claim	(264,660)	–
Net loss	<u>\$ (19,588,762)</u>	<u>\$ (9,254,790)</u>

Net loss for the year ended January 31, 2020 increased by \$10,333,972 as compared to the year ended January 31, 2019. The increase was attributable to an increase in operating expenses and losses recognized on impairment of abandoned assets, equipment, intangible asset and loan receivable and settlement of legal claim. This was offset by a decrease in amortization of discount on convertible debentures and other items recorded in 2018 but not in 2019, such as loss on extinguishment of convertible debentures.

During the year, we advanced \$1,441,600 to SolMic GmbH (“Solmic GmbH”), a Dusseldorf, Germany based developer and manufacturer of nutraceuticals, cosmeceuticals, and pharmaceuticals for its initial production order for micellized cannabinoid solution. We also advanced SolMic GmbH a loan of €150,000 with a term of six months and interest rate of 18% per annum. Solmic GmbH entered into insolvency proceedings and has been restructured. As management does not expect to recover payments made, we have written off the amount paid for the production order of \$1,441,600 (included in operating expenses) and recorded an impairment of the loan receivable.

During the year ended January 31, 2020, our board and management decided to forego BetterLife’s US operations that were initially intended to be held in Pivot Naturals. Due to the change in the strategic direction of the Company, management determined that several assets initially held for US operations purposes had a recoverable value of \$nil and were, therefore, impaired for a total amount of \$1,303,278. The main asset impaired relates to the right-of-use asset previously recognized relating to the lease on 3595 Cadillac Avenue.

During the year ended January 31, 2020, a demand for arbitration was filed by former employees of Pivot Naturals before the American Arbitration Association (“AAA”) alleging claims for breach of the written employment contracts, fraud, illegal retaliation in violation of California’s whistleblower statute and tortious discharge in violation of public policy seeking, among other things, recovery of damages for breach of employment contracts, including recovery of severance amounts, damages for breach of alleged option rights, waiting time penalties, as well as other general and punitive damages on the tort claims. In connection with the above, we filed a suit in British Columbia against these former employees for declaratory relief and related matters concerning control and use of the Company’s assets. Subsequent to the year end, we settled these outstanding legal matters. Consideration for settlement included the following: 1) Assignment of 100% of our membership interest in Pivot Naturals to Goodbuzz Inc. (completed in April 2020); 2) \$264,660 (US\$200,000) payment to these former employees (completed in February and April 2020); and 3) Payment of the monthly lease on Pivot Naturals’ lease at 3595 Cadillac Avenue in California, USA for the months of February, March and April 2020 (completed in February 2020). Pursuant to the settlement, we recorded a loss on settlement of legal claim of \$264,660.

With the assignment of Pivot Naturals and the decision to forego its US operations, we exited the cannabis industry in California and will focus on manufacturing and distributing hemp and non-hemp-based CBD products to states where regulations permit and on commercializing AP-003. As a result of the exit, we reduced our expectations of cash flows from the use of the RTIC patents and recorded an impairment loss on its RTIC patents of \$6,625,246.

Expenses

	YEAR ENDED	
	January 31, 2020	January 31, 2019
Amortization and depreciation of equipment and intangible assets	\$ 985,895	\$ 900,651
Consulting fees	1,608,692	1,022,055
Due diligence costs	–	251,674
Finders fee expense	100,000	100,000
Foreign exchange loss	38,057	24,208
General and administrative	923,877	1,297,802
Amortization of right-of-use assets	361,502	235,586
Lease liability expense	347,445	155,049
Licensing fees	40,029	79,008
Professional fees	1,707,892	930,879
Promotion and marketing	96,641	11,076
Repairs and maintenance	45,875	301
Research and development	63,767	364,784
Wages, salaries and employment expenses	3,016,626	1,527,023
Loss on impairment of intangible asset	6,625,246	-
Loss on impairment of abandoned assets	1,303,278	-
Loss on impairments and write-offs of inventory and other	1,466,377	8,856
Operating expenses	\$ 18,731,199	\$ 6,908,952

Operating expenses were \$18,731,199 for the year ended January 31, 2020 compared to \$6,908,952 in the prior year. In May 2019, we closed on a non-brokered private placement of \$15 million by issuing 60 million units, consisting of one common share and one share purchase warrant entitling the holder to purchase one common share at \$0.35 per share and with an expiry term of two years. Closing of this private placement allowed BetterLife to progress on its business plans, including incurring expenditures required to prepare for commercialization of products in the US and strengthening of its leadership team, which led to an increase in operating expenses such as consulting fees, professional fees and wages, salaries and employment expenses. Increases in operating expenses were due to the following activities:

- We engaged services of consultants for our corporate promotional strategy and branding strategy related to commercialization of our branded products expected to begin in the U.S.A. during 2020.
- Legal counsel costs were incurred to defend various claims against us during the year.
- We engaged advisors to assist with the preparation, completion and submission of our site evidence package to Health Canada for our cannabis formulation, processing and packaging facility in Dollard-des-Ormeaux. The site evidence package submission was the final step required to obtain a license to produce CBD, phytocannabinoid and nutraceutical formulations for commercialization.
- Beginning in July 2019, we began strengthening our executive leadership team and entered into contracts with newly appointed executives for the positions of Chief Executive Officer, President and Chief Operating Officer, which increased wages, salaries and employment expenses.
- We wrote-off a payment made to SolMic GmbH in the amount of \$1,441,600 for our initial production order for micellized cannabinoid solution as we did not expect to recover this amount after Solmic's insolvency and restructuring proceedings.

Increases in operating expenses for the current year were offset by decreases in general and administrative expenses (see below), due diligence costs and research and development expenses. In the prior year, the Company engaged in numerous negotiations and due diligence processes for potential merger, acquisition and licensing opportunities. In addition, we performed research for the development of cannabinoid oral formulations.

The tables below present material components of general and administrative expense:

	YEARENDED	
	January 31, 2020	January 31, 2019
Business licenses	\$ 48,671	\$ 66,040
Conferences	45,557	9,163
Information technology	22,129	–
Investor relations	122,221	546,193
Office	147,772	154,457
Press release	35,010	101,860
Printing	20,741	–
Public listing expense	59,564	65,897
Shareholder expense	10,303	9,914
Telecommunications	22,777	24,747
Travel, meals and entertainment	309,852	285,160
Utilities	25,743	1,541
Website costs	53,537	32,830
	<u>\$ 923,877</u>	<u>\$ 1,297,802</u>

General and administrative expense decreased by \$373,925 from the prior year. The decrease was mainly attributable to a decrease in investor relations expense. During the year ended January 31, 2019, we engaged investor relations service providers in both Canada and Europe and incurred higher costs in doing so. We also issued common shares with fair value of \$199,300 for investor relations services provided.

B. Liquidity and Capital Resources

We manage our liquidity risk by reviewing, on an ongoing basis, capital requirements and capital structure. We make adjustments to our capital structure in light of changes in economic conditions and the risk characteristics of our assets. To maintain or adjust our capital structure, we may issue new common shares or debenture, acquire or dispose of assets or adjust the amount of cash. As of January 31, 2020, we believe we have adequate available liquidity to meet operating requirements and fund product development initiatives and capital expenditures. While BetterLife has incurred losses to date, with an accumulated deficit of \$54,660,516 at January 31, 2020, we anticipate the success and eventual profitability from commercialization of our product portfolio. We also ensure that we have access to public capital markets. However, there can be no assurance, especially in light of the current global outbreak of COVID-19, that BetterLife will gain adequate market acceptance for its products or be able to generate sufficient positive cash flow to achieve its business plans. Therefore, BetterLife is subject to risks including, but not limited to, inability to raise additional funds through equity and/or debt financing to support ongoing operations. See “Risk Factors”.

Working Capital

The following table presents our working capital as at January 31, 2020, January 31, 2019 and February 1, 2018 (date of transition to IFRS):

	January 31, 2020	January 31, 2019	February 1, 2018
Current assets	\$ 3,480,538	\$ 217,420	\$ 183,477
Current liabilities	960,064	5,402,752	527,618
Working capital (deficit)	\$ 2,520,474	\$ (5,185,332)	\$ (344,141)

As at January 31, 2020, current assets increased from \$217,420 at January 31, 2019 to \$3,480,538. Included in current assets at January 31, 2020 are cash of \$3,281,704. Current liabilities at January 31, 2020 decreased from \$5,402,752 at January 31, 2019 to \$960,064. The increase in current assets and decrease in current liabilities from January 31, 2019 was due to the closing of a non-brokered private placement of \$15 million in May 2019. Proceeds from the private placement were used to settle outstanding obligations, including accounts payable and accrued liabilities, due to related parties, convertible debentures and acquisition obligation, and to fund expenditures required for the Company to pursue commercialization of its branded products.

Statements of Cash Flows

The following table presents our cash flows for the years ended January 31, 2020 and 2019:

	YEAR ENDED	
	January 31, 2020	January 31, 2019
Net cash provided by (used in):		
Operating activities	\$ (7,880,641)	\$ (4,708,567)
Investing activities	(1,141,093)	(844,382)
Financing activities	12,226,420	5,548,364
Effect of foreign exchange rate changes on cash	2,218	84
Increase in cash for the period	\$ 3,206,905	\$ (4,504)

Cash used in operating activities for the year ended January 31, 2020 increased from the year ended January 31, 2019. The increase was due to a higher net loss incurred during the 2020 period, partially offset by an increase in non-cash expense items impacting net loss.

Cash used in investing activities for the year ended January 31, 2020 increased from cash used in investing activities for the comparative prior year. During the 2020 period, we invested \$542,742 in property equipment, primarily related to leasehold improvements made and security system implemented on our Dollard-des-Ormeaux facility for submission of our site evidence package to Health Canada. We also made our last instalment payment of \$432,923 (US\$340,000) in May 2019 on our acquisition of Pivot Naturals, which had closed on February 28, 2018. In the prior year, we paid \$847,161 (US\$659,999) in acquisition costs for Pivot Naturals.

Cash provided by financing activities for the year ended January 31, 2020 was \$12,226,420 as compared to \$5,548,364 for the year ended January 31, 2019. During the current year, we closed on non-brokered private placements for gross proceeds of \$16,310,000. Proceeds from the private placements were used to extend the maturity date of convertible debentures in March 2019 (\$250,000) and repay the outstanding balances of convertible debentures in May 2019 (\$3,250,000). During the year ended January 31, 2019, we received gross proceeds of \$4,559,206 from issuances of convertible debentures and \$1,539,315 from the close of a non-brokered private placement, which were offset by repayment of promissory note payable and loan payable totaling \$268,062.

Commitments and Contingencies

As at January 31, 2020, we are a lessee in a lease for 285-295 Kesmark Street in Quebec, Canada with expiry in April 2025 and annual minimum lease payments of approximately \$741,000 to \$936,000 over the next five (5) years. Our subsidiary, Pivot Naturals, is a lessee in a lease on 3595 Cadillac Avenue in California, U.S.A. with expiry in July 2023. In April 2020, we assigned 100% of our membership interest in Pivot Naturals to a third party, including the lease on 3595 Cadillac Avenue.

In September 2019, we were served with a claim from Green Stream Botanicals Corp. (“GSB”) for a finder’s fee in the amount of \$600,000 in relation to the non-brokered private placement of \$15 million that it closed in May 2019. We believe no service was performed by GSB and intend to vigorously defend these claims.

In November 2019, our former Chief Executive Officer filed an originating application with the Superior Court in the province of Quebec for damages stemming from a termination of employment. The former Chief Executive Officer is seeking payment of amounts totaling approximately \$1 million, exercisability of his stock options until the original expiry dates, issuance of six (6) million stock options and an order that we not issue further common shares. We believe the claim is unfounded and intend to vigorously defend these claims.

In January 2020, an injunction was filed against BetterLife in the Superior Court of Quebec by Bio V Pharma Inc. (“BioV”) seeking provisional orders in respect of the premises sub-leased at 285 Kesmark Street and damages of approximately \$395,000, which we intend on defending. BetterLife and BioV have, without prejudice or admission, settled the provisional injunction portion of the application while reserving their respective rights on interlocutory injunction and on the merits of the application.

C. Research and Development, Patents and Licenses, etc.

We rely on a combination of copyright, trademark and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our proprietary and intellectual property rights. These laws, procedures and restrictions provide only limited protection.

We endeavor to enter into agreements with our employees, contractors, distributors, resellers, business partners and other third parties with which we do business or wish to do business in order to limit access to and disclosure of our proprietary information. We cannot be certain that the steps we have taken will prevent unauthorized use, disclosure or reverse engineering of our technology. Moreover, others may independently develop technologies that are competitive with ours or that infringe our intellectual property rights. The enforcement of our intellectual property rights also depends on any legal actions against these infringers being successful, but these actions may not be successful, even when our rights have been infringed.

Furthermore, effective patent, trademark, copyright and trade secret protection may not be available in every country in which our products, services and solutions are sold. In addition, the legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain and still evolving.

D. Trend Information

Trend information is included throughout the other sections of this Item 5. In addition, we expect our operating results to continue to fluctuate in future quarters, and in light of the current pandemic situation (see “Risk Factors”).

E. Off-Balance Sheet Arrangements

Not applicable.

F. Tabular Disclosure of Contractual Obligations

The following table summarizes our contractual obligations as of January 31, 2020.

	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Operating lease obligations	\$ 9,207,261	\$ 741,318	\$ 1,614,491	\$ 1,820,579	\$ 5,030,874

G. Safe Harbor

This annual report contains forward-looking statements about us, our markets and our industry. These statements involve known and unknown substantial risks, uncertainties and other factors as described in detail under “Item 3. Key Information—D. Risk factors” in this annual report that may cause our actual results, levels of activity, performance or achievement to be materially different from those expressed or implied by the forward-looking statements. All statements, other than statements of historical fact, included in this annual report regarding our strategy, future operations, future financial position, future net sales, projected expenses, prospects and plans and objectives of management are forward-looking statements.

In some cases, you can also identify forward-looking statements by terms such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “project,” “will,” “would,” “should,” “could,” “can,” “predict,” “potential,” “continue,” “objective,” or the negatives of these terms, and similar expressions intended to identify forward-looking statements. However, not all forward-looking statements contain these identifying words.

All forward-looking statements reflect our current views about future events and are based on assumptions and subject to risks and uncertainties. Forward-looking statements in this annual report include, but are not limited to, statements about:

- our business strategies;
- our future prospects, business development, results of operations and financial condition;
- competition from local and international companies, new entrants in the market and changes to the competitive landscape;
- the adoption of new, or changes to existing, laws and regulations;
- the termination of or changes to our relationships with our partners and other third parties;
- our plans to launch and monetize new products;
- our ability to retain key personnel and attract new talent;
- our ability to adequately protect our intellectual property;
- the anticipated costs and benefits of our acquisitions;
- the outcome of ongoing or any future litigation or arbitration, including litigation or arbitration relating to intellectual property rights;
- our legal and regulatory compliance efforts; and
- worldwide economic conditions and their impact on demand of our products and services.

Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements.

Also, forward-looking statements represent our management’s beliefs and assumptions only as of the date of this annual report. You should read this annual report and the documents that we have filed as exhibits to this annual report completely and with the understanding that our actual future results may be materially different from what we expect.

Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The following table sets forth the name, positions held and principal occupation of each of our directors, senior management and employees upon whose work the Company is dependent. Information on such persons’ share ownership is under Item 7.

Name and Positions Held (Age)	Experience and Principal Business Activities	
Ahmad Doroudian (59)	Chief Executive Officer & Director of the Company since	2020
Robert Metcalfe (80)	Director of the Company since	2020
Anthony Pullen (75)	Director of the Company since	2020
Wolfgang Renz (50)	Director of the Company since	2015
Chris Lucky (53)	Chief Operating Officer of the Company since	2019
Moira Ong (45)	Chief Financial Officer of the Company since	2010

Ahmad Doroudian

Ahmad Doroudian is an accomplished executive with over 27 years of experience in management and development of private and publicly traded pharmaceutical companies. Dr. Doroudian is the founder of Altum Pharmaceuticals Inc., a private company engaged in the development of therapeutics within under-served areas in oncology. From 2009 to February 2014, he was the founder, Chief Executive Officer and Director of Merus Labs Inc., a publicly listed specialty pharmaceutical company (MSL: TSX and MSLI: NASDAQ) engaged in licensing and acquisition of legacy brands and innovative near-market products. From 2003 to 2009, he was involved in early stage financing of private and publicly listed companies. From 1994 to 2002, Dr. Doroudian was the founder and Chief Executive Officer of PanGeo (Pharmex Industries) where he assembled a team that completed over \$100 MM in debt and equity and guided numerous acquisitions and licensing transactions. From 1990 to 1996, he was manager of operations at Novapharm (Teva), in charge of management of manufacturing, supply chain and process development facilities in Vancouver, British Columbia. Dr. Doroudian holds an M.Sc. in Pharmaceutics and a PhD in Biopharmaceutics (Pharmacokinetics and drug metabolism) from the University of British Columbia.

Robert Metcalfe

Robert Metcalfe is a lawyer and has served as President, CEO, Lead Director, Chairman and Committee member on numerous publicly listed natural resource and industry company corporate boards in Canada, the USA, England, South America and Africa. He was a senior partner with the law firm Lang Michener LLP for 20 years. He is the former President and Chief Executive Officer of Armadale Properties and Counsel to all of the Armadale Group of Companies, with significant holdings across numerous industries including finance, construction of office buildings, airport ownership, management and refurbishing, land development, automotive dealerships as well as newspaper publishing, radio and television stations. Mr. Metcalfe was a director of Canada Lands Company Limited, one of the largest real estate corporations in Canada, and was a director and Chairman of the Board of CN Tower Limited, the tallest communications structure in the world. Throughout his career Mr. Metcalfe has served as a director of public and private corporations including publicly listed Radiant Energy Corp. (airplane de-icing company operating in the US), Alberta Oil Sands (Chairman of the Board); LeadFX (in Australia), Director and Chairman of the Board, and member of the Audit Committee; PetroMagdalena Inc. (oil and gas in Colombia, South America); LSC Lithium in Argentina SA and currently serves as director of the publicly listed companies Gran Colombia Gold Corp., (Lead Director and Chairman of the Corporate Governance Committee as well as a member of the Audit Committee); WPC Resources Limited (a gold mining company in Nunavut); As a director and shareholder, Mr. Metcalfe has been engaged in numerous acquisitions, divestitures, corporate reorganizations, financings and corporate improvements, as well as serving on numerous special committees across many sectors. He is a member of the Institute of Corporate Directors and a member in good standing of the Law Society of Upper Canada.

Anthony Pullen

Anthony Pullen is one of the most experienced investment bankers in Canada in the healthcare and biotechnology industry sectors. In 1987, Tony was instrumental in the creation and funding of MDS Capital Corp., Canada's largest venture capital fund dedicated to the life sciences, now known as Lumira Capital. Most recently, Tony was an investment banker in the healthcare and biotechnology industries with Dominick Capital Corp.

Wolfgang Renz

Wolfgang Renz is President of International Business at Physicians Interactive. Formerly, Dr. Renz served as Corporate Vice President of Business Model & Healthcare Innovation at Boehringer Ingelheim, one of the world's largest pharmaceutical companies. For over a decade, he has been involved in developing medicines and technology to help people lead healthier, more productive lives. At Boehringer Ingelheim, he led a team of specialists to find, test, and develop the disruptive technologies that will shape the way health care will be delivered in the future. In addition, he also serves as Adjunct Professor of Surgery at McGill University's Faculty of Medicine in Montreal, Canada. Prof. Renz holds a medical degree and a PhD from Freiburg University and is board certified in Germany in emergency medicine.

Chris Lucky

Chris Lucky is a seasoned business leader with over 20 years' experience leading and managing complex businesses. He has a proven track record of delivering year over year improvements by designing and implementing scaleable and sustainable business solutions. His experience spans across multiple industries including retail, manufacturing and distribution with a deep understanding of organizational effectiveness and building efficient operational models that delivers consistent results. He's held roles at CannTrust as Vice President, Supply Chain & Manufacturing, Cardinal Health as Vice President, Distributions, Loblaw Companies as Vice President, Supply Chain, & Hudson Bay Company as Director Supply Chain. He is an inclusive leader that is transparent and strives on building lasting relationships, leading with passion and an attitude to win. He holds an MBA from Ivey School of Business and a BBA in accounting and financial management.

Moira Ong

Moira Ong is a Chartered Professional Accountant with over 16 years of experience in accounting and consulting. Moira was the Chief Financial Officer of Neurokine Pharmaceuticals Inc. and was an officer in the finance capacity of Merus Labs International Inc. from March 2010 through December 2012. In addition to holding her Chartered Professional Accountant (CPA, CA) designation, Moira is also a Chartered Financial Analyst (CFA).

B. Compensation**Executive Compensation Plans and Employment Agreements**

We have entered into an employment agreement dated July 2, 2019 with our Chief Operating Officer.

The following table sets forth compensation for our directors and officers for the year ended January 31, 2020:

Name and Positions Held	Compensation	Stock and Option Awards	Total
Ahmad Doroudian, Director, Chief Executive Officer and former Chief Business Officer ⁽¹⁾	\$ 133,333	\$ nil	\$ 133,333
Toni Rinow, Former Chief Executive Officer ⁽²⁾	\$ 135,340	\$ 147,853	\$ 283,193
Patrick Frankham, Former Director and former Chief Executive Officer ⁽³⁾	\$ 162,205	\$ nil	\$ 162,205
James Russell Starr, Former Director and former President ⁽⁴⁾	\$ 233,175	\$ 577,185	\$ 810,340
Chris Lucky, Chief Operating Officer ⁽⁵⁾	\$ 107,917	\$ 88,464	\$ 196,381
Wolfgang Renz, Director, former Chief Medical Officer and former Regional Manager - Europe ⁽⁶⁾	\$ 147,500	\$ 10,000	\$ 157,500
Moira Ong, Chief Financial Officer ⁽⁷⁾	\$ 120,000	\$ 10,000	\$ 130,000
Patrick Rolfes, Former President of Pivot Naturals, LLC ⁽⁸⁾	\$ 237,820	\$ nil	\$ 237,820
Robert Metcalfe, Director ⁽⁹⁾	\$ nil	\$ 1,044	\$ 1,044
Krisztian Toth, Director of Pivot Pharmaceuticals Manufacturing Corp. and former Director and Chairman ⁽¹⁰⁾	\$ nil	\$ 462,170	\$ 462,170
Joseph Borovsky, Former Director ⁽¹¹⁾	\$ 179,233	\$ 210,544	\$ 389,777

(1) Ahmad Doroudian was appointed Director and Chief Executive Officer on January 20, 2020. He served as Chief Business Officer until December 31, 2019.

(2) Toni Rinow was Chief Executive Officer from September 4, 2019 to January 19, 2020.

- (3) Patrick Frankham served as Director until June 6, 2019 and Chief Executive Officer until July 8, 2019.
- (4) James Russell Starr was President from July 8, 2019 to December 31, 2019, interim Chief Executive Officer from July 8, 2019 to September 4, 2019 and Director from September 6, 2019 to January 21, 2020.
- (5) Chris Lucky was appointed Chief Operating Officer on July 2, 2019.
- (6) Wolfgang Renz was appointed Director on February 5, 2015. Mr. Renz was Regional Manager – Europe and Chief Medical Officer until March 13, 2020.
- (7) Moira Ong was appointed Chief Financial Officer on December 26, 2010.
- (8) Patrick Rolfes was appointed president of Pivot Naturals, LLC, subsidiary of our company, on March 1, 2018. The employment agreement was terminated on April 11, 2019.
- (9) Robert Metcalfe was appointed Director on January 21, 2020.
- (10) Krisztian Toth served as Chairman and Director from May 30, 2019 to May 5, 2020. On May 5, 2020, Mr. Toth was appointed Director of our wholly-owned subsidiary, Pivot Pharmaceuticals Manufacturing Corp.
- (11) Joseph Borovsky served as Director from August 27, 2018 to January 20, 2020.

Equity Compensation Plans

Effective October 1, 2019, we adopted a long-term incentive plan. Under this plan, BetterLife may grant share purchase options, restricted stock units, performance stock units or deferred share units to its directors, officers, employees and consultants up to an amount as determined by BetterLife and will be no more than 10% of its outstanding common shares on a fully-diluted basis. The exercise price of the share purchase options will be determined by BetterLife and will be no less than market price on grant date.

The following table sets forth equity compensation plans outstanding as at January 31, 2020:

<u>Type</u>	<u>Outstanding</u>
Share Purchase Options	14,725,000
Restricted Stock Units	2,750,000
Performance Stock Units	750,000

C. Board Practices

Each director holds office until the next annual general meeting of the Company unless his office is earlier vacated in accordance with the corporate laws of the province of British Columbia and the bylaws of our company.

During the most recently completed fiscal year, there are no arrangements (standard or otherwise) under which directors of the Company were compensated by the Company or its subsidiaries for services rendered in their capacity as directors, nor were any amounts paid to the directors for committee participation or special assignments except as follows: Our directors approved a quarterly cash compensation to Robert Metcalfe of \$7,500 and a grant of 100,000 stock options for his service as director. There were no arrangements under which the directors would receive compensation or benefits in the event of the termination of that office.

Our Board of Directors also serve as our audit committee. The audit committee is responsible for selecting, evaluating and recommending the Company's auditors to the Board of Directors for shareholder approval; evaluating the scope and general extent of the auditors' review; overseeing the work of the auditors; recommending the auditors' compensation to the Board of Directors; and assisting with the resolution of any disputes between management and the auditors regarding financial reporting. The audit committee is also responsible for reviewing the Company's annual and interim financial statements and recommending their approval to the Board of Directors; reviewing the Company's policies and procedures with respect to internal controls and financial reporting; and establishing procedures for dealing with complaints regarding accounting, internal controls or auditing matters.

The Company does not have a compensation or corporate governance committee at the present time. The Company is trading on the Other OTC as a foreign private issuer and as such it believes that it is not required to have such committees. The Company is also not required to have such committees in its home jurisdiction.

D. Employees

As at January 31, 2020, 2019 and 2018, the Company had four (4) officers and three (3) employees, four (4) officers and four (4) employees, and no officers and employees, respectively.

E. Share Ownership

Our directors and officers own the indicated shares of common stock as at the date hereof; percentages are based on issued and outstanding shares outstanding as of the date hereof.

<u>Name</u>	<u>No. of shares of Common Stock</u>	<u>Percentage of Common Shares outstanding at June 1, 2020</u>
Ahmad Doroudian	23,335,491(1)	13.56
Robert Metcalfe	300,000	0.17
Wolfgang Renz	365,000	0.21
Moira Ong	2,347,384	1.36

(1) Of these, 3,039,950 are held by Sassel Investments Inc., a company controlled by Mr. Doroudian and 2,795,541 are held by the spouse of Mr. Doroudian.

Item 7. Major Shareholders and Related Party Transactions.

A. Major Shareholders

To our knowledge, only one person beneficially own, directly or indirectly, or exercise control or direction over, common shares carrying more than 5% of the voting rights based on the common shares outstanding at June 1, 2020. Ahmad Doroudian owns 23,335,491 common shares or 12.16% of the issued and outstanding shares.

The Company has approximately 87 shareholders of record at June 1, 2020, including 24 shareholders of record (24%) who are residents of the United States.

To our knowledge, we are not owned by any foreign government, nor are there any arrangements which may result in a change of control of the Company.

B. Related Party Transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed. Details of transactions between the Company and other related parties, in addition to those transactions disclosed elsewhere in the consolidated financial statements, are described below. All related party transactions were in the ordinary course of business and were measured at their exchange amounts.

C. Interest of Experts and Counsel

Not applicable.

Item 8. Financial Information**A. Consolidated Statements and Other Financial Information**

Refer to the consolidated financial statements under Item 17.

B. Significant Changes

Refer to Note 25 in our consolidated financial statements under Item 17.

Item 9. The Offer and Listing**A. Offer and Listing Details**

The following table sets forth the high and low sales prices of our common shares listed on the CSE for the periods indicated below:

Quarter Ended	High	Low
January 31, 2020	\$ 0.19	\$ 0.07
October 31, 2019	\$ 0.40	\$ 0.13
July 31, 2019	\$ 0.52	\$ 0.34
April 30, 2019	\$ 0.49	\$ 0.17
January 31, 2019	\$ 0.47	\$ 0.21
October 31, 2018	\$ 0.65	\$ 0.39
July 31, 2018	\$ 0.77	\$ 0.27
April 30, 2018	\$ 2.60	\$ 0.36

B. Plan of Distribution

Not applicable.

C. Markets

Our common shares are quoted on the Canadian Securities Exchange, listed for quotation on December 19, 2017, under the Symbol "BETR". Our common stock is also quoted on the OTCQB, listed for quotation on April 13, 2010, under the Symbol "PVOTF".

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Authorized

An unlimited number of common shares without par value are authorized in the articles of incorporation.

Issued and Outstanding

As of June 1, 2020, 172,109,851 common shares were issued and outstanding.

B. Memorandum and Articles of Association

BetterLife is registered under the *Business Corporations Act* in British Columbia. Our Articles of Incorporation are filed as Exhibit 3.1 with this Form [20-F/A](#).

C. Material Contracts

Except as otherwise disclosed in this Form [20-F/A](#), we are not currently, and have not been in the last two years, party to any material contract, other than contracts entered into in the ordinary course of business.

D. Exchange Controls

There are no laws, decrees or regulations in Canada relating to restrictions on the export or import of capital, or affecting the remittance of interest, dividends or other payments to non-resident holders of our shares of common stock.

E. Taxation

The Company is a Canadian corporation which, since it has not earned any revenues in Canada, has not paid taxes in Canada.

Canadian Holders are subject to Canada taxation regarding their capital gains and losses.

The following is a discussion of material Canadian federal income tax considerations generally applicable to holders of our common shares who acquire such shares in the Company and who, for purposes of the Income Tax Act (Canada) and the regulations thereunder, (or the “Canadian Tax Act”):

- deal at arm’s length and are not affiliated with us;
- hold such shares as capital property;
- do not use or hold (and will not use or hold) and are not deemed to use or hold our common shares, in or in the course of carrying on business in Canada;
- have not been at any time residents of Canada; and
- are, at all relevant times, residents of the United States, or U.S. Residents, under the Canada-United States Income Tax Convention (1980), (the Convention).

TAX MATTERS ARE VERY COMPLICATED AND THE CANADIAN FEDERAL INCOME TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF OUR COMMON SHARES WILL DEPEND UPON THE STOCKHOLDER’S PARTICULAR SITUATION. THE SUMMARY OF MATERIAL CANADIAN FEDERAL INCOME TAX CONSEQUENCES SET FORTH BELOW IS INTENDED TO PROVIDE ONLY A GENERAL SUMMARY AND IS NOT INTENDED TO BE A COMPLETE ANALYSIS OR DESCRIPTION OF ALL POTENTIAL CANADIAN FEDERAL INCOME TAX CONSEQUENCES.

THIS DISCUSSION DOES NOT INCLUDE A DESCRIPTION OF THE TAX LAWS OF ANY PROVINCE OR TERRITORY WITHIN CANADA. ACCORDINGLY, HOLDERS AND PROSPECTIVE HOLDERS OF OUR COMMON SHARES ARE ENCOURAGED TO CONSULT WITH THEIR OWN TAX ADVISERS ABOUT THE TAX CONSEQUENCES TO THEM HAVING REGARD TO THEIR OWN PARTICULAR CIRCUMSTANCES, INCLUDING ANY CONSEQUENCES OF PURCHASING, OWNING OR DISPOSING OF OUR COMMON SHARES ARISING UNDER CANADIAN FEDERAL, CANADIAN PROVINCIAL OR TERRITORIAL, U.S. FEDERAL, U.S. STATE OR LOCAL TAX LAWS OR TAX LAWS OF JURISDICTIONS OUTSIDE THE UNITED STATES OR CANADA.

This summary is based on the current provisions of the Canadian Income Tax Act, proposed amendments to the Canadian Income Tax Act publicly announced by the Minister of Finance (Canada) prior to the date hereof (the “Proposed Amendments”), and the provisions of the Canada-US Tax Convention as in effect on the date hereof. No assurance can be given that the Proposed Amendments will be entered into law in the manner proposed, or at all. No advance income tax ruling has been requested or obtained from the Canada Revenue Agency to confirm the tax consequences of any of the transactions described herein.

This summary is not an exhaustive description of all possible Canadian federal income tax consequences for U.S. Residents, and other than the Proposed Amendments, does not take into account or anticipate any changes in law, whether by legislative, administrative, governmental or judicial decision or action, nor does it take into account Canadian provincial, U.S. or foreign tax considerations which may differ significantly from those discussed herein. No assurances can be given that subsequent changes in law or administrative policy will not affect or modify the opinions expressed herein.

A U.S. Resident will not be subject to tax under the Canadian Tax Act in respect of any capital gain on a disposition of our common shares unless such shares constitute “taxable Canadian property”, as defined in the Canadian Tax Act, of the U.S. Resident and the U.S. Resident is not eligible for relief pursuant to the Convention. Our common shares will not constitute “taxable Canadian property” if, at any time during the 60-month period immediately preceding the disposition of the common shares, the U.S. Resident, persons with whom the U.S. Resident did not deal at arm’s length, or the U.S. Resident together with all such persons, did not own 25% or more of the issued shares of any class or series of shares of our capital stock. In addition, the Convention generally will exempt a U.S. Resident who would otherwise be liable to pay Canadian income tax in respect of any capital gain realized by the U.S. Resident on the disposition of our common shares from such liability provided that the value of our common shares is not derived principally from real property situated in Canada. The Convention may not be available to a U.S. Resident that is a U.S. LLC which is not subject to tax in the U.S.

Amounts in respect of our common shares paid or credited or deemed to be paid or credited as, on account or in lieu of payment of, or in satisfaction of, dividends to a U.S. Resident will generally be subject to Canadian non-resident withholding tax at the rate of 25%. Currently, under the Convention the rate of Canadian non-resident withholding tax will generally be reduced to:

- 5% of the gross amount of dividends if the beneficial owner is a company that is resident in the U.S. and that owns at least 10% of our voting shares; or
- 15% of the gross amount of dividends if the beneficial owner is some other resident of the U.S.

United States Federal Income Tax Information for United States Holders

The following is a general discussion of material U.S. federal income tax consequences of the ownership and disposition of our common shares by U.S. Holders (as defined below). This discussion is based on the United States Internal Revenue Code of 1986, as amended, Treasury regulations promulgated thereunder, and judicial and administrative interpretations thereof, all as in effect at the date hereof and all of which are subject to change, possibly with retroactive effect. This discussion only addresses the tax consequences for U.S. Holders that will hold their common shares as a “capital asset” and does not address U.S. federal income tax consequences that may be relevant to particular U.S. Holders in light of their individual circumstances or U.S. Holders that are subject to special treatment under certain U.S. federal income tax laws, such as:

- tax-exempt organizations and pension plans;
- persons subject to an alternative minimum tax;
- banks and other financial institutions;
- insurance companies;
- partnerships and other pass-through entities (as determined for United States federal income tax purposes);
- broker-dealers;
- persons who hold their common shares as a hedge or as part of a straddle, constructive sale, conversion transaction, and other risk management transaction; and
- persons who acquired their common shares through the exercise of employee stock options or otherwise as compensation.

As used herein, the term “U.S. Holder” means a beneficial owner of our common shares that is:

- an individual citizen or resident of the United States;
- a corporation, a partnership or entity treated as a corporation or partnership for U.S. federal income tax purposes, that is created or organized in or under the laws of the United States or any political subdivision thereof;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; and
- a trust if both a United States Court is able to exercise primary supervision over the administration of the trust; and one or more United States persons have the authority to control all substantial decisions of the trust.

TAX MATTERS ARE VERY COMPLICATED AND THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF OUR COMMON SHARES WILL DEPEND UPON THE STOCKHOLDER'S PARTICULAR SITUATION. THE SUMMARY OF MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES SET FORTH BELOW IS INTENDED TO PROVIDE ONLY A GENERAL SUMMARY AND IS NOT INTENDED TO BE A COMPLETE ANALYSIS OR DESCRIPTION OF ALL POTENTIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES.

NOTE THAT THIS DISCUSSION DOES NOT INCLUDE A DESCRIPTION OF THE TAX LAWS OF ANY STATE OR LOCAL GOVERNMENT WITHIN THE UNITED STATES. ACCORDINGLY, HOLDERS AND PROSPECTIVE HOLDERS OF OUR COMMON SHARES ARE ENCOURAGED TO CONSULT THEIR TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF OUR COMMON SHARES.

Ownership of Shares

The gross amount of any distribution received by a U.S. Holder with respect to our common shares generally will be included in the U.S. Holder's gross income as a dividend to the extent attributable to our current and accumulated earnings and profits (as determined under U.S. federal income tax principles). To the extent a distribution received by a U.S. Holder is not a dividend because it exceeds the U.S. Holder's pro rata share of our current and accumulated earnings and profits, it will be treated first as a tax-free return of capital and reduce (but not below zero) the adjusted tax basis of the U.S. Holder's shares. To the extent the distribution exceeds the adjusted tax basis of the U.S. Holder's shares, the remainder will be taxed as capital gain (the taxation of capital gain is discussed under the heading "Sale of Shares" below).

For taxable years beginning before January 1, 2009, dividends received by non-corporate U.S. Holders from a qualified foreign corporation are taxed at the same preferential rates that apply to long-term capital gains. A foreign corporation is a "qualified foreign corporation" if it is eligible for the benefits of a comprehensive income tax treaty with the United States (the income tax treaty between Canada and the United States is such a treaty) or the shares with respect to which such dividend is paid is readily tradable on an established securities market in the United States (such as the Nasdaq Capital Market). Notwithstanding satisfaction of one or both of these conditions, a foreign corporation is not a qualified foreign corporation if it is a passive foreign investment company ("PFIC") for the taxable year of the corporation in which the dividend is paid or the preceding taxable year. (Whether a foreign corporation is a PFIC is discussed below under the heading "Passive Foreign Investment Companies"). A foreign corporation that is a PFIC for any taxable year within a U.S. person's holding period generally is treated as a PFIC for all subsequent years in the U.S. person's holding period. Although we have not been, are not now, and do not expect to be a PFIC, and we don't expect to pay dividends, you should be aware of the following matters in the event that we do become a PFIC and do pay dividends.

If we were to become a PFIC, then U.S. Holders who acquire our common shares may be treated as holding shares of a PFIC throughout their holding period for the purpose of determining whether dividends received from us are dividends from a qualified foreign corporation. As a consequence, dividends received by U.S. Holders may not be eligible for taxation at the preferential rates applicable to long-term capital gains.

If a distribution is paid in Canadian dollars, the U.S. dollar value of such distribution on the date of receipt is used to determine the amount of the distribution received by a U.S. Holder. A U.S. Holder who continues to hold such Canadian dollars after the date on which they are received, may recognize gain or loss upon their disposition due to exchange rate fluctuations. Generally, such gains and losses will be ordinary income or loss from U.S. sources.

U.S. Holders may deduct Canadian tax withheld from distributions they receive for the purpose of computing their U.S. federal taxable income (or alternatively a credit may be claimed against the U.S. Holder's U.S. federal income tax liability as discussed below under the heading "Foreign Tax Credit"). Corporate U.S. Holders generally will not be allowed a dividend received deduction with respect to dividends they receive from us.

Foreign Tax Credit

Generally, the dividend portion of a distribution received by a U.S. Holder will be treated as income in the passive income category for foreign tax credit purposes. Subject to a number of limitations, a U.S. Holder may elect to claim a credit against its U.S. federal income tax liability (in lieu of a deduction) for Canadian withholding tax deducted from its distributions. The credit may be claimed only against U.S. federal income tax attributable to a U.S. Holder's passive income that is from foreign sources.

If we were to become a qualified foreign corporation with respect to a non-corporate U.S. Holder, dividends received by such U.S. Holder will qualify for taxation at the same preferential rates that apply to long-term capital gains. In such case, the dividend amount that would otherwise be from foreign sources is reduced by multiplying the dividend amount by a fraction, the numerator of which is the U.S. Holder's preferential capital gains tax rate and the denominator of which is the U.S. Holder's ordinary income tax rate. The effect is to reduce the dividend amount from foreign sources, thereby reducing the U.S. federal income tax attributable to foreign source income against which the credit may be claimed. Canadian withholding taxes that cannot be claimed as a credit in the year paid may be carried back to the preceding year and then forward 10 years and claimed as a credit in those years, subject to the same limitations referred to above.

The rules relating to the determination of the foreign tax credit are very complex. U.S. Holders and prospective U.S. Holders should consult their own tax advisors to determine whether and to what extent they would be entitled to claim a foreign tax credit.

Sale of Shares

Subject to the discussion of the "passive foreign investment company" rules below, a U.S. Holder generally will recognize capital gain or loss upon the sale of our shares equal to the difference between: (a) the amount of cash plus the fair market value of any property received; and (b) the U.S. Holder's adjusted tax basis in such shares. This gain or loss generally will be capital gain or loss from U.S. sources, and will be long-term capital gain or loss if the U.S. Holder held its shares for more than 12 months. Generally, the net long-term capital gain of a non-corporate U.S. Holder from the sale of shares is subject to taxation at a top marginal rate of 15%. A Capital gain that is not long-term capital gain is taxed at ordinary income rates. The deductibility of capital losses is subject to certain limitations.

Passive Foreign Investment Companies

We will be a PFIC if, in any taxable year either: (a) 75% or more of our gross income consists of passive income; or (b) 50% or more of the value of our assets is attributable to assets that produce, or are held for the production of, passive income. Subject to certain limited exceptions, if we meet the gross income test or the asset test for a particular taxable year, our shares held by a U.S. Holder in that year will be treated as shares of a PFIC for that year and all subsequent years in the U.S. Holder's holding period, even if we fail to meet either test in a subsequent year.

If we were a PFIC in the future, gain realized by a U.S. Holder from the sale of PFIC Shares and certain dividends received on such shares would be subject to tax under the excess distribution regime, unless the U.S. Holder made one of the elections discussed below. Under the excess distribution regime, federal income tax on a U.S. Holder's gain from the sale of PFIC Shares would be calculated by allocating the gain ratably to each day the U.S. Holder held its shares. Gain allocated to years preceding the first year in which we were a PFIC in the U.S. Holder's holding period, if any, and gain allocated to the year of disposition would be treated as gain arising in the year of disposition and taxed as ordinary income. Gain allocated to all other years would be taxed at the highest tax rate in effect for each of those years. Interest for the late payment of tax would be calculated and added to the tax due for each of the PFIC Years, as if the tax was due and payable with the tax return filed for that year. A distribution that exceeds 125% of the average distributions received on PFIC Shares by a U.S. Holder during the 3 preceding taxable years (or, if shorter, the portion of the U.S. Holder's holding period before the taxable year) would be taxed in a similar manner.

A U.S. Holder may avoid taxation under the excess distribution regime by making a qualified electing fund ("QEF") election. For each year that we would meet the PFIC gross income test or asset test, an electing U.S. Holder would be required to include in gross income, its pro rata share of our net ordinary income and net capital gains, if any. The U.S. Holder's adjusted tax basis in our shares would be increased by the amount of such income inclusions. An actual distribution to the U.S. Holder out of such income generally would not be treated as a dividend and would decrease the U.S. Holder's adjusted tax basis in our shares. Gain realized from the sale of our shares covered by a QEF election would be taxed as a capital gain. U.S. Holders will be eligible to make QEF elections, only if we agree to provide to the U.S. Holders, which we do, the information they will need to comply with the QEF rules. Generally, a QEF election should be made by the due date of the U.S. Holder's tax return for the first taxable year in which the U.S. Holder held our shares that includes the close of our taxable year for which we met the PFIC gross income test or asset test. A QEF election is made on IRS Form 8621.

A U.S. Holder may also avoid taxation under the excess distribution regime by timely making a mark-to-market election. An electing U.S. Holder would include in gross income the increase in the value of its PFIC Shares during each of its taxable years and deduct from gross income the decrease in the value of its PFIC Shares during each of its taxable years. Amounts included in gross income or deducted from gross income by an electing U.S. Holder are treated as ordinary income and ordinary deductions from U.S. sources. Deductions for any year are limited to the amount by which the income inclusions of prior year's exceed the income deductions of prior years. Gain from the sale of PFIC Shares covered by an election is treated as ordinary income from U.S. sources while a loss is treated as an ordinary deduction from U.S. sources only to the extent of prior income inclusions. Losses in excess of such prior income inclusions are treated as capital losses from U.S. sources. A mark-to-market election is timely if it is made by the due date of the U.S. Holder's tax return for the first taxable year in which the U.S. Holder held our shares that includes the close of our taxable year for which we met the PFIC gross income test or asset test. A mark-to-market election is also made on IRS Form 8621.

As noted above, a PFIC is not a qualified foreign corporation and hence dividends received from a PFIC are not eligible for taxation at preferential long-term capital gain tax rates. Similarly, ordinary income included in the gross income of a U.S. Holder who has made a QEF election or a mark-to-market election, and dividends received from corporations subject to such election, are not eligible for taxation at preferential long-term capital gain rates. The PFIC rules are extremely complex and could, if they apply, have significant, adverse effects on the taxation of dividends received and gains realized by a U.S. Holder. Accordingly, prospective U.S. Holders are strongly urged to consult their tax adviser concerning the potential application of these rules to their particular circumstances.

Controlled Foreign Corporation

Special rules apply to certain U.S. Holders that own stock in a foreign corporation that is classified as a “controlled foreign corporation” (“CFC”). We do not expect to be classified as a CFC. However, future ownership changes could cause us to become a CFC. Prospective U.S. Holders are urged to consult their tax advisor concerning the potential application of the CFC rules to their particular circumstances.

Information Reporting and Backup Withholding

United States information reporting and backup withholding requirements may apply with respect to distributions to U.S. Holders, or the payment of proceeds from the sale of shares, unless the U.S. Holder: (a) is an exempt recipient (including a corporation); (b) complies with certain requirements, including applicable certification requirements; or (c) is described in certain other categories of persons. The backup withholding tax rate is currently 28%. Any amounts withheld from a payment to a U.S. Holder under the backup withholding rules may be credited against any U.S. federal income tax liability of the U.S. Holder and may entitle the U.S. Holder to a refund.

F. Dividends and Paying Agents

Not applicable.

G. Statements by Experts

Not applicable.

H. Documents on Display

Not applicable.

I. Subsidiary Information

Refer to the notes to the consolidated financial statements under Item 17.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 12. Description of Securities Other Than Equity Securities

Effective October 1, 2019, we adopted a long-term incentive plan. Under this plan, BetterLife may grant share purchase options, restricted stock units, performance stock units or deferred share units to its directors, officers, employees and consultants up to an amount as determined by BetterLife and will be no more than 10% of its outstanding common shares on a fully-diluted basis. The exercise price of the share purchase options will be determined by BetterLife and will be no less than market price on grant date.

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

Management’s Report on Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, our management evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of January 31, 2020 and determined that they were not effective.

Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our president (our principal executive officer) and our chief financial officer (our principal financial officer and principal accounting officer), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating and implementing possible controls and procedures.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of our management, including our president (our principal executive officer) and our chief financial officer (our principal financial officer and principal accounting officer), we conducted an evaluation of the effectiveness of our internal control over financial reporting as of January 31, 2020 using the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company’s annual or interim financial statements will not be prevented or detected on a timely basis. In its assessment of the effectiveness of internal control over financial reporting as of January 31, 2020, our company determined that there were control deficiencies that constituted material weaknesses, as described below:

1. We did not maintain appropriate financial reporting controls – As of January 31, 2019, our company has not maintained sufficient internal controls over financial reporting for the financial reporting process. As at January 31, 2019, our company did not have sufficient financial reporting controls with respect to the ability to process complex accounting issues such as its leases and impairment on abandoned assets. To remediate the material weakness, our company will obtain necessary external assistance to ensure that the performance of complex accounting issues can be performed accurately and on a timely basis.

Accordingly, our company concluded that these control deficiencies resulted in a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis by the company's internal controls.

As a result of the material weaknesses described above, management has concluded that our company's internal control over financial reporting was not effective as of January 31, 2020 based on criteria established in Internal Control—Integrated Framework issued by COSO.

MNP, LLP, our independent registered public auditors, was not required to and has not issued an attestation report concerning the effectiveness of our internal control over financial reporting as of January 31, 2020 pursuant to temporary rules of the Securities and Exchange Commission that permit our company to provide only management's report in this annual report.

Changes in Internal Controls

During the period ended January 31, 2020, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that none of our the members of our audit committee qualifies as an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K. Dr. Wolfgang Renz, Mr. Robert Metcalfe and Mr. Anthony Pullen are "independent" as the term is used in Item 7(d)(3)(iv) of Schedule 14A under the Securities Exchange Act of 1934, as amended.

Our company has a formal audit committee which was formed in May 2010, but currently does not have a financial expert. Our audit committee consists of Dr. Wolfgang Renz, Mr. Robert Metcalfe and Mr. Anthony Pullen. Financial information relating to quarterly reports was disseminated to all board members for review. The audited financial statements for the years ended January 31, 2020 and 2019 were provided to each member of the board in which any concerns by the members were directed to management and the auditors.

We believe that the members of our board of audit committee and our entire board of directors are collectively capable of analyzing and evaluating our financial statements and understanding internal controls and procedures for financial reporting. We believe that retaining an independent director who would qualify as an "audit committee financial expert" would be overly costly and burdensome and is not warranted in our circumstances given the early stages of our development and the fact that we have not generated any material revenues to date. In addition, we currently do not have nominating, compensation or audit committees or committees performing similar functions nor do we have a written nominating, compensation or audit committee charter. Our board of directors does not believe that it is necessary to have such committees because it believes the functions of such committees can be adequately performed by our board of directors.

Our company has an audit committee charter which was adopted and approved by our board of directors on May 25, 2010.

Item 16B. Code of Ethics

Effective April 20, 2011, our company's board of directors adopted a code of business conduct and ethics that applies to, among other persons, members of our board of directors, our company's officers including our president, chief executive officer and chief financial officer, employees, consultants and advisors. As adopted, our code of business conduct and ethics sets forth written standards that are designed to deter wrongdoing and to promote:

1. honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
2. full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the Securities and Exchange Commission and in other public communications made by us;
3. compliance with applicable governmental laws, rules and regulations;
4. the prompt internal reporting of violations of the code of business conduct and ethics to an appropriate person or persons identified in the code of business conduct and ethics; and
5. accountability for adherence to the code of business conduct and ethics.

Our code of business conduct and ethics requires, among other things, that all of our company's senior officers commit to timely, accurate and consistent disclosure of information; that they maintain confidential information; and that they act with honesty and integrity.

In addition, our code of business conduct and ethics emphasizes that all employees, and particularly senior officers, have a responsibility for maintaining financial integrity within our company, consistent with generally accepted accounting principles, and federal and state securities laws. Any senior officer who becomes aware of any incidents involving financial or accounting manipulation or other irregularities, whether by witnessing the incident or being told of it, must report it to our company. Any failure to report such inappropriate or irregular conduct of others is to be treated as a severe disciplinary matter. It is against our company policy to retaliate against any individual who reports in good faith the violation or potential violation of our company's code of business conduct and ethics by another.

Our code of business conduct and ethics was included as an exhibit to our annual report on Form 10-K filed with the SEC on May 11, 2011. We will provide a copy of the code of business conduct and ethics to any person without charge, upon request. Requests can be sent to: BetterLife Pharma Inc., 1275 West 6th Avenue, #300, Vancouver, British Columbia V6H 1A6.

Item 16C. Principal Accountant Fees and Services

The aggregate fees billed for the most recently completed fiscal year ended January 31, 2020 and for the fiscal year ended January 31, 2019 for professional services rendered by the principal accountant for the audit of our annual financial statements and review of the financial statements included in our quarterly reports on Form 10-Q, where applicable, and services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for these fiscal periods were as follows:

	Year Ended	
	January 31, 2020	January 31, 2019
	\$	\$
Audit Fees	110,000	128,472
Audit Related Fees	20,000	18,248
Tax Fees	Nil	Nil
All Other Fees	Nil	Nil
Total	130,000	146,720

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Not applicable.

Item 16H. Mine Safety Disclosure

Not applicable.

Item 17. Financial Statements

The following consolidated financial statements are filed as Exhibit 99.1 with this **FORM 20-F/A**. All of the financial information is presented in accordance with International Financial Reporting Standards.

- Consolidated Audited Financial Statements for the years ended January 31, 2020 and 2019;
- Management Discussion and Analysis for the year ended January 31, 2020

Item 18. Financial Statements

Refer to Exhibit 99.1.

Item 19. Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
3.1	Amended Articles of Incorporation*
99.(1)	Consolidated Financial Statements for the years ended January 31, 2020 and 2019*

* Filed herewith

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this registration statement on its behalf.

BETTERLIFE PHARMA INC.

Date: June 5, 2020

/s/ Ahmad Doroudian

Ahmad Doroudian
Chief Executive Officer

BetterLife Pharma Inc.

~~Pivot Pharmaceuticals Inc.~~

~~Neurokine Pharmaceuticals Inc.~~

(the "Company")

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BetterLife Pharma Inc.
~~Pivot Pharmaceuticals Inc.~~
~~Neurokine Pharmaceuticals Inc.~~
(the "Company")

PART 1 INTERPRETATION

1.1 Definitions

In these Articles, unless the context otherwise requires:

- (a) "board of directors", "directors" and "board" mean the directors or sole director of the Company, as the case may be;
- (b) "*Business Corporations Act*" means the *Business Corporations Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;
- (c) "*Interpretation Act*" means the *Interpretation Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;
- (d) "legal personal representative" means the personal or other legal representative of a shareholder, and includes a trustee in bankruptcy of the shareholder;
- (e) "registered address" of a shareholder means that shareholder's address as recorded in the central securities register; and
- (f) "seal" means the seal of the Company, if any.

1.2 *Business Corporations Act* and *Interpretation Act* Definitions Applicable

The definitions in the *Business Corporations Act* and the definitions and rules of construction in the *Interpretation Act*, with the necessary changes, so far as applicable, and unless the context requires otherwise, apply to these Articles as if these Articles were an enactment. If there is a conflict between a definition in the *Business Corporations Act* and a definition or rule in the *Interpretation Act* relating to a term used in these Articles, the definition in the *Business Corporations Act* will prevail in relation to the use of the term in these Articles.

1.3 Conflicts Between Articles and the *Business Corporations Act*

If there is a conflict or inconsistency between these Articles and the *Business Corporations Act*, the *Business Corporations Act* will prevail.

PART 2 SHARES AND SHARE CERTIFICATES

2.1 Authorized Share Structure

The authorized share structure of the Company is as follows:

- (a) An unlimited number of common shares (the "Common Shares"), without nominal or par value, having attached thereto the rights, privileges, restrictions and conditions as set forth below:
 - (i) The holders of the Common Shares shall be entitled to receive notice of and to vote at every meeting of the shareholders of the Company and shall have one vote thereat for each Common Share so held;
 - (ii) Subject to the *Business Corporations Act*, the Board of Directors may from time-to-time declare a dividend, and the Company shall pay thereon out of the monies of the properly applicable to the payment of the dividends to the holders of Common

For the purpose hereof, the holders of Common Shares receive dividends as shall be determined from time-to-time by the Board of Directors whose determination shall be conclusive and binding upon the Company and the holders of Common Shares; and

- (iii) Subject to the *Business Corporations Act*, in the event of liquidation, dissolution or winding-up of the Company or upon any distribution of the assets of the Company among shareholders being made (other than by way of dividend out of the monies properly applicable to the payment of dividends) the holders of Common Shares shall be entitled to share equally.

2.2 Form of Share Certificate

Each share certificate issued by the Company must comply with, and be signed as required by, the *Business Corporations Act*.

2.3 Shareholder Entitled to Share Certificate or Acknowledgement

Each shareholder is entitled, without charge, to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder's name or (b) a non-transferable written acknowledgement of the shareholder's right to obtain such a share certificate, provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate or acknowledgement, and delivery of a share certificate or acknowledgement, for a share to one of several joint shareholders or to one of the shareholders' duly authorized agents will be sufficient delivery to all.

2.4 Delivery by Mail

Any share certificate or non-transferable written acknowledgement of a shareholder's right to obtain a share certificate may be sent to the shareholder by mail at the shareholder's registered address and neither the Company nor any director, officer or agent of the Company is liable for any loss to the shareholder because the share certificate or acknowledgement is lost in the mail or stolen.

2.5 Replacement of Worn Out or Defaced Share Certificate or Acknowledgement

If the directors are satisfied that a share certificate or a non-transferable written acknowledgement of a shareholder's right to obtain a share certificate is worn out or defaced, the directors must, on production to them of the share certificate or acknowledgement, as the case may be, and on such other terms, if any, the directors think fit:

- (a) order the share certificate or acknowledgement, as the case may be, to be cancelled; and
- (b) issue a replacement share certificate or acknowledgement, as the case may be.

2.6 Replacement of Lost, Stolen or Destroyed Share Certificate or Acknowledgement

If a share certificate or a non-transferable written acknowledgement of a shareholder's right to obtain a share certificate is lost, stolen or destroyed, a replacement share certificate or acknowledgement, as the case may be, must be issued to the person entitled to that share certificate or acknowledgement, as the case may be, if the directors receive:

- (a) proof satisfactory to the directors that the share certificate or acknowledgement is lost, stolen or destroyed; and
- (b) any indemnity the directors consider adequate.

2.7 Splitting Share Certificates

If a shareholder surrenders a share certificate to the Company with a written request that the Company issue in the shareholder's name two or more share certificates, each representing a specified number of shares and in the aggregate representing the same number of shares as the share certificate so surrendered, the Company must cancel the surrendered share certificate and issue replacement share certificates in accordance with that request.

2.8 Share Certificate Fee

There must be paid to the Company, in relation to the issue of any share certificate under Articles 2.5, 2.6 or 2.7, the amount, if any and which must not exceed the amount prescribed under the *Business Corporations Act*, determined by the directors.

2.9 Recognition of Trusts

Except as required by law or statute or these Articles, no person will be recognized by the Company as holding any share upon any trust, and the Company is not bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or fraction of a share or (except as by law or statute or these Articles provided or as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the shareholder.

PART 3 ISSUE OF SHARES

3.1 Directors Authorized

Subject to the *Business Corporations Act* and rights of the holders of issued shares of the Company, the Company may issue, allot, sell or otherwise dispose of the unissued shares, and issued shares held by the Company, at the times, to the persons, including directors, in the manner, on the terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the directors may determine. The issue price for a share with par value must be equal to or greater than the par value of the share.

3.2 Commissions and Discounts

The Company may at any time, pay a reasonable commission or allow a reasonable discount to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or any other person or procuring or agreeing to procure purchasers for shares of the Company.

3.3 Brokerage

The Company may pay such brokerage fee or other consideration as may be lawful for or in connection with the sale or placement of its securities.

3.4 Conditions of Issue

Except as provided for by the *Business Corporations Act*, no share may be issued until it is fully paid. A share is fully paid when:

- (a) consideration is provided to the Company for the issue of the share by one or more of the following:
 - (i) past services performed for the Company;
 - (ii) property;
 - (iii) money; and
- (b) the value of the consideration received by the Company equals or exceeds the issue price set for the share under Article 3.1.

3.5 Share Purchase Warrants and Rights

Subject to the *Business Corporations Act*, the Company may issue share purchase warrants, options and rights upon such terms and conditions as the directors determine, which share purchase warrants, options and rights may be issued alone or in conjunction with debentures, debenture stock, bonds, shares or any other securities issued or created by the Company from time to time.

PART 4 SECURITIES REGISTERS

4.1 Central Securities Register

As required by and subject to the *Business Corporations Act*, the Company must maintain at its records office or at any other location inside or outside British Columbia a central securities register. The directors may, subject to the *Business Corporations Act*, appoint an agent to maintain the central securities register. The directors may also appoint one or more agents, including the agent which keeps the central securities register, as transfer agent for its shares or any class or series of its shares, as the case may be, and the same or another agent as registrar for its shares or such class or series of its shares, as the case may be. The directors may terminate such appointment of any agent at any time and may appoint another agent in its place.

4.2 Closing Register

The Company must not at any time close its central securities register.

PART 5 SHARE TRANSFERS

5.1 Registering Transfers

A transfer of a share of the Company must not be registered unless:

- (a) a duly signed instrument of transfer in respect of the share has been received by the Company;
- (b) if a share certificate has been issued by the Company in respect of the share to be transferred, that share certificate has been surrendered to the Company; and
- (c) if a non-transferable written acknowledgement of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred, that acknowledgement has been surrendered to the Company.

5.2 Transferor Remains Shareholder

Except to the extent that the *Business Corporations Act* otherwise provides, a transferor of shares is deemed to remain the holder of the shares until the name of the transferee is entered in a securities register of the Company in respect of the transfer.

5.3 Signing of Instrument of Transfer

If a shareholder, or his or her duly authorized attorney, signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents to register the number of shares specified in the instrument of transfer or specified in any other manner, or, if no number is specified, all the shares represented by the share certificates or set out in the written acknowledgements deposited with the instrument of transfer:

- (a) in the name of the person named as transferee in that instrument of transfer; or
- (b) if no person is named as transferee in that instrument of transfer, in the name of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered.

5.4 Enquiry as to Title Not Required

Neither the Company nor any director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the shareholder or by any intermediate owner or holder of the shares, of any interest in the shares, of any share certificate representing such shares or of any written acknowledgement of a right to obtain a share certificate for such shares.

5.5 Transfer Fee

There must be paid to the Company, in relation to the registration of any transfer, the amount, if any, determined by the directors.

PART 6 TRANSMISSION OF SHARES

6.1 Legal Personal Representative Recognized on Death

In case of the death of a shareholder, the legal personal representative, or if the shareholder was a joint holder, the surviving joint holder, will be the only person recognized by the Company as having any title to the shareholder's interest in the shares. Before recognizing a person as a legal personal representative, the directors may require proof of appointment by a court of competent jurisdiction, a grant of letters probate, letters of administration or such other evidence or documents as the directors consider appropriate.

6.2 Rights of Legal Personal Representative

The legal personal representative of a shareholder has the same rights, privileges and obligations that attach to the shares held by the shareholder, including the right to transfer the shares in accordance with these Articles, provided the documents required by the *Business Corporations Act* and the directors have been deposited with the Company.

PART 7 PURCHASE OR REDEMPTION OF SHARES

7.1 Company Authorized to Purchase or Redeem Shares

Subject to Article 7.2, the special rights and restrictions attached to the shares of any class or series and the *Business Corporations Act*, the Company may, if authorized by the directors, purchase, redeem or otherwise acquire any of its shares at the price and upon the terms specified in such resolution.

7.2 Purchase or Redemption When Insolvent

The Company must not make a payment or provide any other consideration to purchase, redeem or otherwise acquire any of its shares if there are reasonable grounds for believing that:

- (a) the Company is insolvent; or
- (b) making the payment or providing the consideration would render the Company insolvent.

7.3 Sale and Voting of Purchased Shares

If the Company retains a share redeemed, purchased or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the share, but, while such share is held by the Company, it:

- (a) is not entitled to vote the share at a meeting of its shareholders;
- (b) must not pay a dividend in respect of the share; and
- (c) must not make any other distribution in respect of the share.

PART 8 BORROWING POWERS

The Company, if authorized by the directors, may:

- (a) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that the directors consider appropriate;
- (b) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as the directors consider appropriate;

- (c) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and
- (d) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

PART 9 ALTERATIONS

9.1 Alteration of Authorized Share Structure

- (a) Subject to the *Business Corporations Act*, the Company may by resolution of the board of directors:
 - (i) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;
 - (ii) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;
 - (iii) subject to Article 2.1(2), alter the identifying name of any of its shares;
 - (iv) subdivide or consolidate all or any of its unissued, or fully paid issued, shares;
 - (v) if the Company is authorized to issue shares of a class of shares with par value:
 - A. decrease the par value of those shares; or
 - B. if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;
 - (vi) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value; or
 - (vii) subject to Article 2.1(2), otherwise alter its shares or authorized share structure when required or permitted to do so by the *Business Corporations Act*.

9.2 Change of Name

The Company may by resolution of the board of directors authorize an alteration of its Notice of Articles in order to change its name or adopt or change any translation of that name.

9.3 Consolidation and subdivision

The directors may, by directors' resolution, subdivide or consolidate all or any of the Company's issued and/or unissued shares.

9.4 Other Alterations

If the *Business Corporations Act* does not specify the type of resolution and these Articles do not specify another type of resolution, the Company may by ordinary resolution alter these Articles.

PART 10 MEETINGS OF SHAREHOLDERS

10.1 Annual General Meetings

Unless an annual general meeting is deferred or waived in accordance with the *Business Corporations Act*, the Company must hold its first annual general meeting within 18 months after the date on which it was incorporated or otherwise recognized, and after that must hold an annual general meeting at least once in each calendar year and not more than 15 months after the last annual reference date at such time and place as may be determined by the directors.

10.2 Resolution Instead of Annual General Meeting

If all the shareholders who are entitled to vote at an annual general meeting consent by a unanimous resolution under the *Business Corporations Act* to all of the business that is required to be transacted at that annual general meeting, the annual general meeting is deemed to have been held on the date of the unanimous resolution. The shareholders must, in any unanimous resolution passed under this Article 10.2, select as the Company's annual reference date a date that would be appropriate for the holding of the applicable annual general meeting.

10.3 Calling of Meetings of Shareholders

The directors may, whenever they think fit, call a meeting of shareholders.

10.4 Location of Meeting

A general meeting of the Company may be held anywhere in the world as determined by the directors.

10.5 Notice for Meetings of Shareholders

The Company must send notice of the date, time and location of any meeting of shareholders, in the manner provided in these Articles, or in such other manner, if any, as may be prescribed by ordinary resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, unless these Articles otherwise provide, at least the following number of days before the meeting:

- (a) if and for so long as the Company is a public company, 21 days;
- (b) otherwise, 10 days.

10.6 Record Date for Notice

The directors may set a date as the record date for the purpose of determining shareholders entitled to notice of any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. The record date must not precede the date on which the meeting is held by fewer than:

- (a) if and for so long as the Company is a public company, 21 days;
- (b) otherwise, 10 days.

If no record date is set, the record date is 5:00 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

10.7 Record Date for Voting

The directors may set a date as the record date for the purpose of determining shareholders entitled to vote at any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. If no record date is set, the record date is 5:00 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

10.8 Class Meetings and Series Meetings of Shareholders

Subject to the provisions of the *Business Corporations Act*, unless specified otherwise in these Articles or in the special rights and restrictions attached to any class or series of shares, the provisions of these Articles relating to general meetings will apply, with the necessary changes and so far as they are applicable, to a class meeting or series meeting of shareholders holding a particular class or series of shares.

10.9 Failure to Give Notice and Waiver of Notice

The accidental omission to send notice of any meeting of shareholders to, or the non-receipt of any notice by, any of the persons entitled to notice does not invalidate any proceedings at that meeting. Any person entitled to notice of a meeting of shareholders may, in writing or otherwise, waive or reduce the period of notice of such meeting.

PART 11 PROCEEDINGS AT MEETINGS OF SHAREHOLDERS

11.1 Special Business

At a meeting of shareholders, the following business is special business:

- (a) at a meeting of shareholders that is not an annual general meeting, all business is special business except business relating to the conduct of, or voting at, the meeting;
- (b) at an annual general meeting, all business is special business except for the following:
 - (i) business relating to the conduct of, or voting at, the meeting;
 - (ii) consideration of any financial statements of the Company presented to the meeting;
 - (iii) consideration of any reports of the directors or auditor;
 - (iv) the setting or changing of the number of directors;
 - (v) the election or appointment of directors;
 - (vi) the appointment of an auditor;
 - (vii) the setting of the remuneration of an auditor;
 - (viii) business arising out of a report of the directors not requiring the passing of a special resolution or an exceptional resolution;
 - (ix) any other business which, under these Articles or the *Business Corporations Act*, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders.

11.2 Special Majority

The majority of votes required for the Company to pass a special resolution at a meeting of shareholders is two-thirds of the votes cast on the resolution.

11.3 Quorum

Subject to the special rights and restrictions attached to the shares of any class or series of shares, the quorum for the transaction of business at a meeting of shareholders is two (2) persons who are, or represent by proxy, shareholders holding, in the aggregate, at least five percent (5%) of the issued shares entitled to be voted at the meeting.

11.4 One Shareholder May Constitute Quorum

If there is only one shareholder entitled to vote at a meeting of shareholders:

- (a) the quorum is one person who is, or who represents by proxy, that shareholder, and
- (b) that shareholder, present in person or by proxy, may constitute the meeting.

11.5 Other Persons May Attend

The directors, the president (if any), the secretary (if any), the assistant secretary (if any), the auditor of the Company, the lawyers for the Company and any other persons invited by the directors are entitled to attend any meeting of shareholders, but if any of those persons does attend a meeting of shareholders, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxy holder entitled to vote at the meeting.

11.6 Requirement of Quorum

No business, other than the election of a chair of the meeting and the adjournment of the meeting, may be transacted at any meeting of shareholders unless a quorum of shareholders entitled to vote is present at the commencement of the meeting, but such quorum need not be present throughout the meeting.

11.7 Lack of Quorum

If, within one-half hour from the time set for the holding of a meeting of shareholders, a quorum is not present:

- (a) in the case of a general meeting requisitioned by shareholders, the meeting is dissolved; and
- (b) in the case of any other meeting of shareholders, the meeting stands adjourned to the same day in the next week at the same time and place.

11.8 Lack of Quorum at Succeeding Meeting

If, at the meeting to which the meeting referred to in Article 11.7(2) was adjourned, a quorum is not present within one-half hour from the time set for the holding of the meeting, the person or persons present and being, or representing by proxy, one or more shareholders entitled to attend and vote at the meeting constitute a quorum.

11.9 Chair

The following individual is entitled to preside as chair at a meeting of shareholders:

- (a) the chair of the board, if any;
- (b) if the chair of the board is absent or unwilling to act as chair of the meeting, the president, if any; or
- (c) such other person designated by the directors.

11.10 Selection of Alternate Chair

If, at any meeting of shareholders, the person appointed under section 11.9 above is not present within 15 minutes after the time set for holding the meeting, or if such person is unwilling to act as chair of the meeting, or if such person has advised the secretary, if any, or any director present at the meeting, that such person will not be present at the meeting, the directors present must choose: one of their number, a senior officer or counsel to the Company to chair the meeting or if the director, senior officer or counsel present declines to take the chair or if the directors fail to so choose or if no director, senior officer or counsel is present, the shareholders entitled to vote at the meeting who are present in person or by proxy may choose any person present at the meeting to chair the meeting.

11.11 Adjournments

The chair of a meeting of shareholders may, and if so directed by the meeting must, adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

11.12 Notice of Adjourned Meeting

It is not necessary to give any notice of an adjourned meeting or of the business to be transacted at an adjourned meeting of shareholders except that, when a meeting is adjourned for thirty days or more, notice of the adjourned meeting must be given as in the case of the original meeting.

11.13 Decisions by Show of Hands or Poll

Every motion put to a vote at a meeting of shareholders will be decided on a show of hands unless a poll, before or on the declaration of the result of the vote by show of hands, is directed by the chair or demanded by at least one shareholder entitled to vote who is present in person or by proxy.

11.14 Declaration of Result

The chair of a meeting of shareholders must declare to the meeting the decision on every question in accordance with the result of the show of hands or the poll, as the case may be, and that decision must be entered in the minutes of the meeting. A declaration of the chair that a resolution is carried by the necessary majority or is defeated is, unless a poll is directed by the chair or demanded under Article 11.13, conclusive evidence without proof of the number or proportion of the votes recorded in favour of or against the resolution.

11.15 Motion Need Not be Seconded

No motion proposed at a meeting of shareholders need be seconded unless the chair of the meeting rules otherwise, and the chair of any meeting of shareholders is entitled to propose or second a motion.

11.16 Casting Vote

In case of an equality of votes, the chair of a meeting of shareholders does not, either on a show of hands or on a poll, have a second or casting vote in addition to the vote or votes to which the chair may be entitled as a shareholder.

11.17 Manner of Taking Poll

Subject to Article 11.18, if a poll is duly demanded at a meeting of shareholders:

- (a) the poll must be taken:
 - (i) at the meeting, or within seven days after the date of the meeting, as the chair of the meeting directs; and
 - (ii) in the manner, at the time and at the place that the chair of the meeting directs;
- (b) the result of the poll is deemed to be the decision of the meeting at which the poll is demanded; and
- (c) the demand for the poll may be withdrawn by the person who demanded it.

11.18 Demand for Poll on Adjournment

A poll demanded at a meeting of shareholders on a question of adjournment must be taken immediately at the meeting.

11.19 Chair Must Resolve Dispute

In the case of any dispute as to the admission or rejection of a vote given on a poll, the chair of a meeting of the shareholders must determine the dispute, and his or her determination made in good faith is final and conclusive.

11.20 Casting of Votes

On a poll, a shareholder entitled to more than one vote need not cast all the votes in the same way.

11.21 Demand for Poll

No poll may be demanded in respect of the vote by which a chair of a meeting of shareholders is elected.

11.22 Demand for Poll Not to Prevent Continuance of Meeting

The demand for a poll at a meeting of shareholders does not, unless the chair of the meeting so rules, prevent the continuation of a meeting for the transaction of any business other than the question on which a poll has been demanded.

11.23 Retention of Ballots and Proxies

The Company must, for at least three months after a meeting of shareholders, keep each ballot cast on a poll and each proxy voted at the meeting, and during that period, make such ballots and proxies available for inspection during normal business hours by any shareholder or proxyholder entitled to vote at the meeting. At the end of such three month period, the Company may destroy such ballots and proxies.

PART 12 VOTES OF SHAREHOLDERS

12.1 Number of Votes by Shareholder or by Shares

Subject to any special rights or restrictions attached to any shares and to the restrictions imposed on joint shareholders under Article 12.3:

- (a) on a vote by show of hands, every person present who is a shareholder or proxy holder and entitled to vote on the matter has one vote; and
- (b) on a poll, every shareholder entitled to vote on the matter has one vote in respect of each share entitled to be voted on the matter and held by that shareholder and may exercise that vote either in person or by proxy.

12.2 Votes of Persons in Representative Capacity

A person who is not a shareholder may vote at a meeting of shareholders, whether on a show of hands or on a poll, and may appoint a proxy holder to act at the meeting, if, before doing so, the person satisfies the chair of the meeting, or the directors, that the person is a legal personal representative for a shareholder who is entitled to vote at the meeting.

12.3 Votes by Joint Holders

If there are joint shareholders registered in respect of any share:

- (a) any one of the joint shareholders may vote at any meeting of the shareholders, either personally or by proxy, in respect of the share as if that joint shareholder were solely entitled to it; or
- (b) if more than one of the joint shareholders is present at any meeting of the shareholders, personally or by proxy, and more than one of the joint shareholders votes in respect of that share, then only the vote of the joint shareholder present whose name stands first on the central securities register in respect of the share will be counted.

12.4 Legal Personal Representatives as Joint Shareholders

Two or more legal personal representatives of a shareholder in whose sole name any share is registered are, for the purposes of Article 12.3, deemed to be joint shareholders.

12.5 Representative of a Corporate Shareholder

If a corporation, that is not a subsidiary of the Company, is a shareholder, that corporation may appoint a person to act as its representative at any meeting of the shareholders by written instrument, fax or any other method of transmitting legibly recorded messages and:

- (a) for that purpose, the instrument appointing a representative must:
 - (i) be received at the registered office of the Company or at any other place specified for the receipt of proxies, in the notice calling the meeting, at least the number of business days for the receipt of proxies specified in the notice, or if no number of days is specified in the notice, at least, two business days before the day set for the holding of the meeting; or
 - (ii) be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting;
- (b) if a representative is appointed under this Article 12.5:
 - (i) the representative is entitled to exercise in respect of and at that meeting the same rights on behalf of the corporation that the corporation could exercise if it were a shareholder who is an individual, including, without limitation, the right to appoint a proxy holder; and
 - (ii) the representative, if present at the meeting, is to be counted for the purpose of forming a quorum and is deemed to be a shareholder present in person at the meeting.

12.6 Proxy Provisions Do Not Apply to All Companies

Article 12.9 does not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply. Sections 12.7 to 12.15 apply to the Company only insofar as they are not inconsistent with any applicable securities legislation and any regulations and rules made and promulgated under such legislation and all administrative policy statements, blanket orders and rulings, notices and other administrative directions issued by securities commission or similar authorities appointed under that legislation.

12.7 Appointment of Proxy Holders

Every shareholder of the Company, including a corporation that is a shareholder but not a subsidiary of the Company, entitled to vote at a meeting of the shareholders of the Company may, by proxy, appoint one or more (but not more than five) proxy holders to attend and act at the meeting in the manner, to the extent and with the powers conferred by the instrument of proxy.

12.8 Alternate Proxy Holders

A shareholder may appoint one or more alternate proxy holders to act in the place of an absent proxy holder.

12.9 Form of Proxy

A proxy, whether for a specified meeting or otherwise, must be either in the following form or in any other form designated by the directors, the scrutineer or the chair of the meeting:

[name of company]
(the "Company")

The undersigned, being a shareholder of the Company, hereby appoints [name] or, failing that person, [name], as proxy holder for the undersigned to attend, act and vote for and on behalf of the undersigned at the meeting of shareholders of the Company to be held on [month, day, year] and at any adjournment of that meeting.

Number of shares in respect of which this proxy is given (if no number is specified, then this proxy is given in respect of all shares registered in the name of the undersigned): _____

Signed [month, day, year]

[Signature of shareholder]

[Name of shareholder- printed]

12.10 Deposit of Proxy

A proxy for a meeting of shareholders must be by written instrument, fax or any other method of transmitting legibly messages and must:

- (a) be received at the registered office of the Company or at any other place specified for the receipt of proxies, in the notice calling the meeting, at least the number of business days specified in the notice for the receipt of proxies, or if no number of days is specified, in the notice, at least two business days before the day set for the holding of the meeting; or
- (b) unless the notice provides otherwise, be deposited at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting.

A proxy may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

12.11 Revocation of Proxy

Subject to Article 12.12, every proxy may be revoked by an instrument in writing that is :

- (a) received at the registered office of the Company at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or
- (b) deposited with the chair of the meeting, at the meeting, before any vote in respect of which the proxy is to be used shall have been taken.

12.12 Revocation of Proxy Must Be Signed

An instrument referred to in Article 12.12 must be signed as follows:

- (a) if the shareholder for whom the proxy holder is appointed is an individual, the instrument must be signed by the shareholder or his or her legal personal representative;
- (b) if the shareholder for whom the proxy holder is appointed is a corporation, the instrument must be signed by the corporation or by a representative appointed for the corporation under Article 12.5.

12.13 Production of Evidence of Authority to Vote

The chair of any meeting of shareholders may, but need not, inquire into the authority of any person to vote at the meeting and may, but need not, demand from that person production of evidence as to the existence of the authority to vote.

PART 13 DIRECTORS

13.1 First Directors; Number of Directors

The first directors are the persons designated as directors of the Company in the Notice of Articles that applies to the Company when it is recognized under the *Business Corporations Act*. The number of directors, excluding additional directors appointed under Article 14.8, is set at:

- (a) subject to paragraphs (2) and (3), the number of directors that is equal to the number of the Company's first directors;
- (b) if the Company is a public company, the greater of three and the most recently set of:
 - (i) a number fixed from time to time by the board of directors); and
 - (ii) the number of directors set under Article 14.4;
- (c) if the Company is not a public company, the most recently set of:
 - (i) a number fixed from time to time by the board of directors; and
 - (ii) the number of directors set under Article 14.4.

13.2 Change in Number of Directors

If the number of directors is set under Articles 13.1(b)(i) or 13.1(c)(i):

- (a) the shareholders may elect or appoint the directors needed to fill any vacancies in the board of directors up to that number;
- (b) if the shareholders do not elect or appoint the directors needed to fill any vacancies in the board of directors up to that number contemporaneously with the setting of that number, then the directors may appoint, or the shareholders may elect or appoint, directors to fill those vacancies.

13.3 Directors' Acts Valid Despite Vacancy

An act or proceeding of the directors is not invalid merely because fewer than the number of directors set or otherwise required under these Articles is in office.

13.4 Qualifications of Directors

A director is not required to hold a share in the capital of the Company as qualification for his or her office but must be qualified as required by the *Business Corporations Act* to become, act or continue to act as a director.

13.5 Remuneration of Directors

The directors are entitled to the remuneration for acting as directors, if any, as the directors may from time to time determine. If the directors so decide, the remuneration of the directors, if any, will be determined by the shareholders. That remuneration may be in addition to any salary or other remuneration paid to any officer or employee of the Company as such, who is also a director.

13.6 Reimbursement of Expenses of Directors

The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.

13.7 Special Remuneration for Directors

If any director performs any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of a director, or if any director is otherwise specially occupied in or about the Company's business, he or she may be paid remuneration fixed by the directors, or, at the option of that director, fixed by ordinary resolution, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

13.8 Gratuity, Pension or Allowance on Retirement of Director

Unless otherwise determined by ordinary resolution, the directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company or to his or her spouse or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

PART 14 ELECTION AND REMOVAL OF DIRECTORS

14.1 Election at Annual General Meeting

At every annual general meeting and in every unanimous resolution contemplated by Article 10.2:

- (a) the shareholders entitled to vote at the annual general meeting for the election of directors must elect, or in the unanimous resolution appoint, a board of directors consisting of the number of directors for the time being set under these Articles; and
- (b) all the directors cease to hold office immediately before the election or appointment of directors under paragraph (1), but are eligible for re-election or re-appointment.

14.2 Consent to be a Director

No election, appointment or designation of an individual as a director is valid unless:

- (a) that individual consents to be a director in the manner provided for in the *Business Corporations Act*;
- (b) that individual is elected or appointed at a meeting at which the individual is present and the individual does not refuse, at the meeting, to be a director; or
- (c) with respect to first directors, the designation is otherwise valid under the *Business Corporations Act*.

14.3 Failure to Elect or Appoint Directors

If:

- (a) the Company fails to hold an annual general meeting, and all the shareholders who are entitled to vote at an annual general meeting fail to pass the unanimous resolution contemplated by Article 10.2, on or before the date by which the annual general meeting is required to be held under the *Business Corporations Act*; or
- (b) the shareholders fail, at the annual general meeting or in the unanimous resolution contemplated by Article 10.2, to elect or appoint any directors;

then each director then in office continues to hold office until the earlier of:

- (c) the date on which his or her successor is elected or appointed; and

- (d) the date on which he or she otherwise ceases to hold office under the *Business Corporations Act* or these Articles.

14.4 Places of Retiring Directors Not Filled

If, at any meeting of shareholders at which there should be an election of directors, the places of any of the retiring directors are not filled by that election, those retiring directors who are not re-elected and who are asked by the newly elected directors to continue in office will, if willing to do so, continue in office to complete the number of directors for the time being set pursuant to these Articles until further new directors are elected at a meeting of shareholders convened for that purpose. If any such election or continuance of directors does not result in the election or continuance of the number of directors for the time being set pursuant to these Articles, the number of directors of the Company is deemed to be set at the number of directors actually elected or continued in office.

14.5 Directors May Fill Casual Vacancies,

Any casual vacancy occurring in the board of directors may be filled by the directors.

14.6 Remaining Directors Power to Act

The directors may act notwithstanding any vacancy in the board of directors, but if the Company has fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the directors may only act for the purpose of appointing directors up to that number or of summoning a meeting of shareholders for the purpose of filling any vacancies on the board of directors or, subject to the *Business Corporations Act*, for any other purpose.

14.7 Shareholders May Fill Vacancies

If the Company has no directors or fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the shareholders may elect or appoint directors to fill any vacancies on the board of directors.

14.8 Additional Directors

Notwithstanding Articles 13.1 and 13.2, between annual general meetings or unanimous resolutions contemplated by Article 10.2, the directors may appoint one or more additional directors, but the number of additional directors appointed under this Article 14.8 must not at any time exceed:

- (a) one-third of the number of first directors, if, at the time of the appointments, one or more of the first directors have not yet completed their first term of office; or
- (b) in any other case, one-third of the number of the current directors who were elected or appointed as directors other than under this Article 14.8.

Any director so appointed ceases to hold office immediately before the next election or appointment of directors under Article 14.1(a), but is eligible for re-election or re-appointment.

14.9 Ceasing to be a Director

A director ceases to be a director when:

- (a) the term of office of the director expires;
- (b) the director dies;
- (c) the director resigns as a director by notice in writing provided to the Company or a lawyer for the Company; or
- (d) the director is removed from office pursuant to Articles 14.10 or 14.11.

14.10 Removal of Director by Shareholders

The Company may remove any director before the expiration of his or her term of office by special resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy. If the shareholders do not elect or appoint a director to fill the resulting vacancy contemporaneously with the removal, then the directors may appoint or the shareholders may elect, or appoint by ordinary resolution, a director to fill that vacancy.

14.11 Removal of Director by Directors

The directors may remove any director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceased to be qualified to act as a director of a company and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy.

PART 15 POWERS AND DUTIES OF DIRECTORS

15.1 Powers of Management

The directors must, subject to the *Business Corporations Act* and these Articles, manage or supervise the management of the business and affairs of the Company and have the authority to exercise all such powers of the Company as are not, by the *Business Corporations Act* or by these Articles, required to be exercised by the shareholders of the Company.

15.2 Appointment of Attorney of Company

The directors may from time to time, by power of attorney or other instrument, under seal if so required by law, appoint any person to be the attorney of the Company for such purposes, and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these Articles and excepting the power to fill vacancies in the board of directors, to remove a director, to change the membership of, or fill vacancies in, any committee of the directors, to appoint or remove officers appointed by the directors and to declare dividends) and for such period, and with such remuneration and subject to such conditions as the directors may think fit. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorney as the directors think fit. Any such attorney may be authorized by the directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in him or her.

PART 16 DISCLOSURE OF INTEREST OF DIRECTORS

16.1 Obligation to Account for Profits

A director or senior officer who holds a disclosable interest (as that term is used in the *Business Corporations Act*) in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company for any profit that accrues to the director or senior officer under or as a result of the contract or transaction only if and to the extent provided in the *Business Corporations Act*.

16.2 Restrictions on Voting by Reason of Interest

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any directors' resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution.

16.3 Interested Director Counted in Quorum

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of directors at which the contract or transaction is considered for approval may be counted in the quorum at the meeting whether or not the director votes on any or all of the resolutions considered at the meeting.

16.4 Disclosure of Conflict of Interest or Property

A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the *Business Corporations Act*.

16.5 Director Holding Other Office in the Company

A director may hold any office or place of profit with the Company, other than the office of auditor of the Company, in addition to his or her office of director for the period and on the terms (as to remuneration or otherwise) that the directors may determine.

16.6 No Disqualification

No director or intended director is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the director holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a director is in any way interested is liable to be voided for that reason.

16.7 Professional Services by Director or Officer

Subject to the *Business Corporations Act*, a director or officer, or any person in which a director or officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the director or officer or such person is entitled to remuneration for professional services as if that director or officer were not a director or officer.

16.8 Director or Officer in Other Corporations

A director or officer may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the *Business Corporations Act*, the director or officer is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

PART 17 PROCEEDINGS OF DIRECTORS

17.1 Meetings of Directors

The directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as the directors think fit, and meetings of the directors held at regular intervals may be held at the place, at the time and on the notice, if any, as the directors may from time to time determine.

17.2 Voting at Meetings

Questions arising at any meeting of directors are to be decided by a majority of votes and, in the case of an equality of votes, the chair of the meeting does not have a second or casting vote.

17.3 Chair of Meetings

The following individual is entitled to preside as chair at a meeting of directors:

- (a) the chair of the board, if any;
- (b) in the absence of the chair of the board, the president, if any, if the president is a director; or
- (c) any other director chosen by the directors if:
 - (i) neither the chair of the board nor the president, if a director, is present at the meeting within 15 minutes after the time set for holding the meeting;

- (ii) neither the chair of the board nor the president, if a director, is willing to chair the meeting; or
- (iii) the chair of the board and the president, if a director, have advised the secretary, if any, or any other director, that the chair of the board and the president will not be present at the meeting.

17.4 Meetings by Telephone or Other Communications Medium

A director may participate in a meeting of the directors or of any committee of the directors in person or by telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other. A director may participate in a meeting of the directors or of any committee of the directors by a communications medium other than telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other and if all directors who wish to participate in the meeting agree to such participation. A director who participates in a meeting in a manner contemplated by this Article 17.4 is deemed for all purposes of the *Business Corporations Act* and these Articles to be present at the meeting and to have agreed to participate in that manner.

17.5 Calling of Meetings

A director may, and the secretary or an assistant secretary of the Company, if any, on the request of a director must, call a meeting of the directors at any time.

17.6 Notice of Meetings,

Other than for meetings held at regular intervals as determined by the directors pursuant to Article 17.1, reasonable notice of each meeting of the directors, specifying the place, day and time of that meeting must be given to each of the directors by any method set out in Article 23.1 or orally or by telephone.

17.7 When Notice Not Required

It is not necessary to give notice of a meeting of the directors to a director if:

- (a) the meeting is to be held immediately following a meeting of shareholders at which that director was elected or appointed, or is the meeting of the directors at which that director is appointed; or
- (b) the director has waived notice of the meeting.

17.8 Meeting Valid Despite Failure to Give Notice

The accidental omission to give notice of any meeting of directors to, or the non-receipt of any notice by, any director does not invalidate any proceedings at that meeting.

17.9 Waiver of Notice of Meetings

Any director may send to the Company a document signed by him or her waiving notice of any past, present or future meeting or meetings of the directors and may at any time withdraw that waiver with respect to meetings held after that withdrawal. After sending a waiver with respect to all future meetings and until that waiver is withdrawn, no notice of any meeting of the directors need be given to that director and all meetings of the directors so held are deemed not to be improperly called or constituted by reason of notice not having been given to such director.

17.10 Quorum

The quorum necessary for the transaction of the business of the directors may be set by the directors and, if not so set, is deemed to be set at two directors or, if the number of directors is set at one, is deemed to be set at one director, and that director may constitute a meeting.

17.11 Validity of Acts Where Appointment Defective

Subject to the *Business Corporations Act*, an act of a director or officer is not invalid merely because of an irregularity in the election or appointment or a defect in the qualification of that director or officer.

17.12 Consent Resolutions in Writing

A resolution of the directors or of any committee of the directors may be passed without a meeting:

- (a) in all cases, if each of the directors entitled to vote on the resolution consents to it in writing; or
- (b) in the case of a resolution to approve a contract or transaction in respect of which a director has disclosed that he or she has or may have a disclosable interest, if each of the other directors who are entitled to vote on the resolution consents to it in writing.

A consent in writing under this Article 17 may be evidence by signed document, fax, email or any other method of transmitting legibly recorded messages. A consent in writing may be in two or more counterparts which together are deemed to constitute one entire document. A resolution of the directors or of any committee of the directors passed in accordance with this Article 17.12 is deemed to be effective on the date stated in the consent in writing and is deemed to be a proceeding at a meeting of directors or of the committee of the directors and to be valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors that satisfies all the requirements of the *Business Corporations Act* and all the requirements of these Articles relating to such meetings.

PART 18 EXECUTIVE AND OTHER COMMITTEES

18.1 Appointment and Powers of Executive Committee

The directors may, by resolution, appoint an executive committee consisting of the director or directors that they consider appropriate, and this committee has, during the intervals between meetings of the board of directors, all of the directors' powers, except:

- (a) the power to fill vacancies in the board of directors;
- (b) the power to remove a director;
- (c) the power to change the membership of, or fill vacancies in, any committee of the directors; and
- (d) such other powers, if any, as may be set out in the resolution or any subsequent directors' resolution.

18.2 Appointment and Powers of Other Committees

The directors may, by resolution:

- (a) appoint one or more committees (other than the executive committee) consisting of the director or directors that they consider appropriate;
- (b) delegate to a committee appointed under paragraph (1) any of the directors' powers, except:
 - (i) the power to fill vacancies in the board of directors;
 - (ii) the power to remove a director;
 - (iii) the power to change the membership of, or fill vacancies in, any committee of the directors; and
 - (iv) the power to appoint or remove officers appointed by the directors; and

- (c) make any delegation referred to in paragraph (2) subject to the conditions set out in the resolution or any subsequent directors' resolution.

18.3 Obligations of Committees

Any committee appointed under Articles 18.1 or 18.2, in the exercise of the powers delegated to it, must:

- (a) conform to any rules that may from time to time be imposed on it by the directors; and
- (b) report every act or thing done in exercise of those powers at such times as the directors may require.

18.4 Powers of Board

The directors may, at any time, with respect to a committee appointed under Articles 18.1 or 18.2:

- (a) revoke or alter the authority given to the committee, or override a decision made by the committee, except as to acts done before such revocation, alteration or overriding;
- (b) terminate the appointment of, or change the membership of, the committee; and
- (c) fill vacancies in the committee.

18.5 Committee Meetings

Subject to Article 18.3(1) and unless the directors otherwise provide in the resolution appointing the committee or in any subsequent resolution, with respect to a committee appointed under Articles 18.1 or 18.2:

- (a) the committee may meet and adjourn as it thinks proper;
- (b) the committee may elect a chair of its meetings but, if no chair of a meeting is elected, or if at a meeting the chair of the meeting is not present within 15 minutes after the time set for holding the meeting, the directors present who are members of the committee may choose one of their number to chair the meeting;
- (c) a majority of the members of the committee constitutes a quorum of the committee; and
- (d) questions arising at any meeting of the committee are determined by a majority of votes of the members present, and in case of an equality of votes, the chair of the meeting does not have a second or casting vote.

PART 19 OFFICERS

19.1 Directors May Appoint Officers

The directors may, from time to time, appoint such officers, if any, as the directors determine and the directors may, at any time, terminate any such appointment.

19.2 Functions, Duties and Powers of Officers

The directors may, for each officer:

- (a) determine the functions and duties of the officer;
- (b) entrust to and confer on the officer any of the powers exercisable by the directors on such terms and conditions and with such restrictions as the directors think fit; and
- (c) revoke, withdraw, alter or vary all or any of the functions, duties and powers of the officer.

19.3 Qualifications

No officer may be appointed unless that officer is qualified in accordance with the *Business Corporations Act*. One person may hold more than one position as an officer of the Company. Any person appointed as the chair of the board or as the managing director must be a director. Any other officer need not be a director.

19.4 Remuneration and Terms of Appointment

All appointments of officers are to be made on the terms and conditions and at the remuneration (whether by way of salary, fee, commission, participation in profits or otherwise) that the directors think fit and are subject to termination at the pleasure of the directors, and an officer may in addition to such remuneration be entitled to receive, after he or she ceases to hold such office or leaves the employment of the Company, a pension or gratuity.

PART 20 INDEMNIFICATION

20.1 Definitions

In this Article 20:

- (a) "eligible penalty" means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding;
- (b) "eligible proceeding" means a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a director, former director, officer, or former officer of the Company (an "eligible party") or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director, former director, officer or former officer of the Company:
 - (i) is or may be joined as a party; or
 - (ii) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding;
- (c) "expenses" has the meaning set out in the *Business Corporations Act*.

20.2 Mandatory Indemnification of Directors and Former Directors

Subject to the *Business Corporations Act*, the Company may indemnify a director, former director, officer or former officer of the Company and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company may, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each director and officer is deemed to have contracted with the Company on the terms of the indemnity contained in this Article 20.2.

20.3 Indemnification of Other Persons

Subject to any restrictions in the *Business Corporations Act*, the Company may indemnify any person.

20.4 Non-Compliance with *Business Corporations Act*

The failure of a director, former director, officer or former officer of the Company to comply with the *Business Corporations Act* or these Articles does not invalidate any indemnity to which he or she is entitled under this Part.

20.5 Company May Purchase Insurance

The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

- (a) is or was a director, alternate director, officer, employee or agent of the Company;

- (b) is or was a director, alternate director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Company;
- (c) at the request of the Company, is or was a director, alternate director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity;
- (d) at the request of the Company, holds or held a position equivalent to that of a director, alternate director or officer of a partnership, trust, joint venture or other unincorporated entity;

against any liability incurred by him or her as such director, alternate director, officer, employee or agent or person who holds or held such equivalent position.

PART 21 DIVIDENDS

21.1 Payment of Dividends Subject to Special Rights

The provisions of this Article Part 21 are subject to Article 2.1 and to the rights, if any, of shareholders holding shares with special rights as to dividends.

21.2 Declaration of Dividends

Subject to the *Business Corporations Act*, the directors may from time to time declare and authorize payment of such dividends as the directors may deem advisable.

21.3 No Notice Required

The directors need not give notice to any shareholder of any declaration under Article 21.2.

21.4 Record Date

The directors may set a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend. The record date must not precede the date on which the dividend is to be paid by more than two months. If no record date is set, the record date is 5:00 p.m. on the date on which the directors pass the resolution declaring the dividend.

21.5 Manner of Paying Dividend

A resolution declaring a dividend may direct payment of the dividend wholly or partly by the distribution of specific assets or of fully paid shares or of bonds, debentures or other securities of the Company, or in any one or more of those ways.

21.6 Settlement of Difficulties

If any difficulty arises in regard to a distribution under Article 21.5, the directors may settle the difficulty as the directors deem advisable, and, in particular, may:

- (a) set the value for distribution of specific assets;
- (b) determine that cash payments in substitution for all or any part of the specific assets to which any shareholders are entitled may be made to any shareholders on the basis of the value so fixed in order to adjust the rights of all parties; and
- (c) vest any such specific assets in trustees for the persons entitled to the dividend.

21.7 When Dividend Payable

Any dividend may be made payable on such date as is fixed by the directors.

21.8 Dividends to be Paid in Accordance with Number of Shares

All dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.

21.9 Receipt by Joint Shareholders

If several persons are joint shareholders of any share, any one of such joint shareholders may give an effective receipt for any dividend, bonus or other money payable in respect of the share.

21.10 Dividend Bears No Interest

No dividend bears interest against the Company.

21.11 Fractional Dividends

If a dividend to which a shareholder is entitled includes a fraction of the smallest monetary unit of the currency of the dividend, that fraction may be disregarded in making payment of the dividend and that payment represents full payment of the dividend.

21.12 Payment of Dividends

Any dividend or other distribution payable in cash in respect of shares may be paid by cheque, made payable to the order of the person to whom it is sent, and mailed to the address of the shareholder, or in the case of joint shareholders, to the address of the joint shareholder who is first named on the central securities register, or to the person and to the address the shareholder or joint shareholders may direct in writing. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

21.13 Capitalization of Surplus

Notwithstanding anything contained in these Articles, the directors may from time to time capitalize any surplus of the Company and may from time to time issue, as fully paid, shares or any bonds, debentures or other securities of the Company as a dividend representing the surplus or any part of the surplus.

PART 22 DOCUMENTS, RECORDS AND REPORTS

22.1 Recording of Financial Affairs

The directors must cause adequate accounting records to be kept to record properly the financial affairs and condition of the Company and to comply with the *Business Corporations Act*.

22.2 Inspection of Accounting Records

Unless the directors determine otherwise, or unless otherwise determined by ordinary resolution, no shareholder of the Company is entitled to inspect or obtain a copy of any accounting records of the Company.

PART 23 NOTICES

23.1 Method of Giving Notice

Unless the *Business Corporations Act* or these Articles provides otherwise, a notice, statement, report or other record required or permitted by the *Business Corporations Act* or these Articles to be sent by or to a person may be sent by any one of the following methods:

- (a) mail addressed to the person at the applicable address for that person as follows:
 - (i) for a record mailed to a shareholder, the shareholder's registered address;

- (ii) for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class;
 - (iii) in any other case, the mailing address of the intended recipient;
- (b) delivery at the applicable address for that person as follows, addressed to the person:
- (i) for a record delivered to a shareholder, the shareholder's registered address;
 - (ii) for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class;
 - (iii) in any other case, the delivery address of the intended recipient;
- (c) sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;
- (d) sending the record by email to the email address provided by the intended recipient for the sending of that record or records of that class;
- (e) physical delivery to the intended recipient.

23.2 Deemed Receipt of Mailing

A record that is mailed to a person by ordinary mail to the applicable address for that person referred to in Article 23.1 is deemed to be received by the person to whom it was mailed on the day, Saturdays, Sundays and holidays excepted, following the date of mailing.

23.3 Certificate of Sending

A certificate signed by the secretary, if any, or other officer of the Company or of any other corporation acting in that behalf for the Company stating that a notice, statement, report or other record was addressed as required by Article 23.1, prepaid and mailed or otherwise sent as permitted by Article 23.1 is conclusive evidence of that fact.

23.4 Notice to Joint Shareholders

A notice, statement, report or other record may be provided by the Company to the joint shareholders of a share by providing the notice to the joint shareholder first named in the central securities register in respect of the share.

23.5 Notice to Trustees

A notice, statement, report or other record may be provided by the Company to the persons entitled to a share in consequence of the death, bankruptcy or incapacity of a shareholder by:

- (a) mailing the record, addressed to such person:
 - (i) by name, by the title of the legal personal representative of the deceased or incapacitated shareholder, by the title of trustee of the bankrupt shareholder or by any similar description; and
 - (ii) at the address, if any, supplied to the Company for that purpose by the persons claiming to be so entitled; or
- (b) if an address referred to in paragraph (1)(b) has not been supplied to the Company, by giving the notice in a manner in which it might have been given if the death, bankruptcy or incapacity had not occurred.

PART 24 SEAL

24.1 Who May Attest Seal

Except as provided in Articles 24.2 and 24.3, the Company's seal, if any, must not be impressed on any record except when that impression is attested by the signatures of:

- (a) any two directors;
- (b) any officer, together with any director;
- (c) if the Company only has one director, that director; or
- (d) any one or more directors or officers or persons as may be determined by the directors.

24.2 Sealing Copies

For the purpose of certifying under seal a certificate of incumbency of the directors or officers of the Company or a true copy of any resolution or other document, despite Article 24.1, the impression of the seal may be attested by the signature of any director or officer.

24.3 Mechanical Reproduction of Seal

The directors may authorize the seal to be impressed by third parties on share certificates or bonds, debentures or other securities of the Company as the directors may determine appropriate from time to time. To enable the seal to be impressed on any share certificates or bonds, debentures or other securities of the Company, whether in definitive or interim form, on which facsimiles of any of the signatures of the directors or officers of the Company are, in accordance with the *Business Corporations Act* or these Articles, printed or otherwise mechanically reproduced, there may be delivered to the person employed to engrave, lithograph or print such definitive or interim share certificates or bonds, debentures or other securities one or more unmounted dies reproducing the seal and the chair of the board or any senior officer together with the secretary, treasurer, secretary-treasurer, an assistant secretary, an assistant treasurer or an assistant secretary-treasurer may in writing authorize such person to cause the seal to be impressed on such definitive or interim share certificates or bonds, debentures or other securities by the use of such dies. Share certificates or bonds, debentures or other securities to which the seal has been so impressed are for all purposes deemed to be under and to bear the seal impressed on them.

PART 25 PROHIBITIONS

25.1 Definitions

In this Article Part 25:

- (a) "designated security" means:
 - (i) a voting security of the Company;
 - (ii) a security of the Company that is not a debt security and that carries a residual right to participate in the earnings of the Company or, on the liquidation or winding up of the Company, in its assets; or
 - (iii) a security of the Company convertible, directly or indirectly, into a security described in paragraph (a) or (b);
- (b) "security" has the meaning assigned in the *Securities Act* (British Columbia);
- (c) "voting security" means a security of the Company that:
 - (i) is not a debt security, and

- (ii) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

25.2 Application

Article 25.3 does not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply.

25.3 Consent Required for Transfer of Shares or Designated Securities


No share or designated security may be sold, transferred or otherwise disposed of without the consent of the directors and the directors are not required to give any reason for refusing to consent to any such sale, transfer or other disposition.

PART 26 SPECIAL RIGHTS AND RESTRICTIONS

26.1 Authorized Share Structure

The authorized share structure of the Company is as follows:

- (a) An unlimited number of common shares (the "Common Shares"), without nominal or par value, having attached thereto the rights, privileges, restrictions and conditions as set forth below:
 - (i) The holders of the Common Shares shall be entitled to receive notice of and to vote at every meeting of the shareholders of the Company and shall have one vote thereat for each Common Share so held;
 - (ii) Subject to the *Business Corporations Act*, the Board of Directors may from time-to-time declare a dividend, and the Company shall pay thereon out of the monies of the Company properly applicable to the payment of the dividends to the holders of Common Shares. For the purpose hereof, the holders of Common Shares receive dividends as shall be determined from time-to-time by the Board of Directors whose determination shall be conclusive and binding upon the Company and the holders of Common Shares; and
 - (iii) Subject to the *Business Corporations Act*, in the event of liquidation, dissolution or winding-up of the Company or upon any distribution of the assets of the Company among shareholders being made (other than by way of dividend out of the monies properly applicable to the payment of dividends) the holders of Common Shares shall be entitled to share equally.

Full Name and signature of incorporator	Date of Signing
 Authorized Signatory for Neurokine Pharmaceuticals Inc.	October 8, 2014

BETTERLIFE PHARMA INC.
(formerly Pivot Pharmaceuticals Inc.)
Consolidated Financial Statements
February 1, 2018, January 31, 2019 and January 31, 2020
(Expressed in Canadian dollars)

To the Board of Directors and Shareholders of BetterLife Pharma Inc. (formerly Pivot Pharmaceuticals Inc.)

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position as at January 31, 2020, January 31, 2019 and February 1, 2018 (effective date of transition to IFRS), and the consolidated statements of comprehensive loss, consolidated statements of shareholders' equity, and consolidated statements of cash flows for the years ended January 31, 2020 and January 31, 2019, and a summary of significant accounting policies (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of January 31, 2020, January 31, 2019 and February 1, 2018 (effective date of transition to IFRS), and the consolidated financial performance and its consolidated cash flows for each of the years in the two-year period ended January 31, 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty

Change in Accounting Principles

Without qualifying our opinion on the consolidated financial statements, we draw attention to Note 26 to the consolidated financial statements, which indicates that the Company has retrospectively adopted International Financial Reporting Standards as issued by the International Accounting Standards Board. Comparative figures, which were previously presented in accordance with United States generally accepted accounting principles (U.S. GAAP), have been adjusted as necessary.

As discussed in Note 3 to the financial statements, effective February 1, 2019, the Company adopted IFRS 16 (Leases) using the full retrospective approach.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2019.

MNP LLP



Chartered Professional Accountants

June 1, 2020



BETTERLIFE PHARMA INC. (formerly Pivot Pharmaceuticals Inc.)
 Consolidated Statements of Financial Position
 (Expressed in Canadian dollars)

	January 31, 2020	January 31, 2019	February 1, 2018
	\$	\$	\$
Assets		(Note 26)	(Note 26)
Current assets			
Cash	2,681,704	74,800	79,304
Cash – restricted (Note 6)	600,000	–	–
Amounts receivable	137,367	44,489	5,122
Prepays and other current assets	61,467	98,131	99,051
Total current assets	3,480,538	217,420	183,477
Deposits	177,300	–	–
Property and equipment, net (Note 7)	540,245	4,162	–
Intangible assets, net (Note 8)	801,058	8,349,822	288,349
Right-of-use assets (Note 9)	3,251,638	1,735,346	–
Total assets	8,250,779	10,306,750	471,826
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	890,138	637,299	267,892
Due to related parties (Note 17)	1,788	330,483	12,421
Convertible debentures, net (Note 10)	–	3,476,690	–
Promissory note (Note 11)	–	–	247,305
Acquisition obligation (Note 4(b))	–	432,923	–
Deferred revenue	–	157,728	–
Lease liability (Note 9)	68,138	367,629	–
Total current liabilities	960,064	5,402,752	527,618
Lease liability (Note 9)	4,634,154	1,408,486	–
Total liabilities	5,594,218	6,811,238	527,618
Shareholders' Equity			
Common shares (Note 12)	37,519,448	21,395,999	10,047,733
Common shares issuable	–	10,000	–
Reserves (Notes 13 and 14)	19,625,602	17,038,202	15,713,439
Accumulated other comprehensive income	172,027	123,065	–
Accumulated deficit	(54,660,516)	(35,071,754)	(25,816,964)
Total shareholders' equity	2,656,561	3,495,512	(55,792)
Total liabilities and shareholders' equity	8,250,779	10,306,750	471,826

Nature of operations and going concern (Note 1), commitments and contingencies (Note 20) and events after the reporting date (Note 25)

Approved on behalf of the Board of Directors

"Ahmad Doroudian" Director

"Ralph Anthony Pullen" Director

(The accompanying notes are an integral part of these consolidated financial statements)

	Years Ended	
	January 31, 2020 \$	January 31, 2019 \$
Revenue	–	–
Expenses		
Amortization and depreciation of equipment and intangible assets (Notes 7 and 8)	985,895	900,651
Consulting fees	1,608,692	1,022,055
Due diligence costs	–	251,674
Finders fee expense	100,000	100,000
Foreign exchange loss	38,057	24,208
General and administrative	923,877	1,297,802
Amortization of right-of-use assets (Note 9)	361,502	235,586
Lease liability expense (Note 9)	347,445	155,049
Licensing fees	40,029	79,008
Professional fees	1,707,892	930,879
Promotion and marketing	96,641	11,076
Repairs and maintenance	45,875	301
Research and development	63,767	364,784
Wages, salaries and employment expenses	3,016,626	1,527,023
Loss on impairment of intangible asset (Note 8)	6,625,246	–
Loss on impairment of abandoned assets (Notes 5 and 9)	1,303,278	–
Loss on impairments and write-offs of inventory and other (Note 16)	1,466,377	8,856
Total expenses	<u>18,731,199</u>	<u>6,908,952</u>
Loss from operations	<u>(18,731,199)</u>	<u>(6,908,952)</u>
Other (expenses) income		
Accretion expense on convertible debentures	(380,754)	(1,078,141)
Gain on repayment of promissory note	–	8,890
Interest expense	(48,024)	(4,862)
Interest income	4,479	4,196
Loss on extinguishment of convertible debentures (Note 10)	–	(1,240,773)
Loss on impairment of equipment (Note 7)	(3,901)	–
Loss on impairment of loan receivable (Note 16)	(213,085)	–
Other	48,382	(35,148)
Settlement of legal claim (Notes 5 and 25(a))	(264,660)	–
Total other income (expenses)	<u>(857,563)</u>	<u>(2,345,838)</u>
Net loss	<u>(19,588,762)</u>	<u>(9,254,790)</u>
Other comprehensive income		
Foreign currency translation adjustment of foreign operations	48,962	123,065
Net comprehensive loss	<u>(19,539,800)</u>	<u>(9,131,725)</u>
Net loss per share, basic and diluted	<u>(0.13)</u>	<u>(0.10)</u>
Weighted average shares outstanding – basic and diluted	<u>150,359,090</u>	<u>90,201,387</u>

(The accompanying notes are an integral part of these consolidated financial statements)

BETTERLIFE PHARMA INC. (formerly Pivot Pharmaceuticals Inc.)
Consolidated Statements of Shareholders' Equity
(Expressed in Canadian dollars)

	Common Shares		Common Shares Issuable	Reserves	Accumulated other comprehensive income - Foreign Currency Translation	Deficit	Total
	Shares #	Amount \$					
Balance – February 1, 2018	82,373,559	10,047,733	–	15,713,439	–	(25,816,964)	(55,792)
Common shares issued for services (Notes 12(j) and 12(k))	1,197,869	663,435	10,000	–	–	–	673,435
Common shares issued for settlement of convertible debenture (Notes 10 and 12(l))	3,750,000	1,668,226	–	932,631	–	–	2,600,857
Common shares issued for asset acquisition (Notes 4(b) and 12(h))	5,000,000	6,650,000	–	–	–	–	6,650,000
Common shares issued for asset acquisition (Notes 4(a) and 12(i))	500,000	830,000	–	–	–	–	830,000
Common shares and warrants issued for cash (Note 12(m))	4,078,250	1,536,605	–	–	–	–	1,536,605
Warrants issued for finder's fee	–	–	–	174,813	–	–	174,813
Beneficial conversion feature	–	–	–	185,753	–	–	185,753
Share-based payments	–	–	–	31,566	–	–	31,566
Foreign currency translation adjustment of foreign operations	–	–	–	–	123,065	–	123,065
Net loss	–	–	–	–	–	(9,254,790)	(9,254,790)
Balance – January 31, 2019	96,899,678	21,395,999	10,000	17,038,202	123,065	(35,071,754)	3,495,512
Common shares issued for services (Notes 12(a) and 12(c))	1,237,896	215,129	(10,000)	–	–	–	205,129
Common shares issued for settlement of accounts payable and accrued liabilities (Note 12(b))	1,690,323	338,065	–	–	–	–	338,065
Common shares issued for conversion of debentures (Notes 10 and 12(g))	595,238	261,821	–	(11,821)	–	–	250,000
Common shares and warrants issued for cash (Notes 12(d) and 12(e))	66,950,000	16,390,000	–	–	–	–	16,390,000
Common shares and warrants issued as share issue costs (Notes 12(d) and 12(f))	4,708,000	(1,081,566)	–	1,001,566	–	–	(80,000)
Share-based payments (Notes 13 and 14)	–	–	–	1,597,655	–	–	1,597,655
Foreign currency translation adjustment of foreign operations	–	–	–	–	48,962	–	48,962
Net loss	–	–	–	–	–	(19,588,762)	(19,588,762)
Balance – January 31, 2020	<u>172,081,135</u>	<u>37,519,448</u>	<u>–</u>	<u>19,625,602</u>	<u>172,027</u>	<u>(54,660,516)</u>	<u>2,656,561</u>

(The accompanying notes are an integral part of these consolidated financial statements)

	Years Ended	
	January 31, 2020 \$	January 31, 2019 \$
Operating activities		(Note 26)
Net loss	(19,588,762)	(9,254,790)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization and depreciation of equipment and intangible assets	985,895	900,651
Common shares issued for services	185,129	673,435
Foreign exchange loss	(11,085)	(29,737)
Gain on repayment of promissory note	–	(8,890)
Interest accretion	294,000	638,134
Amortization of right-of-use assets	421,984	235,586
Loss on extinguishment of convertible debentures	–	1,240,773
Loss on impairment of abandoned assets	1,303,278	–
Loss on impairment of equipment	3,901	–
Loss on impairment of intangible asset	6,625,246	–
Share-based compensation	1,597,655	31,566
Changes in working capital accounts:		
Amounts receivable	(92,879)	(39,368)
Prepays and other current assets	10,415	1,181
Deposit	(177,300)	–
Accounts payable and accrued liabilities	1,050,328	429,204
Due to related parties	(329,446)	317,279
Deferred revenue	(159,000)	156,408
Net cash used in operating activities	<u>(7,880,641)</u>	<u>(4,708,568)</u>
Investing activities		
Cash acquired through acquisition	–	2,779
Purchase of intangible assets	–	(847,161)
Acquisition obligation	(432,923)	–
Purchase of property and equipment	(542,742)	–
Loans receivable, net	(165,428)	–
Net cash used in investing activities	<u>(1,141,093)</u>	<u>(844,382)</u>
Financing activities		
(Repayment of) / proceeds from convertible debenture, net	(3,250,000)	4,559,206
Payment for debt modification	(250,000)	–
Proceeds from issuance of common shares and warrants, net	16,310,000	1,539,315
Lease payments	(559,580)	(282,095)
Repayment of promissory note	(24,000)	(247,305)
Repayment of loan payable	–	(20,757)
Net cash provided by financing activities	<u>12,226,420</u>	<u>5,548,364</u>
Effects of exchange rate changes on cash	2,218	82
Net change in cash	3,206,904	(4,504)
Cash – beginning of period	74,800	79,304
Cash – end of period	<u>3,281,704</u>	<u>74,800</u>

Supplemental cash flow disclosures (Note 15)

(The accompanying notes are an integral part of these consolidated financial statements)

1. Nature of Operations and Going Concern

BetterLife Pharma Inc. (the “Company”) was incorporated in British Columbia under the Business Corporations Act on June 10, 2002. On December 5, 2019, the Company changed its name from Pivot Pharmaceuticals Inc. to BetterLife Pharma Inc. The Company is a biopharmaceutical company engaged in the development and commercialization of patented, differentiated and premium quality nutraceuticals and pharmaceuticals.

These consolidated financial statements have been prepared on the 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. Accordingly, no adjustments to the carrying value of the assets and liabilities have been made in these audited consolidated financial statements should the Company no longer be able to continue as a going concern. Any such adjustments could be material. As at January 31, 2020, the Company has not earned any revenue and has an accumulated deficit of \$54,660,516. The continued operations of the Company are dependent on its ability to generate future cash flows through additional financing or commercialization, which have been impacted as a result of the global outbreak of coronavirus (“COVID-19”) (Note 2(d)). Management intends to continue to pursue additional financing through issuances of equity. There is no assurance that additional funding will be available on a timely basis or on terms acceptable to the Company. In addition, the Company continues procurement of its products set to launch in the US and anticipates its US launch to continue once the current pandemic situation improves. These events or conditions indicate that a material uncertainty exists that casts substantial doubts on the company’s ability to continue as a going concern.

The head office and principal address of the Company is located at 1275 West 6th Avenue, #300, Vancouver, BC, Canada, V6H 1A6.

2. Significant Accounting Policies

(a) Basis of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee.

The preparation of these consolidated financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under United States Generally Accepted Accounting Principles (“U.S. GAAP”). The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. They also have been applied in preparing an opening IFRS statement of financial position as at February 1, 2018 for the purposes of the transition to IFRS, as required by IFRS 1 “First-Time Adoption of International Financial Reporting Standards” (“IFRS 1”). The impact of the transition from U.S. GAAP to IFRS is explained in Note 26.

These consolidated financial statements have been prepared in accordance with the accounting policies presented below and are based on IFRS and IFRIC interpretations issued and effective as of January 31, 2020.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on June 1, 2020.

2. Significant Accounting Policies (continued)

(b) Basis of Measurement and Presentation

These consolidated financial statements have been prepared on a historical cost basis, except for cash and financial instruments classified as fair value through profit or loss that have been measured at fair value, and are presented in Canadian dollars.

(c) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The consolidating entities include:

	<u>% of ownership</u>	<u>Jurisdiction</u>
BetterLife Pharma Inc. (formerly Pivot Pharmaceuticals Inc.)	Parent	Canada
Pivot Pharmaceuticals Manufacturing Corp.	100%	Canada
Pivot Green Stream Health Solutions Inc. (dissolved January 2020)	100%	Canada
BetterLife Pharma US Inc.	100%	U.S.A.
Pivot Naturals, LLC	100%	U.S.A.
Thrudermic, LLC	100%	U.S.A.
Pivot Europe Pharmaceuticals AG	100%	Lichtenstein

(d) Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. 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.

The following are the critical judgments, apart from those involving estimations, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

2. Significant Accounting Policies (continued)

Estimated useful life of long-lived assets

Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

Impairment of long-lived assets

Property and equipment and definite lived intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Indefinite lived Intangible assets, including goodwill, are tested for impairment annually. For the purposes of measuring recoverable values, assets are aggregated into cash generating units ("CGUs") based on an assessment of the lowest levels for which there are separately identifiable cash flows. The determination of individual CGUs is based on management's judgement regarding shared infrastructure, geographical proximity and similar exposure to market risk. The recoverable value is the greater of an asset's fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. An impairment loss is recognized for the value by which the asset's carrying value exceeds its recoverable value.

Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. Such determination involves certain judgements to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

Business combinations

Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. As outlined in IFRS 3 Business Combinations, the components of a business must include inputs, processes and outputs.

Determination of share-based payments

The estimation of share-based payments (including warrants and stock options) requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The model used by the Company is the Black-Scholes valuation model at the date of the grant. The Company makes estimates as to the volatility, the expected life, dividend yield and the time of exercise, as applicable. The expected volatility is based on the average volatility of share prices of similar companies over the period of the expected life of the applicable warrants and stock options. The expected life is based on historical data. These estimates may not necessarily be indicative of future actual patterns.

2. Significant Accounting Policies (continued)

Leases

Leases requires lessees to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available. The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Leases requires lessees to estimate the lease term. In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

Going concern

The global outbreak of coronavirus (“COVID-19”) has had a significant impact on businesses through the restrictions put in place by the Canadian and U.S. federal, provincial/state and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, the Company anticipates this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company’s business and financial condition. Refer to Note 1 for additional factors impacting going concern assessment done by management.

(e) Investments in Joint Arrangements

These consolidated financial statements incorporate the Company’s share of the results of its joint venture, Pivot-Cartagena Joint Venture Inc. using the equity method of accounting (Note 19). Investments in joint ventures are recognized initially at cost and adjusted thereafter to include the Company’s share of income or loss and comprehensive income on an after-tax basis. Dividends or distributions received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investments.

Investments are reviewed for impairment at each reporting period by comparing recoverable amount to carrying amount when there is an indication of impairment.

(f) Foreign Currency

The Company’s presentation currency is the Canadian dollar. The functional currency of the parent entity, BetterLife Pharma Inc. (formerly Pivot Pharmaceuticals Inc.), and its wholly-owned subsidiaries, Pivot Pharmaceuticals Manufacturing Corp. and Pivot Green Stream Health Solutions Inc., is the Canadian dollar. The functional currency of the wholly-owned U.S. subsidiaries, BetterLife Pharma US Inc., Pivot Naturals, LLC and ThruDermic, LLC, is the U.S. dollar. The functional currency of the wholly-owned European subsidiary, Pivot Europe Pharmaceuticals AG, is Swiss Francs.

2. Significant Accounting Policies (continued)

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the functional currency are translated at the exchange rates in effect at the financial position date. The resulting exchange gains and losses are recognized in profit or loss. Non-monetary assets and liabilities denominated in other than the functional currency that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in other than the functional currency are translated using the exchange rate at the date of transaction.

Foreign operations

For consolidation purposes, the assets and liabilities of foreign operations are translated to the presentation currency using the exchange rate prevailing at the financial position date. The income and expenses of foreign operations are translated to the presentation currency using the average rates of exchange during the period. All resulting exchange differences are recorded as other comprehensive income (loss) and accumulated in a separate component of shareholders' equity, described as foreign currency translation adjustment.

(g) Financial Instruments

Financial instruments - classification and measurement

Financial Assets

The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income, or (iii) at fair value through profit or loss.

• Amortized cost

Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are measured using the effective interest method. The Company's cash and amounts receivable are classified in this category.

• Fair value through other comprehensive income ("FVTOCI")

Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI.

• Fair value through profit or loss ("FVTPL")

Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI.

2. Significant Accounting Policies (continued)

Financial Liabilities

All financial liabilities are initially recognized at fair value plus or minus transactions costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL. The Company's accounts payable and accrued liabilities, due to related parties, convertible debentures and promissory notes are measured at amortized cost.

Financial instruments - impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the consolidated statements of income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- a. Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- b. Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- c. Level 3 – inputs for the asset or liability are not based on observable market data.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At January 31, 2020, January 31, 2019 and February 1, 2018, cash was measured and recognized in the consolidated statement of financial position using Level 1 inputs in the fair value hierarchy. At January 31, 2020, January 31, 2019 and February 1, 2018, there were no financial assets or liabilities measured and recognized in the consolidated statement of financial position at fair value that would have been categorized as Level 3 in the fair value hierarchy above.

(h) Cash and Cash Equivalents

Cash in the consolidated statement of financial position is comprised of cash and short-term deposits which have an original maturity of three months or less or are readily convertible into a known amount of cash. At January 31, 2020, January 31, 2019 and February 1, 2018, the Company had no cash equivalents.

2. Significant Accounting Policies (continued)

(i) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recorded using the straight-line method to depreciate the cost of property and equipment the useful lives for which an asset is expected to be available for use as follows:

Computer equipment	2 years
Equipment	5 years
Leasehold improvements	5 to 10 years
Security system	5 years

(j) Intangible Assets

Intangible assets consist of costs incurred to acquire license, patents and unpatented technology. Intangible assets are considered finite live assets and recorded at cost less accumulated amortization and accumulated impairment. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the asset. Amortization is recorded using the straight-line method and is intended to amortize the intangible assets over their estimated useful lives:

License	5 years
Patents	10 years
Unpatented technology	10 years

(k) Impairment of Long-lived Assets

At the end of each reporting period, the Company reviews the carrying amounts of long-lived assets to determine whether there is an indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (if any). The recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is determined to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the consolidated statement of loss and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

(l) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2. Significant Accounting Policies (continued)

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(m) Equity

Common shares

Common shares represent the amount received on the issue of common shares, less issuance costs, net of any underlying income tax benefit from these issuance costs. If common shares are issued when stock options and warrants are exercised, the common shares account also comprised the compensation costs previously recorded as reserves. In addition, if common shares were issued as consideration for the acquisition of a form of non-monetary assets, they are measured at their fair value according to the quoted price on the day of the conclusion of the agreement.

Unit placements

Proceeds from unit placements are allocated between common shares and share purchase warrants issued using the residual method. Proceeds are first allocated to common shares according to the quoted price of existing common shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Other elements of equity

Reserves include charges related to stock options and share purchase warrants until such stock options and share purchase warrants are exercised.

(n) Share-based Payments

The Company grants share purchase options, restricted stock units (“RSUs”), performance stock units (“PSUs”) and deferred share units (“DSUs”) under its Long-term Incentive Plan described in Note 14 to employees, consultants, directors and others providing similar services.

The fair value of share purchase options granted is measured at the grant date using an option pricing model. Subsequently, the fair value of share purchase options ultimately expected to vest is charged to operations over the vesting period. Share purchase options granted to third parties in exchange for goods or services are measured at the fair value of the goods or services received and charged to operations over the vesting period.

2. Significant Accounting Policies (continued)

The fair values of RSUs, PSUs and DSUs granted are measured at grant dates share prices and the expense is allocated over the vesting period based on the best available estimate of the number of RSUs, PSUs and DSUs expected to vest. Non-market vesting conditions are included in assumptions about the number of RSUs, PSUs and DSUs that are expected to be issued or paid. Estimates are subsequently revised if there was any indication that the number of RSUs, PSUs or DSUs expected to vest differed from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if the number of RSUs, PSUs or DSUs that are ultimately issued or paid are different to that estimated on vesting. The accumulated charges related to RSUs, PSUs and DSUs recorded in reserves are transferred to common shares on issuance of common shares in payment of vested RSUs, PSUs and DSUs.

(o) Comprehensive Income (Loss)

Comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Financial assets that are measured at FVOCI will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the consolidated statement of financial position. Certain gains and losses on the translation of amounts between the functional and presentation currency of the Company are included in other comprehensive income or loss.

(p) Loss Per Share

The Company presents the basic and diluted earnings or loss per share data for its common shares, calculated by dividing the earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings or loss per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(q) Research and Development Costs

Research costs are expensed in the period that they are incurred. Development costs are capitalized, to the extent they increase the future economic benefit embodied in the specific asset, to intangible assets.

(r) Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statements of income (loss) and comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

2. Significant Accounting Policies (continued)

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(s) **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(t) **Segment Reporting**

The Company presents and discloses segmental information based on information that is regularly reviewed by the Chief Executive Officer and the Board of Directors. The allocation of resources between the different operating segments and the assessment of the performance of the operating segments is the responsibility of the Chief Executive Officer.

The Company has determined that it has only one operating segment: development and commercialization of patented, differentiated and premium quality nutraceuticals and pharmaceuticals.

3. New Accounting Pronouncements

The Company has adopted the following new accounting standards and interpretations effective February 1, 2019, unless otherwise noted. These changes were made in accordance with the applicable transitional provisions.

3. New Accounting Pronouncements (continued)

(a) IFRS 16 – Leases (“IFRS 16”)

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. On February 1, 2019, the Company adopted IFRS 16 and applied IFRS 16 retrospectively to each prior reporting period presented.

In accordance with IFRS 16, the Company determines if an arrangement is a lease at inception based on whether there is an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset and whether the Company has the right to direct the use of the asset. The Company has operating leases, on office and facility spaces, and no financing leases. Operating lease right-of-use (“ROU”) assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. See Note 9 for further disclosures and detail regarding the Company’s operating leases.

For leases with terms greater than twelve (12) months, the Company records the related ROU asset and lease obligation at the present value of lease payments over the term. Leases may include fixed rental escalation clauses, renewal options and / or termination options that are factored into the determination of lease payments when appropriate. The Company’s leases do not provide a readily determinable implicit rate; therefore, an estimate of the Company’s incremental borrowing rate is used to discount the lease payments based on information available at the lease commencement date. The discount rate used was 14.4%.

The adoption of IFRS 16 resulted in the recognition of ROU assets of \$1,974,759 and lease liabilities of \$1,906,403 in July 2018.

The following new accounting standards and interpretations have been adopted by the Company subsequent to January 31, 2020.

(b) IAS 1 – Presentation of Financial Statements (“IAS 1”)

IAS 1 sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.

3. New Accounting Pronouncements (continued)

IAS 1 has been revised to incorporate a new definition of “material” and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors has been revised to refer to this new definition in IAS 1. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

As of February 1, 2020, the Company has adopted IAS 1 and has concluded that, based on its current operations, the adoption of IAS 1 had no significant impact on the Company’s consolidated financial statements.

(c) IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)

IAS 8 is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IAS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The amendment is effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

As of February 1, 2020, the Company has adopted IAS 8 and has concluded that, based on its current operations, the adoption of IAS 8 had no significant impact on the Company’s consolidated financial statements.

4. Asset Acquisitions

(a) ThruDermic Transdermal Nanotechnology

On March 2, 2018, the Company entered into an exchange agreement with ThruDermic, LLC (“ThruDermic”) and the members of ThruDermic whereby the Company paid US\$1.00 for the issued and outstanding units of ThruDermic and issued 500,000 common shares (Note 12(i)) to the members of ThruDermic for their intellectual property portfolio, including unpatented technology, goodwill and know-how in connection with the ThruDermic Transdermal Nanotechnology.

The Company evaluated this acquisition in accordance with IFRS 3, Business Combinations to discern whether the assets and operations of ThruDermic met the definition of a business. The Company concluded there were not a sufficient number of key processes obtained to develop the inputs into outputs, nor could such processes be easily obtained by the Company. Accordingly, the Company accounted for this transaction as an asset acquisition at a cost of \$830,000 (Note 8).

4. Asset Acquisitions (continued)

(b) Ready-to-Infuse Cannabis Patents (“RTIC Patents”)

On February 28, 2018, the Company completed the acquisition of Pivot Naturals, LLC (previously ERS Holdings, LLC) (“Pivot Naturals”) pursuant to an exchange agreement dated as of February 10, 2018. As consideration for the purchase, the Company paid \$430,420 (US\$333,333) in cash on closing, issued 5,000,000 common shares (Note 12(h)) and will pay an additional US\$333,333 six (6) and twelve (12) months after closing. On September 28, 2018, a payment of \$429,370 (US\$326,666), representing a portion of the payment due six (6) months after closing, was made. The Company extended the payment date for the payment due twelve (12) months after closing from February 28, 2019 to May 31, 2019. As consideration for the extension, the Company issued 60,515 common shares (Note 12(c)) and paid \$14,266 (US\$10,832) in cash. On May 17, 2019, all outstanding consideration related to the purchase of Pivot Naturals was made.

Pursuant to the acquisition of Pivot Naturals, the Company acquired a patented technology called “RTIC” Ready-To-Infuse-Cannabis, relating to the transformation of cannabis oil into powder for infusion into a variety of products. If certain conditions are met, the Company may be obligated to pay royalties on future annual net sales utilizing the RTIC Patents.

The Company evaluated this acquisition in accordance with IFRS 3, Business Combinations to discern whether the assets and operations of Pivot Naturals met the definition of a business. The Company concluded there were not a sufficient number of key processes obtained to develop the inputs into outputs, nor could such processes be easily obtained by the Company. Accordingly, the Company accounted for this transaction as an asset acquisition.

The consideration transferred, assets acquired and liabilities assumed recognized are as follows:

Consideration paid:	\$
Cash paid	430,420
Cash to be paid	778,662
Common shares issued	6,650,000
Transaction costs	154,951
Total purchase price	<u>8,014,033</u>
Net assets acquired:	\$
Cash	2,779
Equipment	5,213
Ready-to-infuse cannabis (“RTIC”) patents	8,008,411
Accounts payable and accrued liabilities	<u>(2,370)</u>
Net value of business purchased	<u>8,014,033</u>

4. Asset Acquisitions (continued)

(c) Solmic Patents (“Solmic Patents”)

On October 22, 2019, the Company entered into a contract to acquire SolMic AG (“Solmic AG”). Consideration for the acquisition included CHF 10,000 to be paid in cash (paid in March 2020). In connection with the acquisition, the Company entered into an assignment agreement to assign a patented technology called “Solmic” for payments totalling EUR 50,000, of which EUR 11,900 deposit was paid in January 2020, recorded in prepaids and other assets, and the remainder balance remitted in March 2020.

The Company evaluated this acquisition in accordance with IFRS 3, Business Combinations to discern whether the assets and operations of Solmic AG met the definition of a business. The Company concluded there were not a sufficient number of key processes obtained to develop the inputs into outputs, nor could such processes be easily obtained by the Company. Accordingly, the Company will account for this transaction as an asset acquisition. No asset was recognized at January 31, 2020 because the Company did not have title to the assets yet. The assignment of the patent technology was completed subsequent to year-end.

5. Asset Abandonment

During the year, the Company’s board and management decided to forego its US cannabis operations that were initially intended to be held in Pivot Naturals. The Company is focusing its efforts on manufacturing and distributing hemp and non-hemp-based CBD products to states where regulations permit and on commercializing AP-003 (Note 25(f)). Due to the change in the strategic direction of the Company, management determined that several assets initially held for US operations purposes had a recoverable value of \$nil and were, therefore, impaired for a total amount of \$1,303,278 in its consolidated statements of comprehensive loss (2019 - \$nil). The main asset impaired relates to the right-of-use asset previously recognized relating to the lease on 3595 Cadillac Avenue.

Pursuant to a Settlement Agreement and Release Agreement signed on February 13, 2020 (see Note 25(a)), in April 2020, 100% of the Company’s membership interest in Pivot Naturals LLC was assigned to Goodbuzz Inc.

6. Cash - Restricted

Restricted cash includes cash held at the Supreme Court of British Columbia pursuant to the claim from Green Stream Botanicals Corp. (“GSB”) (Note 20(a)).

7. Equipment

Cost	Computer Equipment \$	Equipment \$	Leasehold Improvements \$	Security System \$	Total \$
Balance, February 1, 2018	–	–	–	–	–
Exchange agreement (Note 4(b))	–	5,213	–	–	5,213
Effect of foreign exchange rate changes	–	94	–	–	94
Balance, January 31, 2019	–	5,307	–	–	5,307
Additions	7,349	65,698	200,084	269,611	542,742
Impairment	–	(5,213)	–	–	(5,213)
Effect of foreign exchange rate changes	–	(94)	–	–	(94)
Balance, January 31, 2020	<u>7,349</u>	<u>65,698</u>	<u>200,084</u>	<u>269,611</u>	<u>542,742</u>
Accumulated Depreciation					
Balance, February 1, 2018	–	–	–	–	–
Depreciation	–	1,135	–	–	1,135
Effect of foreign exchange rate changes	–	10	–	–	10
Balance, January 31, 2019	–	1,145	–	–	1,145
Depreciation	306	2,615	–	–	2,921
Impairment	–	(1,312)	–	–	(1,312)
Effect of foreign exchange rate changes	–	(257)	–	–	(257)
Balance, January 31, 2020	<u>306</u>	<u>2,191</u>	<u>–</u>	<u>–</u>	<u>2,497</u>
Net book value, January 31, 2020	<u>7,043</u>	<u>63,507</u>	<u>200,084</u>	<u>269,611</u>	<u>540,245</u>
Net book value, January 31, 2019	<u>–</u>	<u>4,162</u>	<u>–</u>	<u>–</u>	<u>4,162</u>
Net book value, February 1, 2018	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

During the year ended January 31, 2020, the Company impaired lab equipment and recorded a loss on impairment of \$3,901 (2018 - \$nil) in its consolidated statements of comprehensive loss.

8. Intangible Assets

Cost	BiPhasix License \$	Thrudermic Non-Patented Technology \$	RTIC Patents \$	Total \$
Balance, February 1, 2018	319,174	–	–	319,174
Exchange agreements (Notes 4(a) and 4(b))	–	830,000	8,008,411	8,838,411
Effect of foreign exchange rate changes	–	–	128,866	128,866
Balance, January 31, 2019	319,174	830,000	8,137,277	9,286,451
Impairment	–	–	(8,202,900)	(8,202,900)
Effect of foreign exchange rate changes	–	–	65,623	65,623
Balance, January 31, 2020	319,174	830,000	–	1,149,174
Accumulated Amortization and Impairment Losses				
Balance, February 1, 2018	30,825	–	–	30,825
Amortization	79,793	74,325	745,398	899,516
Effect of foreign exchange rate changes	–	–	6,288	6,288
Balance, January 31, 2019	110,618	74,325	751,686	936,629
Amortization	80,173	83,000	820,290	983,463
Impairment	–	–	(1,577,654)	(1,577,654)
Effect of foreign exchange rate changes	–	–	5,678	5,678
Balance, January 31, 2020	190,791	157,325	–	348,116
Net book value, January 31, 2020	128,383	672,675	–	801,058
Net book value, January 31, 2019	208,556	755,675	7,385,591	8,349,822
Net book value, February 1, 2018	288,349	–	–	288,349

The Company performed an assessment to determine if there were any indications of impairment of its intangible assets and concluded that factors indicated impairment within its RTIC Patents. With the assignment of Pivot Naturals (Notes 5 and 25(a)), the Company exited the cannabis industry in California. As a result of the exit, the Company has reduced its expectations of cash flows from the use of the RTIC Patents. The Company recorded an impairment loss on its RTIC Patents (Note 4(b)) of \$6,625,246.

Weighted average life remaining on intangible assets is 7.1 years.

8. Intangible Assets (continued)

BiPhasix License

On September 12, 2017, the Company entered into a licensing agreement with Altum Pharmaceuticals Inc. ("Altum"), a party related, at that date, by way of common officers (Note 17), whereby the Company acquired worldwide rights to the BiPhasix™ transdermal drug delivery technology for the development and commercialization of cannabinoids, cannabidiol and tetrahydrocannabinol products. Consideration included:

- 1) Issuance of 2,500,000 common shares on September 12, 2017 valued at \$319,174, which was recorded as an intangible asset with a corresponding credit to common shares;
- 2) Issuance of 2,500,000 common shares of the Company upon Health Canada Natural Product Number approval (not yet issued as of the date of this report);
- 3) Royalties on annual gross sales; and
- 4) For pharmaceutical products, milestone payments payable upon first Investigative New Drug Approval, upon positive outcome of Phase II trial in first indication, and upon New Drug Application approval. As of January 31, 2020, no milestones have been achieved.

9. Operating Leases

All the operating leases of the Company relate to building leases.

On October 31, 2019, the Company entered into a lease agreement, effective November 1, 2019 and expiring on April 30, 2025, for 285-295 Kesmark Street in Quebec, Canada and a sub-lease agreement, effective November 1, 2019, as sub-lessor of 285 Kesmark Street. Until October 31, 2019, the Company was a sub-lessee of 295 Kesmark Street and this sub-lease agreement terminated effective November 1, 2019. During the year ended January 31, 2020, the Company wrote-off its security deposit under the original sub-lease agreement. An impairment of \$24,454 (2019 - \$nil) has been included in the Company's consolidated statements of comprehensive loss.

As of January 31, 2020, the Company is also a lessee in a lease at 3595 Cadillac Avenue in California, U.S.A, with expiry of July 14, 2023 and which has been assigned subsequent to January 31, 2020 together with the assignment of Pivot Naturals. The related ROU asset was impaired at January 31, 2020 upon management's decision to exit the US cannabis market (Note 5).

9. Operating Leases (continued)

	Right-of-use Assets \$
Balance, February 1, 2018	–
Adoption of IFRS 16 (Note 3(a))	1,974,759
Amortization	(235,587)
Effect of foreign exchange rate changes	(3,826)
Balance, January 31, 2019	1,735,346
Additions	3,330,947
Disposal – ROU asset	(466,839)
Disposal – Accumulated amortization on ROU asset	339,519
Impairment of ROU asset	(1,276,779)
Amortization on ROU asset	(421,984)
Effect of foreign exchange rate changes	11,428
Balance, January 31, 2020	3,251,638

The Company disposed of ROU asset net of accumulated amortization of \$127,320 related to termination of its sub-lease on 295 Kesmark Street on October 31, 2019. During the year ended January 31, 2020, the Company recorded \$60,482 (2019 - \$nil) of sub-lease income related to the sub-lease of 285 Kesmark Street, which has been offset against amortization on ROU asset in the consolidated statements of comprehensive loss.

	Lease Liability \$	Current \$	Long-term \$
Balance, February 1, 2018	–		
Adoption of IFRS 16 (Note 3(c))	1,906,403		
Lease liability expense	155,051		
Lease payments	(282,095)		
Effect of foreign exchange rate changes	(3,244)		
Balance, January 31, 2019	1,776,115	(367,629)	1,408,488
Additions	3,246,553		
Disposal	(118,200)		
Lease liability expense	347,446		
Lease payments	(559,580)		
Effect of foreign exchange rate changes	9,958		
Balance, January 31, 2020	4,702,292	(68,138)	4,634,154

9. Operating Leases (continued)

The table below summarizes the remaining expected lease payments under operating leases as of January 31, 2020:

<u>Fiscal Years</u>	<u>\$</u>
2021	741,318
2022	781,611
2023	832,880
2024	884,399
2025	936,179
Thereafter	5,030,874
Less: imputed interest	<u>(4,504,969)</u>
Present value of operating lease liabilities	<u>4,702,292</u>

10. Convertible Debenture

	<u>January 31,</u> <u>2020</u> <u>\$</u>	<u>January 31,</u> <u>2019</u> <u>\$</u>	<u>February 1,</u> <u>2018</u> <u>\$</u>
March 2, 2018 note	–	3,476,690	–
	–	3,476,690	–

On March 2, 2018, the Company issued convertible debentures with two non-related parties totaling \$5,000,000. The debentures were secured under a General Security Agreement, bore interest at 10% per annum payable quarterly and matured on March 2, 2019. The notes were convertible into common shares at a conversion price equal to \$1.74 per common share. The Company issued 172,413 share purchase warrants with an exercise price of \$1.74 and three year expiry as finder's fee for the convertible debentures. The effective interest rate had been determined as 29% per annum after deducting all the loan discounts.

On October 22, 2018, \$1,500,000 of the convertible debentures were settled through the issuance of 3,750,000 units of the Company with each unit consisting of one common share and one share purchase warrant with an exercise price of \$0.60 and three year expiry. The common shares issued were valued at \$0.43 per share and warrants issued were valued at \$0.26 per warrant for total value of \$2,600,856. The fair value of warrants was calculated using volatility of 110%, interest-free rate of 2.30%, nil expected dividend yield and expected life of 3 years. The Company considered the settlement to be an extinguishment of the \$1,500,000 of the convertible debentures and recorded a loss on extinguishment of debentures of \$1,240,773 during the year ended January 31, 2019.

On October 22, 2018, the Company modified the conversion price on the remainder of the convertible debentures, totaling \$3,500,000, to \$0.42 per common share. The Company did not consider the modification to be an extinguishment of the \$3,500,000 of the convertible debentures.

10. Convertible Debenture (continued)

On March 2, 2019, the Company repaid \$750,000 of the convertible debentures and extended the maturity of the remainder of the convertible debentures to June 2, 2019 for an extension fee of \$250,000. The Company considered the extension to be a modification of the convertible debentures. The effective interest rate for the remaining terms of the convertible debentures had been determined as 46% per annum.

On May 16, 2019, the Company issued 595,238 common shares pursuant to the conversion of \$250,000 of the Company convertible debentures (Note 12(g)). On the same date, the Company repaid the remaining principal amount of the convertible debentures of \$2,500,000. Interest accretion expense on convertible debentures for the years ended January 31, 2020 and 2019 was \$380,754 and \$1,078,141, respectively.

11. Promissory Note

	January 31, 2020 \$	January 31, 2019 \$	February 1, 2018 \$
Principal (Note 11(a))	–	–	247,305

(a) Promissory Note – Former Chief Executive Officer

On September 11, 2017, the Company completed an exchange agreement whereby the Company exchanged with its past Chief Executive Officer 100% of its common shares of its wholly-owned subsidiary, IndUS Pharmaceuticals, Inc. (“IndUS”), for 3,800,000 common shares of the Company. Pursuant to the exchange agreement, the Company provided its former Chief Executive Officer a promissory note in the amount of \$242,560 (US\$200,000) in discharge of all obligations with respect to the former Chief Executive Officer’s accrued salary totaling \$324,141 through September 11, 2017.

The promissory note bore interest at 8% per annum. Principal and accrued interest were due on the earlier of: 1) 30 days after the completion of a financing of at least \$2,000,000 and (ii) September 10, 2027, provided that if repayment occurs prior to the second anniversary date, all interest will be waived. On March 2, 2018, the Company issued senior secured convertible debentures for gross proceeds of \$5,000,000 (Note 10). Accordingly, accrued interest being waived, principal was due and repaid on March 30, 2018.

(b) Promissory Note – Altum

On February 16, 2018, the Company issued a promissory note of up to \$520,000, bearing interest at 10% per annum to Altum, a party related, at that date, by way of common officers, and maturing on May 15, 2018. On February 19 and March 1, 2018, \$250,000 and \$252,464 were advanced to the Company. On March 2, 2018, the Company repaid the principal amount and accrued interest on the note totaling \$503,285.

11. Promissory Note (continued)

(c) Promissory Note – Third Party

On March 5, 2019, the Company issued a promissory note of \$300,000, bearing interest at 10% per annum and maturing on September 5, 2019. Pursuant to the issuance of this promissory note, the Company issued 100,000 common shares as a loan origination fee (Note 12(a)) and incurred cash finders' fee of \$24,000.

Interest expense for the years ended January 31, 2020 and 2019 was \$7,159 and \$nil, respectively. On May 31, 2019, the Company repaid the principal amount and accrued interest on the promissory note totaling \$307,159.

12. Common Shares

Unlimited number of common shares without par value

During the year ended January 31, 2020:

- (a) In March 2019, the Company issued 100,000 common shares, with fair value totalling \$20,000, to a third party as a loan origination fee (Note 11(c)). During the year ended January 31, 2020, the Company issued 1,035,714 common shares, with fair value totalling \$170,000, to third parties for services provided. Fair values of services were determined using the fair values of the common shares issued as values of services provided could not be estimated reliably. The Company also issued 41,667 common shares, with fair value totalling \$10,000, to a past director and officer for services provided.
- (b) On March 23, 2019, the Company issued 1,000,000 common shares to a third party for settlement of accounts payable and 690,323 common shares to directors and officers to settle outstanding compensation. Losses on settlement of \$60,000 and \$34,315 have been recorded within consulting fees and wages, salaries and employment expenses, respectively, in the consolidated statements of comprehensive loss.
- (c) On April 8, 2019, the Company issued 60,515 common shares as an extension fee for an outstanding obligation (Note 4(b)).
- (d) On April 8, 2019, a private placement was closed for an aggregate of 6,950,000 units, consisting of one common share and one share purchase warrant, at price of \$0.20 per unit, for gross proceeds of \$1,390,000. Each share purchase warrant entitles the holder to purchase one common share at a price of \$0.30 per share and has an expiry term of three (3) years. Finders' fees consisted of cash payments of \$80,000 and issuance of 508,000 common shares and 108,000 share purchase warrants entitling the holders to purchase one common share at a price of \$0.30 per share and with an expiry term of three (3) years. The residual method was used to allocate the proceeds between the common shares and the warrants which resulted in a value of \$nil allocated to the warrants.

12. Common Shares (continued)

- (e) On May 15, 2019, the first tranche of a private placement was closed for an aggregate of 46,132,000 units, consisting of one common share and one share purchase warrant, at price of \$0.25 per unit, for gross proceeds of \$11,533,000. On May 30, 2019, the last tranche of this private placement was closed for an aggregate of 13,868,000 units, consisting of one common share and one share purchase warrant, at price of \$0.25 per unit, for gross proceeds of \$3,467,000. Each share purchase warrant entitles the holder to purchase one common share at a price of \$0.35 per share and has an expiry term of two (2) years. The residual method was used to allocate the proceeds between the common shares and the warrants which resulted in a value of \$nil allocated to the warrants.
- (f) Pursuant to the private placement on May 15, 2019 (Note 12(e)), the Company issued 4,200,000 units, consisting of one common share and one share purchase warrant entitling the holder to purchase one common share at a price of \$0.35 per share and with an expiry term of two (2) years, as share issuance costs. Fair values of services were determined using the fair values of the common shares issued, being \$0.445 per share, as values of services provided could not be estimated reliably. The Company used the Black-Scholes option pricing model in order to value the warrants (refer to Note 13).
- (g) On May 16, 2019, the Company issued 595,238 common shares pursuant to the conversion of \$250,000 of the Company's convertible debentures (Note 10).

During the year ended January 31, 2019:

- (h) On February 28, 2018, 5,000,000 common shares, with fair value of \$6,650,000, were issued pursuant to the exchange agreement with Pivot Naturals and the members of Pivot Naturals (Note 4(b)).
- (i) On March 2, 2018, 500,000 common shares, with fair value of \$830,000, were issued pursuant to the exchange agreement with Thrudermic and the members of Thrudermic (Note 4(a)).
- (j) During the year ended January 31, 2019, the Company issued 920,178 common shares, with fair value totaling \$508,938, to third parties for services rendered. 35,714 common shares, with fair value of \$10,000, remain to be issued as at January 31, 2019 and were issued on March 23, 2019. Fair values of services were determined using the fair values of the common shares issued as values of services provided could not be estimated reliably.
- (k) During the year ended January 31, 2019, the Company issued 277,691 common shares, with fair value totaling \$154,497, as compensation pursuant to employment agreements entered into as part of the acquisitions of the Thrudermic (Note 4(a)) and Pivot Naturals (Note 4(b)).
- (l) On October 22, 2018, 3,750,000 units of the Company, with each unit consisting of one common share and one share purchase warrant with an exercise price of \$0.60 and three year expiry, were issued pursuant to settlement of \$1,500,000 of convertible debentures (Note 10).
- (m) In October and November 2018, 4,078,250 units of the Company, with each unit consisting of one common share and one share purchase warrant with an exercise price of \$0.60 and three year expiry, were issued for subscription proceeds of \$1,631,300. Pursuant to the private placement, the Company paid finders' fee of \$88,104 in cash and issued 220,260 share purchase warrants with an exercise price of \$0.60 and three year expiry. Other share issue costs totaled \$6,591.

13. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price \$
Balance, February 1, 2018	265,125	0.45
Granted	8,220,923	0.62
Balance, January 31, 2019	8,486,048	0.62
Granted (Notes 12(d), 12(e) and 12(f))	71,258,000	0.35
Expired	(265,125)	(0.45)
Balance, January 31, 2020	79,478,923	0.38

As at January 31, 2020, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price \$	Expiry Date
172,413	1.74	March 1, 2021
3,353,250	0.60	September 21, 2021
8,000	0.60	October 1, 2021
907,260	0.60	October 18, 2021
3,780,000	0.60	October 22, 2021
7,058,000	0.30	March 16, 2022
46,132,000	0.35	May 14, 2021
18,068,000	0.35	May 29, 2021
79,478,923		

The fair value of warrants issued pursuant to the private placement on May 15, 2019 (Note 12(e)) was estimated using the Black-Scholes option pricing model and the following assumptions:

- Date of grant: May 30, 2019
- Risk free interest rate: 1.48%
- Volatility: 85%
- Market price of common shares on grant date: \$0.445
- Expected dividends: Nil%
- Expected life: Two (2) years
- Exercise price: \$0.35

14. Long-term Incentive Plans

Effective October 1, 2019, the Company adopted a long-term incentive plan. Under this plan, the Company may grant share purchase options, RSUs, PSUs or deferred share units to its directors, officers, employees and consultants up to an amount as determined by the Company and will be no more than 10% of its outstanding common shares on a fully-diluted basis. The exercise price of the share purchase options will be determined by the Company and will be no less than market price on grant date.

(a) Restricted Stock Units

The following table summarizes the continuity of the Company’s RSUs:

	<u>Number of RSUs</u>
Outstanding, January 31, 2019 and February 1, 2018	–
Granted (Note 17(a))	<u>2,750,000</u>
Outstanding, January 31, 2020	<u>2,750,000</u>

The fair value of share-based payment expense was determined using market value of the share price on grant date. RSUs are settled by delivery of a notice of settlement by the RSU holder or, if no notice of settlement is delivered, on the last vesting date. At January 31, 2020, 83,334 RSUs were vested (January 31, 2019 and February 1, 2018 – nil). For the years ended January 31, 2020 and 2019, share-based payments related to RSUs totaling \$171,011 and \$nil, respectively, have been recorded in salaries, wages and employment expenses in the Company’s consolidated statements of comprehensive loss.

(b) Performance Stock Units

The following table summarizes the continuity of the Company’s performance stock units (“PSUs”):

	<u>Number of RSUs</u>
Outstanding, January 31, 2019 and February 1, 2018	–
Granted (Notes 17(a))	<u>750,000</u>
Outstanding, January 31, 2020	<u>750,000</u>

The fair value of share-based payment expense was estimated as follows: 1) Non-market performance conditions were determined using market value of the share price on grant date, and 2) Market-based performance conditions were determined using the Monte Carlo pricing model and the following assumptions:

- Date of grant: November 14, 2019
- Risk free interest rate: 1.57%
- Volatility: 90%
- Market price of common shares on grant date: \$0.135
- Expected dividends: Nil%
- Expiry date: 3 years
- Volume weighted average price: \$0.35

14. Long-term Incentive Plans (continued)

PSUs vest as follows: 250,000 PSUs vest on November 14, 2019, 250,000 PSUs vest upon financing greater than \$2,500,000 (non-market performance condition) and 250,000 PSUs vest on the date the Company's volume weighted average price for five consecutive trading days is greater than or equal to \$0.35 (market-based performance condition).

During the year ended January 31, 2020, vesting provisions of PSUs were amended to the following: 187,500 PSUs vest on November 14, 2019, 281,500 PSUs vest upon financing greater than \$2,500,000 obtained before July 30, 2020 and 281,500 PSUs vest on March 31, 2021.

PSUs are settled by delivery of a notice of settlement by the PSU holder. At January 31, 2020, 187,500 PSUs were vested (January 31, 2019 and February 1, 2018 – nil). For the years ended January 31, 2020 and 2019, share-based payments related to PSUs totaling \$61,013 and \$nil, respectively, have been recorded in salaries, wages and employment expenses in the Company's consolidated statements of comprehensive loss.

(c) Share Purchase Options

The following table summarizes the continuity of the Company's share purchase options:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life (years)</u>
Outstanding, February 1, 2018	13,620,833	0.46	3.26
Granted	300,000	1.25	4.32
Forfeited	<u>(229,000)</u>	<u>(0.43)</u>	<u>–</u>
Outstanding, January 31, 2019	13,691,833	0.46	3.26
Granted (Notes 17(a))	8,075,000	0.32	4.38
Forfeited/cancelled (Note 17(a))	<u>(7,041,833)</u>	<u>(0.50)</u>	<u>–</u>
Outstanding, January 31, 2020	<u>14,725,000</u>	<u>0.38</u>	<u>3.08</u>

14. Long-term Incentive Plans (continued)

Additional information regarding share purchase options as of January 31, 2020, is as follows:

<u>Options Outstanding</u>	<u>Options Exercisable</u>	<u>Exercise Price</u> <u>\$</u>	<u>Expiry Date</u>
2,000,000	2,000,000	0.14	December 14, 2020
2,550,000	2,550,000	0.97	February 22, 2021
2,000,000	2,000,000	0.13	December 14, 2021
100,000	100,000	0.50	November 14, 2022
2,700,000	2,025,000	0.40	June 11, 2024
750,000	562,500	0.39	July 1, 2024
1,100,000	154,169	0.32	September 3, 2024
100,000	50,000	0.26	September 29, 2024
150,000	75,000	0.16	October 15, 2024
150,000	75,000	0.25	October 15, 2024
75,000	–	0.15	November 3, 2024
2,650,000	950,000	0.25	November 13, 2024
200,000	50,000	0.25	December 26, 2024
100,000	–	0.25	January 20, 2023
100,000	–	0.25	January 21, 2025
<u>14,725,000</u>	<u>10,591,669</u>		

The fair value of share-based payment expense was estimated using the Black-Scholes option pricing model and the following assumptions:

- Dates of grant: June 12, 2019 to January 22, 2020
- Risk free interest rate: 1.40% to 1.46%
- Volatility: 93% to 112%
- Market price of common shares on grant date: \$0.11 to \$0.40
- Expected dividends: Nil%
- Expected life: Three (3) to five (5) years
- Exercise price: \$0.15 to \$0.40

Fair values of the options at each measurement date ranged between \$0.04 to \$0.32. As the Company does not have sufficient historical share price information, expected volatilities were determined using historical volatilities of comparable companies. For the years ended January 31, 2020 and 2019, share-based payments related to share purchase options totaling \$1,365,631 and \$31,566, respectively, have been recorded in the Company's consolidated statements of comprehensive loss. \$347,218 of share-based payment expense have yet to be recognized and will be recognized in future periods.

15. Supplemental Cash Flow Disclosures

	January 31, 2020 \$	January 31, 2019 \$
Components of cash:		
Cash	2,681,704	74,800
Cash – restricted	600,000	–
	<u>3,281,704</u>	<u>74,800</u>
	January 31, 2020 \$	January 31, 2019 \$
Supplemental disclosures:		
Interest paid	415,964	473,849
Income tax paid	–	–
Non-cash investing and financing activities:		
Common shares issued/issuable for services	185,129	673,435
Common shares issued for settlement of accounts payable	338,064	–
Common shares issued for loan origination fees	20,000	–
Common shares issued for conversion of debentures	261,821	–
Common shares issued for intangible assets	–	7,480,000
Common shares issued as share issue costs	1,996,000	–
Units issued for settlement of convertible debentures	–	1,668,226
Warrants issued for finder’s fee	1,001,565	174,813
Beneficial conversion feature related to convertible debentures	–	185,753

16. Loss on Impairments and Write-off of Inventory and Other

- (a) On September 19, 2019, the Company entered into a loan agreement with principal amount of €150,000, term of six months and interest rate of 18% per annum. On January 31, 2020, the Company impaired the loan receivable and accrued interest. The carrying amount of the loan principal and accrued interest as at January 31, 2020 is \$nil (January 31, 2019 and February 1, 2018 - \$nil and \$nil, respectively). A loss on impairment of \$176,452 has been included in the consolidated statements of comprehensive loss for the year ended January 31, 2020 (2019 - \$nil).
- (b) In February 2020, the Company terminated the acquisition of IAMHEALTH CBD UG (“IAH”) (Note 25(c)). The Company impaired an advance made to IAH and recorded a loss on impairment of \$36,635 in its consolidated statements of comprehensive loss (2019 - \$nil).
- (c) In May 2019, the Company advanced \$1,441,600 to SolMic GmbH (“Solmic GmbH”), a Dusseldorf, Germany based developer and manufacturer of nutraceuticals, cosmeceuticals, and pharmaceuticals for its initial production order for micellized cannabinoid solution. Solmic GmbH entered into insolvency proceedings and has been restructured. As management does not expect that the Company will be able to recover its payments that had been classified as prepaid inventory and prepaid expense, the Company recorded write-offs of \$480,480 and \$961,120, respectively, in its consolidated statements of comprehensive loss as at January 31, 2020 (2019 - \$nil).

17. Related Party Transactions

(a) Key Management and Director Compensation

During the year ended January 31, 2020, compensation of key management and directors, including former key management and directors, of the Company totaled \$1,509,822 (2019 - \$1,072,373), and consisted of salaries and consulting fees paid in cash and common shares issued. The Company granted 6,950,000 share purchase options, 2,750,000 RSUs and 750,000 PSUs during the year ended January 31, 2020 (2018 –nil, nil and nil, respectively) valued at \$1,488,857 to key management and directors. Key management includes those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company.

As at January 31, 2020, the Company owed \$16,647 to key management and directors (January 31, 2019 - \$281,587; February 1, 2018 - \$12,421).

(b) Other Related Party Transactions

On September 12, 2017, the Company entered into a licensing agreement with Altum, a party related, at that date, by way of common officers, whereby the Company acquired worldwide rights to the BiPhasix™ transdermal drug delivery technology for the development and commercialization of cannabinoids, cannabidiol and tetrahydrocannabinol products (Note 8). As at January 31, 2020, the Company owed Altum \$nil (January 31, 2019 - \$48,896; February 1, 2018 - \$6,562) for expenses paid on behalf of the Company.

18. Income Tax

The income tax benefit differs from the amount computed by applying federal and provincial/state statutory rates to net loss before income taxes for the years ended January 31, 2020 and 2019, respectively, as a result of the following:

	January 31, 2020	January 31, 2019
	\$	\$
Net loss before taxes	(19,588,762)	(9,254,790)
Statutory rate	27.00%	27.00%
Expected tax recovery	(5,288,966)	(2,498,793)
Foreign tax rate differences	(36,227)	(23,235)
Permanent differences and other	194,935	130,163
Change in deferred tax assets not recognized	5,130,258	2,391,865
Income tax provision	–	–

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes.

18. Income Tax (continued)

Deferred tax assets (liabilities) and unrecognized deductible temporary differences at January 31, 2020 and 2019 are comprised of the following:

	2020	2019
	\$	\$
Right-of-use assets - CDA	(877,943)	(85,941)
Lease liability - CDA	886,753	85,201
Right-of-use assets – USA	–	(396,773)
Lease liability - USA	–	397,939
Non-capital loss – CDA	8,150	740
Equipment - CDA	(16,960)	–
Equipment – USA	(17,781)	(1,166)
Tax loss carryforwards - USA	17,781	–
Net deferred tax asset (liability)	–	–
	2020	2019
	\$	\$
Tax loss carryforwards - CDA	24,293,651	14,909,045
Tax loss carryforwards - USA	10,303,206	1,884,739
Tax loss carryforwards – Other	400,570	–
Intangible assets - CDA	119,978	53,954
Intangible assets - USA	–	299,235
Equipment - CDA	–	343
Lease liability - USA	1,418,024	39,346
Financing costs - CDA	3,568,281	1,478,132
Capital loss – CDA	568,786	–
Total unrecognized deductible temporary differences	40,672,496	18,664,794

The Company has non-capital loss carryforwards, for which no deferred tax asset has been recognized of approximately \$24,293,651 (2019: \$14,909,045) which may be carried forwards to apply against future income for Canadian income tax purpose, subject to the final determination by tax authorities, expiring in the following years:

Expiry Date	Non-Capital Loss \$
2029	125,962
2030	77,975
2031	139,450
2032	657,883
2034	687,128
2035	1,457,190
2036	4,637,504
2037	1,267,151
2038	887,990
2039	5,061,569
2040	9,293,849
	24,293,651

As at January 31, 2020, the Company's US net operating loss carryforwards total \$10,303,206 (2019 - \$1,884,739). These losses can be carried forward indefinitely. As at January 31, 2020, the Company's Liechtenstein net operating loss carryforwards total \$400,570 (2019 - \$nil). These losses can be carried forward indefinitely, but the carryover is limited to 70% of taxable net gain.

19. Joint Venture

On December 17, 2018, the Company entered into a joint venture arrangement whereby the Company holds 50% of the issued and outstanding shares of Pivot-Cartagena JV. Pivot-Cartagena JV will develop and commercialize cannabis-infused non-alcoholic beverages using the industry expertise of its joint venture partner. The Company and its joint venture partner each have 50% interest in the net assets and net income or loss of Pivot-Cartagena JV.

As of January 31, 2020, the Company has not made any investment related to Pivot-Cartagena JV. During the years ended January 31, 2020 and 2019, there were no balances or transactions related to Pivot-Cartagena JV.

20. Commitments and Contingencies

- (a) In September 2019, the Company was served with a claim from Green Stream Botanicals Corp. (“GSB”) for a finder’s fee in the amount of \$600,000 in relation to the non-brokered private placements totaling \$15 million (Note 12(e)). The Company believes no service was performed by GSB and intends to vigorously defend these claims. The Company has not accrued this amount as of January 31, 2020 as management is not able to assess the likelihood of payment.
- (b) In November 2019, the Company’s former Chief Executive Officer filed an originating application with the Superior Court in the province of Quebec for damages stemming from a termination of employment. The former Chief Executive Officer is seeking payment of amounts totaling approximately \$1 million, exercisability of his stock options until the original expiry dates, issuance of six (6) million stock options and an order that the Company not issue further common shares. The Company believes the claim is unfounded and intends to vigorously defend these claims. The Company has not accrued any amounts as of January 31, 2020 as management is not able to assess the likelihood of payment.
- (c) In January 2020, an injunction was filed against the Company in the Superior Court of Quebec by Bio V Pharma Inc. (“BioV”) seeking provisional orders in respect of the premises sub-leased at 285 Kesmark Street (Note 9) and damages of approximately \$395,000, which the Company intends on defending. The Company and BioV have, without prejudice or admission, settled the provisional injunction portion of the application while reserving their respective rights on interlocutory injunction and on the merits of the application. The Company has not accrued this amount as of January 31, 2020 as management is not able to assess the likelihood of payment.

21. Operating Segment

The Company operates in one industry segment, development and commercialization of patented, differentiated and premium quality nutraceuticals and pharmaceuticals, within three geographical areas, Canada, U.S and the E.U.

	<u>Canada</u>	<u>U.S.</u>	<u>E.U.</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Year ended January 31, 2020				
Revenue	–	–	–	–
Net loss	9,601,318	9,586,874	400,570	19,588,762
Year ended January 31, 2019				
Revenue	–	–	–	–
Net loss	6,938,926	2,315,864	–	9,254,790
As at January 31, 2020				
Total assets	8,068,874	68,875	113,030	8,250,779
Total liabilities	4,130,536	1,451,065	12,617	5,594,218
As at January 31, 2019				
Total assets	1,468,408	8,838,342	–	10,306,750
Total liabilities	5,010,499	1,800,739	–	6,811,238
As at February 1, 2018				
Total assets	471,826	–	–	471,826
Total liabilities	527,618	–	–	527,618

22. Fair Value Measurements

Financial assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. The three levels are defined based on the observability of the significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and,
- Level 3: unobservable inputs for the assets or liabilities.

The Company does not have any financial instruments measured using Level 3 inputs. The carrying amounts of cash, amounts receivable from its sub-lease of 285 Kesmark Street (Note 9), accounts payable and accrued liabilities, convertible debentures, promissory note and acquisition obligation are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

23. Management of Financial Risk

The Company's financial instruments are exposed to certain risks, including credit risk, interest rate risk, liquidity risk and currency risk.

(a) Credit risk

Credit risk is the risk of loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held through reputable financial institutions in Canada and the U.S. The Company's amounts receivable consists of receivables from its sub-lease of 285 Kesmark Street (Note 9). The carrying amount of cash and amounts receivable represent the maximum exposure to credit risk. As at January 31, 2020, this amounted to \$3,303,002 (January 31, 2019 - \$74,800; February 1, 2018 - \$79,304).

(b) Interest rate risk

Interest rate risk is the risk that fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure (Note 24). Accounts payable and accrued liabilities, due to related parties and the current portion of lease liabilities are due within the current operating period.

(d) Currency risk

Currency risk is the risk of loss due to fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. A 5% change in exchange rates will decrease the Company's loss by approximately \$1,400. The Company does not invest in derivatives to mitigate these risks.

24. Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the redevelopment and commercialization of patented, differentiated and premium quality nutraceuticals and pharmaceuticals, and to maintain a flexible capital structure. The Company considers its capital to be its shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets. To maintain or adjust its capital structure, the Company may issue new common shares or debenture, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing development efforts, the Company does not pay out dividends. There are no external restrictions on the Company's capital.

25. Events After the Reporting Date

- (a) On February 13, 2020, the Company signed a Settlement Agreement and Release Agreement (“Settlement Agreement”) with two of its former employees in Pivot Naturals to settle the following legal matters:
- A demand for arbitration filed by these former employees before the American Arbitration Association (“AAA”) alleging claims for breach of the written employment contracts, fraud, illegal retaliation in violation of California’s whistleblower statute and tortious discharge in violation of public policy seeking, among other things, recovery of damages for breach of employment contracts, including recovery of severance amounts, damages for breach of alleged option rights, waiting time penalties, as well as other general and punitive damages on the tort claims; and
 - A suit filed in British Columbia by the Company against the former employees for declaratory relief and related matters concerning control and use of the Company’s assets.

Consideration for the Settlement Agreement included:

- Assignment of Pivot Naturals to Goodbuzz Inc. (“Goodbuzz”) as follows: 1) 80% on the initial closing date (“Initial Closing Date”), and 2) 20% on a second closing date which is the earlier of April 30, 2020 and a date upon with certain conditions are met (“Second Closing Date”).
 - \$264,660 (US\$200,000) payment to be made as follows: 1) \$165,413 (US\$125,000) upon Initial Closing Date (completed in February 2020), and 2) \$99,247 (US\$75,000) upon Second Closing Date (completed in April 2020). The Company has recorded a loss on settlement of legal claim of \$264,660 in the consolidated statements of comprehensive loss and a corresponding accrual included in accounts payable and accrued liabilities in the consolidated statement of financial position as at January 31, 2020.
 - Payment of the monthly lease due on the lease at 3595 Cadillac Avenue in California, U.S.A. for the months of February, March and April 2020 (completed in February 2020).
- (b) In March 2020, the Company made all payments required to complete the acquisition of Solmic AG and the Solmic Patents (Note 4(c)).
- (c) In February 2020, the Company terminated the acquisition of IAH, a corporation incorporated under the laws of Germany, for which consideration would have included the issuance of 517,817 common shares of the Company. No common shares were issued in conjunction with the acquisition.
- (d) On March 31, 2020, the Company issued 28,716 common shares pursuant to the termination of an employment agreement. The Company had recorded accrued liabilities totaling \$10,000 related to this common share issuance as at January 31, 2020.
- (e) In May 2020, the Company acquired 100% of the outstanding common shares of Opes Pharmaceuticals Inc. (“Opes”) from Altum. Subsequent to the acquisition, Opes was renamed Blife Therapeutics Inc.

25. Events After the Reporting Date (continued)

- (f) On May 6, 2020, the Company entered into binding letter of intent to acquire worldwide rights (other than in Greater China, Japan and ASEAN countries) to commercialize and sell AP-003, a potential COVID-19 treatment, from Altum (the "Transaction"). Altum is currently preparing protocol and application to conduct clinical trials in Australia. Under the terms of the Transaction, on closing the Company will issue 10,000,000 common shares to Altum and grant to Altum 5,000,000 warrants to acquire an equivalent number of common shares at a price of \$0.19 per common share. The warrants will have a term of two years and are only exercisable upon successful completion of the clinical trials. In addition, subject to the satisfaction of certain conditions precedent, upon registration of the proposed product in a major market, the Company will pay \$5,000,000 in cash to Altum and Altum will be entitled to a tiered royalty equal to 7% of net sales on the first US\$50,000,000 in a calendar year and a reduced royalty equal to 5% of net sales in any calendar year that are in excess of US\$50,000,000. Closing is contingent on, among other things, the Company undertaking an equity financing of at least US\$5,000,000 and Altum obtaining an exclusive license with respect to certain intellectual property from a Canadian governmental research and technology organization.
- (g) On May 7, 2020, the Company amended the exercise price of the following outstanding warrants that were issued pursuant to private placements completed in 2019: 13.868 million warrants issued on May 30, 2019 and expiring on May 29, 2021 (Note 12(e)), 46.132 million warrants issued on May 15, 2019 and expiring on May 14, 2021 (Note 12(e)) and 6.95 million warrants issued on April 8, 2019 and expiring on March 16, 2022 (Note 12(d)). The exercise prices of these warrants have been amended to \$0.25 per warrant.
- (h) In May 2020, the Company granted 2,900,000 stock options to directors, officers, consultants and key members of the Altum clinical trial team (Note 25(f)) with exercise prices between \$0.18 and \$0.255 and terms of five years. The Company also issued 200,000 RSUs with vesting over two years to an advisor.
- (i) In May 2020, the Company issued a promissory note of US\$200,000 to Altum, of which US\$189,500 was advanced, to advance on clinical activities related to the clinical trials (Note 25(f)). The promissory note is due on the earlier of (i) June 15, 2020, (ii) the termination of the Transaction (Note 25(f)) or (iii) the second business day following the date that the Company demands repayment. If the Transaction is completed in accordance with its terms, the promissory note is non-interest bearing and the amounts outstanding shall offset (reduce) the amounts payable by the Company under the Transaction. If the Transaction is not completed in accordance with its terms or if the Transaction is terminated, Altum shall pay to the Company interest on the outstanding principal amount and on the amount of overdue interest thereon from time to time at the rate of 10% per annum.
- (j) In May 2020, the Company secured "hard" lock-up agreements from shareholders of Altum representing 67.45% of the outstanding common shares of Altum. The Company intends to approach Altum to discuss a merger transaction to take place by way of a plan of arrangement. Pursuant to the terms of the proposed acquisition, the Company would issue 4.582 common shares for each Altum common share.

26. Transition to IFRS

The accounting policies set out in Note 2 have been consistently applied in preparing the consolidated financial statements as at January 31, 2019 and for the year ended January 31, 2019 and in the preparation of an opening IFRS statement of financial position at February 1, 2018 (“Transition Date”).

In preparing its opening and comparative IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with U.S. GAAP (“U.S. GAAP”). Explanations of how the transition from U.S. GAAP to IFRS has affected the Company’s equity and its comprehensive income (loss) are set out in the following reconciliations and the notes that accompany them.

The changes made to the consolidated statements of income (loss), comprehensive income (loss) and the consolidated statements of financial position have resulted in reclassification of various amounts on the statements of cash flows, however as there have been no changes to the net cash flows, no reconciliations have been prepared.

Pursuant to IFRS 1, the Company has applied IFRS on a retrospective basis, subject to the following relevant mandatory exceptions and voluntary exemptions to retrospective application of IFRS.

The Company has applied the following mandatory exceptions in its first IFRS financial statements:

Estimates

In accordance with IFRS 1, an entity’s estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP unless there is objective evidence that those estimates were made in error. The Company’s IFRS estimates as at the Transition Date are consistent with its U.S. GAAP estimates as at that date.

In accordance with IFRS 1, the Company has applied the following voluntary exemptions in the conversion from U.S. GAAP to IFRS:

Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 to only those business combinations that occurred on or after the Transition Date and such business combinations have not been restated. As a result of this election, no adjustments were required to the Company’s consolidated statement of financial position as at the Transition Date.

Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to the Transition Date.

The Company has not elected to adopt the remaining voluntary exemptions under IFRS 1 or has determined that they do not apply to the Company.

In addition, the Company adopted IFRS 9 effective February 1, 2018.

26. Transition to IFRS (continued)

Reconciliation of equity

	January 31, 2019	February 1, 2018
	\$	\$
Equity under U.S. GAAP	3,509,632	(55,792)
IFRS adjustments to equity:		
Leases (Note 26(a))	(65,223)	–
Convertible debentures (Note 26(b))	51,103	–
Total IFRS adjustments to equity	(14,120)	–
Total equity under IFRS	3,495,512	(55,792)

Reconciliation of comprehensive loss

	Year Ended January 31, 2019
	\$
Comprehensive loss under U.S. GAAP	9,022,942
IFRS adjustments to comprehensive loss:	
Leases (Note 26(a))	65,223
Convertible debentures (Note 26(b))	43,560
Total IFRS adjustments to comprehensive loss	108,783
Comprehensive loss under IFRS	9,131,725

Notes to the reconciliations

The following notes should be read in conjunction with the accounting policies contained in Note 2.

(a) Leases

Under U.S. GAAP, the Company adopted ASC 842, Leases, using the modified retrospective transition approach, which applies the provisions of the new guidance at the effective date without adjusting the comparative periods presented. Under IFRS, the Company is required to recognize ROU assets and lease liabilities as at its Transition Date.

(b) Convertible debentures

Under U.S. GAAP, the Company classified the balance of its convertible debentures as liabilities. The Company evaluated its convertible debentures under IFRS and determined that a residual amount is required to be assigned to an equity component.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended January 31, 2020

This following Management's Discussion and Analysis ("MD&A") is prepared as of June 1, 2020 and provides a review of the financial condition and results of operations for BetterLife Pharma Inc. (formerly Pivot Pharmaceuticals Inc.) (the "Company" or "BetterLife") for the year ended January 31, 2020. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended January 31, 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. A reconciliation of the previously disclosed comparative periods' financial statements prepared in accordance with Generally Accepted Accounting Principles in the U.S. ("U.S. GAAP") is set out in Note 26 to these audited consolidated financial statements. The financial information presented in this MD&A is derived from the audited consolidated financial statements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information including the Company's future plans. The use of any of the words "target", "plans", "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. Such forward looking information, including but not limited to statements pertaining to Company's future plans and management's belief as to the Company's potential involve known and unknown risks, uncertainties and other factors which may cause the actual results of the Company and its operations to be materially different from estimated costs or results expressed or implied by such forward-looking statements. Forward looking information is based on management's expectations regarding future growth, results of operations, future capital and other expenditures (including the amount, nature and sources of funding for such expenditures), business prospects and opportunities. Forward looking information involves significant known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to: the risks associated with the commercial viability of any products the Company is in the process of developing, delays or changes in plans with respect to any products, costs and expenses, the risk of foreign exchange rate fluctuations, risks associated with securing the necessary regulatory approvals and financing to proceed with any planned business venture, product development, and risks and uncertainties regarding the potential to economically scale and bring to profitability any of the Company's current or planned endeavors. Although the Company has attempted to take into account important factors that could cause actual costs or results to differ materially, there may be other factors that cause the results of the Company's business to not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. See the "Risks and Uncertainties" section of this MD&A for a further description of these risks. The forward-looking information included in this MD&A is expressly qualified in its entirety by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking information.

BUSINESS OVERVIEW

BetterLife is a publicly traded corporation incorporated on June 10, 2002 in the Province of British Columbia, Canada under the name “649186 B.C. Ltd.”. On September 9, 2003, the Company changed its name to “Xerxes Health Corp.”. On June 26, 2007, it changed its name to “Neurokine Pharmaceuticals Inc.”. On April 7, 2015, the Company changed its name to “Pivot Pharmaceuticals Inc.” and on December 5, 2019, it changed its name to “BetterLife Pharma Inc.”. The Company’s principal executive office is located at 1275 West 6th Avenue, #300, Vancouver, B.C. Canada V6H 1A6. BetterLife’s common shares are traded on the Canadian Securities Exchange under the symbol “BETR”.

BetterLife is a science-based innovative medical wellness company aspiring to offer high-quality preventive and self-care products to its customers. The Company has an agreement, through its wholly-owned subsidiary, BLife Therapeutics Inc. (“BLife”), pursuant to which BLife will acquire worldwide rights (other than in Greater China, Japan and ASEAN countries) to, among other things, manufacture, have manufactured, use, offer for sale and sell AP-003 for all inhalation delivery therapeutic, diagnostic and prophylactic applications related to the COVID-19.

The Company has also invested in the acquisition and licensing of patented drug delivery technologies and has developed and tested differentiated cannabis formulations. Its products will be manufactured at current Good Manufacturing Practices (“GMP”) accredited facilities in Canada (50,000-sq. ft. cGMP facility located in Montreal, Quebec) and United States. The Company’s premium branded product line includes tablets, capsules and soft gels, bulk powder, stick packs, infused beverages, oral solutions, lotions, creams, gels, gums, mints, candies and intimate lubricant.

The Company’s management team has implemented a business-minded and cost-conscious approach to product research and development and will use contract development and manufacturing organizations on a fee for service basis to perform any research, development or production that is required.

Business Developments

On September 12, 2017, BetterLife entered into a licensing agreement with Altum Pharmaceuticals Inc. (“Altum”) whereby the Company was granted worldwide rights to BiPhasix Transdermal Drug Delivery Technology (“BiPhasix Technology”) for the delivery and commercialization of cannabinoids, and tetrahydrocannabinol (“THC”) based products. Financial consideration included:

- Issuance of 2,500,000 common shares on effective date of agreement;
- Issuance of 2,500,000 common shares upon Health Canada Natural Product Number (“NPN”) approval;
- Royalties on annual gross sales; and
- For pharmaceutical products, milestone payments payable upon first Investigative New Drug Approval, upon positive outcome of Phase II trial in first indication, and upon New Drug Application approval.

On February 28, 2018, BetterLife completed the acquisition of Pivot Naturals, LLC (previously ERS Holdings, LLC) (“Pivot Naturals”) pursuant to an Exchange Agreement dated as of February 10, 2018 among BetterLife, Pivot Naturals and the members of Pivot Naturals. As consideration for the purchase, the Company paid US\$333,333 in cash on closing, US\$333,333 in September 2018 and US\$333,333 in May 2019 for total cash payment of US\$1 million. In addition, the Company also issued 5,000,000 common shares and may pay royalties on future net sales. Pursuant to the acquisition of Pivot Naturals, the Company acquired a patented technology called “RTIC” Ready-To-Infuse-Cannabis (“RTIC”), relating to the transformation of cannabis oil into powder for infusion into a variety of products. In February and April 2020, the Company transferred 75% and 25% of its membership interest of Pivot Naturals, respectively, and the Company has strategically exited the California cannabis market.

On March 2, 2018, the Company completed the acquisition of ThruDermic, LLC (“ThruDermic”) and worldwide rights to ThruDermic’s patented Transdermal Nanotechnology for the development and commercialization of transdermal cannabinoids pursuant to an exchange agreement dated March 2, 2018 among BetterLife, Dr. Joseph Borovsky, Dr. Leonid Lurya and ThruDermic. As consideration for the purchase, the Company paid \$1 in cash on closing and issued 500,000 common shares.

On December 17, 2018, BetterLife entered into a joint venture arrangement whereby the Company holds 50% of the issued and outstanding shares of Pivot-Cartagena Joint Venture Inc. (“Pivot-Cartagena JV”). Pivot-Cartagena JV will develop and commercialize cannabis-infused non-alcoholic beverages combining the industry expertise of Licorera del Sur with our patented RTIC™ powderization technologies.

In March 2020, the Company completed the acquisition of SolMic AG (“Solmic”) and the patented Solmic solubilization drug delivery technology for oral platform. Consideration for the acquisition included CHF10,000 for the acquisition of Solmic and EUR50,000 for the patents.

On May 6, 2020, the Company signed a letter of intent to enter into a license agreement to acquire worldwide rights (other than in Greater China, Japan and ASEAN countries) to commercialize and sell AP-003, a potential COVID-19 treatment, from Altum. Under the terms of the transaction, on closing BetterLife will issue 10,000,000 common shares to Altum and grant to Altum 5,000,000 warrants to acquire an equivalent number of common shares at a price of \$0.19 per common share. The warrants will have a term of two years and are only exercisable upon successful completion of the clinical trial. Subject to the satisfaction of certain conditions precedent, upon registration of the proposed product in a major market, BetterLife will pay US\$5,000,000 in cash to Altum and Altum will be entitled to a tiered royalty equal to 7% of net sales on the first US\$50,000,000 in a calendar year and a reduced royalty equal to 5% of net sales in any calendar year that are in excess of US\$50,000,000. Closing is contingent on, among other things, BetterLife undertaking an equity financing of at least US\$5,000,000 and Altum obtaining an exclusive license with respect to certain intellectual property from Canadian governmental research and technology organization.

In May 2020, the Company secured “hard” lock-up agreements from shareholders of Altum representing 67.45% of the outstanding common shares of Altum. The Company intends to approach Altum to discuss a merger transaction to take place by way of a plan of arrangement or such similar transaction. Pursuant to the terms of the proposed acquisition, the Company would issue 4.582 common shares for each Altum common share. Closing of the transaction is subject to receipt of all required approvals and completion of the Company’s due diligence. If or when the transaction closes, the letter of intent signed on May 6, 2020 between the Company and Altum will be nullified.

AP-003

AP-003 is a patent pending proprietary Interferon α 2b (“IFN α 2b”) inhalation formulation. In recent studies IFN α 2b has been shown to be effective in slowing viral replication. In the study published in May 2020 in *Frontiers of Immunology* titled “Interferon- α 2b Treatment for COVID-19”, the authors examined the course of disease in a cohort of 77 individuals with confirmed COVID-19 admitted to Union Hospital, Tongji Medical College, Wuhan, China, between January 16 and February 20, 2020. To the knowledge of the authors, the findings presented in the study were the first to suggest therapeutic efficacy of IFN- α 2b in Covid-19 disease. Altum is planning a randomized, double-blind, placebo controlled trial of AP-003 in early stage COVID-19 patients is to start in the near future.

Cautionary note: The Company is not making any express or implied claims that Altum’s AP-003 or any other product has the ability to treat, eliminate, cure or contain the COVID-19 (or SARS-2 Coronavirus) at this time. Further, the safety and efficacy of Altum’s AP-003 are under investigation and market authorization has not yet been obtained.

BiPhasix Transdermal Drug Delivery Technology (Topical Platform)

The Company acquired worldwide rights from Altum for its patented topical transdermal drug delivery technology platform, which will be used for the delivery and commercialization of cannabinoid, CBD and THC-based products. The BiPhasix Technology has the potential to deliver drugs less invasively than by injections. It also has the potential to topically deliver therapeutic amounts of drugs with better absorption rates, where creams, ointments or conventional liposomes have not been effective.

ThruDermic Transdermal Nanotechnology (Topical Platform)

The Company acquired the worldwide rights to ThruDermic’s patented Transdermal Nanotechnology for the development and commercialization of transdermal cannabinoids. Developed in Israel, the ThruDermic lipid-based nano dispersion technology for topical cannabinoids uses FDA approved materials. The technology has the ability to specifically formulate individual drugs to control and prolong drug release while maintaining steady therapeutic concentrations. The technology can handle water soluble and water insoluble drugs with no change to the skin morphology, no sensitivity to the digestive system, no pain from injections and no observed adverse reactions.

Solmic Solubilization Drug Delivery Technology (Oral Platform)

Through its acquisition of Solmic, the Company acquired the worldwide rights to the Solmic’s Micelle oral drug delivery technology for cannabinoids.

Ready-To-Infuse Cannabis Technology

BetterLife’s patented RTIC process technology creates precise and repeatable dosing of cannabis by transforming concentrated cannabis oil into a stable, emulsifiable, odorless and flavorless powder form. The derived powder may then be encapsulated and infused for use in beverages, edibles, lotions and additional health and personal care products. The RTIC process is conducive for manufacturing of a wide array of products.

With the assignment of Pivot Naturals (refer to the Company’s audited consolidated financial statements and notes for the year ended January 31, 2020), BetterLife exited the cannabis industry in California. As a result of the exit, the Company has reduced its expectations of cash flows from the use of the RTIC patents and recorded an impairment loss on these patents of \$6,625,246.

SELECTED ANNUAL INFORMATION

The following tables provides a summary of the Company's financial operations for the three most recently completed fiscal years. For more detailed information on the Company, please refer to its annual audited financial statements for the years ended January 31, 2020, 2019 and 2018.

Year ended or as at:	January 31, 2020	January 31, 2019	January 31, 2018
Revenue	\$nil	\$nil	\$nil
Operating expenses	18,731,199	6,908,952	1,534,897
Other income (expenses)	(857,563)	(2,345,838)	1,312,543
Net loss	(19,588,762)	(9,254,790)	(42,354)
Net loss per share, basic and fully diluted	(0.13)	(0.10)	(0.00)
Operating cash	2,681,704	74,800	79,304
Working capital (deficiency)	2,520,474	(5,185,332)	(344,141)
Total assets	8,250,779	10,306,750	471,826
Total long-term liabilities	4,634,154	1,408,486	–
Shareholders' equity (deficiency)	<u>\$ 2,656,561</u>	<u>\$ 3,495,512</u>	<u>\$ (55,792)</u>

DISCUSSION OF OPERATIONS

Following is a discussion of the Company's financial results for the year ended January 31, 2020, compared to the comparative period in the prior fiscal year.

	YEARENDED	
	January 31, 2020	January 31, 2019
Revenue	\$nil	\$nil
Operating expenses	(18,731,199)	(6,908,952)
Other income (expense):		
Accretion expense on convertible debentures	(380,754)	(1,078,141)
Gain on repayment of promissory note	–	8,890
Interest expense	(48,024)	(4,862)
Interest income	4,479	4,196
Loss on extinguishment of convertible debentures	–	(1,240,773)
Loss on impairment of equipment	(3,901)	–
Loss on impairment of loan receivable	(213,085)	–
Other	48,382	(35,148)
Settlement of legal claim	(264,660)	–
Net loss	<u>\$ (19,588,762)</u>	<u>\$ (9,254,790)</u>

Net loss for the year ended January 31, 2020 increased by \$10,333,972 as compared to the year ended January 31, 2019. The increase was attributable to an increase in operating expenses and losses amortized on impairment of abandoned assets, equipment, intangible asset and loan receivable and settlement of legal claim. This was offset by a decrease in amortization of discount on convertible debentures and other items recorded in 2018 but not in 2019, such as loss on extinguishment of convertible debentures.

During the year, the Company advanced \$1,441,600 to SolMic GmbH (“Solmic GmbH”), a Dusseldorf, Germany based developer and manufacturer of nutraceuticals, cosmeceuticals, and pharmaceuticals for its initial production order for micellized cannabinoid solution. The Company also advanced SolMic GmbH a loan of €150,000 with a term of six months and interest rate of 18% per annum. Solmic GmbH entered into insolvency proceedings and has been restructured. As the Company does not expect to recover payments made, it has written off the amount paid for the production order of \$1,441,600 (included in operating expenses) and recorded an impairment of the loan receivable.

During the year ended January 31, 2020, the Company’s board and management decided to forego its US operations that were initially intended to be held in Pivot Naturals. Due to the change in the strategic direction of the Company, management determined that several assets initially held for US operations purposes had a recoverable value of \$nil and were, therefore, impaired for a total amount of \$1,303,278. The main asset impaired relates to the right-of-use asset previously recognized relating to the lease on 3595 Cadillac Avenue.

During the year ended January 31, 2020, a demand for arbitration was filed by former employees of Pivot Naturals before the American Arbitration Association (“AAA”) alleging claims for breach of the written employment contracts, fraud, illegal retaliation in violation of California’s whistleblower statute and tortious discharge in violation of public policy seeking, among other things, recovery of damages for breach of employment contracts, including recovery of severance amounts, damages for breach of alleged option rights, waiting time penalties, as well as other general and punitive damages on the tort claims. In connection with the above, BetterLife filed a suit in British Columbia against these former employees for declaratory relief and related matters concerning control and use of the Company’s assets. Subsequent to the year end, the Company settled these outstanding legal matters. Consideration for settlement included the following: 1) Assignment of 100% of the Company’s 100% membership interest in Pivot Naturals to Goodbuzz Inc. (completed in April 2020); 2) \$264,660 (US\$200,000) payment to these former employees (completed in February and April 2020); and 3) Payment of the monthly lease on Pivot Naturals’ lease at 3595 Cadillac Avenue in California, USA for the months of February, March and April 2020 (completed in February 2020). Pursuant to the settlement, BetterLife recorded a loss on settlement of legal claim of \$264,660.

With the assignment of Pivot Naturals and the decision to forego its US operations, the Company exited the cannabis industry in California and will focus on manufacturing and distributing hemp and non-hemp-based CBD products to states where regulations permit and on commercializing AP-003. As a result of the exit, BetterLife reduced its expectations of cash flows from the use of the RTIC patents and recorded an impairment loss on its RTIC patents of \$6,625,246.

Expenses

	YEARENDED	
	January 31, 2020	January 31, 2019
Amortization and depreciation of equipment and intangible assets	\$ 985,895	\$ 900,651
Consulting fees	1,608,692	1,022,055
Due diligence costs	-	251,674
Finders fee expense	100,000	100,000
Foreign exchange loss	38,057	24,208
General and administrative	923,877	1,297,802
Amortization of right-of-use assets	361,502	235,586
Lease liability expense	347,445	155,049
Licensing fees	40,029	79,008
Professional fees	1,707,892	930,879
Promotion and marketing	96,641	11,076
Repairs and maintenance	45,875	301
Research and development	63,767	364,784
Wages, salaries and employment expenses	3,016,626	1,527,023
Loss on impairment of intangible asset	6,625,246	-
Loss on impairment of abandoned assets	1,303,278	-
Loss on impairments and write-offs of inventory and other	1,466,377	8,856
Operating expenses	<u>\$ 18,731,199</u>	<u>\$ 6,908,952</u>

Operating expenses were \$18,731,199 for the year ended January 31, 2020 compared to \$6,908,952 in the prior year. In May 2019, the Company closed on a non-brokered private placement of \$15 million by issuing 60 million units, consisting of one common share and one share purchase warrant entitling the holder to purchase one common share at \$0.35 per share and with an expiry term of two years. Closing of this private placement allowed BetterLife to progress on its business plans, including incurring expenditures required to prepare for commercialization of products in the US and strengthening of its leadership team, which led to an increase in operating expenses such as consulting fees, professional fees and wages, salaries and employment expenses. Increases in operating expenses were due to the following activities:

- BetterLife engaged services of consultants for its corporate promotional strategy and branding strategy related to commercialization of its branded products expected to begin in the U.S.A. during 2020.
- Legal counsel costs were incurred by the Company to defend various claims against it during the year. Refer to Commitments and Contingencies.
- The Company engaged advisors to assist with the preparation, completion and submission of its site evidence package to Health Canada for BetterLife's cannabis formulation, processing and packaging facility in Montreal. The site evidence package submission was the final step required to obtain a license to produce CBD, phytocannabinoid and nutraceutical formulations for commercialization.
- Beginning in July 2019, the Company began strengthening its executive leadership team and entered into contracts with newly appointed executives for the positions of Chief Executive Officer, President and Chief Operating Officer, which increased wages, salaries and employment expenses.
- The Company wrote-off a payment made to SolMic GmbH in the amount of \$1,441,600 for its initial production order for micellized cannabinoid solution as it did not expect to recover this amount after Solmic's insolvency and restructuring proceedings.

Increases in operating expenses for the current year were offset by decreases in general and administrative expenses (see below), due diligence costs and research and development expenses. In the prior year, the Company engaged in numerous negotiations and due diligence processes for potential merger, acquisition and licensing opportunities. In addition, the Company performed research for the development of cannabinoid oral formulations.

The tables below present material components of general and administrative expense:

	YEARENDED	
	January 31, 2020	January 31, 2019
Business licenses	\$ 48,671	\$ 66,040
Conferences	45,557	9,163
Information technology	22,129	-
Investor relations	122,221	546,193
Office	147,772	154,457
Press release	35,010	101,860
Printing	20,741	-
Public listing expense	59,564	65,897
Shareholder expense	10,303	9,914
Telecommunications	22,777	24,747
Travel, meals and entertainment	309,852	285,160
Utilities	25,743	1,541
Website costs	53,537	32,830
	<u>\$ 923,877</u>	<u>\$ 1,297,802</u>

General and administrative expense decreased by \$373,925 from the prior year. The decrease was mainly attributable to a decrease in investor relations expense. During the year ended January 31, 2019, the Company engaged investor relations service providers in both Canada and Europe and incurred higher costs in doing so. It also issued common shares with fair value of \$199,300 for investor relations services provided.

SUMMARY OF QUARTERLY RESULTS AND FOURTH QUARTER

The following table presents a summary of unaudited quarterly financial information for the last eight consecutive quarters:

	QUARTERS ENDED			
	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019
	\$nil	\$nil	\$nil	\$nil
Total revenue				
Net income (loss)	\$ (10,733,725)	\$ (2,593,187)	\$ (4,387,727)	\$ (1,874,123)
Net income (loss) per share - basic	\$ (0.07)	\$ (0.02)	\$ (0.02)	\$ (0.02)
Net income (loss) per share - diluted	\$ (0.07)	\$ (0.02)	\$ (0.02)	\$ (0.02)

	QUARTERS ENDED			
	January 31, 2019	October 31, 2018	July 31, 2018	April 30, 2018
	\$nil	\$nil	\$nil	\$nil
Total revenue				
Net income (loss)	\$ (1,630,868)	\$ (3,673,928)	\$ (1,845,118)	\$ (2,104,876)
Net income (loss) per share - basic	\$ (0.02)	\$ (0.04)	\$ (0.02)	\$ (0.03)
Net income (loss) per share - diluted	\$ (0.02)	\$ (0.04)	\$ (0.02)	\$ (0.03)

During the quarter ended October 31, 2018, the Company settled convertible debentures totaling \$1,500,000 through the issuance of 3,750,000 units, with each unit consisting of one common stock and one share purchase warrant. Pursuant to this settlement, a loss on extinguishment of convertible debentures of \$1,221,603 was recorded, which increased the net loss for the quarter ended October 31, 2018 as compared to other quarters during the year ended January 31, 2019.

Net loss for the quarter ended January 31, 2020 was significantly higher than other quarters during the year ended January 31, 2020. During the fourth quarter of 2020, the Company recorded losses on impairments of abandoned assets, equipment, intangible asset and loans receivable (as discussed above) totaling \$8,145,510.

The Company manages its liquidity risk by reviewing, on an ongoing basis, its capital requirements and capital structure. The Company makes adjustments to its capital structure in light of changes in economic conditions and the risk characteristics of its assets. To maintain or adjust its capital structure, BetterLife may issue new common shares or debenture, acquire or dispose of assets or adjust the amount of cash. As of January 31, 2020, the Company believes it has adequate available liquidity to meet operating requirements and fund product development initiatives and capital expenditures. While the Company has incurred losses to date, with an accumulated deficit of \$54,660,516 at January 31, 2020, management anticipates the success and eventual profitability from commercialization of BetterLife's product portfolio. The Company also ensures that it has access to public capital markets. However, there can be no assurance, especially in light of the current global outbreak of COVID-19, that it will gain adequate market acceptance for its products or be able to generate sufficient positive cash flow to achieve its business plans. Therefore, the Company is subject to risks including, but not limited to, its inability to raise additional funds through equity and/or debt financing to support ongoing operations. See "Risks and Uncertainties".

Working Capital

The following table presents the Company's working capital as at January 31, 2020, January 31, 2019 and February 1, 2018 (date of transition to IFRS):

	January 31, 2020	January 31, 2019	February 1, 2018
Current assets	\$ 3,480,538	\$ 217,420	\$ 183,477
Current liabilities	960,064	5,402,752	527,618
Working capital (deficit)	<u>\$ 2,520,474</u>	<u>\$ (5,185,332)</u>	<u>\$ (344,141)</u>

As at January 31, 2020, current assets increased from \$217,420 at January 31, 2019 to \$3,480,538. Included in current assets at January 31, 2020 are cash of \$3,281,704. Current liabilities at January 31, 2020 decreased from \$5,402,752 at January 31, 2019 to \$960,064. The increase in current assets and decrease in current liabilities from January 31, 2019 was due to the closing of a non-brokered private placement of \$15 million in May 2019. Proceeds from the private placement were used to settle outstanding obligations, including accounts payable and accrued liabilities, due to related parties, convertible debentures and acquisition obligation, and to fund expenditures required for the Company to pursue commercialization of its branded products.

Statements of Cash Flows

The following table presents the Company's cash flows for the years ended January 31, 2020 and 2019:

	YEAR ENDED	
	January 31, 2020	January 31, 2019
Net cash provided by (used in):		
Operating activities	\$ (7,880,641)	\$ (4,708,567)
Investing activities	(1,141,093)	(844,382)
Financing activities	12,226,420	5,548,364
Effect of foreign exchange rate changes on cash	2,218	84
Increase in cash for the period	<u>\$ 3,206,905</u>	<u>\$ (4,504)</u>

Cash used in operating activities for the year ended January 31, 2020 increased from the year ended January 31, 2019. The increase was due to a higher net loss incurred during the 2020 period, partially offset by an increase in non-cash expense items impacting net loss.

Cash used in investing activities for the year ended January 31, 2020 increased from cash used in investing activities for the comparative prior year. During the 2020 period, the Company invested \$542,742 in property equipment, primarily related to leasehold improvements made and security system implemented on its Montreal facility for submission of its site evidence package to Health Canada. BetterLife also made its last instalment payment of \$432,923 (US\$340,000) in May 2019 on its acquisition of Pivot Naturals, which had closed on February 28, 2018. In the prior year, BetterLife paid \$847,161 (US\$659,999) in acquisition costs for Pivot Naturals.

Cash provided by financing activities for the year ended January 31, 2020 was \$12,226,420 as compared to \$5,548,364 for the year ended January 31, 2019. During the current year, the Company closed on non-brokered private placements for gross proceeds of \$16,310,000. Proceeds from the private placements were used to extend the maturity date of convertible debentures in March 2019 (\$250,000) and repay the outstanding balances of convertible debentures in May 2019 (\$3,250,000). During the year ended January 31, 2019, the Company received gross proceeds of \$4,559,206 from issuances of convertible debentures and \$1,539,315 from the close of a non-brokered private placement, which were offset by repayment of promissory note payable and loan payable totaling \$268,062.

Commitments and Contingencies

As at January 31, 2020, the Company is a lessee in a lease for 285-295 Kesmark Street in Quebec, Canada with expiry in April 2025 and annual minimum lease payments of approximately \$741,000 to \$936,000 over the next five (5) years. The Company's fully owned subsidiary, Pivot Naturals, is a lessee in a lease on 3595 Cadillac Avenue in California, U.S.A. with expiry in July 2023. In April 2020, BetterLife assigned 100% of its membership interest in Pivot Naturals to Goodbuzz, including the lease on 3595 Cadillac Avenue.

In September 2019, BetterLife was served with a claim from Green Stream Botanicals Corp. ("GSB") for a finder's fee in the amount of \$600,000 in relation to the non-brokered private placement of \$15 million that it closed in May 2019. The Company believes no service was performed by GSB and intends to vigorously defend these claims.

In November 2019, the Company's former Chief Executive Officer filed an originating application with the Superior Court in the province of Quebec for damages stemming from a termination of employment. The former Chief Executive Officer is seeking payment of amounts totaling approximately \$1 million, exercisability of his stock options until the original expiry dates, issuance of six (6) million stock options and an order that the Company not issue further common shares. The Company believes the claim is unfounded and intends to vigorously defend these claims.

In January 2020, an injunction was filed against the Company in the Superior Court of Quebec by Bio V Pharma Inc. ("BioV") seeking provisional orders in respect of the premises sub-leased at 285 Kesmark Street and damages of approximately \$395,000, which the Company intends on defending. BetterLife and BioV have, without prejudice or admission, settled the provisional injunction portion of the application while reserving their respective rights on interlocutory injunction and on the merits of the application.

Financial RisksCredit Risk

Credit risk is the risk of loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held through reputable financial institutions in Canada and the U.S. The Company's amounts receivable consists of receivables from its sub-lease of 285 Kesmark Street. The carrying amount of cash and amounts receivable represent the maximum exposure to credit risk. As at January 31, 2020, this amounted to \$3,303,002 (January 31, 2019 - \$74,800; February 1, 2018 - \$79,304).

Interest Rate Risk

Interest rate risk is the risk that fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities, due to related parties and the current portion of lease liabilities are due within the current operating period.

Currency Risk

Currency risk is the risk of loss due to fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. A 5% change in exchange rates will decrease the Company's loss by approximately \$1,400. The Company does not invest in derivatives to mitigate these risks.

Business Risks

The Company is exposed to a number of "Risk Factors", which are summarized below:

- There is substantial doubt as to whether the Company will continue operations. If the Company discontinues operations, shareholders could lose their investment.
- BetterLife has incurred operating losses in each year since inception and may continue to incur substantial and increasing losses for the foreseeable future. The Company also has negative capital cash flows from operating activities. If the Company cannot generate sufficient revenues to operate profitably or with positive cash flow from operating activities, it may suspend or cease its operations.
- BetterLife will require substantial additional funds to complete its development and commercialization activities, and if such funds are not available, the Company may need to significantly curtail or cease operations.
- The Company's inability to complete its development projects in a timely manner could have a material adverse effect of the results of operations, financial condition and cash flows.

- The Company may not commence or complete clinical testing for any of its prospective pharmaceutical products and the commercial value of any clinical study will depend significantly upon the Company's choice of indication and patient population selection. If BetterLife is unable to commence or complete clinical testing or if it makes a poor choice in terms of clinical strategy, the Company may never achieve revenues.
- BetterLife will rely on third parties to conduct its research, development and manufacturing activities. If these third parties do not perform as contractually required, fail to meet the Company's manufacturing requirements and applicable regulatory requirements or otherwise expected, the Company may not be able to commercialize its products, which may prevent the Company from becoming profitable.
- If BetterLife is unable to establish a sales, marketing and distribution infrastructure or enter into collaborations with partners to perform these functions, it may not be successful in commercializing its product candidates.
- BetterLife's product candidates may never gain market acceptance, which could prevent the Company from generating revenues.
- BetterLife faces potential product liability exposure, and any claim brought against the Company may cause it to divert resources from normal operations or terminate selling, distributing and marketing any of its products. This may cause BetterLife to cease its operations as it relates to that product.
- BetterLife faces substantial competition in the cannabis industry, which could harm its business and ability to operate profitably.
- The manufacturing of all of BetterLife's products will be subject to ongoing regulatory requirements, and may therefore be the subject of regulatory or enforcement action. The associated costs could prevent the Company from achieving its goals or becoming profitable.
- Since certain of the Company's directors are located outside of Canada, shareholders may be limited in their ability to enforce Canadian civil actions against the Company's directors for damages to the value of their investment.
- BetterLife plans to indemnify its directors and officers against liability to the Company and its security holders, and such indemnification could increase its operating costs.
- Not all jurisdictions allow for the medicinal use of cannabis and those jurisdictions which allow it could reverse their position.
- The COVID-19 pandemic and related government responses could have a material and adverse effect on BetterLife's business, financial condition and results of operations, as set out in greater detail below.

Risks Related to Infectious Diseases and Related Government Responses

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The Company's business and its financial condition may be adversely impacted by the effects of COVID-19 and other infectious diseases.

The extent to which COVID-19 and other infectious diseases may impact BetterLife's business, operations, financial condition and the market for its securities will depend on future developments and government responses, which are highly uncertain and cannot be predicted. These include the duration, severity and scope of the outbreak and the actions taken by governmental entities to address and mitigate the pandemic. The Company's business and operations could be adversely affected by the continued global spread of COVID-19 and any government actions to slow the spread of the infectious disease. Areas that may be impacted include, but without limitation, workforce productivity and health, disruptions to supply chains, limitations on travel and ability to successfully commercialize the Company's product portfolios and deliver end products to customers.

Given the uncertainty and lack of predictability surrounding COVID-19, the Company is not able to predict the length and severity of impact to its business and operations. As a result, risks associated with COVID-19 may impact key estimates and assumptions used in the Company's consolidated financial statements.

Risks Related to BetterLife's Intellectual Property

- If BetterLife is unable to maintain and enforce its proprietary intellectual property rights, it may not be able to operate profitably.
- If BetterLife is the subject of an intellectual property infringement claim, the cost of participating in any litigation could cause the Company to go out of business.
- BetterLife may, in the future, be required to license patent rights from third-party owners in order to develop its products candidates. If BetterLife cannot obtain those licenses or if third party owners do not properly maintain or enforce the patents underlying such licenses, the Company may not be able to market or sell its planned products.

Risks Associated with BetterLife's Securities

- Trading on the OTC Bulletin Board and the Canadian Securities Exchange (the "CSE") may be volatile and sporadic, which could depress the market price of the Company's common shares and make it difficult for its shareholders to resell their shares.
- BetterLife's common share is a penny stock. Trading of BetterLife's common shares may be restricted by the SEC's penny stock regulations and FINRA's sales practice requirements, which may limit a shareholder's ability to buy and sell their shares.
- Shareholders will experience dilution or subordinated stockholder rights, privileges and preferences as a result of the Company's financing efforts.
- BetterLife does not intend to pay dividends and there will thus be fewer ways in which shareholders are able to make a gain on their investment, if at all.

BetterLife has sought to identify what it believes to be the most significant risks to its business, but it cannot predict whether, or to what extent, any of such risks may be realized nor can it guarantee that it has identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to BetterLife's common shares.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on the Company's financial condition, results of operations or cash flows.

TRANSACTIONS BETWEEN RELATED PARTIES

During the year ended January 31, 2020, BetterLife entered into transactions and had outstanding balances with various related parties. The transactions with related parties are in the normal course of business.

During the year ended January 31, 2020, compensation of key management and directors, including former key management and directors, of the Company totaled \$1,509,822 (2019 - \$1,072,373), and consisted of salaries and consulting fees paid in cash and common shares issued. The Company granted 6,950,000 share purchase options, 2,750,000 RSUs and 750,000 PSUs during the year ended January 31, 2020 (2018 –nil, nil and nil, respectively) valued at \$1,488,857 to key management and directors. Key management includes those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company.

As at January 31, 2020, the Company owed \$16,647 to key management and directors (January 31, 2019 - \$281,587; February 1, 2018 - \$12,421).

On September 12, 2017, the Company entered into a licensing agreement with Altum, a party related at that date by way of common officers and director, whereby the Company acquired worldwide rights to the BiPhasix™ transdermal drug delivery technology for the development and commercialization of cannabinoids, cannabidiol and tetrahydrocannabinol products. As at January 31, 2020, the Company owed Altum \$nil (January 31, 2019 - \$48,896; February 1, 2018 - \$6,562) for expenses paid on behalf of the Company.

On May 6, 2020, the Company entered into binding letter of intent to acquire worldwide rights (other than in Greater China, Japan and ASEAN countries) to commercialize and sell AP-003, a potential COVID-19 treatment, from Altum (the “Transaction”). Altum is currently preparing protocol and application to conduct clinical trials in Australia. Under the terms of the Transaction, on closing the Company will issue 10,000,000 common shares to Altum and grant to Altum 5,000,000 warrants to acquire an equivalent number of common shares at a price of \$0.19 per common share. The warrants will have a term of two years and are only exercisable upon successful completion of the clinical trials. In addition, subject to the satisfaction of certain conditions precedent, upon registration of the proposed product in a major market, the Company will pay \$5,000,000 in cash to Altum and Altum will be entitled to a tiered royalty equal to 7% of net sales on the first US\$50,000,000 in a calendar year and a reduced royalty equal to 5% of net sales in any calendar year that are in excess of US\$50,000,000. Closing is contingent on, among other things, the Company undertaking an equity financing of at least US\$5,000,000 and Altum obtaining an exclusive license with respect to certain intellectual property from Canadian governmental research and technology organization.

In May 2020, the Company issued a promissory note of US\$200,000 to Altum to advance on clinical activities related to the clinical trials. The promissory note is due on the earlier of (i) June 15, 2020, (ii) the termination of the Transaction or (iii) the second business day following the date that the Company demands repayment. If the Transaction is completed in accordance with its terms, the promissory note is non-interest bearing and the amounts outstanding shall offset (reduce) the amounts payable by the Company under the Transaction. If the Transaction is not completed in accordance with its terms or if the Transaction is terminated, Altum shall pay to the Company interest on the outstanding principal amount and on the amount of overdue interest thereon from time to time at the rate of 10% per annum.

In May 2020, the Company secured “hard” lock-up agreements from shareholders of Altum representing 67.45% of the outstanding common shares of Altum. BetterLife intends to approach Altum’s board of directors to discuss a merger transaction to take place by way of a plan of arrangement. Pursuant to the terms of the proposed acquisition, the Company would issue 4.582 common shares for each Altum common share. If or when this merger closes, the letter of intent signed on May 6, 2020 to acquire worldwide rights (other than in Greater China, Japan and ASEAN countries) to commercialize and sell AP-003 will be nullified.

PROPOSED TRANSACTIONS

As noted above, on May 6, 2020, the Company entered into binding letter of intent to acquire worldwide rights (other than in Greater China, Japan and ASEAN countries) to commercialize and sell AP-003, from Altum. Closing is contingent on, among other things, BetterLife undertaking an equity financing of at least US\$5,000,000 and Altum obtaining an exclusive license with respect to certain intellectual property from Canadian governmental research and technology organization. Also as noted above, BetterLife secured “hard” lock-up agreements from shareholders of Altum pursuant to which the Company intends on discussing a merger transaction with Altum’s board of directors. If or when a merger is closed, the binding letter of intent signed on May 6, 2020 will be nullified.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these consolidated financial statements include, among others, the fair values of share-based payments, warrants issued with share units and debentures for the purpose of evaluating modification versus extinguishments, and the valuations of long-lived assets, deferred tax assets and lease liabilities.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the going concern assessment of the Company, the expected economic lives of and the estimated future operating results and net cash flows from long-lived assets, the determination of functional currencies of the Company and its subsidiaries, the determination of whether an acquisition is a business combination or an asset acquisition and the determination of incremental borrowing rates used in valuations of lease liabilities.

The global outbreak of COVID-19 has had a significant impact on businesses through the restrictions put in place by the Canadian and U.S. federal, provincial/state and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, the Company anticipates this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company’s business and financial condition

Accounting Standards and Interpretations AdoptedInternational Financial Reporting Standards

The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards (“IFRS 1”). The first date at which IFRS was applied was February 1, 2018 (“Transition Date”). IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS.

IFRS 1 requires that the same policies are applied for all periods presented in the first IFRS financial statements and that those policies comply with IFRSs in effect as at the end of the first IFRS annual reporting period. Accordingly, the opening IFRS statement of financial position as at February 1, 2018, comparative and current period financial statements have been prepared using the same policies. The previously presented U.S. GAAP financial information has been reconciled to IFRS as part of Note 26 of the consolidated financial statements in accordance with the requirements of IFRS 1. Further, the policies applied have been done so on a full retrospective basis unless an alternative treatment is permitted or required by an IFRS 1 exemption or exception. These are discussed below.

The Company has applied the following mandatory exceptions in its first IFRS financial statements:

Estimates

In accordance with IFRS 1, an entity’s estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP unless there is objective evidence that those estimates were made in error. The Company’s IFRS estimates as at the Transition Date are consistent with its U.S. GAAP estimates as at that date.

In accordance with IFRS 1, the Company has applied the following voluntary exemptions in the conversion from U.S. GAAP to IFRS:

Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 to only those business combinations that occurred on or after the Transition Date and such business combinations have not been restated. As a result of this election, no adjustments were required to the Company’s consolidated statement of financial position as at the Transition Date.

Share-based Payment Transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to the Transition Date.

On February 1, 2019, BetterLife adopted IFRS 16, Leases (“IFRS 16”) and applied IFRS 16 retrospectively to each prior reporting period presented. In accordance with IFRS 16, the Company determines if an arrangement is a lease at inception based on whether there is an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset and whether the Company has the right to direct the use of the asset. The Company has operating leases, on office and facility spaces, and no financing leases. Operating lease right-of-use (“ROU”) assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

For leases with terms greater than twelve (12) months, the Company records the related ROU asset and lease obligation at the present value of lease payments over the term. Leases may include fixed rental escalation clauses, renewal options and / or termination options that are factored into the determination of lease payments when appropriate. The Company’s leases do not provide a readily determinable implicit rate; therefore, an estimate of the Company’s incremental borrowing rate is used to discount the lease payments based on information available at the lease commencement date.

The adoption of IFRS 16 resulted in the recognition of ROU assets of \$1,974,759 and lease liabilities of \$1,906,403 in July 2018.

Accounting Standards and Interpretations Adopted Subsequent to January 31, 2020

IAS 1 Presentation of Financial Statements

IAS 1 sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.

IAS 1 has been revised to incorporate a new definition of “material” and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors has been revised to refer to this new definition in IAS 1. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

As of February 1, 2020, the Company has adopted IAS 1 and has concluded that, based on its current operations, the adoption of IAS 1 had no significant impact on the Company’s consolidated financial statements.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

IAS 8 is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IAS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The amendment is effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

In accordance with IFRS, financial assets are classified into one of the following categories: amortized cost, fair value through other comprehensive income or fair value through profit or loss. Cash and amounts receivable are classified as amortized cost. Their carrying values approximate fair value due to their limited time to maturity and ability to convert them to cash in the normal course. Financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through profit or loss. The Company's accounts payable and accrued liabilities, due to related parties, convertible debentures and promissory notes are measured at amortized cost. Their carrying values also approximate fair value due to their short term maturities.

BetterLife recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the condensed consolidated interim statements of income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- a. Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- b. Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- c. Level 3 – inputs for the asset or liability are not based on observable market data.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At October 31, 2019, January 31, 2019 and February 1, 2018, cash was measured and recognized in the condensed consolidated interim statement of financial position using Level 1 inputs in the fair value hierarchy. At October 31, 2019, January 31, 2019 and February 1, 2018, there were no financial assets or liabilities measured and recognized in the condensed consolidated interim statement of financial position at fair value that would have been categorized as Level 3 in the fair value hierarchy above.

SHARE DATA

The following table sets forth the outstanding share, warrants, stock options, restricted share units and performance share units data for the Company as at June 1, 2020:

	<u>Authorized</u>	<u>Issued</u>
Common shares	Unlimited	172,109,851
Warrants		79,478,923
Stock options		15,075,000
Restricted share units		2,950,000
Performance share units		750,000

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's audited year-end financial results and unaudited quarterly financial results, can be accessed on SEDAR (www.sedar.com) and in the United States on EDGAR (www.sec.gov/edgar).

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