

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE YEAR ENDED June 30, 2017**

FORM 51-102F1

DATE AND SUBJECT OF REPORT

The following Management Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of EVITRADE Health Systems Corp. ("EVITRADE" or the "Company") The MD&A should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2017. The MD&A has been prepared effective October 30, 2017.

SCOPE OF ANALYSIS

The following is a discussion and analysis of EVITRADE Health Systems Corp. (formerly Auxellence Health Corporation). On September 8, 2016, the Company changed its name to EVITRADE Health Systems Corp. In conjunction with the Company name and CSE ticker symbol change to EVA, the Company announced and consolidated its common shares 15:1 with a September 21, 2016 record date.

The Company's head office is located at #168 – 11280 Twigg Place, Richmond, BC V6V 0A6.

The Company reports its financial results in Canadian dollars in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB"). All published financial results include the assets, liabilities and results of operations for Company subsidiaries.

FORWARD LOOKING STATEMENTS

The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words 'believes,' 'expects,' 'anticipates,' 'estimates,' 'intends,' 'plans,' 'forecasts,' or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the Risks Factors section. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company may not provide updates or revise any forward-looking statements, except those otherwise required under paragraph 5.8(2) of NI 51-102, whether written or oral that may be made by or on the Company's behalf.

TRENDS

Other than as disclosed in this MD&A and as previously announced in Company press releases, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon its revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

GENERAL BUSINESS AND DEVELOPMENT

The Company continues to focus on consumer health technology to provide high-level online personal health devices and solutions to customers of OTC (Over-The-Counter) consumer health products and services. The Company is currently reassessing its development of an innovative “thera”peutic and diag“nostic” (theranostic) device along with an interactive expert-system and recommender “PRESCRIPTOR” engine to provide a personalized system of diagnostic procedures and assessment for unique health “solutions” customized to consumers.

During the year ended June 30, 2017 and subsequently, the Company did not commence commercial operations and recorded an impairment write-down of \$16,810,748 for all research and development of its TUILIP™ and related intellectual property (IP) in addition to write downs associated with a business restructuring from a plan of arrangement approved by the courts in March of 2017..

The Company is still in the research and development phase and has not begun commercialization.

The Company’s financial success is dependent upon the extent to which it can develop its business objectives and the economic viability of commercializing any technologies or newly identified business opportunities.

Acquisitions and Dispositions

On April 7, 2017, the Company entered into a Share Exchange Agreement with 2554191 Ontario, Inc. (“255ON”). Pursuant to the agreement, the Company issued 3,500,000 common shares to shareholders of 255ON to acquire 100% ownership as a wholly-owned subsidiary of C&C Cosmeceuticals Corp., a wholly-owned subsidiary of the Company. The fair value of shares issued was \$3.14 per share for total transaction value of \$10,990,000 that closed on April 28, 2017. The entire acquisition FMV was expensed to transaction costs in the Company’s wholly-owned subsidiary C&C in conjunction with the planned going-public transaction through 255ON pursuant to the 2017 Plan of Arrangement. No goodwill was recorded as a result of the planned going-public transaction under the 2017-POA and 255ON being a non-operating holding company.

Details of the transaction are as follows:

| | |
|-----------------------------------|------------------|
| Cash acquired | \$503,768 |
| Notes receivable | 460,000 |
| Accrued liabilities | (49,900) |
| Government remittances receivable | <u>888</u> |
| Net assets acquired | <u>\$914,756</u> |
| | |
| Share capital | \$954,350 |
| Deficit | <u>(97,245)</u> |
| Equity acquired | <u>\$857,105</u> |

On May 15, 2017, in regard to the C&C planned spinout transaction, the Company entered into the following agreements:

- C&C IP transfer agreement whereby C&C transferred all of its remaining IP development that was associated with the original Decanex agreement in exchange for a non-secured, non-interest-bearing loan payable from Evitrade in amount of \$1,136,000 with no fixed terms of repayment.
- a debt forgiveness agreement with C&C whereby the Company forgave \$10,228,200 in debt, excluding \$975,000 in non-interest bearing debt due in 18 months (the "Debt").

On May 24, 2017, the Company completed to the spinout of its previously wholly-owned subsidiary C&C Cosmeceuticals Corporation, including its subsidiary 2554191 Ontario, Inc. under the 2017-POA and recorded and gain of \$284,900 on net assets derecognized. In addition, the Company received marketable securities with a nominal value of \$1 through the spinout. As a result of the spinout, the Company is no longer pursuing business for the development for skin care products, industrial hemp, and other planned activities of these former subsidiaries.

Business Chronology

In early 2016, the Company resolved a default notice from Decanex, Inc. in regard to its General Service Agreement (GSA) and arranged a \$1.05 million secured credit facility with Sydney Au, CEO and director of the Company in order to continue to meet contractual obligations under the GSA.

In June 2016, the Company announced a clinical study and a sponsored research study using its TULIP™ system. The Company has no material updates for the study and ongoing research.

In August and September 2016, the Company announced it signed a Memorandum of Understanding (MOU) for sales and distribution in China and added two advisory board members. To date, other than testing of the system, no other development or progress has been made towards sales and distribution in China.

In September 2016, the Company announced a rebranding which resulted in a name change, share consolidation of 15 to 1, along with up to \$1 million in financing, and divestiture of its existing assets through a new plan of arrangement.

In October 2016, the Company began testing the TULIP™ system in Asia and received a purchase order for 500 test units. The order was not fulfilled, and no testing has begun in Asia to date.

In March 2017, the Company filed in court for a 2017 Plan of Arrangement (2017-POA) and subsequently received court approval for the divestiture of C&C Cosmeceuticals Corporation ("C&C") and four newly incorporated subsidiaries to facilitate contemplated transactions under the 2017-POA. In May 2017, the Company completed the C&C spin-out transaction through a dividend to existing Company shareholders under the 2017-POA. C&C transferred all its remaining IP development to the Company in conjunction with the spinout. The remaining four transactions under the 2017-POA have not been completed as of the date of this MD&A.

As of October 30, 2017, the \$827,681 of convertible debt to Decanex, Inc. has not been converted as scheduled on August 19, 2017. The Company is currently renegotiating all of its obligations with Decanex, including overdue service payments, the GSA, and conversion of this debt. 1,103,575 common shares are reserved for issuance under this note conversion.

PLANS OF ARRANGEMENT

2014 Plan of Arrangement

The Company has two former subsidiaries with outstanding Series A Preferred share conversions and pushout for common shares under the 2014 court approved Plan of Arrangement (2014-POA) as of the date of this statement.

Each transaction represents \$1,000 fair value in convertible preferred shares, and related letters of intent for businesses in each former subsidiary company. \$506,537 has been recorded as share reserve with offsetting common share capital for pending shares conversions under the 2014-POA. The Company has \$2,000 (2016: \$2,000) in remaining deposits related to the spin-outs under the 2014-POA as of June 30, 2017.

2017 Plan of Arrangement

In March 2017, the Company filed and received court approval for its 2017 Plan of Arrangement ("2017-POA") for the planned spinout of C&C Cosmeceuticals Corp. ("C&C") and four newly formed subsidiary corporations to facilitate other contemplated spin-out transactions.

On April 7, 2017, the Company entered into a Share Exchange Agreement with 2554191 Ontario, Inc. ("255ON"). Pursuant to the agreement, the Company issued 3,500,000 common shares to shareholders of 255ON to acquire 100% ownership as a wholly-owned subsidiary of C&C Cosmeceuticals Corp., a wholly-owned subsidiary of the Company. The fair value of shares

issued was \$3.14 per share for total transaction value of \$10,990,000 that closed on April 28, 2017.

Of the \$10,990,000 acquisition FMV, C&C expensed \$10,070,009 as transaction costs was expensed in conjunction with the planned going-public transaction through 255ON pursuant to the 2017 Plan of Arrangement with the remaining \$919,991 recorded to investment in 255ON.

The Company recorded \$5,000 to deposits for convertible preferred share commitment for the Series A preferred shares to be exchanged under the 2017-POA for fiscal 2017. A \$1,000 deposit was allocated with the C&C spinout on May 24, 2017. The Company has \$4,000 (2016: \$nil) in remaining deposits related to contemplated spin-outs under the 2017-POA as of June 30, 2017.

On May 24, 2017, the Company completed the spinout of C&C and recorded a gain of \$284,900 on net assets and \$7,964,000 write down of its investment in C&C, along with derecognition of \$302,537 in original share capital when C&C acquired the Company in a reverse-take-over in 2013.

The Company calculated a gain on the C&C spinout transaction is as follows:

| | |
|----------------------------|-------------------|
| FMV of net assets disposed | \$(285,900) |
| Deposit due | <u>1,000</u> |
| Gain on spinout of C&C | <u>\$ 284,900</u> |

DISCONTINUED OPERATIONS

The Company completed the spin-out of C&C Cosmeceuticals Corp., including 2554191 Ontario, Inc., a wholly-owned subsidiary of C&C, on May 24, 2017. The Company has disclosed the assets, pre-tax income and cash flow related to the discontinued operations of C&C and 255ON separately in these financial statements and has similarly reclassified prior year amounts to show the effect of the sale on the Company's financial statements.

No assets were classified as held for sale as the C&C spin-out was pursuant to the Company's January 2017 Plan of Arrangement and contemplation, identification, and completion of the transaction occurred in the same fiscal year with all transaction details and amounts agreed between parties in Q4 of fiscal 2017.

| Pre-tax Loss | June 30, 2017 | June 30, 2016 |
|---|------------------|------------------|
| Operating expenses | 3,500 | — |
| Other items | | |
| Transaction costs | 10,070,009 | — |
| Impairment of intangible properties | 144,000 | — |
| Pre-tax loss from discontinued operations | 10,217,509 | — |

RESULTS OF OPERATIONS

ANNUAL RESULTS

For the year ended June 30, 2017, the Company had loss and comprehensive loss of \$(26,718,783) (2016: \$(345,275) (as restated)) from continued operations and loss and comprehensive loss of \$(10,217,509) (2016: \$Nil) from discontinued operations.

Continued Operations

The operating loss for 2017 as compared to income in 2016 was due to the following significant factors:

- i) A gain on the conversion of its debt into equity of \$150,000 was recognized in 2016 compared to \$nil for 2017;
- ii) Debt financing charges were \$183,369 in 2017 as compared to \$36,080 in 2016, representing an expense increase of \$147,289 in 2017 as compared to 2016 due to expenses related to convertible debt;
- iii) Share based expense for brokerage services of \$730,000 was recorded in 2017 compared to \$nil for 2016.
- iv) Management fees increased to \$90,000 in 2017 from \$nil in 2016 for Sydney Au, CEO executive compensation (non-share-based);
- v) Interest expense decreased from \$76,052 in 2016 down to \$253 in 2017 due to reduced interest on convertible debt, excluding finance charges;
- vi) Consulting expenses increased to \$128,169 in 2017 from \$24,000 in fiscal 2016, representing an increase of \$104,169 which is primarily related to increased use of consultants for assistance in marketing and financing; and
- vii) other general changes to operating expenses.

Other various expenses changed during the normal course of business from 2017 as compared to 2016 with no other significantly different operating expenses incurred by the Company year-over-year.

Discontinued Operations

The loss from discontinued operations for 2017 was \$10,217,509 as compared to \$Nil 2016 with specific changes as follows:

- (i) operating expenses for discontinued operations were \$3,500 for 2017 compared to \$Nil for 2016;
- (ii) transaction costs were \$10,070,009 for 2017 compared to \$nil for 2016; and
- (iii) impairment of intangible properties was \$144,000 in 2017 compared to \$nil for 2016.

No other expenses were attributed to discontinued operations for 2017 and 2016.

SELECTED ANNUAL INFORMATION

CORRECTION OF PRIOR PUBLISHED FINANCIAL STATEMENTS:

During fiscal 2016, the Company entered into a debt settlement agreement whereby the Company issued a convertible note for an outstanding account payable balance of \$150,000 owing to Decanex, Inc.; responsible for the development of the Company's intangible asset. Management has restated its consolidated financial statements herein to reflect this modification in terms under its General Services Agreement that constitutes a debt conversion expense for the extinguishment of a financial liability under paragraph IAS 39.40.

The audited consolidated financial statements for the year ended June 30, 2016 have therefore been restated to reflect the aforementioned financing charge and remove the intangible asset of date with specific financial statement line adjustments as follows:

Consolidated Statement of Financial Position

As at June 30, 2016

| | SEDAR Filed \$ | Adjustments \$ | Restated \$ |
|-----------------------------|-------------------|-------------------|------------------|
| Intangible Assets | 5,009,748 | (150,000) | 4,859,748 |
| Shareholders' Equity: | | | |
| Retained Earnings (Deficit) | (277,455) | (150,000) | (427,455) |

Consolidated Statement of Loss and Comprehensive Loss

For the Year Ended June 30, 2016

| | SEDAR Filed \$ | Adjustments \$ | Restated \$ |
|--|-------------------|-------------------|------------------|
| Comprehensive income: | | | |
| Debt conversion expense | — | (150,000) | (150,000) |
| Net Loss and Comprehensive Loss | (195,275) | (150,000) | (345,275) |

Consolidated Statement of Changes in Shareholders' Equity (Deficit)

As at June 30, 2016

| | SEDAR Filed \$ | Adjustments \$ | Restated \$ |
|---------------------------------|-------------------|-------------------|------------------|
| Net loss and comprehensive loss | (195,275) | (150,000) | (345,275) |

Consolidated Statement of Cash Flows

As at June 30, 2016

| | SEDAR Filed \$ | Adjustments \$ | Restated \$ |
|-----------------------------------|-------------------|-------------------|------------------|
| Net loss and comprehensive loss | (195,275) | (150,000) | (345,275) |
| Cash used in operating activities | (68,060) | (150,000) | (218,060) |
| Investing activities | (928,475) | 150,000 | (778,475) |

The following financial data, which has been prepared in accordance with IFRS, is derived from the Company's financial statements 2017, 2016 (restated), and 2015 (restated). These sums are being reported in Canadian dollars and did not change as a result of the adoption of policies concerning Financial Instruments, as follows:

| | Years ended June 30, | | |
|--|------------------------|--------------------------|--------------------------|
| | 2017 \$ | 2016 (Restated) \$ | 2015 (Restated) \$ |
| Revenue | — | — | — |
| Other income | 9,524 | 77,869 | 133,486 |
| Debt conversion expense | — | (150,000) | — |
| Gain on conversion of debt | — | 10,250 | 368,927 |
| Impairment of intangibles | (16,810,748) | — | — |
| Loss on sale of debt | (974,997) | — | — |
| Gain on derecognition of sub Expenses | 284,900 (1,263,462) | (283,394) | (187,551) |
| Income (loss) from continued operations | (26,718,783) | (345,275) | 314,862 |
| Loss from discontinued operations | (10,217,509) | — | — |
| Income (loss) and comprehensive income (loss) | (36,936,292) | (345,275) | 314,862 |
| Total current liabilities | 1,989,857 | 967,467 | 1,031,435 |
| Total long-term liabilities | 1,490,761 | 1,459,568 | — |
| Net gain (loss) per share - basic | (4.03) | (0.003) | 0.003 |
| Net gain (loss) per share - diluted | (2.68) | (0.003) | 0.003 |

QUARTERLY RESULTS

Q4 – June 30, 2017

Continued Operations

For the three months ended June 30, 2017 (Q4), the Company had loss and comprehensive loss from continued operations of \$(25,805,871) compared to \$(337,809) for Q4 of fiscal 2016, representing an increased loss of \$25,468,062 with specific changes to expenses and other items below.

Operating Expenses

Expenses were \$350,550 in Q4 of 2017 compared to \$275,928 in 2016 with specific changes as follows:

- i) share-based compensation decreased by \$12,687;
- ii) finance charges increased by \$71,250;
- iii) management fees increased by \$90,000;
- iv) listing expenses increased by \$11,486;
- v) consulting fees increased by \$27,120;
- vi) rent increased by \$11,966;
- vii) professional fees decreased by \$12,687;
- viii) decreased transfer agent and filing fees of \$17,956; and
- ix) other general changes to operating expenses.

Other Items

Other items were \$(25,455,321) for Q4 of fiscal 2017 as compared to \$(61,881) Q4 of fiscal 2016, representing increased net expenses from other items of \$25,393,440 with specific changes as follows:

- i) other income decreased by \$30,250 to \$9,524 in 2017;
- ii) impairment of intangible assets increased by \$16,810,748 from \$Nil in 2016;
- iii) debt financing charges decreased by \$150,000 to \$Nil in 2017;
- iv) loss on sale of debt increased by \$974,997 from \$Nil in 2016;
- v) gain on derecognition of subsidiary increased \$284,900 from \$Nil in 2016; and
- vi) write down of investment increased \$7,964,000 from \$Nil in 2016.

Discontinued Operations

All results and changes for discontinued operations for Q4 2017 are as described above under Annual Results with no other comparable prior period results.

Q3 – March 31, 2017

For the three months ended March 31, 2017 (Q3), the Company had net loss and total comprehensive loss of \$(827,882) compared to net income and comprehensive income of \$22,872 for Q3 of fiscal 2016. The increased expenses of \$(824,754) and resulting difference in loss for Q3 of fiscal 2017 as compared to income in Q3 of fiscal 2016 was the result of:

- i) broker services expense of \$730,000 compared to \$Nil for 2016;
- ii) listing and transfer agent expenses increasing by \$4,700 from \$2,000 in 2016;
- iii) business fees and licensing expenses increased by \$1,600 from \$Nil in 2016;
- iv) consulting fees increasing \$89,148 compared to \$Nil in 2016;
- v) professional fees of \$Nil in 2017 compared to 1,000 in 2016;
- vi) non-recurring other income of \$26,000 in 2016 compared to \$Nil in 2017; and
- vii) other general changes in expenses.

Q2 – December 31, 2016

For the three months ended December 31, 2017 (Q2), the Company had net loss and comprehensive loss of \$(19,744) compared to \$(31,112) for Q2 of fiscal 2016. The decreased loss of \$11,368 for Q2 of fiscal 2017 as compared to Q2 of fiscal 2016 was the result of:

- i) advertising and promotion expenses increasing by \$2,842 from \$Nil in 2016;
- ii) consulting decreased from \$18,300 in 2016 to \$Nil in 2017;
- iii) listing expenses decreased by \$6,555 to \$500 in 2017;
- iv) transfer agent expenses increasing by \$4,688 from \$Nil in 2016;
- v) other income decreased by \$3,524 to \$Nil in 2017; and
- vi) other general changes to operating expenses.

Q1 – September 30, 2016

For the three months ended September 30, 2016 (Q1), the Company had net loss and comprehensive loss of \$(20,273) compared to \$(14,260) for Q1 of fiscal 2016. The increased loss of \$6,013 for Q1 of fiscal 2017 as compared to Q1 of fiscal 2016 was the result of:

- i) office rent increasing by \$9,733 from \$Nil in 2016;
- ii) consulting expense decreased by \$8,875 to \$2,500 in 2017;
- iii) travel increased by \$2,625 to \$3,239 in 2017;
- iv) transfer agent and listing expenses increasing by \$710 from \$1,694 in 2016;
- v) other income decreased by \$3,524 to \$Nil in 2017; and
- vi) other general changes to operating expenses.

SELECTED QUARTERLY INFORMATION

The following table summarized the financial results of operations for the eight recent fiscal quarters for fiscal 2017 and 2016.

Fiscal 2017

| | June 30, 2017 (Q4) \$ | March 31, 2017 (Q3) \$ | December 31, 2016 (Q2) \$ | September 30, 2016 (Q1) \$ |
|-----------------------------------|-----------------------------|------------------------------|---------------------------------|----------------------------------|
| Revenue | — | — | — | — |
| Other items | (25,455,321) | — | — | — |
| Expenses | (395,563) | (827,882) | (19,744) | (20,273) |
| Loss from continued operations | (25,850,844) | (827,882) | (19,744) | (20,273) |
| Loss from discontinued operations | (10,217,509) | — | — | — |
| Net loss | (36,068,393) | (827,882) | (19,744) | (20,273) |
| Loss per share - basic | (3.94) | (0.00) | (0.00) | (0.00) |
| Loss per share - diluted | (1.04) | (0.00) | (0.00) | (0.00) |

Fiscal 2016

| | June 30, 2016 (Q4) | March 31, 2016 (Q3) | December 31, 2015 (Q2) | September 30, 2015 (Q1) |
|---|-----------------------|------------------------|---------------------------|----------------------------|
| | \$ | \$ | \$ | \$ |
| Revenue | — | — | — | — |
| Other items | (94,929) | 26,000 | 3,524 | 3,524 |
| Expenses | (377,846) | 3,128 | 34,636 | 17,784 |
| Income (loss) from continued operations | (322,775) | 22,872 | (31,112) | (14,260) |
| Loss from discontinued operations | — | — | — | — |
| Net income (loss) | (322,775) | 22,872 | (19,744) | (20,273) |
| Income (loss) per share (basic and diluted) | (0.00) | 0.00 | (0.00) | (0.00) |

SUBSEQUENT EVENTS

In August 2017, the following warrants expired:

| Number of Warrants Outstanding | Exercise Price | Expiry Date | Number of Common Shares Issuable |
|-----------------------------------|----------------|-----------------|-------------------------------------|
| 200,000 | \$ 1.50 | August 17, 2017 | 200,000 |
| 206,667 | \$ 1.50 | August 29, 2017 | 206,667 |

On October 12, 2017, the Company's general security agreement with 2554191 Ontario, Inc. was terminated as mutually agreed in conjunction with May 2015 debt forgiveness and exchange agreements.

As of October 30, 2017, the \$827,681 of convertible debt to Decanex, Inc. has not been converted as scheduled on August 19, 2017. The Company is currently renegotiating all of its obligations with Decanex, including overdue service payments, the GSA, and conversion of this debt. 1,103,575 common shares are reserved for issuance under this note conversion.

LIQUIDITY

- (a) The Company is a health technology company in the research and development stage and therefore has no regular source of income, other than interest income it may earn on funds invested in short-term deposits. As a result, its ability to conduct operations, including the development of its website and customization of health technologies and the evaluation and acquisition of additional health technologies, is based on its current cash and its ability to raise funds, primarily from equity sources, and there can be no assurance that the Company will be able to do so.

The Company is currently in default and has an accrued liability of \$199,169 for overdue service fees under its General Service Agreement with Decanex, Inc. The Company is currently working with Decanex to renegotiate all of its obligations and services under the GSA, along with the convertible note due, and future development plans.

- (b) Other than as set forth herein, there are no expected fluctuations in the Company's liquidity, taking into account demands, commitments, events or uncertainties.
- (c) The Company does not currently have any liquidity risks associated with financial instruments.
- (d) The Company is expected to have a working capital deficiency if it does not complete the proposed financing. The Company expects to meet its liquidity need through additional equity or debt financing(s).
- (e) There are no balance sheet conditions or income or cash flow items that may affect the Company's liquidity.
- (f) There are currently no defaults or arrears by the Company on:
 - (i) dividend payments, lease payments, interest or principal payment on debt;
 - (ii) debt covenants; and
 - (iii) redemption or retraction or sinking fund payments.
- (g) The Company's working capital deficit was \$1,947,465 as at June 30, 2017 (2016: \$844,521).
- (h) Eighteen-month convertible debt: On February 19, 2016 the Company issued \$827,681 of convertible debt to Decanex, Inc. as a part of debt settlement agreement. The debt matures eighteen months from the date of issuance and maybe converted by the debtholder into common shares of the company at a price of CDN \$0.75 per common share. Interest is payable on this debt at an annual rate equal to ten percent (10%), compounded on an annual basis.

As of October 30, 2017, the \$827,681 of convertible debt to Decanex, Inc. has not been converted as schedule on August 19, 2017. The Company is currently renegotiating all of its obligations with Decanex, including overdue service payments, the GSA, and conversion of this debt. 1,103,575 common shares are reserved for issuance under this note conversion.

- (i) Eighteen-month convertible debt: On June 30, 2016, Sydney Au, CEO and director, loaned the company \$674,697 that is non-interest bearing and has not terms of repayment. On June 30, 2016, the Company issued \$674,697 of convertible debt as settlement to this related party that has a term of 18 months, bears interest at 10% per annum compounded annually, and has a conversion feature of \$0.75 per common

share. The holder of this debt may, within the specified time period, convert their debt at their discretion.

CAPITAL RESOURCES

During the fiscal year ended June 30, 2017;

- (a) The Company continues to have minimal capital resources with no known trends or expected fluctuations in the Company's capital resources, including expected changes in the mix and relative cost of such resources.
- (b) On September 19, 2016, in conjunction with the name and symbol change, the Company announced and consolidated its common shares 15:1 with a September 21, 2016 record date.
- (c) On December 16, 2016, the Company signed an Asset Purchase Agreement to acquire intellectual property complementary to the TULIP™ technologies. The Company issued 500,000 common shares with a fair market value of \$875,000 or \$1.75 per share.
- (d) On March 22, 2017, the Company issued 500,000 common shares with a fair market value of \$730,000 or \$1.46 per share to a broker for financial advisory services.
- (d) On March 23, 2017, the Company issued 100,000 common shares for the exercise of warrants at \$1.50 per warrant for total consideration of \$150,000 paid through settlement of debt.
- (e) On April 3, 2017, the Company issued 50,000 common shares with a fair market value of \$2.88 per share or \$144,000 to acquire industrial hemp related intellectual property for its wholly-owned subsidiary C&C Cosmeceuticals. C&C subsequently determined the IP was impaired and wrote it off in April 2017. The Company issued 3,450,000 common shares with a fair market value of \$2.88 per share or \$9,936,000 to acquire VoiceofHeart™ and related intellectual property to compliment the TULIP™ IP. The Company subsequently determined the IP was impaired along with the TULIP™ IP and recorded a full impairment write-down for the year end June 30, 2017.
- (f) On April 28, 2017, the Company issued 3,500,000 common shares with a fair market value of \$3.14 per share or \$10,990,000 for the acquisition of 2554191 Ontario, Inc. ("255ON") by the Company's wholly-owned subsidiary C&C. 255ON was subsequently spun out with the C&C plan of arrangement on May 24, 2017. See Acquisitions and Dispositions and Plans of Arrangements sections above for details of the transaction.

FINANCIAL INSTRUMENT AND RISK MANAGEMENT

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include credit risk, liquidity risk, interest rate risk, and currency risk. Where material, these risks are reviewed and monitored by management and the Board of Directors and appropriate action taken to minimize such risks where possible.

OFF BALANCE SHEET ARRANGEMENTS

As at June 30, 2017, the Company had no off-balance sheet arrangements.

PROPOSED TRANSACTIONS

The Company is actively engaged in completion its court approved 2014 and 2017 Plans of Arrangement. The spinout of C&C Cosmeceuticals Corp. under the 2017-POA was completed on May 24, 2017. Please refer to the Plans of Arrangement section above.

TRANSACTIONS WITH RELATED PARTIES

During the fiscal year ended June 30, 2017, the following related party transactions occurred:

- (a) Key management personnel compensation:
 - i. Included in management fees is \$90,000 (2016: \$nil) for compensation incurred and accrued as payable to Sydney Au, CEO and Director for fiscal 2017;
 - ii. Included in share-based compensation is \$33,263 (2016: \$22,207) related to the fair value of options vested in fiscal 2017 to officers and directors.
- (b) Ron Ozols, Director, was repaid demand loans of \$42,715 by the Company during fiscal 2017.
- (c) Sydney Au, CEO and Director, loaned the Company \$988,079 and was repaid for demand loans of \$708,212.
- (d) The Company accrued interest payable of \$68,407 owing to Sydney Au, CEO and Director for his convertible note payable.
- (e) The Company accrued interest payable of \$83,769 owing to Decanex, Inc. for its convertible note payable. Decanex is controlled and operated by a major shareholder of the Company.
- (f) The Company was loaned \$562 for miscellaneous operating expenses by a family member of a major shareholder of the Company.
- (g) On May 15, 2017, the Company entered into a debt forgiveness agreement with its subsidiary C&C and 255ON to forgive a total of \$9,253,200 owed to the Company by C&C offset by 255ON forgiving \$228,500 in notes receivable due from the Company, recorded in the subsidiaries as gain and loss on forgiveness of debt, respectively, and eliminated on consolidation.
- (h) On May 24, 2017, the Company disposed of its wholly-owned subsidiaries C&C and 2554191 Ontario through its 2017 Plan of Arrangement. The Company also received marketable securities with a nominal value of \$1 through the spin-out.

- (i) The Company has recorded \$199,169 in accrued liabilities due to Decanex, Inc., the Company's operator under its General Services Agreement for services fees due.

These transactions above are in the normal course of operations and are measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties.

OUTSTANDING SHARE DATA

Authorized: unlimited common shares without par value
unlimited preferred shares without par value

Issued and outstanding as at June 30, 2017 and October 30, 2017: 15,386,932 (excluding 3,333 common shares bought into treasury)

Reserved for issuance as at October 30, 2017: 4,306,529

Common shares:

On March 23, 2017, the Company issued 100,000 common shares for the exercise of warrants at \$1.50 per warrant for total consideration of \$150,000 paid through settlement of debt.

On April 3, 2017, the Company issued 50,000 common shares with a fair market value of \$2.88 per share or \$144,000.

On April 28, 2017, the Company issued 3,500,000 common shares with a fair market value of \$3.14 per share or \$10,990,000 for the acquisition of 2554191 Ontario, Inc.

Share purchase warrants

As of June 30, 2017, the following warrants were outstanding and exercisable:

| <i>Number of Warrants Outstanding</i> | <i>Exercise Price</i> | <i>Expiry Date</i> | <i>Number of Common Shares Issuable</i> |
|--|------------------------------|---------------------------|--|
| 100,000 | \$ 1.50 | August 17, 2017 | 100,000 |
| 206,667 | \$ 1.50 | August 29, 2017 | 206,667 |
| 551,000 | \$ 1.50 | August 29, 2019 | 551,000 |
| 530,773 | \$ 1.50 | September 1, 2019 | 530,773 |
| 86,667 | \$ 1.50 | March 16, 2021 | 86,667 |
| 133,333 | \$ 1.50 | April 7, 2021 | 133,333 |
| 1,608,440 | | | 1,608,440 |

A summary of the Company's issued and outstanding warrants as at June 30, 2017, 2016, and 2015 and changes during those years is presented below:

| | Warrants Outstanding | Weighted Average Exercise Price |
|-------------------------------|-------------------------|------------------------------------|
| Balance, June 30, 2015 | 1,533,440 | 1.50 |
| Granted | 220,000 | 1.50 |
| Exercised | (45,000) | (1.50) |
| Balance, June 30, 2016 | 1,708,440 | \$ 1.50 |
| Granted | — | — |
| Exercised | (100,000) | \$ 1.50 |
| Balance, June 30, 2017 | 1,608,440 | \$ 1.50 |

The fair value of warrants issued during the year were determined using the Black-Scholes Option Pricing Model with assumptions as follows:

| | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|
| <i>Weighted average risk-free interest rate</i> | — | 1.34 % |
| <i>Weighted average estimated volatility</i> | — | 252.06 % |
| <i>Weighted average expected life</i> | — | 3.65 years |
| <i>Weighted average expected dividend yield</i> | — | - % |

A total of \$13,500 for share based compensation in regard to warrants exercised in 2017 was transferred from contributed surplus and to share capital.

In August 2017, the following warrants expired:

| <i>Number of Warrants Outstanding</i> | <i>Exercise Price</i> | <i>Expiry Date</i> | <i>Number Common Issuable</i> | <i>of Shares</i> |
|--|------------------------------|---------------------------|--|-----------------------------|
| 200,000 | \$ 1.50 | August 17, 2017 | | 200,000 |
| 206,667 | \$ 1.50 | August 29, 2017 | | 206,667 |

Stock Options

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the Option Plan can have a maximum exercise term of 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

As of June 30, 2017, there were no stock options outstanding and exercisable with all of the following stock options being cancelled in fiscal 2017:

| <i>Number of Options</i> | <i>Exercise Price per Share</i> | <i>Expiry Date</i> |
|--------------------------|---------------------------------|--------------------|
| 16,667 | \$ 0.75 | May 13, 2018 |
| 58,333 | \$ 1.50 | May 13, 2018 |
| 29,167 | \$ 2.25 | May 13, 2019 |
| 29,167 | \$ 3.00 | May 13, 2019 |
| 133,334 | | |

A summary of the status of the Company's stock options as at June 30, 2017, 2016, and 2015 and changes during those years is presented below:

| | <i>Options Outstanding</i> | <i>Weighted Average Exercise Price</i> |
|-------------------------------|----------------------------|--|
| Balance, June 30, 2015 | — | — |
| Granted (i) | 133,334 | \$ 1.95 |
| Balance, June 30, 2016 | 133,334 | \$ 1.95 |
| Cancelled (ii) | (133,334) | (\$ 1.95) |
| Balance, June 30, 2017 | — | — |

All \$0.75 and \$1.50 options were cancelled in November 2016 and all remaining options cancelled in February 2017.

- (i) On May 13, 2016, the Company granted 133,334 stock options at exercise prices between 0.75 to \$3.00 (adjusted for 15:1 consolidation) to certain officers, directors, and consultants of the Company, with a vesting date of August 13, 2016. 75,000 stock options were exercisable on or before May 13, 2018. 58,334 stock options were exercisable on or before May 13, 2019.

The fair value of stock options charged to operation in fiscal 2016 as share-based compensation for was determined to be \$89,780 using the Black-Scholes option pricing model using the current assumptions of risk-free interest rate of 1.34%, expected life of 2-3 years, forfeiture rate – 0%, expected volatility of 252.06% and a dividend rate of 0%.

\$66,570 of share-based compensation was charged to operations in fiscal 2017 for stock options vested using the Black-Scholes option pricing model using the current assumptions of risk-free interest rate of 0.54%, expected life of 1.75 – 2.75 years, forfeiture rate – 0%, expected volatility of 371% - 407%, and a dividend rate of 0%.

(ii) On February 23, 2017, officers and directors agreed to cancel all of their outstanding stock options and all consultant's options expired without being exercised under the terms of the option agreement.

There are no stock options outstanding having either expired or been cancelled per note (ii).

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Company financial statements are prepared in accordance and compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency. The financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Refer to the Company's financial statements for the year ended June 30, 2017 and 2016 (restated) for details of the significant accounting policies and estimates adopted by the Company.

RISKS AND UNCERTAINTIES

Health Technology Industry

The health technology industry involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the development of a technology may result in substantial rewards, marketing will also play a significant role in developing the company and its level of success. Major expenses may be required to establish the technology to be accepted in the marketplace. It is impossible to ensure that the current technologies and market strategy planned by the Company will result in profitable commercial sales. Whether the company will be commercially viable depends on a number of factors, some of which are the particular attributes of the industry the technology is geared toward and the existing infrastructure, as well as competitors' strategies and market factors. Some of these are cyclical and government regulations, including regulations relating to medical devices and consumer health products.

The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. Health technology operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the health industry and the high technology industry. Although adequate precautions to minimize risk will be taken, operations are subject to hazards that are unforeseeable or beyond the company's control and their consequent liability.

Some of these risks include, but not limited to, the following:

The Company is largely dependent on the success of its website which has not yet launched and management cannot be certain that its website will be successfully commercialized.

The Company currently has no only test products for sale, has not reached commercialization, and cannot guarantee that it will ever have marketable products or services.

The Company plans to launch its full commercial website once it has obtained sufficient distribution and commercial viability for its OTC health products and services.

Risks in design, development and manufacture of a consumer health product which may have an adverse effect on a person's health.

If a significant portion of these development efforts are not successfully completed, required regulatory approvals are not obtained, or any approved products are not commercially successful, the company's business, financial condition, and results of operations may be materially harmed.

The Company's products and services under development may never achieve market acceptance, regardless of the Company obtaining regulatory approvals for distribution.

The Company's activities are directed towards the skincare (acne) and weight management sectors of the consumer health industry. There is no certainty that any expenditures to be made by the Company as described herein will result in market acceptance of the company's product or service offerings. There is aggressive competition within the skincare health (acne) and weight management marketplace. The Company will compete with other interests, many of which have greater financial resources than it will have for marketing towards target consumers. Significant capital investment is required to achieve commercialization from the current development stage of the Company.

Government Regulation

The consumer health products industry is subject to various federal, and provincial laws and regulations on, standards, claims, safety, efficacy and other matters. Regulatory approvals by government agencies on the Company's products or may be withheld or not granted at all and if granted may be subject to recalls which would materially affect the Company.

Although the Company's activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail development, production, manufacture, product claims, marketing or commercialization. Amendments to current laws and regulations governing operations and activities of the consumer health industry or more stringent implementation thereof could have a substantial adverse impact on the Company.

Uninsured Risks

The Company may carry insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include key person insurance as the Company heavily relies on the company officers.

Conflicts of Interest

Certain directors of the Company also serve as directors and/or officers of other companies involved in other business ventures. Consequently, there exists the possibility for such directors and/or officers to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, directors involved in potential conflicts will declare, and refrain from voting on the conflicted matter.

Negative Operating Cash Flows

As the Company is in early development stages, it will continue to have negative operating cash flows without the development of revenue streams from its business. Positive operating cash flows require the Company to sufficiently develop its products and services for commercialization.

Risks Related as a Going Concern

The ability of the Company to continue as a going concern is uncertain and dependent upon its ability to achieve profitable operations, obtain additional capital and receive continued support from its shareholders. Management of the Company will have to raise capital through private placements or debt financing and proposes to continue to do so through future private placements and offerings. The outcome of these matters cannot be predicted at this time.

Reliance on Key Personnel, Service Provider, and Advisors

The Company relies heavily on its officers, its service provider, and business advisors. The loss of their services may have a material adverse effect on the business and going concern of the Company. There can be no assurance that one or all of the employees of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to, the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

Licenses, Patents and Proprietary Rights

The Company's success could depend on its ability to protect its intellectual property, including trade secrets, and continue its operations without infringing the proprietary rights of third parties and without having its own rights infringed.

Uncertainty Regarding Penetration of the Target Market

The commercial success of the Company's business as compared with those of its competitors depends on its acceptance by potential users and the medical community. Market acceptance will largely depend on the reputation of the Company, its marketing strategy, consumer and health practitioner's services and performance. The Company's success will depend on its ability to commercialize and expand its network users. The Company will need to expand its marketing and sales operations and establish business relations with suppliers and users in a timely manner.

In order to meet its business objectives, the Company will have to ensure that its facilities and services are safe, reliable and cost-effective, and bring the expected return. There can be no assurance that the Company's products and services will be accepted and recommended.

Competition, Technological Obsolescence

The consumer health products industry for skincare and weight management is competitive. Others in the field may have significantly more financial, technical, distribution and marketing resources. Technological progress and product development may cause the Company's services and product offerings to become obsolete or may reduce their market acceptance.

Operating History and Expected Losses

The Company expects to make significant investments in order to develop its services, increase marketing efforts, improve its operations, conduct research and development and update its equipment. As a result, start-up operating losses are expected and such losses may be greater than anticipated, which could have a significant effect on the long-term viability of the Company.

Reliance on Joint Ventures, License Assignors and Other Parties

The nature of the Company's operations requires it to enter into various agreements with partners, joint venture partners, medical facilities, and medical equipment suppliers in the business world, government agencies, licensors, licensees, and other parties for the successful operation of its businesses and the successful marketing of its services.

There is no guarantee that those with whom the Company needs to deal will not adopt other technologies or that they will not develop alternative business strategies, acting either alone or in conjunction with other parties, including the Company's competitors, in preference to those of the Company.

Growth Management

In executing the Company's business plan for the future, there will be significant pressure on management, operations and technical resources. The Company anticipates that its operating and personnel costs will increase in the future. In order to manage its growth, the Company will have to increase the number of its technical and operational employees and efficiently

manage its employees, while at the same time efficiently maintaining a large number of relationships with third parties.

Regulatory Risks

Health technologies used by the Company are subject to a number of technological challenges and requirements, and can be subject to the regulations and standards imposed by applicable regulatory agencies. There can be no assurance that the Company will be able to comply with all regulations concerning its businesses.

Potential Liability

The Company is subject to the risk of potential liability claims with respect to its diagnostic and therapeutic solutions. Should such claims be successful, plaintiffs could be awarded significant amounts of damages, which could exceed the limits of any liability insurance policies that may be held by the Company. There is no guarantee that the Company will be able to obtain, maintain in effect or increase any such insurance coverage on acceptable terms or at reasonable costs, or that such insurance will provide the Company with adequate protection against potential liability.

FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES

During the year ended June 30, 2017, no significant changes in the Company's internal control over financial reporting were made.

The management of the Company is responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. Management is also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's financial statements for this filing (together the "Filings").

The management of the Company has filed the Venture Issuer Basic Certificate with the Interim or Annual Filings on SEDAR at www.sedar.com.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

OFFICERS AND DIRECTORS

| | |
|--------------|---------------------------|
| Sydney Au | President, CEO & Director |
| Faisal Manji | CFO & Director |
| Ron Ozols | Director (Independent) |
| C.K. Cheung | Director (Independent) |

CONTACT

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