



**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"), Health Systems Corp. (formerly Auxellence Health Systems Corp.). The MD&A should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2018.

This MD&A has been prepared with all information current to October 30, 2018.

**SCOPE OF ANALYSIS**

The following is a discussion and analysis of EVITRADE ([www.evahealthsystems.com](http://www.evahealthsystems.com)).

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

The Company has signed several agreements for acquisitions, pending acquisitions, joint-venture, plans of arrangement, and proposed transactions during fiscal 2017, fiscal 2018, and subsequent to the year ended June 30, 2018. (see Plans of Arrangement and Acquisitions, Letters of Intent and Joint Venture)

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**

EVITRADE is focused on developing technology and products for common health problems.

With its planned joint-venture and the company closing on the acquisitions of Western Agri Supply Solutions Ltd. and Hemp Extraction Technology Corp. in October 2018, Evitrade is also looking to develop products derived from THC and cannabidiol (CBD) in addition to products utilizing a patented excipient delivery system through its pending joint-venture with two private corporations.

On May 31, 2018, the Company transferred all of its TULIP intellectual property to Automated Techno Medical Corp. (formerly 1109871 B.C. Ltd.) for \$10 and other good and valuable consideration in accordance with its 2017 Plan of Arrangement. (see Plans of Arrangement)

The Company has signed several other definitive agreements several letters of intent (LOIs) for several acquisitions and a joint-venture. (See Pending Acquisitions, Letters of Intent and Joint Venture)

The Company's financial success is dependent upon the extent to which it can develop its business objectives and the economic viability of commercializing various aspects of its business under development.

### **Acquisitions, Letters of Intent and Joint Venture**

#### During the fiscal year ended June 30, 2018

On April 7, 2018, the Company signed a non-binding joint venture and operating agreement. The JV agreement is currently being finalized in a definitive agreement that will result in the Company having a 30 percent interest in the JV with two private corporations involving an excipient delivery system in exchange for the 10 million common shares reserved for the

transaction and the Company investing a minimum of \$2,156,000 in working capital through March 1, 2019 and an additional \$1,682,000 from May 1, 2019 through September 2019, for total of \$3,838,000 in working capital over those periods as the Company's JV contributions. The Company anticipates closing the JV on or before October 31, 2018.

On May 25, 2018, the Company entered into a binding letter of intent to acquire Cantech Molecular Research Inc., a BC producer of true homozygotic plants with a highly select and consistent set of traits, in exchange for 5 million common shares with a fair market value of \$0.35 per share or \$1,750,000 to acquire CMR as a wholly-owned subsidiary of the Company with a planned spin out to become a separate reporting issuer. The Company would retain 49% of the CMR spin out upon completion of the proposed transaction. As of June 30, 2018 and to date, the Company is working through due-diligence and has not closed on the transaction. The Company has paid a total of \$15,000 in deposits towards this acquisition.

On June 11, 2018, the Company signed a letter of intent Veri-Medical Systems ("VeriMed") to potentially acquire the Company which is involved in developing a blockchain based "seed-to-sale" protocol focussed on enhancing the integrity of the sale of Hemp based products. The Company continues to negotiate terms to acquire VeriMed that is anticipated to close in November 2018.

On June 22, 2018, the Company signed a letter of Intent to collaborate with West Coast Medical Solutions Ltd. ("WCMS"). WCMS together with their partner Ecovita Health Corporation (formerly Ecovita Packaging Ltd.) ("Ecovita") intended to undertake a project to apply to become a Licensed Dealer (LD) as issued by Health Canada for Class A precursors. As of June 30, 2018, the Company was continuing its due diligence regarding the potential transaction with no specific terms or definitive agreement reached and terminated the LOI subsequent to year end to conduct a transaction directly with Ecovita.

#### Subsequent to the year ended June 30, 2018

On August 23, 2018, the Company announced an LOI to acquire Tree Chest Safety Corp. (TREE). TREE manufactures and markets lockable air tight storage compartments specifically designed to store and preserve products while preventing children from accessing the contents. Pursuant to the LOI with TREE, Evitrade has agreed to negotiate with TREE to complete a transaction (the "Proposed Transaction") whereby Evitrade will acquire all of the outstanding shares of TREE for a combination of cash and shares. The result of the Proposed Transaction would be that TREE would become a wholly-owned subsidiary of Evitrade.

From September 2018 to date, the Company has been negotiating with Ecovita Health Corporation (formerly Ecovita Packaging Ltd.) regarding applying for and establishing joint-ownership in a Licensed Dealer (LD) as issued by Health Canada for Class A precursors. The Company will focus on uses regarding medical cannabis, tetrahydrocannabinol (THC) and cannabidiol (CBD). The Company anticipates reaching terms and structure to close the Ecovita deal in November 2018.

On October 16, 2018, the Company announced closing of the acquisition of Western Agri Supply Solutions Corp. (“WASS”) that specializes in industrial hemp biomass supply. Pursuant to the agreement, the Company will issue 20,000,000 at a fair value of \$0.30 per share and total consideration of \$6,000,000 to acquire all of the issued and outstanding common shares of WASS. As a result, WASS is now a wholly-owned subsidiary of Evitrade.

On October 19, 2018, the Company closed on the acquisition of Hemp Extraction Technology Corp. (“HETC”), which is in the business and technology of industrial hemp extraction, for total consideration of \$7,000,000. Pursuant to the acquisition agreement, Evitrade acquired all of the issued and outstanding common shares of HETC in exchange for an aggregate of 23,333,333 common shares of Evitrade issued at the deemed price of \$0.30 per share to the former holders of HETC common shares. As a result, HETC is now a wholly-owned subsidiary of Evitrade.

### **Business Chronology**

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 five subsidiaries along with certain assets and deposits

On April 7, 2018, the Company signed a non-binding joint venture and operating agreement. The JV agreement is currently being finalized in a definitive agreement that will result in the Company having a 30 percent interest in the JV with two private corporations to develop intellectual property for an excipient delivery system for pharmaceutical and nutraceutical applications.

In June 2017, the Company wrote off all of its TULIP and related intellectual properties and subsequently transferred them on May 31, 2018 to Automated Techno Medical Corp. (formerly 1109871 B.C. Ltd.) pursuant to its 2017 Plan of Arrangement. The TULIP IP had a \$nil fair market value at the time of transfer for \$10 and other good and valuable consideration.

On May 25, 2018, the Company entered into a binding letter of intent to acquire Cantech Molecular Research Inc., a BC producer of true homozygotic plants with a highly select and consistent set of traits. The Company has not closed on the transaction as of June 30, 2018 or to date.

On June 11, 2018, the Company signed a letter of intent Veri-Medical Systems (“VeriMed”) to potentially acquire the Company which is involved in developing a blockchain based “seed-to-sale” protocol focussed on enhancing the integrity of the sale of Hemp based products. The Company continues to negotiate terms to acquire VeriMed as of June 30, 2018 and to date with the intent of reaching final terms and closing on this transaction in November 2018.

On June 22, 2018, the Company signed a letter of Intent to collaborate with West Coast Medical Solutions Ltd. (“WCMS”). WCMS together with Ecovita Health Corporation (formerly Ecovita Packaging Ltd.) (“Ecovita”) intended to undertake a project to apply to become a Licensed Dealer (LD) as issued by Health Canada for Class A precursors. As of June 30, 2018, the

Company was continuing its due diligence regarding the potential transaction with no specific terms or definitive agreement reached. The Company discontinued discussions with WCMS subsequent to year end and since September 2018 has been in discussions with Ecovita to form a joint-ownership LD as issued by Health Canada for Class A precursors. The Company anticipates finalizing terms with Ecovita and closing on the transaction in November 2018. The LD will focus on uses regarding medical cannabis, tetrahydrocannabinol (“THC”) and cannabidiol (CBD).

On August 23, 2018, the Company announced an LOI to acquire Tree Chest Safety Corp. (TREE). TREE manufactures and markets lockable air tight storage compartments specifically designed to store and preserve products while preventing children from accessing the contents.

On October 16, 2018, the Company announced closing of the acquisition of Western Agri Supply Solutions Corp. (“WASS”) that specializes in industrial hemp biomass supply.

On October 19, 2018, the Company closed on the acquisition of Hemp Extraction Technology Corp. (“HETC”), which is in the business and technology of industrial hemp extraction.

See Plans of Arrangement and Acquisitions, Letters of Intent and Joint Venture for further details and updates on those respective transactions.

## **PLANS OF ARRANGEMENT**

### **2014 Plan of Arrangement**

The Company completed the final two subsidiaries spin outs with all outstanding Series A - preferred share conversions completed for its 2014 court approved Plan of Arrangement (2014-POA) on April 3, 2018 (Monterey Minerals Corp.) and May 4, 2018 (Rotonda Ventures Corp.). Each transaction represents \$1,000 fair value in convertible preferred shares, and related letters of intent for businesses in each former subsidiary company.

### **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 Eviana Health Corporation (“Eviana”), formerly C&C Cosmeceuticals Corp., and four newly formed subsidiary corporations Ecovatec Health Solutions Inc. (formerly 1109863 B.C. Ltd.), 1109858 B.C. Ltd., 1109870 B.C. Ltd., Automated Techno Medical Corp. (formerly 1109871 B.C. Ltd.) 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 Eviana. 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, Eviana 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 in regard to convertible preferred share commitment in regard to Series A preferred shares to be exchanged under the 2017-POA for fiscal 2017. A \$1,000 deposit was allocated with the Eviana spinout (divesting) from the Company on May 24, 2017

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

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

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

The Company anticipates completing the arrangements for other spin outs in fiscal 2019.

The Company has disclosed the assets, pre-tax income and cash flow related to the discontinued operations of Eviana 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 Eviana spin-out as it was pursuant to the Company's 2017 Plans 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. All other arrangements have no determinable fair value of letters of intent and as such there are no assets and respective amounts classified as held for sale.

#### **DISCONTINUED OPERATIONS**

On May 24, 2017, the Company completed the spin-out of Eviana Health Corporation, including its wholly-owned subsidiary 2554191 Ontario, Inc.

No assets were classified as held for sale as the Eviana spin-out was pursuant to the Company's March 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,<br>2018 | June 30,<br>2017 |
|---|------------------|------------------|
| 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

### SELECTED ANNUAL INFORMATION

|                                   | June 30,<br>2018<br>\$ | June 30,<br>2017<br>\$ | June 30,<br>2016<br>\$ |
|-----------------------------------|------------------------|------------------------|------------------------|
| Revenue                           | —                      | —                      | —                      |
| Expenses                          | 948,138                | 1,263,462              | 283,394                |
| Other items                       | (11,989)               | 25,455,321             | 61,881                 |
| Loss from continued operations    | (936,149)              | (26,718,783)           | (345,275)              |
| Loss from discontinued operations | —                      | (10,217,509)           | —                      |
| Net loss and comprehensive loss   | (936,149)              | (36,936,292)           | (345,275)              |
| EPS – basic                       | \$ (0.04)              | \$ (4.03)              | \$ (0.00)              |
| EPS – fully diluted               | \$ (0.04)              | \$ (4.03)              | \$ (0.00)              |

## ANNUAL RESULTS

For the year ended June 30, 2018, the Company had loss and comprehensive loss of \$(936,149) compared to a loss of \$(26,718,783) for fiscal 2017 from continued operations and loss and comprehensive loss of \$Nil as compared to a loss of \$(10,217,509) for fiscal 2017 from discontinued operations.

### Continued Operations

The operating loss for fiscal 2018 as compared to income in 2017 was due to the following significant factors:

- i) Brokerage services decreased from \$730,000 for 2017 to \$350,000 for 2018, representing a decrease of \$380,000;
- ii) Debt financing charges were \$183,369 in 2017 as compared to \$55,584 in 2018, representing

- a decrease of \$127,785 in 2018 as compared to 2017 due to expenses related to convertible debt;
- iii) Management fees increased from \$90,000 in 2017 to \$135,000 in 2018 due to increased management fees for Sydney Au, director and former CEO;
  - iv) Website and social media expenses increased from \$nil in 2017 to \$207,270 in 2018;
  - v) Impairment on intangible properties was \$16,810,748 in 2017 compared to \$nil in 2018;
  - vi) Write down of investment was \$7,964,000 in 2017 compared to \$nil for 2018;
  - vii) Gain on spin out of subsidiary was \$284,900 in 2017 compared to \$nil for 2018;
  - viii) Loss on sale of debt was \$974,997 in 2017 compared to \$nil for 2018; and
  - ix) 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 was \$nil in 2018 compared to \$10,217,509 for 2017 with specific changes as follows:

- (i) operating expenses for discontinued operations were \$nil in 2018 compared to \$3,500 for 2017;
- (ii) transaction costs were \$nil in 2018 compared to \$10,070,009 for 2017; and
- (iii) impairment of intangible properties was \$nil in 2018 compared to \$144,000 in 2017.

No other expenses were attributed to discontinued operations for 2018 and 2017.

## QUARTERLY RESULTS

### SELECTED QUARTERLY INFORMATION

The following table summarized the financial results of operations for the eight recent fiscal quarters for fiscal 2018 and 2017.

#### Fiscal 2018

|             | June 30,<br>2018 (Q4)<br>\$ | March 31,<br>2018 (Q3)<br>\$ | December 31,<br>2017 (Q2)<br>\$ | September<br>30,<br>2017 (Q1)<br>\$ |
|-------------|-----------------------------|------------------------------|---------------------------------|-------------------------------------|
| Revenue     | —                           | —                            | —                               | —                                   |
| Other items | 11,418                      | (13,840)                     | 1,436                           | 12,975                              |
| Expenses    | (604,750)                   | (170,602)                    | (91,626)                        | (81,160)                            |



|                                   |                  |           |          |          |
|-----------------------------------|------------------|-----------|----------|----------|
| Loss from continued operations    | <b>(593,332)</b> | (184,442) | (90,190) | (68,185) |
| Loss from discontinued operations | —                | —         | —        | —        |
| Net loss                          | <b>(593,332)</b> | (184,442) | (90,190) | (68,185) |
| Loss per share - basic            | <b>(0.02)</b>    | (0.00)    | (0.00)   | (0.00)   |
| Loss per share - diluted          | <b>(0.01)</b>    | (0.00)    | (0.00)   | (0.00)   |

### Fiscal 2017

|   | June 30,<br>2017 (Q4)<br>\$ | March 31,<br>2017 (Q3)<br>\$ | December 31,<br>2016 (Q2)<br>\$ | September<br>30,<br>2016 (Q1)<br>\$ |
|---|-----------------------------|------------------------------|---------------------------------|-------------------------------------|
| Revenue                                     | —                           | —                            | —                               | —                                   |
| Other items                                 | (25,455,321)                | —                            | —                               | —                                   |
| Expenses                                    | (395,563)                   | (827,882)                    | (12,618)                        | (10,018)                            |
| Income (loss) from continued operations     | (25,850,844)                | (827,882)                    | (12,618)                        | (10,018)                            |
| Loss from discontinued operations           | (10,217,509)                | —                            | —                               | —                                   |
| Net income (loss)                           | (36,068,393)                | (827,882)                    | (12,618)                        | (10,018)                            |
| Income (loss) per share (basic and diluted) | (3.94)                      | (0.00)                       | (0.00)                          | (0.00)                              |

### Three months ended June 30, 2018 (Q4)

For the three months ended June 30, 2018 (2018), the Company had net comprehensive loss from continued operations of \$(593,332) compared to \$(25,850,844) for Q4 of Fiscal 2017 (2017). The decreased loss of \$25,257,512 for Q4 of fiscal 2018 as compared to 2017 was the result of:

#### Operating Expenses

Expenses were \$604,750 in Q4 of 2018 compared to \$395,563 in 2017, representing an increase of \$209,187, with specific changes as follows:

- i) brokerage services compensation increased by \$350,000;
- ii) finance charges decreased by \$183,369;
- iii) management fees decreased by \$45,000;
- iv) listing expenses increased by \$7,066;
- v) consulting fees increased by \$27,120;
- vi) professional fees increased by \$4,033;
- vii) transfer agent and filing fees decreased by \$3,380; and
- viii) other general changes to operating expenses.

### Other Items

Other items were \$11,418 for Q4 of fiscal 2018 as compared to \$(25,455,321) for Q4 of fiscal 2017, representing increased net expenses from other items of \$25,466,739 with specific changes as follows:

- i) other income decreased by \$6,305 to \$3,219 in 2018;
- ii) impairment of intangible assets decreased by \$16,810,748 to \$Nil in 2018;
- iii) loss on sale of debt decreased by \$974,997 to \$Nil in 2018;
- iv) gain on derecognition of subsidiary decreased by \$284,900 to \$Nil in 2018;
- v) write down of investment decreased by \$7,964,000 to \$Nil in 2018;
- vi) gain on foreign exchange increased to \$5,105 in 2018 from \$Nil in 2017; and
- vii) gain on securities held for sale increased to \$3,665 from \$Nil in 2017.

### Discontinued Operations

All results and changes for discontinued operations for Q4 2017 are as described above under Annual Results with no other comparable 2018 results.

### **Three months ended March 31, 2018 (Q3)**

For the three months ended March 31, 2018 (2018), the Company had net comprehensive loss of \$(184,442) compared to \$(827,882) for Q3 of Fiscal 2017 (2017). The decreased loss of \$643,440 for Q3 of fiscal 2018 as compared to 2017 was the result of:

- (a) Brokerage services decreased from \$730,000 in Q3 of 2017 to \$80,143 in Q3 of 2018, representing a decrease of \$649,857 in related expenses;
- (b) Business fees & licensing decreased to \$Nil in 2018 compared to \$1,600 in 2017;
- (c) Consulting fees decreased from \$89,148 in 2017 to \$30,000 in 2018;
- (d) Management fees increased by \$45,000 in 2018 from \$Nil in 2017;
- (e) Professional fees increased by \$7,500 in 2018 from \$Nil in 2017;
- (f) Website fees increased by 5,000 in 2018 from \$Nil in 2017; and
- (g) Other general changes to operating expenses and other comprehensive income (OCI).

### **Three months ended December 31, 2017 (Q2)**

For the three months ended December 31, 2017 (2018), the Company had net comprehensive loss of \$(90,190) compared to \$(12,618) for Q2 of Fiscal 2017 (2017). The increased loss of \$77,572 for Q2 of fiscal 2018 as compared to 2017 was the result of:

- (a) Decrease in advertising and promotions from \$2,842 in 2017 to \$Nil in 2018;
- (b) (c) Interest expense increased from \$Nil in 2017 to \$21,083 in 2018, with interest not accrued until the end of 2017 (otherwise comparable);
- (d) Consulting fees increased from \$2,500 in 2017 to \$33,000 in 2018;
- (e) Travel decreased from \$984 in 2017 to \$Nil in 2018;

- (f) Listing fees decreased from \$6,088 in 2017 to \$5,720 in 2018;
- (g) Management fees increased by \$22,500 in 2018 from \$Nil in 2017;
- (h) Professional fees increased by \$8,000 in 2018 from \$Nil in 2017;
- (i) Gain on marketable securities (OCI) was \$1,100 in 2018 compared to \$Nil in 2017;
- (j) Gain on foreign exchange (OCI) increased to \$336 in 2018 from \$Nil in 2017; and
- (k) Other general changes to operating expenses.

### **Three months ended September 30, 2017 (Q1)**

For the three months ended September 30, 2017 (2018), the Company had net comprehensive loss of \$(68,185) compared to \$(20,273) for Q1 of 2017. The increased loss of \$47,912 for Q1 of fiscal 2018 as compared to 2017 was the result of:

- (a) Decrease in consulting fees from \$5,000 in 2017 to \$Nil in 2018;
- (b) Finance charges increased from \$Nil in Q1-2017 to \$35,027 in 2018, with all finance charges accrued at year-end in 2017 (otherwise comparable);
- (c) Travel decreased from \$3,239 in Q1-2017 to \$663 in Q1-2018;
- (d) Listing fees increased to \$3,650 in Q1-2018 from \$1,325 in Q1-2017;
- (e) Management fees increased by \$22,500 in Q1-2018 from \$Nil in 2017, with all finance charges accrued at year-end in 2017 (otherwise comparable);
- (f) Gain on marketable securities (OCI) was \$3,565 in 2018 compared to \$Nil in 2017;
- (g) Gain on foreign exchange (OCI) increased to \$9,410 in 2018 from \$Nil in 2017; and
- (h) Other general changes to operating expenses.

### **2017 Comparative 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:

- ix) share-based compensation decreased by \$12,687;
- x) finance charges increased by \$71,250;
- xi) management fees increased by \$90,000;
- xii) listing expenses increased by \$11,486;
- xiii) consulting fees increased by \$27,120;
- xiv) rent increased by \$11,966;
- xv) professional fees decreased by \$12,687;

- xvi) decreased transfer agent and filing fees of \$17,956; and
- xvii) 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:

- viii) other income decreased by \$30,250 to \$9,524 in 2017;
- ix) impairment of intangible assets increased by \$16,810,748 from \$Nil in 2016;
- x) debt financing charges decreased by \$150,000 to \$Nil in 2017;
- xi) loss on sale of debt increased by \$974,997 from \$Nil in 2016;
- xii) gain on derecognition of subsidiary increased \$284,900 from \$Nil in 2016; and
- xiii) 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.

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## **SUBSEQUENT EVENTS**

On August 30, 2018, the Company closed on \$3,000,001 in subscription funds for the non-brokered private placement at \$0.30 per common share and convertible debt notes at \$0.305 per common share. On September 5, 2018, the Company issued a total of 10,000,003 common shares for this offering.

On October 5, 2018, the Company issued 1,000,000 common shares with a fair value of \$0.40 and total consideration of \$400,000 to Haywood Securities for past services.

See Acquisitions, Letters of Intent and Joint-Venture for details of subsequent agreements and acquisitions for details of those transactions.

## **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 \$238,669 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 (no declared dividends), lease payments, interest or principal payment on debt;
  - (ii) debt covenants; or
  - (iii) redemption or retraction or sinking fund payments.
- (g) The Company's working capital deficit was \$2,086,019 as at June 30, 2018 (2017: \$3,432,226).

#### Convertible Debt

- A. Eighteen-month convertible debt: On February 19, 2016 the Company issued \$827,681 of convertible debt to Decanex, Inc., the Company's former general service provider 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 \$0.05 per common share. Interest is payable on this debt at an annual rate equal to ten percent (10%), compounded on an annual basis. The balance owing and convertible is \$826,210.

An equity component of the debt, \$25,892, has been reduced from the carrying value of the convertible debt at inception and recorded in shareholders' equity. The equity component of this debt was initially measured using the residual value method and is not re-measured at each reporting period. The balance, including accretion is \$826,210 as of June 30, 2018 (2017: \$823,621) and subject to a stand-still with no further interest accruals pending settlement.

- B. Eighteen-month convertible debt: During the year, 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 signed a \$674,697 convertible debt agreement with Mr. Au that has a term of 18 months, bears interest at 10% per annum compounded annually, and has a conversion feature of \$0.05 per common share. Mr. Au may, within the specified time period, convert his debt at his sole discretion. \$21,233 was initially reduced from the carrying value of the convertible debt at inception and recorded in shareholders' equity as an equity component of the debt. The equity component of \$21,233 was subsequently credited to contributed surplus on December 31, 2017 when Mr. Au agreed to transition his convertible debt to a standard loan bearing interest at 10% compounded per annum. The debt was paid off in full in January 2018.

Total interest payable of \$223,687 (2017: \$182,470) is due on the Decanex convertible note and interest on former convertible note owing to Mr. Au as at June 30, 2018.

## **CAPITAL RESOURCES**

As of June 30, 2018, the Company had cash and cash equivalents of \$449,815 (2017: \$1,498) and working capital deficit of \$(2,086,019) (2017: deficit of \$(3,438,226)).

On December 21, 2017, the Company closed on net proceeds of \$1,115,257 in equity financing and \$1,054,600 in debt financing under its offering of share units at \$0.15.

On August 30, 2018, the Company closed on \$3,000,001 in subscription funds for the non-brokered private placement at \$0.30 per common issued a total of 10,000,003 common shares.

On October 19, 2018, the Company acquired \$867,460 in cash through the acquisition of Hemp Extraction Technology Corp. (See Acquisitions)

The Company has raised through financing and acquired cash totalling \$5,169,857 through fiscal 2018 to date of this MD&A.

The Company will be required to raise additional capital through equity and/or debt financing in order to meet its business objectives. There can be no assurance that the Company will be able to raise the required capital, including on acceptable terms to meet these objectives.

## **FINANCIAL AND CAPITAL RISK MANAGEMENT**

The Company is exposed to various financial and capital 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.

Please refer to the Company's financial statements for the year ended June 30, 2018 for detailed described of financials instruments and risk management.

## **OFF BALANCE SHEET ARRANGEMENTS**

As at June 30, 2018, the Company had no off-balance sheet arrangements.

## **TRANSACTIONS WITH RELATED PARTIES**

During the fiscal year ended June 30, 2018, the following related party transactions occurred:

- (a) On December 21, 2017, Ron Ozols, Director, was repaid \$15,000 in demand loans through the Company's debt financing for share units. Mr. Ozols received 100,000 common shares and 100,000 5-year share purchase warrants exercisable at \$0.25 under the debt settlement.

- (b) On December 21, 2017, Faisal Manji, CFO, participated in the Company's equity financing for share units. Mr. Manji subscribed for 20,000 common shares and 20,000 5-year share purchase warrants exercisable at \$0.25 for gross proceeds of \$3,000. The Company received the proceeds from Mr. Manji on February 28, 2018.
- (c) Sydney Au, CEO and Director, loaned \$71,323 and was repaid \$840,838 and \$4,743 of interest on demand loans with the Company.
- (d) The Company was loaned \$32,500 by 918368 B.C. Ltd., a company owned and controlled by Syd Au, director (Chairman).
- (e) On December 31, 2017, Sydney Au, CEO and director, agreed to transition his convertible debt to an interest-bearing loan, with 10% interest compounded annually that matures on December 31, 2018. The loan was repaid in January 2018.
- (f) On February 21, 2018, the Board of Directors ratified a new compensation plan for executive management. As a first act of the board under the new compensation structure, directors ratified an executive management agreement for Sydney Au, director (Chairman) and former CEO retroactive to January 1, 2018.
- (g) Key management personnel compensation:
  - i. included in management fees is \$135,000 (2017: \$90,000) for compensation payable to Sydney Au, director (Chairman) for fiscal 2018;
  - ii. included in share-based compensation is \$Nil (2017: \$33,263) related to the fair value of options vested in fiscal 2017 to officers and directors.
- (h) The Company was advanced \$15,162 for listing and other operating expenses through vendor payments made by Sydney Au, director, on behalf of the Company. The Company repaid \$14,153 in advances made to the Company by Mr. Au.
- (i) The Company accrued interest payable of \$34,485 (2017: \$68,407) owing to Sydney Au, Director (Chairman) for the convertible note payable that was converted to a demand loan on December 31, 2017 and repaid in full in January 2018. (Note 9)
- (j) 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.
- (k) The Company has \$224,169 (2017: \$199,169) recorded in accrued liabilities due to Decanex, Inc., the Company's operator under its General Services Agreement for services fees due. The Company and Decanex are on an agreed stand-still and no further fees or commitments are being accrued pending settlement.
- (l) Syd Au, director, settled \$225,000 in demand loans payable for 1,500,000 share units at \$0.15 with \$0.25 5-year whole-warrant as part of the December 2017 debt offering.

On April 3, 2018, the Company completed its arrangement with Monterey Minerals Corp. under its 2014 Plan of Arrangement and 10,594,421 Class A preferred shares were mandatorily



redeemed. The effective date for the Arrangement was set as June 2014, when Monterey Minerals Corp. ceased to be a wholly-owned subsidiary of the Company.

On May 4, 2018, the Company completed its arrangement with Rotonda Ventures Corp. under its 2014 Plan of Arrangement and 10,594,421 Class A preferred shares were mandatorily redeemed. The effective date for the Arrangement was set as June 2014, when Rotonda Ventures Corp. ceased to be a wholly-owned subsidiary of the Company.

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.

See subsequent events for related party transactions after June 30, 2018.

## **OUTSTANDING SHARE DATA**

- a. Authorized: unlimited Common shares, without par value; and unlimited Preferred shares, without par value.
- b. Issued and Outstanding:

### Common shares

36,386,932 (2017: 15,386,932) issued and outstanding as of June 30, 2018, excluding 3,333 common shares bought into treasury.

89,720,265 issued and outstanding as of October 30, 2018 with the following issuances and cancellation subsequent to the year ended June 30, 2018:

|                           |                    |
|---------------------------|--------------------|
| - Equity financing        | 10,000,003         |
| - Broker services         | 1,000,000          |
| - WASS acquisition        | 20,000,000         |
| - HETC acquisition        | 23,333,333         |
| - Artillery rectification | <u>(4,550,000)</u> |
|                           | <u>49,783,336</u>  |

Reserved for issuance – 32,825,973 as of June 30, 2018 (2017: 4,613,196) and October 30, 2018.

Escrow shares – 5,000,000 common shares with a fair market value of \$0.35 per share and total consideration of \$1,750,000 are held in escrow for pending acquisition of Artillery. 4,550,000 common shares were cancelled on October 29, 2018 as part of a rectification agreement between the Company and Artillery.

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

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.

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.

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.

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 to acquire industrial hemp related intellectual property for its wholly-owned subsidiary Eviana. EVIANA 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.

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. by the Company's wholly-owned subsidiary EVIANA.

During the year ended June 30, 2018, the following transactions occurred:

On December 21, 2017, the Company issued a total of 15,000,000 common shares and 15,000,000 share purchase warrants on closing of its equity and debt financing at \$0.15 per share unit (the "Offering"). Each share unit is comprised of one common share and one whole 5-year share purchase warrant exercisable at \$0.25.

Total proceeds for the equity financing portion of the Offering was \$1,195,400. The Company used the relative fair value method to allocate the total proceeds from the private placement and accordingly, \$597,700 of the total value was allocated to the shares and \$597,700 to the warrant.

The warrants were valued based on the Black-Scholes option pricing model with the following assumptions; risk free interest rate of 1.52%, expected life of 2.5 years,

volatility of 114%, and a dividend yield of 0%.

The Company settled \$1,054,600 in loans payable for the debt financing portion of the Offering. The Company used the relative fair value method to allocate the total proceeds from the private placement and accordingly, \$527,300 of the total value was allocated to the shares and \$527,300 to the warrant.

The warrants were valued based on the Black-Scholes option pricing model with the following assumptions; risk free interest rate of 1.52%, expected life of 2.5 years, volatility of 114%, and a dividend yield of 0%.

On April 27, 2018, the Company issued 5,000,000 common shares into escrow with a fair market value of \$0.35 per share for total value of \$1,750,000 for pending acquisition of Artillery Holding Inc., subject to due diligence review and other acquisition conditions.

On April 27, 2018, the Company issued 1,000,000 common shares with a fair market value of \$0.35 and total consideration of \$350,000 for prior brokerage services.

Share purchase warrants

*As of June 30, 2018, the following warrants were outstanding and exercisable:*

| <b>Number of Warrants Outstanding</b> | <b>Exercise Price</b> | <b>Expiry Date</b> | <b>Number of Common Shares Issuable</b> |
|---------------------------------------|-----------------------|--------------------|---|
| 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                                 |
| 15,000,000                            | \$ 0.25               | December 20, 2022  | 15,000,000                              |
| <b>16,301,773</b>                     |                       |                    | <b>16,301,773</b>                       |

On December 21, 2017, the Company issued a total of 15,000,000 5-year share purchase warrants exercisable at \$0.25 as part of its Offering.

*A summary of the Company's issued and outstanding warrants as at June 30, 2018, 2017, and 2016 and changes during those years is presented below:*

|                        | <b>Warrants Outstanding</b> | <b>Weighted Average Exercise Price, \$</b> |
|------------------------|-----------------------------|--|
| Balance, June 30, 2016 | 1,708,440                   | 1.50                                       |
| Granted                | —                           | —  |

|                               |                   |               |
|-------------------------------|-------------------|---------------|
| Exercised                     | (100,000)         | (1.50)        |
| Balance, June 30, 2017        | 1,608,440         | 1.50          |
| Granted                       | 15,000,000        | 0.25          |
| <b>Expired</b>                | <b>(306,667)</b>  | <b>(1.50)</b> |
| <b>Balance, June 30, 2018</b> | <b>16,301,773</b> | <b>0.35</b>   |

During the year ended June 30, 2018, a total of 306,667 (2017: 100,000) warrants expired that had an exercise price of \$1.50 and 16,301,773 (2017: 1,608,440) warrants remain outstanding with an average exercise price of \$0.35.

The fair value of warrants issued in conjunction with the Company's December 2017 debt and equity offerings were \$527,300 and \$597,700, respectively, that were deducted from contributed surplus.

### Share Options

The Company has 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.

*A summary of the status of the Company's stock options as at June 30, 2018, 2017, and 2016 and changes during those years is presented in the table below:*

|                                 | <b>Options<br/>Outstanding</b> | <b>Weighted Average<br/>Exercise Price</b> |
|---------------------------------|--------------------------------|--|
| Balance, June 30, 2016          | 133,334                        | \$ 1.95                                    |
| <b>Cancelled, February 2017</b> | <b>(133,334)</b>               | <b>(\$ 1.95)</b>                           |
| <b>Balance, June 30, 2017</b>   | —                              | —  |
| <b>Balance, June 30, 2018</b>   | —                              | —  |

As of June 30, 2018, there were no stock options outstanding and exercisable with all of the previously issued options being cancelled in February 2017 in the prior fiscal year ended June 30, 2017.

## **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 audited consolidated financial statements for the years ended June 30, 2017 and 2016 for details of the significant accounting policies and estimates adopted by the Company.

## **RISKS AND UNCERTAINTIES**

### Pharmaceutical Industry

The pharmaceutical industry involves significant risks, development expenditures, scientific expertise, 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 will be required to complete initial drug discoveries along obtaining Health Canada and other world health organization approvals. There are also significant barriers to establishing any pharmaceutical products that may be accepted in the marketplace. It is impossible to ensure that pharmaceutical development strategies 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 patients the drugs are geared toward as well as competitors’ strategies and market factors. Some of these are cyclical and government regulations, including regulations relating to pharmaceuticals.

### 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:

- (i) Upon commercialization, the Company will be largely dependent on marketing and sales of its products and services through its website(s). No website(s) have been launched, and there are no assurances that any Company products and services that reach commercialization stage, if any, can be successfully marketed and sold online.
- (ii) The Company currently has only limited test products for sale, has not reached commercialization, and cannot guarantee that it will ever have marketable products or services.
- (iii) The Company plans to launch a full commercial website(s) once it has obtained commercial viability, including sufficient distribution for its OTC health products and services.
- (iv) Risks in design, development and manufacturing of consumer health products that may have an adverse effect on a person's health.
- (v) If a significant portion of the Company's development efforts are not successfully completed, required regulatory approvals are not obtained and maintained (such as ISO certifications), or any approved products are not commercially successful, the Company's business, financial condition, and results of operations may be materially and irreparably harmed.
- (vi) The Company's products and services are in the development stage and may never achieve market acceptance, regardless of the Company obtaining regulatory approvals for distribution.
- (vii) The Company's product and services development activities are directed towards the skincare (acne) and weight management sectors of the consumer health industry. There is no certainty that any past investment or future expenditures made by the Company as described herein will result in commercialization or market acceptance of the its 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 may have for marketing towards target consumers. Significant capital investment is required to achieve commercialization, if ever, from the current development stage of the Company. (see Working Capital and Resources)

### Government Regulation

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

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 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.

The Company's service provider, Decanex, Inc., no longer maintains its ISO certifications and as a result the further development of the TULIP™ device and related intangible properties is in doubt. There can be no assurance that Decanex will be able to restore its ISO certifications and/or adhere to all rules and regulations that continue to materially impact 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. 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 must continue to make significant investments in order to develop its products and services, increase marketing efforts, improve its operations, conduct research and development, and update equipment. As a result, development stage operating losses are expected to continue, and such losses may be greater than anticipated, which could have a significant effect on both the short-term and 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, research 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 these parties the Company needs to deal with 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, including those required of its service provider Decanex, Inc.

### 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, 2018, 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](http://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**

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

## **CONTACT**

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