



## **EVITRADE HEALTH SYSTEMS CORP.**

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018

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. [formerly, Auxellence Health Corporation] (hereinafter "Evitrade" or the "Company") for the three months ended September 30, 2018.

This MD&A should be read in conjunction with the Company's September 30, 2018 unaudited interim consolidated financial statements and the Company's audited consolidated financial statements for the year ended June 30, 2018 as filed on SEDAR.

This MD&A has been prepared with all information current to November 29, 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 2018 and subsequent to the three months ended September 30, 2018. (see Plans of Arrangement and Acquisitions, Letters of Intent and Joint Venture)

The Company's unaudited consolidated financial statements for the interim period ended September 30, 2018, 2018 have been prepared in accordance with *IAS 34 - Interim Financial Reporting* in addition to other applicable International Accounting Standards (IAS) as issued by the International Accounting Standards Board ("IASB"). Refer to the Company's consolidated financial statements for significant accounting policies. Significant accounting estimates,

judgments and assumptions have been used or exercised by management in the preparation of its consolidated financial statements.

## **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, 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 having closed 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 joint-venture with two private corporations.

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

#### Joint Venture

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 closed on this JV transaction on October 29, 2018.

#### Acquisition #1

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 September 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 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 September 30, 2018, the Company was continuing its due diligence regarding the potential transaction with no specific terms or definitive agreement reached. The Company is continuing discussions to form a joint-ownership LD through Ecovita as issued by Health Canada for Class A precursors.

### Proposed Acquisition #1 (pending)

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.

### Subsequent to the interim period ended September 30, 2018:

#### Acquisition #2 (closed)

On October 16, 2018, the Company closed on 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.

#### Acquisition #3 (closed)

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.

#### Rectification Agreement - Artillery

On October 29, 2018, the Company signed a rectification agreement with Artillery Holding Inc. (dba Artillery Labs) ("Artillery") to terminate the Company's planned acquisition of Artillery, proposed a new spin out transaction with fees, agree on terms for \$117,690 in outstanding debts payable by Artillery to the Company, and assignment of \$100,000 USD in third-party debt owing by Artillery.

Pursuant to the rectification agreement, the Company allocated 450,000 common shares with a fair value of \$0.30 per share or \$135,000 from the Artillery escrow to acquire \$100,000 USD of demand loans owing by Artillery. The remaining 4,550,000 common shares of the Company with a fair value of \$0.35 per share currently in escrow for the Artillery acquisition were returned to treasury for cancellation in conjunction with the rectification. As of September 30, 2018, the Company had paid a total of \$115,095 in deposits towards the acquisition.

As part of this Agreement, the Company entered into a new letter of intent (LOI) with Artillery to conduct a proposed transaction wherein a newly incorporated wholly-owned subsidiary ("Newco") would enter into a plan of arrangement with the Company wherein Newco will be

spun out (divested) and subsequently conduct a three-cornered amalgamation or other business combination with Artillery for it complete a going-public transaction. Under the agreement, the Company will be entitled to repayment of the Artillery demand loans plus accrued interest and \$55,000 administrative and filing services for the restructuring either through cash and/or shares in the Newco-Artillery combined entity after the completion of the arrangement as mutually agreed between the parties.

### **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 September 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 September 30, 2018 and to date with the intent of reaching final terms and closing on this transaction in December 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 September 30, 2018, the Company was continuing its due diligence regarding the potential transaction with no specific terms or definitive agreement reached. The Company is continuing discussions to form a joint-ownership LD through Ecovita as issued by Health Canada for Class A precursors.

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 that ceased to be subsidiaries of the Company on 2014 effective dates for those arrangements. The Company has \$nil (2017: \$2,000) in remaining deposits related to the spin outs under the 2014-POA as of September 30, 2018 and to date.

### **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 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. The Company has \$4,000 (2018: \$4,000) in remaining deposits related to contemplated spin outs under the 2017-POA as of September 30, 2018 and to date.

## **DISCONTINUED OPERATIONS**

On May 24, 2017, the Company completed the spin-out of Eviana, including its wholly-owned subsidiary 2554191 Ontario, Inc. that is now classed as discontinued operations. There were no losses from discontinued operations for the three months ended September 30, 2018 and 2017.

## RESULTS OF OPERATIONS

### SELECTED ANNUAL INFORMATION

	<b>June 30, 2018</b>	June 30, 2017	June 30, 2016
	\$	\$	\$
Revenue	—	—	—
Expenses	<b>948,138</b>	1,263,462	283,394
Other items	<b>(11,989)</b>	25,455,321	61,881
Loss from continued operations	<b>(936,149)</b>	(26,718,783)	(345,275)
Loss from discontinued operations	—	(10,217,509)	—
Net loss and comprehensive loss per share – basic and diluted	<b>(0.04)</b>	(4.03)	(0.00)
Working capital (deficiency)	<b>(2,086,019)</b>	(3,438,226)	(844,521)
Total assets	<b>1,062,071</b>	48,392	4,984,694
Long-term liabilities	—	—	1,459,568

### 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 2018 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 most recent fiscal quarters:

	September 30, 2018 (Q1)	June 30, 2018 (Q4)	March 31, 2018 (Q3)	December 31, 2017 (Q2)
	\$	\$	\$	\$
Revenue	—	—	—	—
Other items	1,309	11,418	(13,840)	1,436
Expenses	<b>(674,903)</b>	(604,750)	(170,602)	(91,626)
Loss from continued operations	<b>(673,594)</b>	(593,332)	(184,442)	(90,190)
Loss from discontinued operations	—	—	—	—
Net loss	<b>(673,594)</b>	(593,332)	(184,442)	(90,190)
Loss per share - basic	(0.02)	(0.02)	(0.00)	(0.00)
Loss per share - diluted	(0.02)	(0.01)	(0.00)	(0.00)

  

	September 30, 2017 (Q1)	June 30, 2017 (Q4)	March 31, 2017 (Q3)	December 31, 2016 (Q2)
	\$	\$	\$	\$
Revenue	—	—	—	—



Other items	12,975	(25,455,321)	—	—
Expenses	(81,160)	(395,563)	(827,882)	(12,618)
Loss from continued operations	(68,185)	(25,850,844)	(827,882)	(12,618)
Loss from discontinued operations	—	(10,217,509)	—	—
Net income (loss)	(68,185)	(36,068,393)	(827,882)	(12,618)
Loss per share - basic				
Loss per share - diluted	(0.00)	(3.94)	(0.00)	(0.00)

### Three months ended September 30, 2018 (Q1)

For the three months ended September 30, 2018 (Q1-2019), the Company had net comprehensive loss of \$(673,594) compared to \$(68,185) for Q1 of 2018. The increased loss of \$605,409 for Q1 of fiscal 2019 as compared to 2018 was the result of:

- (a) Increase in consulting fees from \$Nil in Q1-2018 to \$192,000 in Q1-2019;
- (b) Finance charges decreased from \$35,027 in Q1-2018 to \$Nil in Q1-2019;
- (c) Brokerage services increased to \$400,000 in Q1-2019 to \$Nil in Q1-2018
- (d) Travel decreased to \$Nil in Q1-2019 from \$663 in Q1-2018;
- (e) Investor communications increased by \$15,000 in Q1-2019 from \$Nil in Q1-2018;
- (f) Management fees increased from \$22,500 in Q1-2018 to \$45,000 in Q1-2019;
- (g) Gain on marketable securities (other item) decreased from \$3,565 in Q1-2018 to \$1,000 in Q1-2019;
- (h) Gain on foreign exchange (other item) decreased from \$9,410 in Q1-2018 to \$309 in Q1-2019; and
- (i) Other general changes to operating expenses.

### 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.

## **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.

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### **SUBSEQUENT EVENTS**

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 that were accrued as outstanding on September 30, 2018.

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

### **LIQUIDITY**

- (a) The Company is a health products and 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 products and 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) As of September 30, 2018, the Company has working capital of \$365,393 (June 30, 2018: deficit of \$2,086,019).

#### Convertible Debt

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 \$0.75 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 that was assigned by Decanex to a non-related party.

The balance, including accretion is \$826,210 as of September 30, 2018. The Company is continuing to negotiate settlement of the debt. Total interest payable of \$120,796 is due on the Decanex convertible note.

#### Loans Receivable

The Company has unsecured loans receivable of \$182,500 as of September 30, 2018 (June 30, 2018: \$100,000) that is non-interest-bearing and due upon demand from a non-related party.

### **CAPITAL RESOURCES**

As of September 30, 2018, the Company had cash and cash equivalents of (June 30, 2018: \$449,815) and working capital of \$365,393 (June 30, 2018: deficit of \$2,086,019).

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 three months ended September 30, 2018 for detailed described of financials instruments and risk management.

### **OFF BALANCE SHEET ARRANGEMENTS**

As at September 30, 2018 and to date of this report, the Company had/has no off-balance sheet arrangements.

### **TRANSACTIONS WITH RELATED PARTIES**

During the period ended September 30, 2018, the following related party transactions occurred:

- (a) Sydney Au, CEO and Director, was repaid \$783,373 in demand loans and \$102,891 of interest payable from the Company.
- (b) Ron Ozols, Director, was repaid \$5,931 in demand loans from the Company.
- (c) Included in management fee expense is \$45,000 (2017: \$Nil) for compensation payable to Sydney Au, director (Chairman); and
- (d) 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.

As of September 30, 2018, the Company has \$224,169 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.

#### Subsequent Transaction

On October 16, 2018, the Company issued 35,000 common shares to Faisal Manji, CFO to settled \$12,250 owing for past services.

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**

- a. Authorized: unlimited Common shares, without par value; and unlimited Preferred shares (including Series A), without par value.
- b. Issued and Outstanding:

Common shares – 47,386,935 issued and outstanding as of September 30, 2018 and 86,205,268 as of November 29, 2018, excluding 3,333 common shares bought into treasury.

Reserved for issuances – 17,403,386 as of September 30, 2018 and November 29, 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 returned to treasury and cancelled on October 29, 2018 pursuant to the rectification agreement.

As of November 29, 2018, the Company has 86,205,268 issued and outstanding common shares with the following issuances and cancellation subsequent to the interim period ended September 30, 2018:

-	Debt settlement	35,000
-	WASS acquisition	20,000,000
-	HETC acquisition	23,333,333
-	Artillery rectification	<u>(4,550,000)</u>
		<u>38,818,333</u>

During the three months ended September 30, 2018, the following transactions occurred:

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 issued a total of 10,000,003 common shares.

As of September 30, 2018, the Company recorded 1,000,000 common shares as outstanding with a fair value of \$0.40 and total consideration of \$400,000 for settlement of past brokerage services and the shares were subsequently issued on October 5, 2018.

Share purchase warrants

*As of September 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>

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*Summary of the Company's issued and outstanding warrants as at September 30, 2018 is presented below:*

	Warrants Outstanding	Weighted Average Exercise Price, \$
Balance, June 30, 2017	1,608,440	1.50
Granted	15,000,000	0.25
Expired	(306,667)	(1.50)



Balance, June 30, 2018	16,301,773	0.35
<b>Balance, September 30, 2018</b>	<b>16,301,773</b>	<b>0.35</b>

A total of 16,301,773 warrants remained outstanding with an average exercise price of \$0.35

### 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.

As of September 30, 2018, there were no stock options outstanding and exercisable with all of the previously issued options being cancelled in Fiscal 2017.

## **FINANCIAL REPORTING STANDARDS**

The Company's unaudited consolidated financial statements for the interim period ended September 30, 2018 have been prepared in accordance with *IAS 34 - Interim Financial Reporting* in addition to other applicable International Accounting Standards (IAS) as issued by the International Accounting Standards Board ("IASB").

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 interim period ended September 30, 2018 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 developed 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 three months ended September 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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