



**EGF THERAMED HEALTH CORP.**  
(the "Company")

*(formerly, Theramed Health Corporation; Evitrade Health Systems Corp.)*

**AMENDED AND RESTATED MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE  
THREE AND NINE MONTHS ENDED MARCH 31, 2020 (Q3)**

**FORM 51-102F1**

**DATE AND SUBJECT OF REPORT**

The following amended and restated Management's 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 EGF Theramed Health Corp. *(formerly, Theramed Health Corporation; Evitrade Health Systems Corp.)* (hereinafter the "Company" or "EGF Theramed") for the three and nine months ended March 31, 2020 (Q3).

This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three and nine months ended March 31, 2020 and the Company's audited consolidated financial statements for the year ended June 30, 2019 as filed on SEDAR.

This MD&A has been prepared with all information current to September 11, 2020.

**SCOPE OF ANALYSIS**

The following is a discussion and analysis of EGF Theramed. The Company's head office is located at #168 – 11280 Twigg Place, Richmond, BC V6V 0A6.

The Company has entered into several agreements for acquisitions, pending acquisitions, joint venture, plans of arrangement, and proposed transactions during fiscal 2018 and fiscal 2019. During the nine months ended March 31, 2020, the Company terminated certain agreements due to working capital breach (see *Plans of Arrangement and Acquisitions, Business Combinations, and Joint Venture*).

The Company's unaudited consolidated financial statements for the interim period ended March 31, 2020 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**

This MD&A and the documents incorporated into this MD&A contain “forward-looking statements” and “forward-looking information” within the meaning of applicable securities laws (forward-looking information and forward-looking statements being collectively hereinafter referred to as “forward-looking statements”). Such forward-looking statements are based on expectations, estimates and projections as at the date of this report or the dates of the documents incorporated herein, as applicable. Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “budget”, “scheduled”, “forecasts”, “estimates”, “believes” or “intends”, or variations of such words and phrases, or stating that certain actions, events or results “may” or “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking statements.

These forward-looking statements include, but are not limited to, statements and information concerning: the intentions, plans and future actions of the Company; statements relating to the business and future activities of the Company after the date of this report; market position, ability to compete and future financial or operating performance of the Company after the date of this MD&A; statements based on the audited and unaudited consolidated financial statements of the Company; anticipated developments in operations; the future demand for the Company’s products; the results of development of products and the timing thereof; the timing and amount of estimated capital expenditure in respect of the business of the Company; operating expenditures; currency fluctuations; requirements for additional capital; government regulations; planned business activities and planned future acquisitions; the adequacy of financial resources; the Company’s competitive position and the regulatory environment in which the Company operates; general risk of negative global financial consequences; and other events or conditions that may occur in the future.

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are based on the beliefs of the Company’s Management, as well as on assumptions, which such Management believes to be reasonable based on information currently available at the time such statements were made. However, by their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements.

The forward-looking statements contained herein are based on information available as of September 11, 2020.

**OVERALL PERFORMANCE**

During the year end June 30, 2019, the Company completed the acquisition of Hemp Extraction Technology Corp., Western Agri Supply Solutions Corp., and Medical Green Natural List Corp. Management believes that these acquisitions will bring their extraction technology and expertise to the Company that could be a critical component in achieving the Company's business and commercialization strategies. Upon completion of the acquisition, the Company has been developing its hemp extraction facility in Nevada, United States. Management believes that these acquisitions are in line with the Company's commitment to elevate the human condition through advanced medical technology solutions for effective health and wellness research and products.

During the year ended June 30, 2019, the Company terminated several agreements (see *Joint Venture and Terminated and Rectified Acquisitions*). The effect of these terminations is expected to be minimal on current operations as the Company will be focusing on its resources to current operations and acquisitions that were completed.

The Company has incurred ongoing losses. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. The Company is actively seeking financing opportunities to support its ongoing operations.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

The Company's Nevada facility build-out and construction in progress has been delayed due to COVID-19 global pandemic. The Management's detailed review, inspection, and assessment on its facility progress were delayed due to travel restrictions to the US.

The following table summarize the Company's results of operation for the period indicated:

	For the 3 months ending:		For the 9 months ending:	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	\$	\$	\$	\$
Revenue	—	—	—	—
Other items	(359)	156,467	260,408	180,291
Expenses	356,014	530,340	1,215,705	1,679,553
Net loss	(355,655)	(686,807)	(1,476,113)	(1,859,844)
Loss per share – basic and diluted	(0.26)	(0.77)	(1.21)	(2.65)

The Company has not yet generated revenue and is still in research and development stage with respect to products, technologies, and diagnostic tools focusing on personalized medical care including research with natural health and wellness products.

The Company's expenses in the three months ended June 30, 2019 totaled \$922,016, a 52% increase compared to the three months ended June 30, 2018. Other items in the three months ended June 30, 2019 totaled \$11,598,593, representing a substantial increase from other items in the three months ended June 30, 2018. Net loss and comprehensive loss in the three months ended June 30, 2019 was \$12,520,609, a 2010% increase compared to \$593,332 in the three months ended June 30, 2019.

The decrease in expenses and losses for the three months ended March 31, 2020 in comparison to the same period in 2019 was due primarily to a decrease in consulting and investor communications expenses occurred and partially offset by increase in management fees and finance charges. Travel expenses decreased as well due to restrictions during COVID-19 global pandemic.

In the three months ended March 31, 2020, cash provided by operations was \$301 comparing to \$515,517 cash used in operation in the three months ended March 31, 2019. Total cash inflow was \$301 comparing to \$921,795 total cash outflow in the three months ended March 31, 2019. The change in cash flow was mainly due to limited cash on hand and slowed-down operating activities occurred during the quarter. As at March 2020, the Company had \$4,162 in cash.

The Company has been actively seeking financing and investing opportunities to provide further cash flow support for its existing development project and ongoing operations.

## **TRENDS**

Other than as disclosed in this MD&A and as previously announced in the Company's 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**

On October 22, 2019, the Company announced a name change to "EGF Theramed Health Corp." and 100:1 share consolidation. The symbol remains "TMED". All share figures and references are retrospectively adjusted.

On October 24, 2019, the Company's common shares continued to trade on the Canadian Securities Exchange under the symbol "TMED", with the new name on a 100:1 consolidated basis and with a new ISIN CA2684691033 and the new CUSIP 268469103.

## **Business and Structure**

The Company has been focused on developing products, technologies, and diagnostic tools in personalized medical care areas including research with natural health and wellness products. The products will serve the Company's stated goal of improving health and elevating the human condition.

The Company is focused in the health care and life sciences sector to develop a personalized health care system. The Company has been focused on utilizing CBD derived from hemp as a core component. The Company through its subsidiaries has assets and technologies related to the extraction and purification of CBD extracts. The Company is also actively exploring opportunities in all medical areas in domestic and international markets.

In May 2020, the Company acquired 30% equity interest in Pharmadelic Labs Corp. and 40% equity interest in Green Parrot Labs Corp., initiating its collaboration and interest in research, development and commercial exploitation of psilocybin with a focus on wellness.

### **Chronology**

On April 7, 2018, the Company signed a non-binding joint venture and operating agreement to develop intellectual property for an excipient delivery system for pharmaceutical and nutraceutical applications (the “Joint Venture” or the “JV”). The Company subsequently signed a definitive agreement in October 2018 that gave the Company a 30 percent interest in the Joint Venture with two private corporations (see *Joint Venture*).

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

On June 11, 2018, the Company signed a letter of intent to acquire Veri-Medical Systems Inc. (“VeriMed”), a company focused on enhancing the integrity of the sale of hemp-based products.

On October 2, 2018, the Company acquired Hemp Extraction Technologies Corp. (“HETC”) and continues to install and implement CO2 hemp extraction technology acquired from Vitalis in the Company’s Nevada facility after the completion of preliminary testing. (See *Overall Performance*).

On October 16, 2018, the Company acquired Western Agri Supply Solutions Corp. (“WASS”).

On April 22, 2019, the Company acquired Medical Green Natural List Corp. (“MGNL”), company that owns a digital application for connecting vendors to customers in the healthcare sector.

On May 21, 2019, the Company terminated its planned acquisition of West Coast Medical Solutions Ltd.

On November 6, 2019, the Company’s joint venture was terminated due to material breaches of working capital contributions (See *Joint Venture*).

On November 22, 2019, the Company and Veri-Medical Systems Inc. mutually agreed to terminate the letter of intent.

(See *Acquisitions and Business Combinations* for further particulars of aforementioned acquisitions). 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 and Business Combinations**Hemp Extraction Technology Corp.

On October 2, 2018, the Company closed on the acquisition of HETC, which is in the business and technology of industrial hemp extraction, for total consideration of \$5,880,000. Pursuant to the acquisition agreement, EGF Theramed acquired all of the issued and outstanding common shares of HETC in exchange for an aggregate of 233,333 common shares of EGF Theramed issued at the deemed price of \$25.20 per share to the former holders of HETC common shares. As a result, HETC became a wholly owned subsidiary of the Company. The Company determined that the fair value of net assets acquired was \$1,145,085 with the balance of the consideration allocated to goodwill that was determined to be fully impaired as of June 30, 2019.

Initial recognition upon acquisition:	\$
Fair value of 233,333 common shares issued	5,880,000
<u>Allocated as follows:</u>	
Cash	848,812
Prepays	296,273
Net assets acquired	1,145,085
Allocated to impairment of goodwill	4,734,915
	5,880,000

Western Agri Supply Solutions Corp.

On October 16, 2018, the Company announced closing of the acquisition of WASS, which specializes in industrial hemp biomass supply. Pursuant to the agreement, the Company issued 200,000 common shares at a fair value of \$29.80 per share and total consideration of \$5,960,000 to acquire 100% of the issued and outstanding common shares of WASS. As a result, WASS is a wholly owned subsidiary of the Company. The Company determined that \$52,948 in net liabilities were assumed and the balance of the consideration allocated to goodwill that was determined to be fully impaired as of June 30, 2019.

Initial recognition upon acquisition:	\$
Fair value of 200,000 common shares issued	5,960,000
<u>Allocated as follows:</u>	
Accounts payable	(52,948)
Assumed liabilities	(52,948)
Allocated to impairment of goodwill	6,012,948
	5,960,000

Medical Green Natural List Corp.

On May 14, 2019, the Company signed a binding letter of intent to acquire Medical Green Natural List Corp. ("MGNL") with business consisting of software and portal for a medical marketplace app, which connects buyers with sellers. The purchase price of the transaction is \$941,111 CAD; consisting of 70,370 common shares at a deemed price of \$8.40 per share and \$500,000 in cash with an immediate advance of \$250,000 to MGNL for working capital an additional milestone payment of \$250,000 upon the

successful launch of the Green List application (the “App”). The App was launched in July 2019 and the Company issued an additional 25,000 shares with a fair value of \$100,000 as final consideration for the acquisition. As a result, MGNL is now a wholly owned subsidiary of the Company. Net liabilities of \$9 were assumed in MGNL with the total fair value of \$841,120 allocated to goodwill.

Initial recognition upon acquisition:	\$
Fair value of 70,370 common shares issued	591,111
Cash paid	250,000
Total purchase price	841,111
Allocated as follows:	
Cash	90
Accounts payable	(99)
Assumed liabilities	(9)
Allocated to impairment of goodwill	841,120
	841,111

The medical marketplace application acquired through MGNL is a buy and sell application for all manners of medical supplies with a focus on medical cannabis. The application would allow merchants to sell new and excess products and equipment through a centralized platform.

During the year ended June 30, 2019, the development of the application has been completed.

In July 2019, it was launched through Testflight Store for test release.

As at the three and nine months ended March 31, 2020 and as at the date of this filing, the company is working on updating the application’s security to meet new software platform requirement and preparing for its re-release.

#### **PROPERTY, PLANT AND EQUIPMENT**

During the year ended June 30, 2019, the Company has entered into a joint venture with Belt Energy and Biomass LLC (“BEBL”), a Nevada-based operator with a registered hemp license, through its wholly-owned subsidiary, WASS. This is a major development toward commercialization and realizing the first steps of marketability of product lines for the Company.

BEBL holds a license issued by the State of Nevada to grow, produce, process, and commercialize industrial hemp and products from industrial hemp. The Company has advanced funds from time to time since December 2018 to lease, development and build out its production facility that remains in progress for leasehold improvements and commissioning of equipment. The term of this agreement is for a period of 5 years and automatically renew for an additional 5-year period.

Through utilization of the industrial-grade extraction system supported by the Vitalis CO2 hemp extraction system acquired through HETC acquisition, WASS is setting up to offer CBD-based health and wellness products based on extracts from industrial hemp. The newly designed, custom purification process was put through its paces this week and provided a crude to distillate run that exceeded

expectations. The tests indicated high levels of CBD (cannabidiol) content which could provide a competitive edge in the marketplace against other competing brands. Through initial testing, WASS has predicted its production capacity to be in excess of 200 kilograms of CBD isolate per month, with an estimated current market value of \$4,000 to \$8,000 per kilogram.

In relation to building up this facility in Nevada, US, the Company committed to:

- lease one unit store area with an area deemed 25,000 sq. ft located in Las Vegas, Nevada, USA effective December 1, 2018 continuing to November 30, 2023. The base rent is set at \$15,000 USD per month and will be increased by 3% on each anniversary of each year of the lease;
- purchase the HETC extraction machine with a remaining balance of \$456,965; and
- enter into an operator agreement with BEBL to exploit and develop the business opportunities related to certain industrial hemp license and matters in the State of Nevada, US effective March 6, 2019 and continuing through March 5, 2024. The Company agreed to pay \$7,500 USD per month plus an addition 5% of net sales for all services performed under the agreement.

During the year ended June 30, 2019, the construction in progress additions were USD\$246,000 (\$332,489).

During the nine months ended March 31, 2020, the construction in progress additions were USD\$482,245 (\$640,550), and the Company has not generated sales revenue yet

No amortization recognized or recorded to date as the equipment is still undergoing installation and testing.

The Company's Nevada facility build-out and construction in progress has been delayed due to COVID-19 global pandemic. The Management's detailed review, inspection, and assessment on its facility progress were delayed due to travel restrictions to the US.

### **Joint Venture**

On April 7, 2018, the Company signed a non-binding joint venture and operating agreement to develop intellectual property for an excipient delivery system for pharmaceutical and nutraceutical applications and subsequently signed a definitive agreement in October 2018 that gave the Company a 30% interest in the JV with two private corporations in exchange for the 100,000 common shares for the transaction and the Company investing a minimum of \$2,156,000 in working capital through March 1, 2019, currently in arrears, 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. On November 6, 2019, the Company was notified of default and termination of the JV and the Company is continuing to settle outstanding matters under the JV, including the Company forfeiting its \$140,000 deposit and the cancellation and return to treasury of 100,000 common shares issued to the patent holder.

On April 5, 2019, the Company issued 100,000 common shares reserved for the JV with the fair value of \$15.00 per share for consideration of \$1,070,000 as further contribution under the JV agreement.

As of June 30, 2019, the Company investment and status of JV was as follows:

- (i) a total of \$1,570,000 was invested towards the Company's 30% JV interest;
- (ii) the Company recorded an impairment of \$1,570,000 to write the joint venture to a carrying value of \$nil;
- (iii) the JV commenced some limited R&D on the excipient delivery system; and
- (iv) loss on the joint venture was \$140,000 for the year ended June 30, 2019.
- (v) the Company is currently in default with working capital obligations totalling \$2,328,800 at June 30, 2019 with an additional loss of \$10,000 for the nine months ended March 31, 2020.

On January 23, 2020, the Company returned the 100,000 common shares issued relating the JV with a fair value of \$1,070,000 to treasury.

As of March 31, 2020, receivable of \$360,000 from JV settlement is still outstanding.

### **Terminated and Rectified Acquisitions**

#### Artillery Holding Inc.

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, and agreed on terms for \$117,690 in outstanding debts payable by Artillery to the Company, and an assignment of \$135,000 (\$100,000 USD) in Artillery debt (the "Artillery Debt") from a third party. Pursuant to the rectification agreement, the Company allocated 4,500 common shares with a fair value of \$30.00 per share or \$157,500 from the Artillery escrow to acquire \$100,000 USD of demand loans owing by Artillery. The remaining 45,500 common shares of the Company with a fair value of \$35.00 per share currently in escrow for the Artillery acquisition were returned to treasury for cancellation in conjunction with the rectification. As at June 30, 2019, the Company had paid in cash a total of \$nil (2018: \$115,095) in deposits towards the acquisition. A full debt loss provision of \$272,595 was recorded as of June 30, 2019.

At the Company's option the amount of the Artillery Debt (including any interest) shall be convertible into common shares of Artillery or the common shares (or if there are no common shares but another class of securities then such class of securities) of any resulting/successor issuer to Artillery that results from a merger, amalgamation, acquisition, arrangement, or similar transaction at a conversion price equal to the lower of: (a) the price of the relevant security at the founder's round for Artillery or its resulting issuer (as applicable) that is being or has just been offered at time of the conversion; or (b) \$0.02 per the relevant Artillery or resulting issuer security as applicable. The option herein shall be perpetual unless limited in duration by applicable law.

The Company took a full loss provision on the loan and deposits as of June 30, 2019.

#### Cantech Molecular Research Inc.

On January 22, 2019, the Company announced that, effective on said date, it mutually terminated the previously announced contemplated transaction and underlying agreement with Cantech Molecular Research Inc. Management of EGF Theramed believe that the contemplated transaction was no longer

in line with the business and commercialization strategies of the Company leading to the mutual termination by the parties. As a result, a write down of \$45,000 was recorded for the year ended June 30, 2019.

Tree Chest Safety Corp.

On January 31, 2019, the Company effected and announced the mutual termination and unwinding of the previously announced transaction and underlying agreement with Tree Chest Safety Corp. ("TCS") for the acquisition of TCS by EGF Theramed. Post-closing due diligence on the integration of TCS into EGF Theramed's corporate structure revealed matters that the parties could not agree upon resulting in the failure to fully effect closing of the transactions under the agreement between the parties including the issuance of any securities and/or cash consideration to TCS shareholders for the acquisition.

West Coast Medical Solutions Ltd.

On June 22, 2018, the Company signed a letter of Intent to collaborate with West Coast Medical Solutions Ltd. ("WCMS") to form or acquire a Licensed Dealer ("LD") as issued by Health Canada for Class A precursors. The Company announced its cancellation of this pending acquisition on May 21, 2019.

As of June 30, 2019, the Company took full write down on remaining acquisition deposits.

On July 11, 2019, the Company settled \$350,000 of the convertible debenture owing for 35,000 common shares to a non-related party. As mutually agreed between the parties, the settlement price was \$10.00 per share that was the fair value of recent financing and other debt settlements. \$477,681 of the convertible debenture remains outstanding in addition to accrued interest.

On July 11, 2019, the Company issued an additional 5,000 common shares with a fair value of \$50,000 for compensation for past services pursuant to the operator agreement entered with Belt Energy and Biomass LLC.

On July 11, 2019, the Company issued an additional 25,000 milestone common shares with a fair value of \$100,000 for the final acquisition payment to acquire MGNL.

On July 21, 2019, the Company completed the spin out of EGF Health Holdings Corp. pursuant to its 2017 Plan of Arrangement.

On July 26, 2019, the Company ongoing standstill with Decanex, Inc., its research operator and former service provider under the GSA for the TULIP medical system has been settled with a mutual termination, settlement and option to acquire 100% ownership and interest in Decanex. The parties agreed to a mutual release and cancelling \$224,169 of accrued development fees that was an accrued liability owing by the Company that was recorded as recovered R&D expense as of June 30, 2019. In addition, any business intelligence or know-how (the "IP") in relation to the TULIP medical health system developed by Decanex for the Company that was under development would be made available to the Company, in accordance with the terminated GSA. The option price to acquire Decanex is for consideration of \$1,000 in addition to 5% in cash royalty for a 10-year term, resulting from gross revenues generated by the IP.

On August 7, 2019, the Company entered into a \$350,000 senior convertible debenture financing. The convertible debentures notes will be 10% senior secured notes due five years from the date of issuance, issued in it in denominations of \$1,000 and each unit shall have 200 common share purchase warrants of the Company attached to it to be convertible at a price of \$5.00 per common share. In addition, each holder of units will receive a right to certain cash royalties pursuant to a Royalty Agreement, of 5% of gross revenues from the extraction operations. The convertible debenture notes shall also be secured against assets of the operations.

#### Veri-Medical Systems Inc.

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

On November 22, 2019, the Company and VeriMed mutually agreed to terminate the letter of intent.

#### **Management Changes**

On January 30, 2020, the Company appointed David Bentil and Jatinder Dhaliwal to the board of the Company. Mr. Bentil assumed the role of CEO, and Mr. Dhaliwal assumed the role of director. C.K. Cheung and Ron Ozols have resigned as CEO and directors of the Company.

On February 5, 2020, the Company appointed Usama Chaudhry as CFO and director of the Company, in lieu of Faisal Manji who resigned as CFO and director of the Company.

On April 4, 2020, Sydney Au resigned as a director of the Company and Chris Brown resigned as President of the Company and of its subsidiary Western Agri Supply Solutions Corp.

On May 6, 2020, Jeff Lipton joined the Company's board of directors.

On May 15, 2020, the Company appointed George Anstey to the Company's board of directors and Jeff Lipton resigned to allow space for this appointment.

On May 28, 2020, David Bentil resigned as CEO and director of the Company and Jatinder Dhaliwal, a current director of the Company, was appointed as CEO.

The Company believes that the current management team and directors with experience in the Cannabis industry will provide further support and optimize current utilization of company assets.

#### **Subsequent Events**

On April 22, 2020, the Company has closed on 2,860,000 units at a price of \$0.50 per unit for gross proceeds of \$1,430,000. Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire an additional common share of the Company at a price of \$0.75 for a period of 18 months from the closing of the offering. In connection with the private placement, the Company has paid cash finders' fees of \$29,100 and issued 57,000 finders'

warrants at an exercise price of \$0.75, expiring 18 months from the date of issue. All securities issued in the offering are subject to a hold period expiring on August 23, 2020.

The net proceeds from the non-brokered private placement are intended to be used for working capital and acquisitions.

On April 29, 2020, the Company has closed on an additional 540,000 units at a price of \$0.50 per unit for gross proceeds of \$270,000. Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.75 for a period of 18 months from the closing of the offering. All securities issued in the second tranche offering are subject to a hold period expiring on August 29, 2020. All securities issued in the offering are subject to a hold period expiring on August 30, 2020.

The net proceeds from the non-brokered private placement are intended to be used for working capital and acquisitions.

In addition, the Company announces that it intends to grant 175,000 stock options to certain directors of the Company, with each option exercisable at \$1.00 for twenty-four months from the date of issuance.

The Company has increased its efforts in researching psilocybin and psychedelic extraction and processing for its extraction lab.

On May 6, 2020, the Company closed on the transaction with Pharmadelic Labs Corp. ("Pharmadelic"). Pursuant to the announced joint venture and share purchase agreement with Pharmadelic and its shareholders, the Company has acquired a 30% equity interest in Pharmadelic through the issuance of an aggregate of 4,000,000 of its common shares to the shareholders of Pharmadelic. The Company also issued 225,000 common shares as transaction fees to arm's-length parties.

On May 26, 2020, the Company closed on the transaction with Green Parrot Labs Corp. ("Green Parrot"). Pursuant to the announced joint venture and share purchase agreement with Green Parrot and its shareholders, the Company has acquired a 40% equity interest in Green Parrot through the issuance of an aggregate of 7,800,000 of its common shares to the shareholders of Green Parrot. The Company also issued 200,000 common shares as transaction fees to an arm's-length party.

The initiative by the Company to enter the psilocybin sector is a pro-active move to jump into new verticals of sales and complementary assets. The Company has commenced its search of new investment opportunities in the psilocybin sector to diversify and strengthen its existing asset base.

On June 16, 2020, the Company has closed on 1,673,258 units of a non-brokered private placement at a price of 75 cents per unit for total consideration of \$1,254,943.50. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to acquire an additional common share of the company at a price of \$1.50 for a period of 24 months from the closing of the offering. All securities issued in the offering are subject to a hold period expiring on Oct. 17, 2020.

## 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: \$nil) in remaining deposits related to the spin outs under the 2014-POA as of June 30, 2019.

### 2017 Plan of Arrangement

In March of 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., EGF Health Holdings Corp. (formerly, Automated Techno Medical Corp., formerly 1109871 B.C. Ltd.) to facilitate other contemplated spin-out transactions.

On July 26, 2019, the Company completed the spin put (divesting) of EGF Health Holdings Corp.

As of March 31, 2020, the Company has \$3,000 (June 30, 2019: \$4,000) in remaining deposits related to contemplated spin outs under the 2017-POA. The Company anticipates completing the arrangements for other spin outs in fiscal 2020.

## RESULTS OF OPERATIONS

### SELECTED ANNUAL INFORMATION<sup>1</sup>

	June 30, 2019 \$	June 30, 2018 \$	June 30, 2017 \$
Revenue	—	—	—
Expenses	2,613,820	948,138	1,263,462
Other items	11,781,502	(11,989)	25,455,321
Loss from continued operations	(14,395,322)	(936,149)	(26,718,783)
Loss from discontinued operations	—	—	(10,217,509)
Net loss and comprehensive loss	(14,395,322)	(936,149)	(36,936,292)
EPS – basic and diluted	(18.77)	(3.85)	(403.18)
Assets	2,855,654	1,062,071	48,392
Working capital deficiency	(808,517)	(2,086,019)	(1,947,465)
Long-term liabilities	—	—	1,490,761

<sup>1</sup> Audited financial information prepared in accordance with International Financial Reporting Standards ("IFRS")

## ANNUAL RESULTS

For the year ended June 30, 2019, the Company had net loss and comprehensive loss of \$14,395,322 compared to a loss and comprehensive net loss of \$936,149 for fiscal 2018.

The loss for fiscal 2019 as compared to 2018 was due to the following significant factors:

- i) Brokerage services increased from \$350,000 for 2018 to \$400,000 for 2019, representing an increase of \$50,000 or 14.3% due to increased price for new engagement entered with Haywood for financing activities;
- ii) Consulting fees increased from \$121,360 in 2018 to \$1,331,026 in 2019, related to several consulting agreements and engagements entered in August 2018 due to increase in activities and operations in regards to following categories, of which \$nil were accrued or paid to related parties of the Company;  
These consulting expenses were mainly for:
  - a. Financing, accounting, and controller duties;
  - b. online marketing related services, corporate branding, etc.;
  - c. corporate and administration related services;
  - d. independent business development introductions to international markets, investor trade, investor relation consulting, etc.;
  - e. merger and acquisition related services and introductions to potential merger and acquisition opportunities;
- iii) Debt financing charges were \$55,584 in 2018 as compared to \$6,213 in 2019 due to two convertible debts issued in June 30, 2016 that were
  - a. assigned to a non-related party in 2018 with partial settlement in 2019 and fully transitioned and paid off, and
  - b. transitioned to a standard loan bearing interest at 10% compounded per annum and was fully paid off in 2019.
- iv) Management fees increased from \$135,000 in 2018 to \$180,000 in 2019, primarily due to a new compensation plan for Sydney Au, Director and Chairman);
- v) Loan loss provisions increased from \$nil in 2018 to \$220,000 in 2019 due to the Company writing down outstanding debts related to terminated acquisitions – Artillery.
- vi) Rent increased from \$nil in 2018 to \$176,919 in 2019 due to the Company's WASS facility lease that commenced in November 2018;
- vii) Professional fees increased from \$44,000 in 2018 to \$90,050 in 2019, representing an increase of \$46,050 or 104.7%. related to increased legal fees in relation to the Company's general legal corporate matters, various acquisitions and terminations in 2019, and financing activities;
- viii) Research and development increased from \$nil in 2018 to \$6,628 due to its hemp extraction facility build up through WASS;
- ix) Travel increased from \$663 in 2018 to \$1,509 in 2019;
- x) Transfer agent & filing fees increased from \$8,811 in 2018 to \$14,953 in 2019 due to increase in share capital activities and change of transfer agent in 2019;
- xi) Website and social media decreased from \$207,270 in 2018 to \$32,335 in 2019, related to

- decreased expenditures specially allocated to website and social media and more general consulting previously mentioned that offset the decrease; and
- xii) Other increase in office and general expenses in 2019 compared to 2018, due to increased business and operations for the Company.

Other various expenses changed during the normal course of business from 2019 as compared to 2018 with no other significantly different operating expenses incurred by the Company year-over-year.

## QUARTERLY RESULTS

### SELECTED QUARTERLY INFORMATION<sup>1</sup>

The following table summarized the financial results of operations for the eight most recent fiscal quarters:

	<b>March 31, 2020 (Q3)</b>	December 31, 2019 (Q2)	September 30, 2019 (Q1)	June 30, 2019 (Q4)
	\$	\$	\$	\$
Revenue	—	—	—	—
Other items	(359)	82	260,685	11,598,593
Expenses	356,014	299,969	559,722	922,016
Other comprehensive income	—	—	—	—
Net loss and comprehensive loss	(355,655)	(300,051)	(820,407)	(12,520,609)
Loss per share – basic and diluted	(0.26)	(0.24)	(0.69)	(16.32)
Total assets	3,140,020	3,264,036	2,994,843	2,855,654
Long-term liabilities	254,666	251,112	247,519	—
Working capital deficiency	(1,512,270)	(1,160,168)	(714,390)	(808,517)
	<b>March 31, 2019 (Q3)</b>	December 31, 2018 (Q2)	September 30, 2018 (Q1)	June 30, 2018 (Q4)
	\$	\$	\$	\$
Revenue	—	—	—	—
Other items	156,467	25,133	(1,309)	(11,418)
Expenses	530,340	486,561	674,903	604,750
Net loss and comprehensive loss	(686,807)	(511,694)	(673,594)	(593,332)
Loss per share – basic and diluted	(0.77)	(0.68)	(0.90)	(2.44)
Total assets	14,773,635	15,449,453	2,583,597	1,062,071
Long-term liabilities	—	—	—	—
Working capital (deficiency)	(447,901)	473,583	365,393	(2,086,019)

<sup>1</sup> Unaudited financial information prepared in accordance with IFRS

For the three months ended March 31, 2020 (Q3-2020), the Company had net comprehensive loss of

\$355,655 compared to \$619,831 for Q3 of 2019. The decreased loss of \$264,176 for Q3 of fiscal 2020 as compared to fiscal 2019 was the result of:

- (a) Consulting fees decreased from \$323,241 in Q3-2019 to \$125,093 in Q3-2020 due to no renewal in consulting contracts incurred in 2018;
- (b) Finance charges increased from \$nil in Q3-2019 to \$12,401 in Q3-2020 due to new convertible debenture financing entered in August 2019 with Haywood;
- (c) Investor communications decreased from \$59,221 in Q3-2019 to \$nil in Q3-2020 due to termination of contracts in relations to investor relations and public relations;
- (d) Listing fees increased from \$1,950 in Q3-2019 to \$4,812 in Q3-2020;
- (e) Management fees increased from \$32,750 in Q3-2019 to \$125,228 in Q3-2020 due to new additions in management team;
- (f) Office and miscellaneous decreased from \$8,783 in Q3-2019 to \$59 in Q3-2020 due to decrease in overall corporate operating activities;
- (g) Professional fees increased from \$5,350 in Q3-2019 to \$10,381 in Q3-2020 increase in accounting fees occurred;
- (h) Rent increased from \$39,431 in Q3-2019 to \$74,456 in Q3-2020 due to new corporate office lease that commenced in January 2020;
- (i) Travel decreased from \$47,103 in Q3-2019 to \$2,625 in Q3-2020 due to decrease in travel activities occurred in this quarter Q3 2020 and also due to COVID-19 global pandemic;
- (j) Gain on marketable securities (other item) decreased from \$133 in Q3-2018 to \$nil in Q3-2020;
- (k) Loss on foreign exchange (other item) decreased from \$31 in Q3-2019 to a gain of \$359 in Q3-2020;
- (l) Operating losses from the joint venture (other item) decreased from \$156,569 in Q3-2019 to \$nil in Q3-2020 due to termination joint venture in 2019; and
- (m) Other general changes to operating expenses.

For the nine months ended March 31, 2020, the Company had net comprehensive loss of \$1,476,113 compared to \$1,805,119 for the same period of 2019. The decreased loss of \$329,006 for the nine months of fiscal 2020 as compared to fiscal 2019 was the result of:

- (n) Brokerage services decreased from \$400,000 for the nine months of fiscal 2019 to \$nil in the same period of fiscal 2020 due to decrease in financing activities and termination of brokerage services with Haywood;
- (o) Consulting fees decreased from \$851,257 for the nine months of fiscal 2019 to \$433,578 in the same period of fiscal 2020 due to decrease in consultants and consulting activities engaged and to non-renewal of consulting contracts previously engaged in 2018 for various financing, merger and acquisition introduction, online marketing services, etc.;
- (p) Investor communications decreased from \$74,221 for the nine months of fiscal 2019 to \$nil in the same period of fiscal 2020 due to termination of contracts in relations to investor relations and public relations;
- (q) Listing expenses increased from \$8,470 for the nine months of fiscal 2019 to \$21,457 in the same period of fiscal 2020 due to new listing engagement at OTC Markets;
- (r) Management fees increased from \$135,000 for the nine months of fiscal 2019 to \$274,831 in the same period of fiscal 2020 due to new additions in management team;

- (s) Office and miscellaneous decreased from \$8,942 for the nine months of fiscal 2019 to \$1,344 in the same period of fiscal 2020 due to decrease in overall general office activities and partially offset with increase in rent for corporate office;
- (t) Professional fees decreased from \$47,350 for the nine months of fiscal 2019 to \$32,386 in the same period of fiscal 2020 due to decrease in professional activities occurred;
- (u) Rent increased from \$96,522 for the nine months of fiscal 2019 to \$194,663 in the same period of fiscal 2020 due to new corporate office location that commenced in January 2020;
- (v) Transfer agent and filing fees increased from \$9,700 for the nine months of fiscal 2019 to \$18,923 in the same period of fiscal 2020 due to increase in filing activities;
- (w) Travel decreased from \$47,103 for the nine months of fiscal 2019 to \$1,539 in the same period of fiscal 2020 due to decrease in travel, business, and acquisition activities;
- (x) Loss on marketable securities (other item) decreased from \$1,500 for the nine months of fiscal 2019 to \$1,050 in the same period of fiscal 2020;
- (y) Gain on foreign exchange (other item) increased from \$278 for the nine months of fiscal 2019 to \$642 in the same period of fiscal 2020;
- (z) Impairment of intangible assets (other item) increased from \$nil for the nine months of fiscal 2019 to \$nil in the same period fiscal 2020 due to impairment on MGNL investment;
- (aa) Operating losses from joint venture (other item) decreased from \$156,569 for the nine months of fiscal 2019 to \$10,000 in the same period of fiscal 2020 due to termination joint venture in 2019; and
- (bb) Loss on acquired debt decreased from \$22,500 for the nine months of fiscal 2019 to \$nil in the same period of fiscal 2020 due to decrease in debt settlement activities.

### **Related Party Transactions**

Related party transactions are in the normal course of operations and are made in terms equivalent to those that prevail in arm's length transactions, which is the amount of consideration established and agreed to by the related parties. The following is a summary of the related party transactions that occurred throughout the nine months ended March 31, 2020:

- (a) As at the year ended June 30, 2019, the amount payable to Sydney Au, a former director of the Company, was \$265,000. During the nine months ended March 31, 2020, the Company paid or accrued management fees of \$135,000 to Sydney Au. As at March 31, 2020, the amount payable to Sydney Au was \$400,000.
- (b) At the year ended June 30, 2019, the loans payable to Sydney Au was \$87,442. During the nine months ended March 31, 2020, the Company repaid \$4,723 to Sydney Au. As at March 31, 2020, the loans payable to Sydney Au was \$82,719. The loans are unsecured, due on demand, and bear no interest.
- (c) At the year ended June 30, 2019, the loans payable to 918368 B.C. Ltd, a company controlled by Sydney Au, was \$326,000. During the nine months ended March 31, 2020, 918368 B.C. Ltd. loaded \$25,000 to the Company for general working capital and fund the Company's ongoing operations. As at March 31, 2020, the loans payable to 918368 B.C. Ltd. was \$351,000. The loans are unsecured, due on demand, and bear no interest.

- (d) As at the year ended June 30, 2019, the amount payable to B. Chris Brown, former president of the Company was \$nil. During the nine months ended March 31, 2020, the Company paid or accrued management fees of \$89,831 to B. Chris Brown. As at March 31, 2020, the amount payable to B. Chris Brown was \$nil.
- (e) As at the year ended June 30, 2019, the amount payable to David Bentil, CEO and director of the Company, was \$nil. During the nine months ended March 31, 2020, the Company paid or accrued \$12,500 consulting fees prior to him joining the Company as CEO and director and \$25,000 management fees. As at March 31, 2020, the accounts payable to David Bentil was \$37,500.
- (f) As at the year ended June 30, 2019, the amount payable to Jatinder Dhaliwal, director of the Company, was \$nil. During the nine months ended March 31, 2020, the Company paid or accrued \$12,500 consulting fees prior to him joining the Company as a director and \$25,000 in management fees. As at March 31, 2020, the accounts payable to Jatinder Dhaliwal was \$37,500.
- (g) As at the year ended June 30, 2019, the amount payable to Faisal Manji, a former director of the Company, was \$nil. During the nine months ended March 31, 2020, the Company paid or accrued accounting fees of \$20,000 to Faisal Manji. As at March 31, 2020, the amount payable to Faisal Manji was \$20,000.
- (h) At the year ended June 30, 2019, the loans payable to Canland Health Corp., a company owned and controlled by C K Cheung, a former director of the Company, was \$nil. During the nine months of March 31, 2020, Canland Health Corp. loaned \$295,000 to the Company for general working capital and fund the Company's ongoing operations. As at March 31, 2020, the loans payable to Canland Health Corp. was \$295,000. The loans are unsecured, due on demand, and bear no interest.

As at March 31, 2020, included in the accounts payable and accrued liabilities, the Company has \$95,000 in debt to related parties as a result of related party transactions incurred throughout the period. These amounts are unsecured, due on demand and bear no interest. The proceeds of the various loans indicated above were utilized to fund the Company's ongoing operations.

*Compensation of key management personnel*

<b>Nine months ended March 31,</b>	<b>2020</b>	<b>2019</b>
Management fees	\$ 274,831	\$ 135,000
Accounting fees	20,000	—
	<b>\$ 294,831</b>	<b>\$ 135,000</b>

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive and non-executive) of the Company.

## **CAPITAL AND LIQUIDITY**

As of March 31, 2020, the Company had cash and cash equivalents of \$4,162 (June 30, 2019: \$132,756)

On August 7, 2019, the Company entered into a \$350,000 senior convertible debenture financing with Haywood Securities. The convertible debentures notes will be 10% senior secured notes due five years from the date of issuance, issued in unit denominations of \$1,000 and each unit shall have 200 common share purchase warrants of the Company attached to it to be convertible at a price of \$5.00 per common share. In addition, each holder of units will receive a right to certain cash royalties pursuant to a Royalty Agreement, of 5% of gross revenues from the extraction operations. The convertible debenture notes shall also be secured against assets of the operations. The Company recorded a fair value of the conversion feature as \$204,400 expensed to Debt financing for the nine months ended March 31, 2020.

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.

- (a) The Company is developing health products and technology company in the research and development stage and currently 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 products, website and customization product offerings, technologies, including 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.
- (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 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).
- (d) There are no balance sheet conditions or income or cash flow items that may affect the Company's liquidity.
- (e) 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 \$1,512,270 as at March 31, 2020 (June 30, 2019: \$808,517).
- (h) During the nine months ended March 31, 2020, the Company had net cash used in operating

activities of \$329,056 (2019: \$1,492,080).

- (i) During the nine months ended March 31, 2020, the Company had net cash used in investing activities of \$442,940 (2019: \$535,261).
- (j) During the nine months ended March 31, 2020, the Company had net cash provided by financing activities of \$643,402 (2019: \$1,755,108).

Refer to the Company's consolidated financial statements for details on convertible debt, unsecured loans, and commitments.

## **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.

The business and operations of the Company are subject to numerous risks, many of which are beyond the Company's control. The Company considers the risks set out below to be some of the most significant to potential investors in the Company, but not all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Company is currently unaware or which it considers to be material in relation to the Company's business actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities may decline and investors may lose all or part of their investment.

### **a. Capital management**

The Company's objective in managing capital is to safeguard its ability to continue as a going concern, to ensure it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity and cash as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the commercialization of the licensed proprietary health monitoring/therapeutic systems and the identification and evaluation of potential acquisitions.

### **b. Credit risk**

To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through the equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator. The Company's credit risk is primarily attributable to bank balances, GST/HST receivable and loan receivable. The Company limits its credit exposure on cash held in bank accounts firstly by holding its key transactional bank accounts with banks of

international financial institutions. GST/HST receivable is due from Canadian Government and Management believes that the credit risk to be minimal. Loan receivable is due from a non-related party and the Company continues to negotiate repayment terms.

c. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

As at March 31, 2020, the Company had a cash balance of \$4,162 (June 30, 2019: \$132,756) and accounts payable and accrued liabilities of \$881,929 (June 30, 2019: \$633,803). All of the Company's financial liabilities have or are treated with maturities of less than one year and are subject to normal trade terms. Management is considering different alternatives to secure adequate debt, loan extensions, or equity financing to meet the Company's short term and long-term cash requirement. The Company has a working capital deficit of \$1,512,270 (June 30, 2019: \$808,517).

Additional funds for the establishment of the Company's planned facility project and development will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Cannabis market prices, production efficiency or revenues, taxes, transportation costs, capital expenditures and operating expenses are all factors which will impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and pursue only those projects that can be funded through cash flows generated from its existing operations, if any.

d. Interest rate risk

Interest risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates is currently immaterial.

e. Foreign exchange risk

The Company's functional and reporting currency is the Canadian dollar with significant business and purchases are transacted in United States dollars (USD). As a result, the Company is exposed to USD foreign currency risk that the Company has not hedged against. As a result, the Company may incur material and uncontrolled losses on USD foreign exchange.

f. Litigation

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

**OFF BALANCE SHEET ARRANGEMENTS**

At the date of this filing, the Company had no off-balance sheet arrangements.

**OUTSTANDING SHARE DATA**

- a. Authorized: unlimited Common shares, without par value; and  
unlimited Preferred shares, without par value.
- b. Issued and outstanding: 1,079,546 common shares issued and outstanding as of March 31, 2020 (June 30, 2019: 1,114,546) and 18,452,804 issued and outstanding as of September 11, 2020.

During the nine months ended March 31, 2020, the following transactions occurred:

On July 11, 2019, the Company:

- (i) settled \$350,000 of the convertible debenture owing for 35,000 common shares issued to a non-related party. As mutually agreed between the parties, the settlement price was \$10.00 per share that was the fair value of recent financing and other debt settlements.
- (ii) 5,000 common shares with a fair value of \$50,000 for compensation for past services pursuant to the operator agreement entered with Belt Energy and Biomass LLC.
- (iii) issued 25,000 milestone common shares with a fair value of \$250,000 for the final acquisition payment to acquire MGNL that was written off as impairment of goodwill (intangibles) for the period.

On December 5, 2019, the private placement of the Company's subsidiary, Western Agri Supply Solutions Corp., closed for 100,000 Class A common shares with a fair value of USD\$ 150,000 (\$197,610) subscribed and issued. As a result of the Private Placement, WASS is no longer a wholly-owned subsidiary of the Company, and the Company maintains a 50% interest in WASS. WASS is a private corporation & not a reporting issuer. Non-controlling interest has been recognized at the non-controlling interest's proportionate share of net assets of WASS.

On January 23, 2020, the Company returned to treasury the 100,000 common shares issued for a joint venture with a fair value of \$1,070,000.

c. Share purchase warrants

As of March 31, 2020, the following warrants were outstanding and exercisable:

<b>Warrants Outstanding and Exercisable</b>	<b>Exercise Price, \$</b>	<b>Expiry Date</b>
867	150	March 16, 2021
1,333	150	April 7, 2021
150,000	25	December 20, 2022
70,230	15	May 21, 2022
3,300	10	November 21, 2020
11,590	15	June 7, 2022
<b>237,320</b>		

During the nine months ended March 31, 2020, a total of 10,818 warrants expired without being exercised.

A summary of the Company's issued and outstanding warrants as at March 31, 2020 and during the period is presented below:

	<b>Warrants Outstanding</b>	<b>Weighted Average Exercise Price, \$</b>
<b>Balance, June 30, 2019</b>	<b>248,138</b>	<b>28.06</b>
Expired	(10,818)	—
<b>Balance, March 31, 2020</b>	<b>237,230</b>	<b>22.57</b>

The weighted average life of warrants outstanding is 2.50 years (June 30, 2019: 3.09 years)

## **INTERNATIONAL ACCOUNTING STANDARDS (IAS)**

The Company's interim consolidated financial statements for the period ended March 31, 2020 are prepared in accordance and compliance with *IAS 34 – Interim Financial Reporting* 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 interim consolidated financial statements for the nine months ended March 31, 2020 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 not possible 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, including the particular attributes of the consumer, competitors' strategies and market factors. As well, there are risks associated with cyclical and government regulations, including regulations relating to pharmaceuticals.

### Health Products and Technology Industry

The health products and technology industry involve 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 the development of the Company. 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, including the particular attributes of the industry and whether 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 may 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.

#### ISO Certification

The Company's former service provider, Decanex, Inc., no longer maintains its ISO certification and as a result the further development of the Company's TULIP device and related intangible properties is currently on hold and any future development is doubtful. In July 2019, the Company entered into a mutual termination with Decanex and has an option to acquire Decanex and continue development should the company be able to re-obtain the ISO certification or engage a new service provider with such certification(s).

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 may 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. Competitors 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 parties the Company must 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.

#### Potential Liability

The Company is subject to the risk of potential liability claims with respect to its hemp-based products, 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 nine months ended March 31, 2020, 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.