



**ENDOCAN SOLUTIONS INC.**  
(the "Company" or "Endocan")

**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
For the Nine Months Ended July 31, 2019

The following management discussion and analysis ("MD&A") has been prepared by management as of September 27, 2019, and should be read in conjunction with the unaudited interim consolidated financial statements and related notes of the Company for the nine months ended July 31, 2019, and the audited consolidated financial statements of the Company and related notes for the year ended October 31, 2018. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are stated in Canadian dollars unless otherwise indicated.

**CAUTIONARY NOTES FORWARD-LOOKING STATEMENTS**

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the Company's future business plans and strategy. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" (or "does not expect"), "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" (or "does not anticipate"), or "believes", and other similar words and phrases, or which states that certain actions, events, or results "may", "could", "might", or "will" occur. Forward-looking information is based on assumptions and expectations which the Company considers are reasonable, and which are based on management's experience and its perception of trends, current conditions, and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made. The assumptions used to develop forward-looking information include, but not limited to, assumptions about:

- general business and economic conditions;
- the timing of the receipt of regulatory and governmental approvals, permits and authorizations necessary to implement and carry on the Company's planned business objectives;
- conditions in the financial markets generally;
- the Company's ability to secure the necessary consulting, technical and related services and supplies on favourable terms;
- the Company's ability to attract and retain key staff;
- the nature and location of the Company's plants, and the timing of the ability to commence its business operations;
- the anticipated terms of the consents, permits and authorizations necessary to carry out the planned operations and the Company's ability to comply with such terms on a cost-effective basis; and
- the ongoing relations of the Company with the industry regulators.

Although the Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on forward-looking information. The Company can give no assurance that forward-looking information, or the assumptions and expectations on which it is based, will prove to be correct. The Company does not undertake to revise or update any forward-looking information, except in accordance with applicable laws. Readers should not place undue reliance on forward looking information.

Forward-looking information is subject to known and unknown risks and uncertainties that may cause the actual results, or performance of the Company to be materially different from those expressed or implied by such forward-looking information. These risks and uncertainties include risk and uncertainties associated with the medical marijuana industry, such as the potential changes in government regulation, and the uncertainty of predicting operating and capital costs. They also include risks and uncertainties that affect the business environment generally, such as changes in interest rates and the condition of financial markets, and changes in exchange rates, and other risks identified herein under "Risks and Uncertainties".

## OVERVIEW

Endocan Solutions Inc. (the "Company") was incorporated on May 11, 2011 under the laws of British Columbia, Canada and maintains its head office at 14<sup>th</sup> Floor – 1050 West Georgia Street, Vancouver, B.C. V6E 4H8. The Company is actively pursuing business opportunities in the medical marijuana sector.

The Company's strategy involves acquiring, developing and managing various companies that are licensed producers or own unique intellectual properties. The Company is currently focused on creating memoranda of understanding ("MOU's") and/or letters of intent ("LOI's") with these potential targets. The Company is also seeking financial resources from investors interested in participation and partial ownership of the cooperative ventures being created.

The Company was listed on the Canadian Securities Exchange (the "CSE") under the symbol "WWM". In 2016, the Company was unable to file its audited annual financial statements for its financial year ended October 31, 2015 and the related Management's Discussion and Analysis required under National Instrument 51-102 due to lack of capital required to complete the audit. As a result, the Company received a cease trade order from the CSE on August 18, 2016, and became delisted from the CSE effective December 6, 2016. As at the date of this MD&A, the Company has brought all its filings up to date. The Company is currently in the process of reactivating its listing status and to become relisted on the CSE.

On December 4, 2017, the Company terminated the appointment of Rob van Santen as its chief executive officer ("CEO") and appointed Bruce Clark as a director and the CEO of the Company. In addition, the Company appointed Christopher Hoffmeister as a director of the Company.

On September 10, 2019, the Company announced that Robert Marsh and Robert van Santen have resigned as directors of the Company.

## DISCUSSION OF OPERATIONS

### Three month period ended July 31, 2019

During the three months ended July 31, 2019, the Company reported a net loss of \$17,200 compared to a net loss of \$2,199 incurred in the three months ended July 31, 2018. The loss in the 2019 period is mainly related to management fee of \$15,000 (2018 - \$nil), loan interest of \$975 (2018 - \$487) and other corporate maintenance expenses of \$1,225 (2018 - \$1,712).

### Nine month period ended July 31, 2019

During the nine months ended July 31, 2019, the Company reported a net loss of \$52,258 compared to a net loss of \$67,286 incurred in the nine months ended July 31, 2018. Some of the significant expense items are summarized as follows:

- Management fees of \$45,000 (2018 - \$37,000) relate to fees to the Chief Financial Officer ("CFO") of the Company.
- Transfer agent and filing fees of \$4,046 (2018 - \$27,323) related mainly to regulatory compliance filings.

**SUMMARY OF QUARTERLY RESULTS**

The following table sets forth selected unaudited financial information for the Company's eight most recent quarters ending with the last quarter for the three months ended on July 31, 2019.

	For the Three Months Ended							
	Fiscal 2019			Fiscal 2018				Fiscal 2017
	Jul. 31, 2019	Apr. 30, 2019	Jan. 31, 2019	Oct. 31, 2018	Jul. 31, 2018	Apr. 30, 2018	Jan. 31, 2018	Oct. 31, 2017
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Total revenues	-	-	-	-	-	-	-	-
Income (loss) from continuing operations	(17,200)	(18,315)	(16,743)	(61,966)	(2,199)	(31,077)	(34,010)	(68,276)
Net income (loss)	(17,200)	(18,315)	(16,743)	(61,966)	(2,199)	(31,077)	(34,010)	(68,276)
Income (loss) from continuing operations per share - basic and diluted	(0.01)	(0.01)	(0.01)	(0.03)	(0.00)	(0.01)	(0.01)	(0.03)
Net income (loss) per share - basic and diluted	(0.01)	(0.01)	(0.01)	(0.03)	(0.00)	(0.01)	(0.01)	(0.03)

**Factors That Affect the Comparability of the Quarterly Financial Data Disclosed Above**

The variance in net losses in last eight quarter was mainly attributable to the change in management fees charged by the executive team (2019 Q3 - \$15,000, 2019 Q2 - \$15,000, 2019 Q1 - \$15,000, 2018 Q4 - \$23,000, 2018 Q3 - \$nil, 2018 Q2 - \$5,000, 2018 Q1 - \$32,000, 2017 Q4 - \$63,200). The net loss in the fourth quarter of fiscal 2018 also included accounting and legal fees of \$43,425. Other expense items are generally consistent for all the quarters.

**LIQUIDITY AND CAPITAL RESOURCES**

As at July 31, 2019, the Company had a cash balance of \$839, a decrease of \$38,242 from the cash balance of \$39,081 as at October 31, 2018. The Company spent \$38,242 in operating activities. No cash was generated from financing activities during the first nine months of fiscal 2019.

The Company had a working capital deficiency of \$729,564 as at July 31, 2019 compared to a working capital deficiency of \$657,806 as at October 31, 2018.

At present, the Company does not have sufficient capital resources to fund its operating requirements for the next 12 months. Management is considering various financing options to raise capital. The Company will continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

**Going Concern**

At present, the Company's operations do not generate cash flow and its financial success is dependent on management's ability to continue to raise adequate financing on reasonable terms and to commence profitable operations in the future. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The Company's financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements.

## RELATED PARTY TRANSACTIONS

Amounts due to related parties of \$657,029 (October 31, 2018 - \$647,029) were management and service fees charged to the Company by the directors and officers or companies controlled by its directors, officers and former officers and directors and are unsecured, non-interest bearing, and have no specific terms of repayment.

	2019	2018
A company controlled by Robert Van Santen , former CEO	\$ 115,000	\$ 120,250
Robert Marsh, former Director	73,090	258,090
Monashee Medicinal MJ Inc., a company with directors in common with the Company	185,000	-
A company controlled by Annie Storey, former CFO	168,000	168,000
A company controlled by Gordon Fretwell, Corporate Secretary	74,589	74,589
A company controlled by Connie Hang, CFO	40,500	25,250
A company controlled by Bruce Clark, CEO	850	850
	<u>\$ 657,029</u>	<u>\$ 647,029</u>

During the year ended October 31, 2017, the Company advanced \$32,000 from Phi Beta Capital Advisors Ltd., a company indirectly controlled by a family member of the former CEO of the Company. During the year ended October 31, 2018, the Company repaid the principal amount of \$32,000 in full together with the accrued interest of \$2,112.

In March 2018, the Company arranged a \$150,000 loan facility with Monashee Medicinal MJ Inc. (“Monashee”), a company with directors in common with the Company (Christopher Hoffmeister and Bruce Clark). Robert Marsh, a former director of the Company, was also a director of Monashee, having resigned from Monashee in March 2019. The loan is secured by a certain first priority security interest in all of the tangible and intangible property of the Company, bears interest at 3% per annum and is repayable on or before June 1, 2023. The Company is required to make a monthly payment of principal and interest based on an amortization of 60 months. As at July 31, 2019, \$130,000 (October 31, 2018 - \$130,000) had been advanced to the Company. The Company classified \$53,083 of the loan principal together with the accrued interest of \$4,675 as a current liability.

Key management personnel include directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management personnel during the nine month periods ended July 31 is as follows:

	2019	2018
Management fees	\$ 45,000	\$ 37,000
Share-based payments	-	-
Total	<u>\$ 45,000</u>	<u>\$ 37,000</u>

The Company entered into the following related party transactions during the nine month period ended July 31, 2019:

- a) Paid or accrued management fees of \$45,000 (2018 - \$nil) to a company controlled by the CFO of the Company.
- b) Paid or accrued management fees of \$nil (2018 - \$22,000) to a company controlled by the former CEO of the Company.
- c) Paid or accrued management fees of \$nil (2018 - \$15,000) to a company controlled by the former CFO of the Company.

## **CONTINGENCIES**

On June 6, 2019, Robert van Santen, a former director of the Company, and Agilis Capital Corporation (“Agilis”, a company controlled by Robert van Santen) filed a Notice of Civil Claim against the Company claiming a total of \$301,882 as follows: \$107,507 for outstanding fees, \$180,000 in severance compensation, and \$14,375 for GST and an unspecified amount for special damages. The Company intends to defend itself vigorously against all of the claims made by Agilis and Mr. van Santen.

## **SUMMARY OF OUTSTANDING SHARE DATA**

The Company’s issued and outstanding share capital as at the date of this report is as follows:

- (1) Authorized: Unlimited common shares without par value.
- (2) As at September 27, 2019, the Company has 2,323,849 common shares and no stock options and warrants issued and outstanding.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Significant areas requiring the use of management estimates include:

- i) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts.

## **FINANCIAL INSTRUMENTS**

The Company classified its financial instruments as follows: cash as fair value through profit or loss; accounts payable and loan payable to related parties as subsequently measured at amortized cost financial liabilities. Information on certain types of financial instruments is included elsewhere in these financial statements as follows: accounts payable and loans payable to related parties.

The carrying amounts of cash, accounts payable, loans payable to related parties carried at amortized cost is a reasonable approximation of their fair value due to the relatively short period to maturity of these financial instruments and/or the rate of interest being charged.

### **Financial risk management**

The Company’s financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Company’s exposures to these risks and the policies on how to mitigate these risks are set out below. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

#### *Credit risk*

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash. The credit risk with respect to its cash is minimal as they are held with high-credit quality financial institutions. Management does not expect these counterparties to fail to meet their obligations. GST recoverable is held with the Government of Canada, and as such, the Company is not exposed to credit risk.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. The Company performs cash flow forecasting for each fiscal year to ensure sufficient cash is available to fund its projects and operations. As at July 31, 2019, the Company had a cash balance of \$839 and current liabilities of \$733,562. The Company's financial liabilities include accrued expenses and trade and other payables which have contractual maturities of 30 days or are due on demand.

At present, the Company's operations do not generate positive cash flows. The Company's primary source of funding has been the issuance of equity securities through private placements and the optioning of its exploration and evaluation assets. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings..

#### *Interest rate risk*

The Company is exposed to interest rate risk arising from the cash maintained at Canadian financial institutions. The loan facility is based on a fixed interest rate. The exposure to interest rates for the Company is considered minimal. The Company has not used any financial instrument to hedge potential fluctuations in interest.

### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Significant areas requiring the use of management estimates include:

- i) The determination of the fair value of stock options using stock option pricing models, requires the input of highly subjective assumptions, including the expected share price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate.
- ii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts.

### **RISKS AND UNCERTAINTIES**

The Company is actively pursuing business opportunities in the medical marijuana sector. This is a new industry which is highly regulated, and is in a market which is very competitive and is evolving rapidly. The industry involves a degree of risk which, even with a combination of experience, knowledge and careful evaluation, may not be overcome. Consequently, no assurance can be given that commercial quantities medical marijuana will be successfully produced.

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many common risks to new and developing enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a positive return on shareholders' investment.

The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further acquisition and development of its projects when required. Although the Company has been successful in the past in

obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further acquisition activities.

The potential medical marijuana production activities require permits, licenses and approvals from various government authorities, and are subject to extensive federal, state and local laws and regulations. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. There can be no guarantee that the Company will be able to obtain or maintain all necessary licences, permits and approvals that may be required to develop its projects.

The Company's ability to grow, store and sell medical marijuana in Canada is dependent on the Company's ability to obtain a license from Health Canada. Although the Company believes it will meet the requirements of ACMPR for the license, there can be no guarantee that it will. Even if the Company is able to obtain a license, failure to comply with the requirements of the license or any failure to maintain the license would have a material adverse impact on the business, financial condition and operating results of the Company.

The Company's intended business involves the growing of medical marijuana, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, production and marketing experience. Additionally, there is the potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the business, financial condition, and results of operations of the Company.

The market price of securities of many companies, particularly early stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

A number of the Company's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of The Company may have a conflict of interest in negotiating and concluding terms respecting such participation. Conflicts of interest may arise and officers and directors cannot devote 100% of their time to the Company.

## **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

### **New accounting policies**

#### IFRS 15 – Revenue from Contracts with Customers

IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”) is a new standard on revenue that will supersede the following standards: IAS 11 – Construction Contracts; IAS 18 – Revenue; IFRIC 13 – Customer Loyalty Programmes; IFRIC 15 – Agreements for the Construction of Real Estate; IFRIC 18 – Transfers of Assets from Customers; and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. This standard is effective for the Company's year beginning November 1, 2018. The Company has assessed that this standard to not have a significant impact on the Company's existing accounting policies or financial statement presentation.

#### IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments (“IFRS 9”) is a new standard on financial instruments that will replace IAS 39 – Financial Instruments: Recognition and Measurement. The standard addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value through profit or loss. This standard is effective for the Company's year beginning November 1,

2018. The Company has assessed that this standard to not have a significant impact on the Company's existing accounting policies or financial statement presentation.

### **Future change**

A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2019, or later periods. The Company has not applied these new standards in preparing these financial statements. The following pronouncement is considered by the Company to be the most significant of several pronouncements that may affect the financial statements in future periods.

#### IFRS 16 – Leases

IFRS 16 – Leases (“IFRS 16”) is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract: the lessee and the lessor. IFRS 16 eliminates the classification of leases as either operating or finance leases, as is currently required by IAS 17 – Leases, and instead introduces a single lessee accounting model. This standard is effective for the Company's year beginning November 1, 2019. The Company is currently assessing the impact that this new standards will have on its consolidated financial statements and has not early adopted any of the new standard.

### **DISCLOSURE CONTROLS**

In connection with Exemption Orders issued by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificates under National Instrument (“NI”) 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

### **ADDITIONAL INFORMATION**

Additional information concerning the Company and its operations is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **APPROVAL**

The Board of Directors of Endocan Solutions Inc. has approved the contents of this management discussion and analysis on September 27, 2019.