

**MONTEREY MINERALS INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended April 30, 2017**  
**Dated August 24, 2017**

## **MONTEREY MINERALS INC.**

Management Discussion and Analysis of Financial Position and Results of Operations

For the Year Ended APRIL 30, 2017

(All amounts expressed in Canadian dollars, unless otherwise stated)

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This Management Discussion and Analysis (“MD&A”) provides a detailed analysis of the business of Monterey Minerals Inc. (the “Company”) and discloses its financial results for the period ended April 30, 2017. The MD&A should be read in conjunction with the Annual Financial Statements of the Company for April 30, 2017 and related notes, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Refer to Note 3 of the April 30, 2017 Annual financial statements for disclosure of the Company’s significant accounting policies and a discussion of future accounting policy changes. The Company’s reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in the Canadian dollar.

This MD&A contains certain statements that may constitute “forward-looking statements”. Forward-looking statements include but are not limited to, statements regarding future anticipated business developments and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company’s ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Additional information relating to the Company can be located on the SEDAR website at [www.sedar.com](http://www.sedar.com).

This MD&A is current as at August 24, 2017.

### **BACKGROUND**

Monterey Minerals Inc. was incorporated as a wholly-owned subsidiary of reporting issuer Evitrade Health Systems Corp. (formerly Auxellence Health Corporation) on May 9, 2014 under the laws of British Columbia, Canada. Its head office and registered office is located at 605-815 Hornby Street, Vancouver, BC, V6Z 2E6, Canada. The Company is a reporting issuer in the province of British Columbia.

#### **The Company’s Business**

The Company is in the technology business/sector involved in internet marketing and applications. As of the date of this document, the Company has not commenced commercial operations.

### **LIQUIDITY AND CAPITAL RESOURCES**

At April 30, 2017, the Company had working capital deficit of \$32,032.

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the year ended April 30, 2017, the Company incurred \$9,292 net loss and has an accumulated deficit of \$32,032. The continuation of the Company as a going concern is dependent on its ability to obtain generate profitable business operations and secure external financing. Despite management’s best efforts there can be no assurance of the Company reaching profitability to continue as a going concern.

**MONTEREY MINERALS INC.**

Management Discussion and Analysis of Financial Position and Results of Operations

For the Year Ended APRIL 30, 2017

(All amounts expressed in Canadian dollars, unless otherwise stated)

**OUTSTANDING SHARE DATA**

The following share capital data is current as of April 30, 2017:

	April 30, 2017	April 30, 2016
Shares issued and outstanding	1	1

**RESULTS OF OPERATIONS**

The Company incurred a net loss of \$9,292 for the year ended April 30, 2017 compared to \$14,739 for the comparable prior year period. The Company had not commenced operations yet and has only small intermittent administrative expenses to date.

**SELECTED ANNUAL INFORMATION FOR MOST RECENT COMPLETED FISCAL YEARS**

	April 30, 2017 \$	April 30, 2016 \$	April 30, 2015 \$
Net loss	(9,292)	(14,739)	(8,001)
Basic loss per share	(9,292)	(14,739)	(8,001)

The Company's net operating loss decreased from (\$14,739) for the year ended April 30, 2016 to (\$9,292) for the year ended April 30, 2017. This represents a decrease in operating loss of \$5,447 (37.0%) for the year ended April 30, 2017 as compared to 2016, which was largely the result of decreased consulting fees.

**Income Taxes:**

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	2017 \$	2016 \$
Loss before income taxes	(9,292)	(14,739)
Statutory rates	26.00%	26.00%
Expected income tax recovery at statutory rates	2,416	3,832
Effect of an increase in tax rates	—	—
Non-capital losses expired	—	—
Non-deductible expenses and other deductions	—	—
(Increase) Decrease in unrecognized deferred taxes	(2,416)	(3,832)

**MONTEREY MINERALS INC.**

## Management Discussion and Analysis of Financial Position and Results of Operations

For the Year Ended APRIL 30, 2017

(All amounts expressed in Canadian dollars, unless otherwise stated)

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<u>Deferred income tax recovery</u>	<u>—</u>	<u>—</u>
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Details of deferred income tax assets are as follows:

	April 30, 2017 \$	April 30, 2016 \$
<b>Deferred income tax assets:</b>		
Non-capital losses carried forward	8,328	5,912
Capital losses carried forward	—	—
Tax value of equipment in excess of book value	—	—
Tax value of CEC in excess of book value	—	—
<b>Total deferred income tax assets</b>	<b>8,328</b>	<b>5,912</b>
<b>Less: unrecognized deferred tax assets</b>	<b>(8,328)</b>	<b>(5,912)</b>
<b>Deferred income tax assets</b>	<b>—</b>	<b>—</b>

Estimated taxable income for the period is \$Nil. Deferred tax assets have not be recognized because it is not probable that future taxable income will be available against which the company can utilize the benefits from the deductible temporary differences and unused tax losses.

**Non-Capital Losses –**

As at April 30, 2017, the Company has non-capital losses of approximately \$28,532 (2016 - \$22,740) which may be carried forward to apply against future years income tax for Canadian income tax purposes, subject to final determination by taxation authorities and expiring as follows:

YEAR	\$
2035	8,001
2036	14,739
2037	9,292

**Off-Balance Sheet Transactions**

The Company has not entered into any significant off-balance sheet arrangements or commitments.

**SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

The accounting policies set out below are in effect in the annual financial statements for the year ended April 30, 2017 and have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

**Basis of Measurement -**

These financial statements have been prepared on a historical cost basis, except for financial instruments classified in accordance with measurement standards under IFRS. These financial statements have been

## MONTEREY MINERALS INC.

Management Discussion and Analysis of Financial Position and Results of Operations

For the Year Ended APRIL 30, 2017

(All amounts expressed in Canadian dollars, unless otherwise stated)

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prepared using IFRS principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due.

### Significant Accounting Judgments and Estimates -

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

### Financial Instruments -

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Financial assets and liabilities are classified into one of the following categories based on the purpose for which they were acquired:

Financial asset or financial liability at fair value through profit or loss;

Held-to-maturity investments;

Loans and receivables;

Available-for-sale financial assets; and

Other financial liabilities

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset and liability. All transactions related to financial instruments are recorded on a settlement date basis.

Financial asset or financial liability at fair value through profit or loss ("FVTPL")

A financial asset or liability classified at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Financial assets and liabilities are designated as FVTPL if the

## MONTEREY MINERALS INC.

Management Discussion and Analysis of Financial Position and Results of Operations

For the Year Ended APRIL 30, 2017

(All amounts expressed in Canadian dollars, unless otherwise stated)

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Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

### Held-to-Maturity

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investments, including impairment losses, are recognized in the profit or loss.

### Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand that are not quoted in an active market. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses.

Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

### Available-for-Sale Financial

Non-derivative financial assets not included in the above categories are classified as available-for-sale. Except as mentioned below, available-for-sale financial assets are carried at fair value with changes in fair value recognized directly in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the profit or loss.

Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost.

Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method.

The Company has classified cash and cash equivalents as FVTPL, investments in equity instruments as available-for-sale financial assets, receivables as loans and receivables, and accounts payable and accrued liabilities as other liabilities.

### Effective Interest Method

The effective interest method calculates the amortized cost of a financial asset or a financial liability and allocates interest income or interest expense over the corresponding period. The effective interest rate is the

## MONTEREY MINERALS INC.

Management Discussion and Analysis of Financial Position and Results of Operations

For the Year Ended APRIL 30, 2017

(All amounts expressed in Canadian dollars, unless otherwise stated)

---

rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, to the net carrying amount of the financial asset or financial liability.

### Derecognition of Financial Liabilities

The Company derecognizes a financial liability when its obligations are discharged, cancelled or expired.

### Offsetting of Financial Instruments -

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### Impairment of Financial Assets -

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

### Financial Assets Carried at Amortized Cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to receivables, a provision for impairment is made and an impairment loss is recognized in income when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

### Impairment of Financial Assets -

#### Available-for-Sale Financial Assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from accumulated comprehensive income to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

### Comprehensive Income (Loss) -

## MONTEREY MINERALS INC.

Management Discussion and Analysis of Financial Position and Results of Operations

For the Year Ended APRIL 30, 2017

(All amounts expressed in Canadian dollars, unless otherwise stated)

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Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholder and includes items that are not included in net profit. Other comprehensive income (loss) consists of changes to unrealized gain and losses on available for sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period.

Comprehensive income (loss) measures net earnings for the period plus other comprehensive income (loss). Amounts reported as other comprehensive income (loss) are accumulated in a separate component of shareholder's equity as Accumulated Other Comprehensive Income (Loss). The Company has not had other comprehensive income (loss) since inception and accordingly, a statement of comprehensive income (loss) has not been presented.

### Loss Per Share -

Basic loss per share is computed by dividing the net loss available to common shareholder by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average share outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

### Provisions -

Provisions are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the obligation.

The increase in the provision due to passage of time is recognized as interest expense. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

In a business combination, contingent liabilities arising from present obligations are recognized in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

### Future Changes in Accounting Policies -



## MONTEREY MINERALS INC.

Management Discussion and Analysis of Financial Position and Results of Operations

For the Year Ended APRIL 30, 2017

(All amounts expressed in Canadian dollars, unless otherwise stated)

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The IASB issued a number of new and revised International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS"), amendments and related interpretations. At the date of authorization of these financial statements, the IASB and IFRIC have issued the following new and revised standards and interpretations, which could be applicable to the Company and are not yet effective for the relevant reporting periods.

### IFRS 9, "Financial Instruments"

In July 2014, the IASB issued the final version IFRS 9 that supersedes the requirements of earlier versions of the standard. The new standard will replace both IAS 39, "Financial Instruments: Recognition and Measurement" and IFRIC 9, "Reassessment of Embedded Derivatives". The standard will retain the classification and measurements requirements and new hedge accounting model introduced by the previous versions while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. However, an entity may elect to apply the earlier versions of this new standard to annual periods beginning before January 1, 2018 if, and only if, its initial application date is before February 1, 2015.

## PROPOSED TRANSACTIONS

### *Arrangement Agreement*

On September 30, 2016, the Company signed letters of intent ("LOIs") with each of Landsdown Holdings Ltd., GCK Forestry Ltd., 2265040 Ontario Inc. (o/a EVI Tech Group) and Railhead Resources Ltd. (the "Purchasers") to form four (4) wholly owned subsidiaries ("Subcos") to effect transactions in which Subco will purchase all of the issued and outstanding capital stock from each of the respective Purchasers' shareholders.

On November 29, 2016, the Company received court approval for its Arrangement Agreement with each of its four wholly-owned subsidiaries 1093681 BC LTD., 1093682 BC LTD., 1093683 BC LTD., and 1093684 BC LTD. (the "Subcos"), pursuant to which, amongst other things, will result in transfer the Letters of Intent and \$1,000 (the "Assets") to each of 1093681, 1093682, 1093683, and 1093684 in consideration for 1,010,549 shares from each.

The Company anticipates completing the spinout of its Subcos under the court approved Plan of Arrangement by September 2017.

## RISK AND UNCERTAINTIES

### **Management of Industry and Financial Risk**

The Company may be exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk and market risk. Where material, these risks are reviewed and monitored by the Board of Directors.

The Company's financial instruments are exposed to certain financial risks, which include the following:

### *Credit risk*

## **MONTEREY MINERALS INC.**

Management Discussion and Analysis of Financial Position and Results of Operations

For the Year Ended APRIL 30, 2017

(All amounts expressed in Canadian dollars, unless otherwise stated)

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Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents and receivables.

### ***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. As the Company does not have any cash or cash equivalents, the liquidity risk has been assessed as being high.

The Company is in the corporate consulting business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business.

### **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 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, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

### **Negative Operating Cash Flows**

As the Company is at the early stage start up stage it may continue to have negative operating cash flows. Without the injection of further capital and the development of revenue streams from its business, the Company may continue to have negative operating cash flows until it can realize stable cash flow from operations.

### **Risks Related as a Going Concern**

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

### **Reliance on Key Personnel and Advisors**

The Company relies heavily on its officers. The loss of their services may have a material adverse effect on the business 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.

## **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

**MONTEREY MINERALS INC.**

Management Discussion and Analysis of Financial Position and Results of Operations

For the Year Ended APRIL 30, 2017

(All amounts expressed in Canadian dollars, unless otherwise stated)

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The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

**OTHER INFORMATION**

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

**MONTEREY MINERALS INC.**

Management Discussion and Analysis of Financial Position and Results of Operations

For the Year Ended APRIL 30, 2017

(All amounts expressed in Canadian dollars, unless otherwise stated)

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**Corporate Information**

Head Office: 5728 East Boulevard  
Vancouver BC V6M 4M4  
Canada

Directors: Ron Ozols

Officers: Ron Ozols, CEO, CFO

Auditor: Adam Sung Kim Ltd.  
Adam Kim, CPA, CA

Legal Counsel: Brendan Purdy, J.D.