

**MOUNTAIN VALLEY MD INC.**

**Unaudited Interim Condensed Consolidated Financial Statements**  
**For the nine months period ended December 31, 2019**  
(Expressed in Canadian Dollars)

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS FOR 2019 PERIODS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements for the three and nine months ended December 31, 2019 in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of the interim financial statements by an entity's auditor.

**MOUNTAIN VALLEY MD INC.**  
**Interim Condensed Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

	Note	December 31, 2019	March 31, 2019
<b>ASSETS</b>			
CURRENT			
Cash and cash equivalents		\$ 3,441,430	\$ 9,086,662
GST/HST recoverable		23,457	21,012
Short term loan		49,825	-
Deposit - acquisition	7	-	100,000
Prepaid expenses and deposits		95,147	73,035
Note receivable	8	-	817,574
		<u>3,609,859</u>	<u>10,098,283</u>
NON-CURRENT			
Convertible note	9	468,151	-
Licences	5	2,080,000	-
Long term investments	7	9,502,531	-
Property	10	1,390,000	1,390,000
		<u>13,440,682</u>	<u>1,390,000</u>
		<u>\$ 17,050,541</u>	<u>\$ 11,488,283</u>
<b>LIABILITIES AND DEFICIT</b>			
CURRENT			
Accounts payable and accrued liabilities	11	\$ 708,116	\$ 224,337
Mortgage payable	12	310,000	310,000
		<u>1,018,116</u>	<u>534,337</u>
DEFICIT			
Share capital	13	18,178,578	11,840,978
Subscriptions received	13	509,967	10,000
Deficit		<u>(2,656,120)</u>	<u>(897,032)</u>
		<u>16,032,425</u>	<u>10,953,946</u>
		<u>\$ 17,050,541</u>	<u>\$ 11,488,283</u>

GOING CONCERN (Note 2)  
 COMMITMENTS AND CONTINGENT LIABILITIES (Note 17)  
 SUBSEQUENT EVENTS (Note 18)

Approved on behalf of the Board:

*"Dennis Hancock"*

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 Director

See accompanying notes to the interim condensed financial statements

**MOUNTAIN VALLEY MD INC.****Interim Condensed Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)**

		For the Nine month period ended December 31,	
	Note	2019	2018
<b>EXPENSES</b>			
Business development and travel	14	\$ 279,691	\$ -
Consulting fees	14	829,325	-
Mortgage interest		21,506	-
Office and miscellaneous		33,379	-
Professional fees		558,356	29,006
Rent	17	19,000	-
		<hr/>	<hr/>
<b>NET LOSS BEFORE OTHER ITEM</b>		<b>1,741,257</b>	<b>29,006</b>
<b>OTHER ITEM</b>			
Investment income		5,873	-
Interest earned on convertible note	9	18,151	-
Unrealized gain (loss) on foreign exchange		(41,855)	-
		<hr/>	<hr/>
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>\$ 1,759,088</b>	<b>\$ 29,006</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>BASIC AND DILUTED LOSS PER SHARE</b>		<b>\$ (0.01)</b>	<b>\$ (0.00)</b>
		<hr/>	<hr/>
Weighted average number of shares outstanding		<b>204,568,933</b>	<b>93,720,659</b>

See accompanying notes to the interim condensed financial statements

**MOUNTAIN VALLEY MD INC.**

**Interim Condensed Consolidated Statements of Changes in Equity  
(Expressed in Canadian Dollars)**

	Note	Class A Number of shares	Class A Share capital \$	Class B Number of shares	Class B Share capital \$	Subscriptions received \$	Deficit \$	Total \$
Balance as at October 26, 2018		-	-	-	-	-	-	-
Share issuances	13	-	737,501	70,625,200	-	-	-	737,501
Net loss for the period		-	-	-	-	-	(29,006)	(29,006)
<b>Balance as at December 31, 2018</b>		-	737,501	70,625,200	-	-	(29,006)	708,495
Balance as at March 31, 2019		70,625,200	737,501	112,217,807	11,103,477	10,000	(897,032)	10,953,946
Shares issued for investment	7, 13	-	-	25,750,000	5,150,000	-	-	5,150,000
Shares issued for services	13	-	-	1,960,500	392,100	-	-	392,100
Shares issued for private placement at \$0.20	13	-	-	3,977,500	795,500	(10,000)	-	785,500
Shares issued for private placement at \$0.40	13	-	-	-	-	509,967	-	509,967
Net loss for the period		-	-	-	-	-	(1,759,088)	(1,759,088)
<b>Balance as at December 31, 2019</b>		70,625,200	737,501	143,905,807	17,441,077	509,967	(2,656,120)	16,032,425

See accompanying notes to the interim condensed financial statements

**MOUNTAIN VALLEY MD INC.**  
**Interim Condensed Consolidated Statements of Cash flows**  
**(Expressed in Canadian Dollars)**

		For the Nine Month Period Ended, December 31	
	Note	2019	2018
<b>Operating activities:</b>			
Net loss and comprehensive loss for the period	\$	(1,759,088)	(29,006)
Changes in non-cash operating working capital			
GST recoverable		(2,445)	-
Prepaid expenses and deposits		(22,112)	-
Short term loan		(49,825)	-
Accounts payable		937,979	(7,768)
<b>Net cash used in operating activities:</b>		<b>(895,491)</b>	<b>(36,774)</b>
<b>Investing activities:</b>			
Long term investments	7	(5,484,957)	-
Note receivable		-	(477,574)
Purchase of convertible note	9	(468,151)	-
Mortgage principal payments		-	-
Deposit - acquisition	7	100,000	-
<b>Net cash used in investing activities:</b>		<b>(5,853,108)</b>	<b>(477,574)</b>
<b>Financing activities:</b>			
Subscriptions received	13	509,967	737,501
Issuance of share capital	13	593,400	-
<b>Net cash used in finance activities:</b>		<b>1,103,367</b>	<b>737,501</b>
<b>Net change in cash</b>		<b>(5,645,232)</b>	<b>223,153</b>
Cash - Beginning of period		9,086,662	-
<b>Cash - End of period</b>	<b>\$</b>	<b>3,441,430</b>	<b>223,153</b>
<b>Non-cash transactions:</b>			
Shares issued for equity in long term investments	\$	5,150,000	-
Shares issued for consulting and professional services		392,100	-
<b>Cash consists of the following:</b>			
Funds held in lawyers trust account		610,463	223,153
Guaranteed investment certificate		2,660,356	-
Cash held in investment account		170,611	-
	<b>\$</b>	<b>3,441,430</b>	<b>223,153</b>

See accompanying notes to the interim condensed financial statements

# **MOUNTAIN VALLEY MD INC.**

## **Notes to the Interim Condensed Consolidated Financial Statements**

**Nine months period ended December 31, 2019**

**(Expressed in Canadian Dollars)**

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### **1. CORPORATE INFORMATION**

Mountain Valley MD Inc. (“MVMD” or the “Company”), was incorporated under the laws of the province of Ontario on October 26, 2018. MVMD is a private corporation. The nature of operations involves investing in strategically positioned companies operating in normalized cannabis markets and the building of a health and wellness organization centred around the implementation of patented oral delivery technologies.

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern (see note 2).

The address of the Company’s corporate office and principal place of business is 210 Adelaide Street West, Toronto, Ontario, Canada, M5H 1W7.

### **2. GOING CONCERN**

These consolidated financial statements have been prepared on a going concern basis 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. The Company is in the start up phase, it incurred a loss of \$1,759,088 during the nine-month period ended December 31, 2019 and, as of that date, the Company’s deficit was \$2,656,120. The Company is dependent on its ability to raise additional debt, equity and/or to generate revenue from operations to raise sufficient cash resources to execute its business plans. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. The Company had cash of \$3,441,430, at December 31, 2019 to meet current financial obligations of \$1,018,116. Management believes that the Company has sufficient working capital to maintain operations for the next 12 months.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

#### **a) Statement of compliance**

These Financial Statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. The sole director of the Company approved the financial statements on March 10, 2020.

The policies set out were consistently applied to all the periods presented unless otherwise noted below. The preparation of condensed interim financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies.

## **MOUNTAIN VALLEY MD INC.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

**Nine months period ended December 31, 2019**

**(Expressed in Canadian Dollars)**

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#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

b) Summary of significant accounting policies

The accounting policies and methods of computation followed in preparing these Financial Statements are the same as those followed in preparing the most recent audited annual financial statements. For a complete summary of significant accounting policies, please refer to the Company's audited annual financial statements for the year ended March 31, 2019 and 2018.

c) Accounting standards adopted during the period

IFRS 16 was issued on January 13, 2016, and is effective for accounting periods beginning on or after January 1 2019. The standard sets out a new model for lease accounting. There was no significant impact to the Company on the adoption of this standard on April 1, 2019.

d) Principles of consolidation

MVMD has three wholly owned subsidiaries, Mountain Valley Medicinals Inc. ("MVM"), a company incorporated under the laws of the province of British Columbia on March 7, 2018, Colverde MD S.A.S, a corporation incorporated under the laws of Colombia on February 20, 2018 and MVMD (Colombia) Inc. ("MVMDC"), a corporation incorporated under the laws of the province of Ontario on April 11, 2019. MVM has a wholly owned subsidiary, 0987182 B.C. Ltd. ("098") (formerly Pura Vida Medical Marihuana Incorporation), a company formed under the laws of the Province of British Columbia

e) Use of estimates and judgements

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies and significant estimates and assumptions made are as follows:

Assessment of impairment indicators

Judgment is required in assessing whether certain factors would be considered an indicator of impairment or impairment reversal. Management considers both internal and external information to determine whether there is an indicator of impairment or impairment reversal present and, accordingly, whether impairment testing is required. The information considered in assessing whether there is an indicator of impairment or impairment reversal includes, but is not limited to,



## MOUNTAIN VALLEY MD INC.

### Notes to the Interim Condensed Consolidated Financial Statements

Nine months period ended December 31, 2019

(Expressed in Canadian Dollars)

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market transactions for similar assets, commodity prices, interest rates, inflation rates, the Company's market capitalization and operating results.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

#### Going concern

Management has made the determination that the Company will continue as a going concern for the next year.

### 4. SHARE EXCHANGE AGREEMENT

On January 10, 2019, the Company entered into a share exchange agreement (the "SEA") with Mountain Valley Medicinals Inc. ("MVM"), a private company incorporated under the laws of the province of British Columbia, and the shareholders of MVM to purchase all of the issued and outstanding common shares of MVM from the MVM shareholders in exchange for 54,206,148 Class B common shares of MVMD valued at \$1,496,564.

The Company has recorded the acquisition of MVM as an asset acquisition as follows:

#### **Purchase price consideration:**

Class B common shares issued	\$ 1,496,564
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#### **Assets acquired and liabilities assumed:**

Cash	375,385
GST/HST receivable	19,347
Prepaid expenses and deposits	80,832
Building	1,390,000
Accounts payable and accrued liabilities	(59,000)
Mortgage payable	(310,000)
	<u>\$ 1,496,564</u>

### 5. LICENCES

On November 15, 2019, MVMD entered into a share purchase agreement with a private company in Colombia ("Colverde") for the purposes of acquiring its assets.

- MVMD acquired 100% of the shares of Colverde for a purchase price of \$2,080,000 paid as follows:
  - \$130,000 refundable deposit (paid on July 16<sup>th</sup>); and
  - \$1,950,000 in Class B common shares of MVMD at a deemed price equal to \$0.20 per share, being 9,750,000 shares (issued on Dec 23<sup>rd</sup>)

Colverde is non-operating and its assets are a licence for the cultivation of psychoactive cannabis plants issued on November 23, 2018 by the Ministry of Justice and Law (licence number 1214), a licence for the manufacture of cannabis derivatives issued on September 12, 2018 by the Colombian Ministry of Health and Social Protection (licence number 3836), and a licence for the cultivation of non-psychoactive cannabis plants issued on December 16, 2019 by the Ministry of Justice and Law (licence number 1898), as well as a lease for land located in Tabio, a municipality and town of Colombia in the department of Cundinamarca. Colverde has also made application for registration with the Colombia Agricultural Institute as a producer of certified seed (the "Colverde Application"). All securities issued as payment are subject to escrow until the Colverde Application is approved.

## **MOUNTAIN VALLEY MD INC.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

**Nine months period ended December 31, 2019**

**(Expressed in Canadian Dollars)**

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#### **5. LICENCES (Continued)**

Management has determined the value of the transaction should be allocated to the licenses and the Colverde Application.

#### **6. AMALGAMATION AGREEMENT**

On June 28, 2019, MVMD entered into an amalgamation agreement with Meadow Bay Gold Corporation ("MBGC"), a reporting issuer in the provinces of British Columbia, Alberta and Ontario, and a wholly-owned Ontario subsidiary of MBGC ("Subco") to effect the combination of their respective businesses and assets by way of a "three-cornered amalgamation" between MBGC, MVMD and Subco (the "Amalgamation") to form a new corporation ("Amalco") in accordance with the provisions of the Business Corporations Act (Ontario) (the "OBCA") (completed on February 21, 2020). Pursuant to the amalgamation agreement:

- MBGC agreed to consolidate its issued and outstanding common shares on an 8 pre-consolidation common shares for 1 post-consolidation share basis prior to completion of the Amalgamation;
- MVMD agreed to subscribe for 350 MBGC convertible debenture units (*subscribed for on July 11<sup>th</sup> and \$350,000 paid*) upon MBGC's satisfaction of the MBGC financing conditions (being a detailed description of the use of proceeds) subject to the MBGC financing fee. Each unit is comprised of one MBGC convertible debenture in the principal amount of \$1,000 bearing interest at 10% per annum to be accrued and having a maturity date of four years and 1,000 MBGC convertible debenture warrants with each warrant being exercisable for a period of five years from the date of issuance at a pre-consolidation exercise price of \$0.06. Each unit is convertible into one pre-consolidation common share and one warrant of MBGC with each warrant being convertible into one pre-consolidation common share of MBGC for a period of five years from the date of issuance at a pre-consolidation exercise price of \$0.06;
- MBGC was entitled to proceed with a potential private placement offering of up to an additional 150 MBGC convertible debenture units to raise additional gross proceeds of up to a maximum of \$150,000 with MVMD having a right of first refusal;
- MVMD agreed to complete a private placement; and
- if MVMD would terminate the amalgamation agreement because of an uncured breach by MBGC and MBGC consummates an acquisition transaction within one year of the date of termination, MBGC will pay a \$500,000 break fee to MVMD.

Completion was subject to all required consents, orders and approvals, including, without limitation regulatory approvals required, necessary or desirable for the completion of the proposed transactions.

On the effective date of the amalgamation:

- Subco and MVMD would amalgamate to form Amalco and will continue on as one corporation under the OBCA;
- every MVMD Class A and Class B common share prior to the amalgamation would receive one post-consolidation MBGC share;
- every Subco share prior to the amalgamation would receive one Amalco share; and
- the name of Amalco will be Mountain Valley MD Inc., or as otherwise agreed by the parties

## MOUNTAIN VALLEY MD INC.

### Notes to the Interim Condensed Consolidated Financial Statements

Nine months period ended December 31, 2019

(Expressed in Canadian Dollars)

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#### 7. INVESTMENTS

	Dec 31, 2019
	\$
Sativa Nativa (a)	7,000,000
UK Privco (b)	184,957
US Privco (c)	1,817,574
Delaware Privco (d)	250,000
Sixth Wave (e)	250,000
	<hr/> 9,502,531 <hr/>

##### a) Sativa Nativa

On April 4, 2019, MVMD entered into a subscription and share purchase agreement (the "SSPA") with Sativa Nativa. Pursuant to the SSPA:

- MVMD subscribed for 17,892,248 common shares (representing 10% post subscription) of Sativa Nativa (*issued to MVMD (Colombia) Inc. on April 11<sup>th</sup>*) for an aggregate subscription price of \$2,800,000 (*paid on April 11<sup>th</sup>*);
- MVMD agreed to purchase an additional 26,838,372 common shares of Sativa Nativa (representing 15% post subscription) from existing shareholders of Sativa Nativa (*transferred to MVMD (Colombia) Inc. on April 11<sup>th</sup>*) for an aggregate purchase price of \$4,200,000 payable as follows:
  - a cash payment of \$2,000,000 (*paid on April 11<sup>th</sup>*); and
  - \$2,200,000 in common shares of the Company at a deemed price equal to \$0.20 per share (*11,000,000 Class B common shares issued on April 11<sup>th</sup>*);
- the \$100,000 deposit paid by MVMD pursuant to the LOI (see note 16) will be returned to MVMD (*received on April 4<sup>th</sup>*); and
- MVMD was granted a right of first refusal to enter into a supply agreement for export of product to Australia and the United States; and
- for a period of one year, Sativa Nativa was granted a right of first refusal to enter into an agreement with MVMD for the export of product to any territory in the world, excluding Canada and any countries where export of the product is not prevented by applicable laws.

On April 11, 2019, the Company paid \$2,000,000 and issued 11,000,000 Class B common shares to existing shareholders of Sativa Nativa pursuant to the SSPA with Sativa Nativa and its shareholders.

On April 11, 2019, the Company incorporated MVMD (Colombia) Inc. under the laws of the province of Ontario and pursuant to Sativa Nativa shareholders agreement dated August 18, 2017, MVMD (Colombia) Inc. entered into a joinder agreement as a joining shareholder of Sativa Nativa.

##### b) UK Privco

On May 9, 2019, MVMD entered into a subscription letter with a company in the United Kingdom ("UK Privco") that is an established, fully integrated European-based medical cannabis company. Pursuant to the subscription letter, MVMD applied for 700,000 ordinary shares of UK Privco (*received on June 18<sup>th</sup>*) for a subscription price of £105,000 (\$184,958).

On May 13, 2019, the Company paid \$184,958 pursuant to the subscription letter with UK Privco.

**MOUNTAIN VALLEY MD INC.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**Nine months period ended December 31, 2019**  
**(Expressed in Canadian Dollars)**

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**7. INVESTMENTS (Continued)**

**c) US Privco**

On June 10, 2019, MVMD entered into a Subscription Agreement with US Privco and acquired 1,333,333 common shares of US Privco, representing 10% of the issued and outstanding shares of US Privco, by way of conversion of a promissory note in the amount of USD600,000 (see note 8).

Also on June 10, 2019, MVMD entered into share purchase agreements with US Privco and acquired an additional 1,333,334 common shares of US Privco, representing a second 10% of the issued and outstanding shares of US Privco, by the issuance of 5,000,000 Class B common shares. The terms of an option to acquire an additional 40% equity interest in US Privco for an additional payment of USD2,000,000 plus the issuance of 8,000,000 Class "B" common shares of MVMD are to be negotiated in good faith by MVMD and the shareholders of US Privco.

Investments are measured at fair value through profit or loss. Management has determined that the investments recorded on the statement of financial position are not subject to significant influence or control.

**d) Delaware Privco**

On December 20, 2019, MVMD entered into a intellectual property asset purchase agreement with a private Delaware corporation ("Delaware Privco"), in the business of developing, manufacturing and licensing desiccated liposomes.

- on the closing date (February 10, 2020), the Privco Assets would be sold, transferred and assigned to MVMD or a subsidiary of MVMD;
- compensation would be comprised of an aggregate of:
  - an aggregate cash payment of \$1,000,000;
  - 25,000,000 Class B common shares of MVMD; and
  - 10,000,000 warrants to acquire the same number of Class B common shares of MVMD with, subject to certain specified terms and conditions, each warrant being exercisable for a period of five years at an exercise price of \$0.60 per share subject to forced exercise in the event that MVMD becomes a publicly traded company and its common shares trade on a nationally recognized exchange at \$1 or higher for a period of five trading days, following notice of which they will expire if not exercised within 30 days

Initial compensation was paid as follows:

- an initial payment of \$100,000 (paid on July 11<sup>th</sup>) comprised of specified third party expenses to be determined and a deposit;
- an amount equal to \$500,000 (\$150,000 paid October 16<sup>th</sup>) less the deposit and 10,000,000 Class B common shares on the closing date (issued subsequent to period end and subject to an escrow agreement pending delivery of certain post-closing deliverables).

The remaining purchase price is subject to certain post closing deliverables to be delivered at various times within twenty-four (24) months from the closing date, which if any or all are not achieved will reduce the purchase price by an amount equal to that unearned portion of the post closing deliverable as follows:

**MOUNTAIN VALLEY MD INC.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**Nine months period ended December 31, 2019**  
**(Expressed in Canadian Dollars)**

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**7. INVESTMENTS (Continued)**

- 250,000 and 5,000,000 Class B common shares following the completion of a specified agreement and its assignment to MMVD or a subsidiary of MVMD and thereafter upon receipt of combined licensing fees and royalties in connection therewith equal to a minimum value of \$USD 200,000;
- \$250,000 and 5,000,000 Class B common shares following the completion of a second specified agreement and its assignment to MVMD or a subsidiary of MVMD and thereafter upon receipt of orders equal to a minimum value of \$USD 200,000;
- 2,500,000 Class B common shares upon the achievement of production and sales of the specified product resulting in a minimum net profit of \$50,000; and
- 10,000,000 warrants upon receipt by MVMD or a subsidiary of MVMD of a minimum of \$USD 2,000,000 in gross revenues arising from the assigned assets.

**e) Sixth Wave Innovations Inc.**

On October 1, 2019, the Company subscribed for 333,333 ordinary shares of Sixth Wave Innovations Inc. (CSE: SIXW) by way of private placement for a subscription price of \$250,000.

**8. NOTE RECEIVABLE**

During the period ended March 31, 2019, MVMD executed a term sheet with a private corporation ("US Privco") that is funding an application with the U.S. Drug Enforcement Administration ("DEA") to become registered under the Controlled Substances Act to manufacture and supply marijuana for medical research in the United States. The parties agreed that MVMD would purchase a 10% equity interest valued at USD600,000 by way of private placement of that number of shares of common stock and to purchase an additional 10% of the common stock from US Privco's shareholders directly in consideration for 5,000,000 Class B common shares of MVMD, such that on closing, MVMD would have a 20% equity interest in US Privco. The term sheet also contemplated the grant of an option to purchase an additional 40% equity interest in US Privco (the "Option"), bringing the total equity interest to 60%, for an additional payment of USD2,000,000 plus the issuance of 8,000,000 Class "B" common shares of MVMD.

MVMD advanced USD600,000 (\$817,574 as at March 31, 2019) to US Privco in return for a promissory note, contemplating the repayment of the principal balance by way of issuance of common shares of Privco to MVMD representing the first 10% equity interest described above (converted into 1,333,333 common shares of US Privco on June 10, 2019).

**9. CONVERTIBLE NOTE**

On July 11, 2019, MVMD subscribed for a convertible debenture of Meadow Bay Gold Corporation ("MBGC") in the principal amount of \$350,000 (\$350,000 paid) including 350,000 warrants pursuant to the amalgamation agreement with MBGC. The debenture bears interest at 10% per annum which accrues and is payable on the earlier of the conversion date or maturity, matures on July 11, 2023, is secured by a general security agreement, is convertible at the option of MVMD in \$10,000 increments or multiples thereof and is redeemable in certain circumstances by MBGC.

On November 4, 2019, the Company entered into a debenture agreement with a Canadian private company for \$100,000. The debenture bears interest at 5% and matures on November 4, 2022.

Upon entering into the debenture agreement, and after a 60-day due diligence period, the Company would be entitled to an exclusive license to distribute proprietary technology for world

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**9. CONVERTIBLE DEBT (Continued)**

use on cannabis and hemp plants. Should the Company not wish to proceed with such a license agreement, the Company will be entitled to demand full repayment of the debenture with interest.

The Company will have the right to convert the debenture into equity at any time during the term, upon any additional raise of the private company at a 20% discount.

**10. PROPERTY**

	<b>Building</b>	<b>Total</b>
<b>Cost</b>		
At March 31, 2019 and December 31, 2019	\$ 1,390,000	\$ 1,390,000
<b>Accumulated amortization and impairment</b>		
Depreciation expense	-	-
Impairment provision	-	-
At June 30, 2019	-	-
<b>Net book value</b>		
At March 31, 2019 and December 31, 2019	\$ 1,390,000	\$ 1,390,000

The building is not being depreciated as it is not currently in use.

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Approximately \$510,000 (2018: \$Nil) in accounts payable and accrued liabilities are to be paid by the issuance of Class B shares. The shares were issued subsequent to the period end (Note 17(a)).

**12. MORTGAGE PAYABLE**

On January 27, 2015, 0987182 B.C. Ltd., a wholly-owned subsidiary of MVM, entered into a first mortgage for the principal amount of \$310,000 with Cambridge Mortgage Investment Corporation ("CMIC") on a building located in Qualicum Beach, British Columbia. The mortgage renewed on February 1, 2019, bears interest at 8.95%, has interest-only monthly payments of \$2,312, can be prepaid without penalty and matures on February 1, 2020. An assignment of rents was given to CMIC by way of additional and collateral security.

**13. SHARE CAPITAL**

a) Share Capital

*Authorized*

The Company has authorized share capital of:

- Unlimited Class A voting common shares without par value.
- Unlimited Class B non-voting common shares without par value.

The Company may, from time to time and in the absolute discretion of the directors, pay dividends on the Class A common shares or Class B common shares, or any of them, in such amount and at such time and place as the directors may determine.

## **MOUNTAIN VALLEY MD INC.**

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#### **13. SHARE CAPITAL (Continued)**

In the event of the voluntary or involuntary liquidation, dissolution or winding-up of the Company or other distribution of property of the Company among shareholders for the purpose of winding-up its affairs, the holders of Class A common shares and Class B common Shares are entitled to receive the remaining property of the Company equally. If the Company is not a reporting issuer or an investment fund within the meaning of applicable securities legislation, then no securities (other than non-convertible debt securities) can be transferred without either:

- the previous consent of the board of directors; or
- the previous consent of the holders of at least 51% of the securities of the specified class being outstanding

##### *Issued and outstanding*

The Company has issued share capital of:

- 70,625,200 Class A common shares
- 143,905,807 Class B common shares

##### Share issuance from October 26, 2018 to December 31, 2018

On October 26, 2018, the Company issued 200 Class A common shares as seed shares at \$0.005 per share for gross proceeds of \$1.

On December 7, 2018, the Company issued 45,000,000 Class A common shares at \$0.005 per share for gross proceeds of \$225,000.

On December 21, 2018, the Company issued 25,625,000 Class A common shares at \$0.02 per share for gross proceeds of \$512,500.

##### Share issuance from April 1, 2019 to December 31, 2019

On April 11, 2019, the Company paid \$2,000,000 and issued 11,000,000 Class B common shares pursuant to the SSPA with Colombian Privco

On June 5, 2019, the Company issued 4,302,500 Class B common shares at \$0.20 per share for gross proceeds of \$860,500 and 4,302,500 Class B common share purchase warrants. The warrants are exercisable at \$0.35 per Class B common share and expire two years from the grant date subject to acceleration provisions.

On June 10, 2019, MVMD entered into share purchase agreements with US Privco and acquired an additional 1,333,334 common shares of US Privco, representing a second 10% of the issued and outstanding shares of US Privco, by the issuance of 5,000,000 Class B common shares (see note 7 & 8), on June 14, 2019.

On July 3, 2019, the Company issued 773,000 Class B common shares at \$0.20 pursuant to shares-for-services agreements for a value of \$154,600 (Notes 14, 16 and 17).

On September 27, 2019, the Company issued 87,500 Class B common shares at \$0.20 per share to various individuals for accounts payable.

On September 27, 2019, the Company issued 775,000 Class B common shares pursuant to shares-for-services agreements (Notes 13, 16 and 17).

## MOUNTAIN VALLEY MD INC.

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#### 13. SHARE CAPITAL (Continued)

From July to December 31, 2019, the Company received subscriptions totalling \$509,967 relating to an offering of units at \$0.40 per unit, each unit consisting of one Class "B" common share and one half of one share purchase warrant, each warrant exercisable at \$0.60 per Class B common share for 2 years from the issuance date, subject to acceleration provisions.

##### b) Stock Options

In January 2019, pursuant to its stock option plan, the Company granted 8,288,500 stock options to officers, directors and consultants of the Company to purchase up to 8,288,500 Class A common shares of the Company at an exercise price of \$0.05. The options vest and become exercisable as at the date upon which the Company becomes listed for trading on any nationally recognized stock exchange in Canada. The options expire five years following the vesting date.

##### c) Warrants

A summary of warrant activity during the period ended December 31, 2019 is as follows:

Expiry Date	Outstanding Warrants	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
			\$
October 26, 2018	-	-	-
Issued	45,601,659	1.53	0.35
March 31, 2019	45,601,659	1.53	0.35
Issued	4,302,500	0.16	0.35
December 31, 2019	49,904,159	1.69	0.35

The Company's outstanding warrants as at December 31, 2019 were as follows:

Expiry Date	Number	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
February 21, 2021	38,388,910	1.28	0.35
March 8, 2021	4,114,537	0.14	0.35
March 18, 2021	3,098,212	0.11	0.35
June 5, 2021	4,302,500	0.16	0.35
	49,904,159	1.69	0.35



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#### **14. RELATED PARTY TRANSACTIONS**

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence was \$504,093 during the nine-month period ended December 31, 2019.

Period ended December 31	2019
	\$
Consulting fees	444,893
Business development and travel	59,200
	504,093

The fees charged by the related parties are in the normal course of operations and are measured at the exchange amount which is amount of consideration established and agreed to by the related parties. An aggregate 1,150,000 Class B common shares were issued to a corporation controlled by the President and CEO of the Company in lieu of fees payable in cash in accordance with the consulting agreement.

Included in accounts payable and accrued liabilities as at December 31, 2019, was \$230,000 owing to related parties. The payment terms are similar to the payment terms of non-related party trade payables.

#### **15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The fair value of the Company's financial assets and liabilities approximate the carrying amount due to their short term nature and capacity for prompt liquidation.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of inputs used to estimate the fair values. The three levels of the fair value hierarchy are

:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

As at December 31, 2019, the Company did not have any financial assets and liabilities which are measured at fair value, other than Long Term Investments (see Note 7). There were no transfers between Level 1, 2 or 3 during the period ended December 31, 2019.

##### **a) Credit risk**

Credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. Credit risk arises from cash, deposits and note receivable. While the Company is exposed to credit losses due to the non-performance of its counterparties, management does not consider this to be a material risk.

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#### **15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

##### b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities. As at December 31, 2019, the Company had cash and cash equivalents of \$3,441,430 to meet current financial liabilities of \$1,015,664

Trade accounts payable and accrued liabilities are due within the current operating period.

##### c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of currency risk, interest rate risk, and other price risk.

##### Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company does not expect any material movements in the underlying market risk variables over a one year period.

#### **16. CAPITAL MANAGEMENT**

The Company manages its cash, common shares, warrants and share purchase options as capital (see note 11). The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash held.

In order to maximize ongoing operating efforts, the Company does not pay out dividends. The Company expects its current capital resources will be sufficient to carry out its planned operations in the near term.

#### **17. COMMITMENTS AND CONTINGENT LIABILITIES**

- a) Effective October 8, 2019, MVM extended the sublease agreement as the subtenant for office premises in Toronto, Ontario for a period of one year commencing on November 1, 2019 and terminating on October 31, 2020, with the option to renew the lease for an additional period of one year under the same terms and conditions, except as for the further right of renewal. Gross rent is payable in monthly instalments of \$2,500 plus H.S.T.
- b) On June 10, 2019, MVMD entered into a consulting agreement for President and CEO services with a company controlled by the consultant for his consulting services. Pursuant to the agreement:

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#### **17. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

- the consultant will act in the capacity of President and CEO to provide those services ordinarily required by a private corporation which intends to become a reporting issuer and publicly traded corporation;
- the consultant will receive the following compensation:
  - in and for any part of the period from June 10<sup>th</sup> and concluding on August 30, 2019 (the “initial term”), MVMD will pay the consultant \$40,000 for the period from June 10<sup>th</sup> to June 30<sup>th</sup> and \$57,500 for each of July and August, payable by the issuance of an aggregate of 775,000 Class B Common shares of MVMD at a valued price of \$0.20 per share on or about the termination date of the initial term; and
  - thereafter, in and for any part of each contract year in which the services are provided, such compensation as approved by the board of directors and as agreed between the consultant and MVMD; and
- the agreement will continue until either party gives the other 60 days written notice of termination.

This agreement supersedes the marketing and business development consulting agreement with the consultant entered into on February 1, 2019

Effective October 15, 2019, the Company agreed to an amendment to the consulting agreement with the President and CEO of the Company to extend the initial term of the agreement until February 28, 2020, or such earlier or later date as agreed by the parties, for the same monthly compensation, payable by the issuance of Class B Common shares of MVMD at a deemed price of \$0.40 per share. Attached to each Class B Common share is a half warrant, each warrant exercisable at \$0.60 per Class B common share for 2 years from the issuance date, subject to acceleration provisions

- c) On December 20, 2019, MVMD entered into a consulting agreement for \$15,000 per month with an individual who will lead all scientific, technical research and development for the company’s portfolio of health and wellness products.

#### **18. SUBSEQUENT EVENTS**

- a) Subsequent to period end, the Company completed a private placement offering of units at \$0.40 per unit for gross proceeds of \$1,046,717, each unit consisting of one Class “B” common share and one half of one share purchase warrant, each warrant exercisable at \$0.60 per Class B common share for 2 years from the issuance date, subject to acceleration provisions
- b) On February 10, 2020, the Company issued 2,400,000 shares at a deemed per share price of \$0.20 to a Canadian corporation as a finders fee in connection with the asset purchase from Delaware Privco.

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#### **18. SUBSEQUENT EVENTS (Continued)**

- c) On February 21, 2020, the Company completed a reverse takeover transaction (the "Transaction") with MBGC and Subco (Note 6) by way of three-cornered amalgamation. Pursuant to the terms of the Amalgamation Agreement, the Company amalgamated with Subco and MBGC acquired all of the outstanding securities of the Company such that the Company became a wholly owned subsidiary of MBGC. As part of the Transaction and immediately prior to the amalgamation, MBGC changed its name to "Mountain Valley MD Holdings Inc." ("MVMDH") and consolidated the common shares of MVMDH, on the basis of one (1) post-consolidation common share for every eight (8) pre-consolidation common shares. An aggregate of 229,547,800 Shares were issued to the former shareholders of the Company in consideration for the same number of shares of MVMDH.
  
- d) On March 4, 2020, the Company signed a three (3) year lease agreement for office premises in Vaughan, Ontario. The rental term begins June 1 and payments consist of \$3,611 per month in year one (1) increasing to \$3,750 per month in year three (3).

The Company paid a deposit of \$19,057 in relation to the lease agreement.