



**(FORMERLY ASEAN ENERGY CORP.)**

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

**For the Year Ended April 30, 2016**

The purpose of this Management Discussion and Analysis (MD&A) is to explain management's point of view regarding the past performance and future outlook of Genovation Capital Corp. ("Genovation" or the "Company").

This report intends to complement and supplement the audited financial statements and the related notes thereon (the "financial statements") as well as important trends and risk affecting the Company's financial performance, and should be read in conjunction with the financial statements and the accompanying notes for the year ended April 30, 2016. The financial statements of subsidiaries are included in the audited financial statements from the date that control commences until the date that control ceases.

All financial information contained in this MD&A is current as of August 26, 2016 unless otherwise stated.

All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in Canadian dollars, unless otherwise specified.

Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com), and the Company's website [www.genovationcapital.ca](http://www.genovationcapital.ca). The date of this MD&A is August 26, 2016.

On July 15, 2016 the Company completed a consolidation of its share capital on a 3:1 basis as announced on November 2, 2015 and approved by shareholders on April 29, 2016. All share and per share amounts have been restated to reflect the consolidation.

### **FORWARD-LOOKING INFORMATION**

Inherent in forward-looking statements involve known and unknown risks, and factors may include, but are not limited to: unavailability of financing, changes in government regulation, general economic condition, general business conditions, limited time being devoted to business by directors, escalating professional fees, escalating transaction costs, competition, fluctuation in foreign exchange rates, competition, stock market volatility, unanticipated operating events and liabilities inherent in industry. Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, the following assumptions: that there is no material deterioration in general business and economic conditions; that there is no unanticipated fluctuation of interest rates and foreign exchange rates; that the supply and demand for, deliveries of, and the level and volatility of commodity prices develop as expected; that the Company receives regulatory and governmental approvals as are necessary on a timely basis; that the Company is able to obtain financing as necessary on reasonable terms; that there is no unforeseen deterioration in the Company's activity costs; that the Company is able to continue to secure adequate transportation as necessary for its exploration activities; that the Company is able to procure equipment and supplies, as necessary, in sufficient quantities and on a timely basis; that exploration activity timetables and capital costs for the Company's planned projects are not incorrectly estimated or affected by unforeseen circumstances; that costs of closure of various operations are accurately estimated; that there are no unanticipated changes to market competition; that the Company's estimates in relation to its natural resource interests are

within reasonable bounds of accuracy and that the geological, operational and price assumptions on which these are based are reasonable; that no environmental and other proceedings or disputes arise; and that the Company maintains its ongoing relations with its employees, consultants and advisors.

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

The forward looking statements contained herein are based on information available as of August 26, 2016.

## **DESCRIPTION OF BUSINESS & OUTLOOK**

Genovation Capital Corp. (the "Company" or "Genovation") was incorporated under the laws of British Columbia as Mayen Minerals Ltd. on January 14, 1981. The Company is a reporting issuer in British Columbia, Alberta and Ontario. From inception, the Company was an exploration stage enterprise engaged in acquiring, exploring and developing resource properties.

On August 27, 2012 the Company came under new management seeking to transition the Company as a TSX Venture Exchange ("TSX-V") Tier 2 mining issuer to oil and gas issuer. The Company completed a two-for-one stock split and a corporate name change to Rift Basin Resources Corp. The Company's trading symbol changed from "MYM" to "RIF" effective September 25, 2012.

On August 12, 2013, pending the acquisition of a qualifying oil and gas property, the common shares of the Company were delisted from Tier 2 of the TSX-V and commenced trading on the NEX board under the trading symbol "RIF.H".

On August 22, 2014 the common shares of the Company were voluntarily delisted from the TSX-V. The Company changed its name to Asean Energy Corp. and its common shares commenced trading on the Canadian Securities Exchange ("CSE") under trading symbol "ASA" on August 25, 2014 to reflect its oil and gas initiatives in Southeast Asia.

Effective October 1, 2014 the Company changed its management team to restructure and refocus the company in response to falling oil and gas prices.

At its March 2, 2015 AGM shareholders of the Company voted unanimously in favour of a Plan of Arrangement ("POA"), resulting in a final order from the Supreme Court of British Columbia whereby the Company's three subsidiaries were spun out and a distribution of their common shares was completed to the Company's shareholders of record on a pro rata basis, completed on March 16, 2015. Following this distribution, on April 15, 2015 the Company its share capital on a 10:1 basis.

Effective August 20, 2015 the Company changed its name to Genovation Capital Corp. and its common shares commenced trading under the trading symbol "GEC" on the CSE, reflecting efforts to reposition the Company to attract a near-cash-flow acquisition or reverse-merger opportunity.

The Company has announced two proposed transactions, each of which constitutes a "Fundamental Change" pursuant to CSE Policy:

- On November 24, 2015 the Company announced entering into a binding arm's length commitment letter with MKHS, LLC ("MKHS") whereby MKHS committed to be acquired by the Company through a share exchange transaction, first announced on November 2, 2015.
- On March 30, 2016 the Company entered into a binding arm's length commitment letter with Valens Agritech Ltd. ("Valens") whereby Valens committed to be acquired by the Company through a share exchange transaction, first announced on December 14, 2015.

Shareholders unanimously approved both transactions at its April 29, 2016 Annual and Special Meeting of Shareholders. On July 8, 2016 the Company received conditional approval from the CSE for the acquisition of Valens.

On July 15, 2016 the Company completed a consolidation of its share capital on a 3:1 basis. All share and per share amounts have been restated to reflect the consolidation.

### **SIGNIFICANT EVENTS, TRANSACTIONS AND ACTIVITIES**

On May 7, 2014 the Company completed a non-brokered private placement of 336,672 units at a price of \$1.80 per unit for gross proceeds of \$606,010, of which \$44,000 was exchanged for payables. Each unit consisted of one common share and one half common share purchase warrant, with one full warrant entitling the holder to purchase one common share of the Company for \$6.00 up to May 7, 2015, subject to acceleration conditions.

On June 23, 2014 the Company entered into a shares-for-debt agreement with an arm's length creditor. The Company issued 34,166 shares at a price of \$2.55 per share settling \$87,124 of the Company payables.

On August 29, 2014 the Company completed a non-brokered private placement of 43,110 units at a price of \$1.80 per unit for gross proceeds of \$77,600. Each unit consisted of one common share and one-half of a common share purchase warrant, with one full warrant entitling the holder to purchase one common share at a price of \$6.00 up to August 29, 2015, subject to acceleration conditions.

On December 2, 2014 the Company completed a non-brokered private placement of 180,000 units at a price of \$1.50 per unit for gross proceeds of \$270,000 of which \$12,500 was exchanged for payables. Each unit consisted of one common share of the Company, one-half of a common share of Servomarin Industries Corp. ("SIC"), and the right to acquire for no additional consideration a one-half share purchase warrant of SIC, with each full SIC warrant exercisable to acquire one additional common share of SIC at a price of \$3.00 for a period of one year from closing of a Plan of Arrangement ("POA").

On January 16, 2015 the Company completed a non-brokered private placement of 153,333 units at a price of \$1.50 per unit for gross proceeds of \$230,000, of which \$20,000 was exchanged for payables and \$50,000 was paid on behalf of SIC as a signing bonus to a consultant. Each unit consisted of one common share of the Company, and the right to acquire for no additional consideration one-half of a common share of SIC, and a one-half share purchase warrant of SIC, with each full SIC warrant exercisable to acquire one additional common share of SIC at a price of \$3.00 for a period of one year from closing of the POA. A change to deficit of \$92,000 resulted from the issuance of the SIC share rights and warrants pursuant to the January 16, 2015 share issuance.

On April 15, 2015 the Company issued and outstanding common shares on the basis of one (new) post consolidation share for each ten (old) pre-consolidation shares. The Company had 90,391,049 common shares issued and outstanding. Following the consolidation, the Company had 9,039,101 common shares issued and outstanding.

On June 16, 2015 the Company closed a non-brokered private placement of 2,115,734 shares at a price of \$0.15 per share. The Company received cash proceeds of \$120,000, settled the promissory note payable of \$147,360 (Note 11) and settled accounts payable of \$50,000. The Company recognized a \$39,472 loss on the debt settlements which represented the difference between the trading price and the settlement price on the issuance date.

On August 18, 2015 the Company's name was changed from "Asean Energy Corp." to "Genovation Capital Corp." and the Company's trading symbol changed from "ASA" to "GEC".

On September 22 and October 23, 2015 the Company closed two tranches of a non-brokered private placement of 944,444 units at a price of \$0.225 per unit. The Company received cash proceeds of \$192,750 and settled accounts payable of \$19,750. Each unit consisted of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase one common share at a price of \$0.75 up to September 22 and October 23, 2017 respectively, subject to acceleration conditions.

On November 2, 2015 the Company announced entering into an arm's length non-binding letter of intent with MKHS which outlines the general terms and conditions of a proposed transaction pursuant to which Genovation Capital proposes to acquire all of the issued and outstanding securities of MKHS in exchange for common shares of the Company (the "MKHS Transaction").

MKHS is a vertically integrated, fully licensed, Arizona-based marijuana cultivation, extraction and medicinal dispensary business. MKHS operates an 11,000 sf warehouse cultivation, commercial kitchen and extraction facility, and a separate

3,000 sf automated greenhouse located on 9.5 acres (“Littletown”), zoned for expansion to 100,000 sf. The company supplies medical marijuana pursuant to the Arizona Medical Marijuana Act, operates two state-licensed “healing center” dispensaries and distributes its own in-house prepared, branded line of edibles, concentrates and extracts.

The proposed MKHS Transaction constitutes a “Fundamental Change” as defined in CSE policies. A Fundamental Change is a major acquisition accompanied by a change of control, whereby the transaction results in a change of control, commonly referred to as a “reverse take-over”.

On November 9, 2015 the Company completed the first tranche of a convertible debenture offering of 2,680 \$100 convertible debentures (collectively the “CDs”) for proceeds of \$268,000 (US\$200,000). Each \$100 CD entitles the debenture holder (the “Holder”) thereof to convert into 833 common shares of the Company, for a period of up to six months (the “Maturity Date”). The CDs are non-interest-bearing, however should the investor fail to convert any or all CDs by the maturity date a bonus payment of up to US\$40,000 shall be payable to the Holder. All securities issued in connection with the offering are subject to a statutory hold period of four months plus a day from the date of distribution in accordance with applicable securities legislation. The debentures were subscribed for by Westland Capital Advisors S.A. (“Westland”), a non-arm's-length party to the Company. A director and the Company's CEO is an officer of Westland.

On November 24, 2015 the Company announced entering into a binding commitment letter with MKHS in respect of the MKHS Transaction first announced on November 2, 2015. Under the terms of the Transaction, the Company will consolidate its share capital on a one-for-three basis (the “Consolidation”) and fund MKHS’ working capital needs and facilities expansion. Trading in the common shares of Genovation Capital was halted as a result of this announcement and will remain halted until such time as all required documentation has been filed and permission to resume trading has been obtained from the CSE.

Under the commitment letter, the Company agreed to advance US\$200,000 secured and guaranteed under separate agreements and private arrangement with a Director and shareholder of the Company, US\$200,000 to be arranged by or on behalf of the Company or by one of its consultants via any combination of debt and/or equity, US\$450,000 to be arranged subsequent to the above described US\$400,000, either on a fully secured basis, acceptable to the lender, and/or through an interim equity raise by the Company, and US\$3.15 million to be raised through a mutually acceptable combination of equity and/or debt in due course.

Proceeds of the financings will be used by MKHS to execute its business plan, including the build out and expansion of a larger greenhouse facility, purchase of property required for expansion, and for general working capital purposes. All advances to MKHS by the Company will be secured and collateralized pending the closing of the Transaction.

The MKHS Transaction shall take place by way of a share exchange or other similar form of transaction.

On December 14, 2015 the Company announced entering into a non-binding letter of intent with Valens outlining the general terms and conditions of a proposed transaction whereby the Company acquires all of the issued and outstanding securities of Valens in exchange for common shares of the Company (the “Valens Transaction”).

Valens is a privately held biotechnology company based in the Okanagan Valley of British Columbia, focused on the emerging Cannabinoid market. Valens is in the cannabis cultivation and research business, which includes the assets and improvements of a 17,000 sf research and development facility in Winfield, and anticipated approvals, upon inspection from Health Canada, for a controlled drug and substance dealer’s license (including the activities of cultivation, production (extraction), packaging, possession, sale, transportation, delivery and research).

The Valens Transaction is proposed to take place by way of a share exchange or other similar form of transaction. The Company, Valens and the shareholders of Valens would exchange all of the issued and outstanding shares of Valens for 36,000,000 post-consolidation common shares of Genovation Capital, to be issued to the shareholders of Valens and held under three-year voluntary and Exchange imposed pooling and escrow agreements.

On January 21, 2016 the Company closed the second CD tranche of the Offering raising \$363,500 (US\$250,000).

On February 16, 2016 the Company closed the Financing as proposed on November 25, 2015 through a non-brokered private placement of 3,011,984 shares at a price of \$0.24 per share for gross proceeds of \$722,876 (US\$500,000).

On March 30, 2016 the Company entered into a binding commitment letter for the completion of the Valens Transaction.

The Valens Transaction will be structured such that the shareholders of Valens will receive 36 million shares (“Transaction Shares”) of the Company (subject to specific vesting conditions) in exchange for all the issued and outstanding securities of Valens. The Company has also agreed to issue 650,000 finders’ shares on completion of the Transaction.

After the closing of the Transaction, the Company will undertake the following capital raising efforts:

- The Company will undertake to raise in aggregate \$6,000,000 before direct fees and expenses in support of Valens’s business plan, subject to Valens’s successful licensing and Health Canada approvals being achieved;
- In the event Valens has not yet achieved its full licensing objectives, the Company is obligated to raise capital equal to the percentage of vested Transaction Shares over the aggregate number of Transaction Shares (the “Initial Funding”);
- Within three months after closing of the Transaction, the Company will raise not less than \$1,200,000 of the Initial Funding to fund Valens’ business plan (“First Tranche”);
- Subsequent to the First Tranche, the Company will complete additional private placements and/or debt financings that satisfy the balance of the Initial Funding, on terms and conditions as agreed upon and directed by the proposed board of directors and appointed management; and
- Subsequent to the First Tranche, holders of Valens’s shareholder loans shall have a right of first refusal to participate in capital raising efforts to the extent of the outstanding balance of their respective shareholder loans.

In the event that the Company fails to complete the Initial Funding within six months after the closing of the Transaction, either the number of Transaction shares shall be adjusted to the mutual satisfaction of all parties and as approved by the Board or, at the option of Valens, the Company shall utilize its free cash flow (including cash flow generated directly or indirectly as a result of the Company’s investment in MKHS or its carried interest as a member in MKV Ventures 1, LLC (“MKV1”), to support the Valens business plan.

In the event the Initial Funding takes place at less than an average \$0.50 per share, the former shareholders of Valens (the “Vendors”) may at their option receive a pro rata adjustment to their purchase price shares such that, the greater dilution directly resulting from the failure to complete the financing at the minimum price is fully compensated for such that the Vendors are issued additional shares pro rata to attain the dilution realized should the financing have taken place at \$0.50.

Valens agreed to accrue \$50,000 payable to the Company as cost recoveries. \$10,000 was deemed earned upon execution of the commitment letter (March 30, 2016), \$20,000 upon the Company receiving shareholder approval of the transaction (April 29, 2016) and \$20,000 upon receiving conditional acceptance from the CSE (July 8, 2016). Amounts will be immediately payable if the agreement is terminated and the condition has been met. At April 30, 2016, \$30,000 was included in receivables and recognized as other income for the year.

The terms of the agreement will be more particularly set forth in a definitive agreement to be entered into by the two parties.

The Company filed a Management Information Circular for shareholders of record as at March 24, 2016. On April 29, 2016 the Company received approval from its shareholders for all proposed resolutions.

On April 29, 2016 the Company received unanimous approval from its shareholders for:

- a) the proposed acquisition of Valens through the exchange of all of the issued and outstanding securities of Valens in exchange for securities of Genovation Capital;
- b) the proposed acquisition of MKHS through the exchange of all of the issued and outstanding securities of MKHS in exchange for securities of Genovation, subject to receipt of IFRS-standard audited financial statements;
- c) a consolidation of its share capital on a 3:1 basis as announced on November 2, 2015;
- d) the Company’s intention to undergo a name change, subject to regulatory approval;
- e) the reappointment of Davidson & Company LLP as auditors of the Company for the ensuing year at the remuneration to be set by the directors.

During the year the Company advanced \$1,907,293 (US\$1,379,283) to MKHS. Funds advanced to MKHS have been used to enter into purchase options on the warehouse property and the Littletown greenhouse property, and expand the operations

thereon through warehouse leasehold improvements and the purchase and set up of an additional 24,000 sf of greenhouse capacity and 3,000 sf of administrative space at Littletown.

The Company's advances were completed to meet the terms and conditions of the Company's initial LOI with MKHS dated October 30, 2015 and the superseding binding letter of commitment (the "LOC") dated November 24, 2015, whereby MKHS committed to be acquired by the Company through a share exchange transaction. An Operating Agreement (the "OA") with MKV Ventures 1, LL ("MKV1") was entered into between MKHS and Westland, which has provided the Company several non-interest bearing loans, whereby the funded expansion is separately administered and controlled.

In the event that MKHS terminates the LOC without grounds, or fails to execute a follow-on agreement whereby Genovation acquires MKHS under the terms as substantially announced in its news release of December 14, 2015, or MKHS fails to provide IFRS-standard annual audited financial statements to the Company, and as a result the Company elects to terminate the LOC, MKHS' fifty percent membership interest in MKV1 shall be deemed transferred to the Company without the need for further documentation. In the event the transaction between MKHS and the Company does not close for any other reason, MKHS shall be deemed to have transferred ten percent of its membership interest in MKV1 to the Company without the need for further documentation, and the Company shall be deemed admitted as a Member under the OA.

Under the afore-described circumstances, the Company remains a Member until such time as it has received distributions from the greater of twelve successful harvests or for two years of harvests from the additional funded greenhouse capacity. There have been discussions held to mitigate the 50%-forfeiture penalty limited to 12 crops under the original OA, to a straight 10% interest into perpetuity for the benefit of the Company.

A draft listing statement for the Company dated May 5, 2016 was filed with the CSE concerning the proposed Valens Transaction and the business of the combined company, including proposed director and officer biographies. The proposed acquisition of MKHS was not a part of the Listing Statement due to delays encountered, particularly with MKHS' inability to provide IFRS-standard audited financial statements as required by the Canadian regulatory process.

On May 9, 2016 \$268,000 (US\$200,000) principal amount of the issued and outstanding \$100 CDs were exercised for conversion to 2,233,333 common shares of the Company.

On July 8, 2016 the Company and Westland agreed to extend the conversion period for the remaining issued and outstanding \$363,500 (US\$250,000) CDs to coincide with the closing date of the Valens Transaction.

On July 8, 2016 the Company received conditional approval from the CSE for its proposed Valens Transaction. CSE approval of the Valens-proposed Company board nominees and a proposed significant shareholder is the sole condition precedent to the CSE's approval to complete the Valens Transaction, the Company's Fundamental Change, and resume trading on the CSE.

On July 15, 2016 the Company completed a share consolidation, consolidating its issued and outstanding common shares on the basis of one (new) post consolidation share for each three (old) pre-consolidation shares. As at April 30, 2016, prior to accounting for the share consolidation, the Company had 27,255,586 common shares issued and outstanding. Retroactively accounting for the consolidation, the Company has 9,085,168 common shares issued and outstanding.

The exercise or conversion price and the number of common shares issuable under any of the Company's outstanding warrants and stock options have been proportionately adjusted to reflect the consolidation in accordance with their respective terms thereof. No fractional common shares were issued pursuant to the consolidation, and any fractional common shares that would otherwise be issued were rounded down or up to the nearest whole number.

## **RESULTS OF OPERATIONS**

For the year ended April 30, 2016, the Company reported a loss of \$790,904 (\$0.13 per share), compared to \$1,149,397 (\$0.41 per share) for the comparable period in 2015. The decrease in the loss reported is due to the elimination of overseas project development, a reduction in management and professional fees, and reduction in share-based compensation charges, driven by the Company's reorganization and management's cost control efforts.

**SELECTED FINANCIAL INFORMATION**

All financial information in this MD&A has been prepared in accordance with IFRS.

The following financial data is derived from the Company's annual audited financial statements for the years ended April 30, 2016, 2015 and 2014:

	2016	2015	2014
	\$	\$	\$
General and administrative expenses	497,619	898,675	928,824
Project development expenses	-	253,299	621,353
Loss and comprehensive loss	(790,904)	(1,149,397)	(1,445,054)
Basic loss per common share	(0.13)	(0.41)	(0.09)
Diluted loss per common share	(0.13)	(0.41)	(0.09)
Working capital (deficiency)	597,322	(258,728)	225,017
Total assets	2,045,388	366,099	427,367
Total liabilities	1,445,844	371,166	196,037

The Company is seeking to acquire one or more cash-flow capable projects. To date the Company has not generated any revenues.

At April 30, 2016, the Company had not yet achieved profitable operations and has accumulated losses of \$6,858,251 (April 30, 2015-\$6,067,347) since inception. These losses resulted in a net basic loss per share for the year ended April 30, 2016 of \$0.13 (2015 - \$0.41; 2014 - \$0.09).

**SUMMARY OF QUARTERLY REPORTS**

Results for the most recent quarters ending with the last quarter for the year ended April 30, 2016, prepared using accounting principles consistent with IFRS:

	Three Months Ended			
	April 30, 2016 \$	January 31, 2016 \$	October 31, 2015 \$	July 31, 2015 \$
Interest income	-	-	-	-
Loss and comprehensive loss	(554,253)	(112,714)	(99,752)	(24,185)
Basic and diluted loss per share	(0.09)	(0.02)	(0.02)	(0.00)

	Three Months Ended			
	April 30, 2015 \$	January 31, 2015 \$	October 31, 2014 \$	July 31, 2014 \$
Loss and comprehensive loss	(103,552)	(274,648)	(311,514)	(459,683)
Basic and diluted loss per share	(0.04)	(0.10)	(0.11)	(0.17)

Quarterly results will vary in accordance with the Company's project acquisition and financing activities.

Variances quarter over quarter can be explained as follows:

Due to the termination of oil and gas acquisition and exploration activities overseas and the completion of the reorganization and divestitures to prepare the Company for a potential accretive acquisition, there was a increase in general and administrative expenses from \$151,790 in the quarter ended April 30, 2015 to \$199,622 in the quarter ended April 30, 2016.

- General and administrative expenses decreased primarily due to the following:
  - decreased interest and bank charges
  - decreased insurance for leased premises and directors liability
  - decreased office rent and marketing fees
  - decreased management fees to management, executives and directors
- In the quarter ended October 31, 2015, stock options were granted to various parties. Share-based compensation expenses were incurred of \$3,119 in the quarter ended July 31, 2015 and \$47,038 in the quarter ended April 30, 2016 for a total of \$53,150 for the year (April 30, 2015 - \$237,506).

#### Fourth Quarter

During the quarter ended April 30, 2016, operating and administrative expenses totaled \$186,404, primarily consisting of management fees of \$48,750, office expenses of \$11,592, consulting fees of \$24,841, travel and related of \$15,827, and professional fees of \$39,632. The Company no longer incurred overseas project development expenses. At year end management wrote off \$107,000 due from Servomarin Industries Corp. as likely to be uncollectible in the foreseeable future, and recorded a \$250,000 impairment on its investment therein. The Company booked \$60,000 as other income, accrued as expense recovery payments due from Valens and MKHS in accordance with the terms of their respective letters of commitment.

#### GENERAL AND ADMINISTRATIVE

The operating and administrative expenses for the year ended April 30, 2016 totaled \$497,619 (April 30, 2015: \$898,675), including share-based compensation issued during the year, valued at \$53,150 (April 30, 2015: \$237,506) calculated using the Black Scholes option pricing model. Comparatively, the major expenses for the year ended April 30, 2016 were management fees of \$195,000 (April 30, 2015 - \$284,583), consulting fees of \$85,341 (April 30, 2015 - \$70,150), professional fees of \$34,448 (April 30, 2015 - \$107,619), insurance expense of \$4,150 (April 30, 2015- \$13,415), office expenses of \$40,760 (April 30, 2015 - \$54,495), advertising and promotion of \$1,102 (April 30, 2015-\$10,636), transfer agent and filing fees of \$20,101 (April 30, 2015 - \$37,929) and travel and related costs of \$46,521 (April 30, 2015 - \$32,399).

The table below details the changes in major expenditures for the year ended April 30, 2016 as compared to the corresponding year ended April 30, 2015:

<b>Expenses</b>	<b>Increase in Expenses</b>	<b>Explanation for Change</b>
Management fees	Decrease of \$89,583	Decrease in management's compensation due to changes in management.
Consulting fees	Increase of \$15,191	Increase due to the increased activities of the Company with respect to two prospective acquisitions and related regulatory filings.
Professional fees	Decrease of \$73,171	Decrease due to decrease in outside legal costs resulting from increased use of management resources and para-legal assistance.
Insurance expenses	Decrease of \$9,265	Decrease due to reduction of active management and operations and liability exposure.
Interest and bank charges	Decrease of \$28,152	Decrease due primarily to use of non-interest bearing convertible debt, equity versus debt financing, and reliance on non-interest loans from a company controlled by the Company's CEO and a family member of the CEO of the Company.
Office expense	Decrease of \$13,735	Decrease due to decrease in office expenses, supplies and termination of downtown office.
Advertising and promotion	Decrease of \$9,534	Decrease due to decrease in level of marketing of the Company to the investors as Company reorganized following plan of arrangement spinouts of subsidiaries.

Transfer agent and filing fees	Decrease of \$17,828	Decrease due to reduction in financing activities and move from the TSX-V to the CSE.
Share-based compensation	Decrease of \$184,356	Decrease due to decrease in granting of stock options and reduction in management and consultants and cancellation of stock options.

### Project development

Project development covered the expenses of former wholly-owned subsidiary Servomarin Industries Ltd.'s business development, project investigation and acquisition costs and expenses for the year ended April 30, 2016 totaled \$NIL (April 30, 2015 – \$253,299) which represented direct project-acquisition-related expenses incurred primarily in Indonesia. Included are directly-related management fees, management bonus and per diem fees of \$NIL (April 30, 2015-\$34,500), outside professional consultant fees totaling \$NIL (April 30, 2015-\$90,062), legal fees of \$NIL (April 30, 2015-\$8,685), project investigation costs of \$NIL (April 30, 2015-\$120,052) which consists of travel and project acquisition expenses.

### **FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

The Company is undergoing a Fundamental Change of business since spinning off its subsidiaries in early 2015 and terminating its oil and gas related initiatives in late 2014. The Company has primarily been funding through its key shareholders and directors in an effort to attract and complete an accretive near-cash-flow acquisition opportunity.

As at April 30, 2016, the Company's liquidity and capital resources are as follows:

	April 30, 2016	April 30, 2015
	\$	\$
Cash and cash equivalents	70,720	10,539
Receivables	65,153	8,249
Advances receivable	-	93,650
Prepaid expenses	-	-
Total current assets	2,043,166	112,438
Payables and accrued liabilities	<sup>(1)</sup> 1,445,844	371,166
Working capital	597,322	(258,728)

<sup>(1)</sup> Includes \$631,500 (less the equity component of \$50,157 plus accretion of \$36,918) of \$100 non-interest bearing convertible debentures of which \$268,000 was converted to equity on May 9, 2016, with the convertibility expiration date of the balance of \$363,500 extended to the closing date of the Valens Transaction. It is the intention of the holder, a related party by virtue of common management and indirect family member ownership interests, to convert the full balance of the outstanding debentures into common shares of the Company.

As at April 30, 2016, the Company had a cash and cash equivalents position of \$70,720 (April 30, 2015 - \$10,539) derived from the net proceeds of private placements. As at April 30, 2016, the Company had a working capital position of \$597,322 (April 30, 2015 – working capital deficit of \$258,728).

The Company's continuation as a going concern is dependent upon successful results from its acquisition efforts and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with current cash on hand, proceeds from the exercise of warrants and stock options, and further private placements. There is no assurance that the Company will be successful in raising additional capital on commercially reasonable terms or at all. See "Risks and Uncertainties".

### **OFF-BALANCE SHEET AGREEMENTS**

The Company has not engaged in any off-balance sheet arrangements such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or engages in leasing or hedging services with the Company.

## **COMMITMENTS**

In July 2012, the Company entered into two separate executive services agreements with senior officers and directors of the Company to provide management consulting and exploration services to the Company for an indefinite term effective July 1, 2012. Effective October 1, 2014 a resignation and corporate reorganization resulted in the elimination of one executive services agreement with an update of the second to reflect the new executive position, resulting in a reduction to management consulting and exploration services expense to the Company, such that the total payments under contract are \$15,000 per month.

## **TRANSACTIONS WITH RELATED PARTIES**

During the year ended April 30, 2016 the Company engaged in the following transactions with related parties, not disclosed elsewhere in this MD&A:

- i. Incurred management fees to a company controlled by the family of Wayne Koshman, the former Chief Executive Officer, Director of Corporate Development, and director of the Company of \$NIL (2015 - \$95,000), and a travel per diem allowance of \$NIL (2015-\$34,500).
- ii. Incurred management fees and related benefits of \$195,000 (2015 - \$189,583), professional fees of \$NIL (2015-\$10,423), and \$14,030 in auto mileage and per diem travel allowances (2015 – NIL) to a company controlled by Robert van Santen, Chairman, Chief Executive Officer and a director of the Company. As at April 30, 2016, unpaid expenses and accrued management fees totaling \$29,507 (2015 - \$32,034) were included in accounts payable.
- iii. The Company paid consulting fees of \$23,500 (2015 -\$15,000), a loan facility conversion fee of \$NIL (April 30, 2015-\$20,160) and reimbursed rent expense of \$27,200 (2015 - \$13,000) to a company controlled by a family member of Robert van Santen.
- iv. Granted stock option non-cash share-based compensation to directors and officers of the Company of \$35,977 (2015-\$41,836).

Summary of key management personnel compensation as follows:

	<b>For the year ended April 30,</b>	
	<b>2016</b>	<b>2015</b>
Share-based compensation*	\$ 35,997	\$ 41,836
Consulting, management and directors' fees	\$ 209,030	\$ 284,583
Overseas management, consulting and bonuses	\$ -	\$ 34,500
Professional fees	\$ -	\$ 13,158

Included in accounts payable and accrued liabilities as at April 30, 2016 was \$771,827 (2015-\$80,679) due to a director, a company controlled by a director, a company controlled by a family member of a director, and a company a director is an officer of.

Included in the promissory note payable as at April 30, 2016 was \$nil (2015-\$112,000) due to a company controlled by a family member of a director of the Company.

Included in the convertible debentures as at April 30, 2016 was \$618,261 (2015-\$nil) due to a company a director is an officer of.

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

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of the Financial Statements in conformity with IFRS requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, as well as the reported revenues and expenses during the reporting period. Based on historical experience and current conditions, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates, and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the Financial Statements materially and involve a significant level of judgment by management.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The inputs used in calculating the fair value for share-based compensation expense included in profit or loss.
- ii) The valuation of shares issued in non-cash transactions, including the settlement of debt. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.
- iii) The treatment of accounts payable and accrued liabilities written off through the statements of comprehensive loss requires certain management judgments. Management believes that the related vendors will not pursue payment from the Company or its former subsidiary. Further, these accounts payable relate to operations in a geographical segment the Company is no longer active in.
- iv) Going concern presentation of the financial statements which assumes that the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

### **NEW ACCOUNTING STANDARDS AND INTERPRETATION**

#### **Accounting standards not yet effective**

##### *IFRS 9, Financial Instruments – Classification and Measurement*

IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition 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 at fair value through profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

##### *IFRS 15, Revenue from Contracts with Customers*

IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after January 1, 2018.  
IFRS 11, *Joint Arrangements*

IFRS 11 is amended to provide specific guidance on accounting for acquisition of an interest in a joint operation that is a business. The amended standard is effective for annual periods beginning on or after January 1, 2016.

IAS 16, *Property, plant and equipment* and IAS 38 – *Intangibles*

IAS 16 and IAS 38 were issued in May 2014 and prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016 and are to be applied prospectively.

The Company has initially assessed that there will be no material reporting changes as a result of adopting the above new standards; however, enhanced disclosure requirements are expected.

### **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

1. Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
2. Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
3. Level 3 – inputs that are not based on observable market data.

	Financial assets at fair value			April 30, 2016
	Level 1	Level 2	Level 3	
Fair value through profit and loss financial asset				
Cash and cash equivalents	\$ 70,720	-	-	\$ 70,720
Investment in Servomarin Industries Corp.	-	-	-	-
<b>Total financial assets at fair value</b>	<b>\$ 70,720</b>	<b>-</b>	<b>-</b>	<b>\$ 70,720</b>

	Financial assets at fair value			April 30, 2015
	Level 1	Level 2	Level 3	
Fair value through profit and loss financial asset				
Cash and cash equivalents	\$ 10,539	-	-	\$ 10,539
Investment in Servomarin Industries Corp.	-	-	\$ 250,000	\$ 250,000
<b>Total financial assets at fair value</b>	<b>\$ 10,539</b>	<b>-</b>	<b>\$ 250,000</b>	<b>\$ 260,539</b>

The fair values of the Company's receivables, advances receivable, accounts payable and accrued liabilities and promissory note payable approximate their carrying values due to their short term nature and are classified as a Level 1 measurement.

As market prices were not available and the impact of the unobservable inputs was significant, the fair value measurement of investment in SIC was classified as a Level 3 measurement.

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk. Cash is held in significant financial institutions and receivables are due from companies on contract to be acquired. The Company considers credit risk to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company currently does not have sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company is exposed to liquidity risk.

Market risk

The only market risk exposure to which the Company is exposed is interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates.

Foreign currency risk

The Company is nominally exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated US Dollars (USD or US\$).

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of raw materials, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition activities and prior exploration of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as shareholders' equity (deficiency).

The Company has historically relied on the equity markets to fund its activities. Current financial markets are improving but continue to be selective and there is no certainty with respect to the Company's ability to raise capital. The Company will continue to assess new opportunities and while seeking to acquire an interest in oil and gas assets if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so, recent efforts have focused on the acquisition of immediate cash-flow opportunities in the medical cannabis sector. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company currently is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management.

**SUBSEQUENT EVENTS**

A draft listing statement (the "Listing Statement") of the Company dated May 5, 2016 was filed with the CSE concerning the proposed Valens Transaction and the business of the combined company, including proposed director and officer biographies. The proposed change of business transitions the Company from oil and gas exploration and development to a life sciences company. The proposed acquisition of MKHS was not a part of the Listing Statement due to delays encountered and MKHS' inability to provide IFRS-standard audited financial statements as required by the Canadian regulatory process.

On May 9, 2016 \$268,000 (US\$200,000) principal amount of its issued and outstanding \$100.00 CDs were converted conversion to 2,233,333 common shares of the Company.

On July 8, 2016 the Company received conditional approval from the CSE for the Valens Transaction. CSE approval of the Valens-proposed nominees to the Company board and a proposed significant shareholder is the sole condition precedent to completing the Valens Transaction, change of business, and resumption of trading on the CSE.

On July 8, 2016 the Company and Westland agreed to extend the conversion period of the remaining issued and outstanding \$363,500 (US\$250,000) principal amount CD to coincide with the closing date of the Valens Transaction. There is no consideration paid or payable in relation to this extension.

On July 15, 2016 the Company completed a consolidation of its share capital on a 3:1 basis first announced on November 2, 2015. All share and per share amounts have been restated to reflect the consolidation.

Trading in the common shares of Genovation Capital will remain halted until such time as all required documentation has been filed with and accepted by the CSE and permission to resume trading has been obtained from the CSE. The Valens Transaction, if completed, will constitute a “Fundamental Change” for Genovation Capital, as defined in CSE policies. A Fundamental Change is a major acquisition accompanied by a change of control, whereby the Transaction results in a change of control.

### **RISKS AND UNCERTAINTIES**

Many factors could cause our actual results, performance and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following factors, which are discussed in greater detail under the heading “Risk Factors” in our draft Listing Statement dated May 5, 2016 filed with the CSE and available on [www.thecse.com](http://www.thecse.com), which risk factors are incorporated by reference into this document, and should be reviewed in detail by all readers:

- Our ability to grow, store and sell medical marijuana in Canada is dependent upon licenses from Health Canada which are subject to ongoing compliance and reporting requirements;
- The activities of the Company are subject to regulation by governmental authorities, particularly Health Canada;
- The Company’s operations are subject to various laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical marijuana but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment;
- Third parties the Company does business with may perceive that they are exposed to reputational risk as a result of the Company’s medical marijuana business activities;
- The operation of the Company can be impacted by adverse changes or developments affecting the facilities of the Company’s wholly-owned subsidiaries;
- The Company’s ability to recruit and retain management, skilled labour and suppliers is crucial to the Company’s success;
- The Company’s growth strategy contemplates outfitting its facilities with additional production resources. A variety of factors could cause these activities to not be achieved on time, on budget, or at all. As a result, there is a risk that the Company may not have product or sufficient product available to meet the anticipated demand or to meet future demand when it arises;
- The Company and its wholly-owned subsidiaries have limited operating histories;
- The Company has a history of net losses, may incur significant net losses in the future and may not achieve or maintain profitability;

- Even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing and there can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company;
- There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company;
- The Company believes the marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the marijuana produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity;
- The Company and its wholly-owned subsidiaries face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury;
- The products of the Company's wholly-owned subsidiaries could be subject to the recall or return of their products for a variety of reasons. If a product recall or return should happen, the Company could be required to incur unexpected expenses and divert management attention and could see harm caused to its image and product sales decline. In addition, as result of the product recall or return, the Company and its wholly-owned subsidiaries could face increased operational scrutiny by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses;
- Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company;
- The Company is largely reliant on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company;
- The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls;
- The Company may engage in acquisitions or other strategic transactions or make investments that could result in significant changes or management disruption;
- The Company could fail to integrate acquired companies into the business of the Company;
- Completed acquisitions, strategic transaction or investments could fail to increase shareholder value;
- The Company may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;
- There can be no assurance that an active and liquid market for the common shares will be maintained and an investor may find it difficult to resell any securities of the Company;
- A substantial number of common shares are owned by a limited number of existing shareholders and as such these shareholders are in a position to exercise influence over matters requiring shareholder approval or cause delay or prevent a change in control of the Company that could otherwise be beneficial to the Company's shareholders;
- The Company does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings;

- The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land; the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety; and
- In recent years, securities markets have experienced extremes in price and volume volatility. The market price of securities of many early stage companies, among others, have experienced fluctuations in price which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Company's shares will be subject to market trends generally and the value of the Company's shares on a stock exchange may be affected by such volatility.
- Unfavorable economic conditions may negatively impact the Company's financial viability as a result of increased financing costs and limited access to capital markets.
- The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.
- The Company's directors and officers may serve as directors and officers, or may be associated with other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act, British Columbia ("Corporations Act") in dealing with conflicts of interest. These provisions state, where a director/officer has such a conflict, that the director/officer must at a meeting of the board, disclose his interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

#### **ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

Additional disclosure concerning the Company's general and administrative expenses and exploration and evaluation costs is provided in the Company's statement of comprehensive loss and note disclosures contained in its financial statements for the year ended April 30, 2016. These statements are available on Genovation Capital's website at [www.genovationcapital.ca](http://www.genovationcapital.ca) or on its SEDAR page site accessed through [www.sedar.com](http://www.sedar.com).

#### **Dividends**

The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for oil and gas exploration and development. Any future determination to pay dividends will be at the discretion of the board of directors and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the board of directors deem relevant.

#### **Management's Responsibility for Financial Statements**

The information provided in this report, including the financial statements, 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.

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

#### **Nature of the Securities**

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

#### **Proposed Transactions**

There are currently no significant proposed transactions except as otherwise disclosed in this MD&A. Confidentiality agreements and non-binding agreements may be entered into from time to time, with independent entities to allow for discussions of the potential acquisition and/or development of certain properties.

#### **Approval**

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

#### **Forward Looking Information**

This MD&A together with the Company's financial statements for the year ended April 30, 2016 contain certain statements that may be deemed "forward-looking statements". Forward looking statements in this document are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "continues", "intends", "estimates", "projects", "potential", and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management are inherently subject to significant business, economic and competitive uncertainties and contingencies. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

Inherent in forward-looking statements involve known and unknown risks, and factors may include, but are not limited to: fluctuating commodity prices, unavailability of financing, changes in government regulations and administrations, general economic conditions, general business conditions, limited time being devoted to business by directors, escalating professional fees, escalating transaction costs, competition, fluctuation in foreign exchange rates, competition, stock market volatility, unanticipated operating events and liabilities inherent in industry. Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

#### **Additional Information**

Additional information related to Genovation Capital Corp. (the "Company" or "Genovation") is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

## **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCING REPORTING**

In connection with National Instrument (“NI”) 52-109 (Certification of Disclosure in Issuer’s Annual and Interim Filings) adopted in December 2008 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 unaudited interim financial statements and the audited annual financial statements and respective accompanying Management’s Discussion and Analysis. 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.

## **CONTINGENCY**

On July 16, 2014 a Civil Lawsuit was filed with the Supreme Court of British Columbia concerning a US\$50,000 payment made by the plaintiff towards plaintiffs’ participation in the Company’s prospective Indonesian oil field project. The claim resulted from the plaintiffs’ desire to fund and participate in work-overs of onshore multi-reservoir oil fields, a project that was never completed. The Company filed a response and counterclaim on August 18, 2014 and sought to hold discoveries in June 2015, to which the plaintiffs failed to reply. Given the dormant nature of the claim, the Company has reversed US\$50,000 from accrued liabilities related to the claim, and has not accrued for interest or damages.

## **OUTSTANDING SHARES, OPTION, AND WARRANTS**

The Company has one class of common shares. Below are a summary of the common shares issued and outstanding as at April 30, 2016 and the date of this report:

	<b>As at April 30, 2016</b>	<b>As at August 27, 2016</b>
Common shares	9,085,168	11,318,501
Stock options	405,000	405,000
Warrants	944,444	944,444

### **Stock options**

The Company has issued incentive options to certain directors, employees, officers, and consultants of the Company. As of the date of this report the Company has 96,667 options exercisable at \$3.00 and 308,333 at \$0.30.

<b>Options outstanding</b>	<b>Options exercisable</b>	<b>Exercise price \$</b>	<b>Expiry date</b>
36,667	36,667	3.00	September 25, 2017
40,000	40,000	3.00	October 10, 2018
20,000	20,000	3.00	November 27/28, 2018
258,333	129,167	0.30	August 31, 2020
50,000	25,000	0.30	September 22, 2020

### **Warrants**

The Company has issued warrants as part of its non-brokered private placements. As of the date of this report the Company has 944,444 warrants outstanding.

<b>Warrants issue date</b>	<b>Number of warrants outstanding</b>	<b>Exercise price \$</b>	<b>Expiry date</b>
September 22, 2015	622,222	0.75	September 22, 2017
October 23, 2015	322,222	0.75	October 23, 2017

## **DIRECTORS AND OFFICERS**

Robert van Santen – *Chairman, Chief Executive Officer, Director*  
 Annie Storey - *Chief Financial Officer, Corporate Secretary*  
 Christopher Cooper – *Director*  
 Michael Wystrach – *Director*

Leslie van Santen - *Director*

A. Tyler Robson - *Director*

John Binder - *Director*

**OTHER REQUIREMENTS**

Additional disclosure of the Company's technical reports, material change reports, news release and other information can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

On Behalf of the Board,

**GENOVATION CAPITAL CORP.**

*"Robert van Santen"*

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Robert van Santen  
Chief Executive Officer

*"Annie Storey"*

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Annie Storey  
Chief Financial Officer