

**MOUNTAIN VALLEY MD INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF THE COMPANY'S FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019**

## **MOUNTAIN VALLEY MD INC.**

### **Management's Discussion and Analysis**

#### **For the six month period ended September 30, 2019**

##### Introduction

This management's discussion and analysis ("MD&A") has been prepared as of December 4, 2019 and should be read in conjunction with the consolidated interim financial statements for the six months ended September 30, 2019 and the audited consolidated financial statements of Mountain Valley MD Inc. (the "Company" or "MVMD") for the year ended March 31, 2019. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

##### **Forward Looking Statements**

The information presented in this Management's Discussion and Analysis ("MD&A") contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, "forward-looking statements" or "forward-looking information" (collectively "forward-looking statements") for purposes of applicable securities laws.

These forward-looking statements also include, but are not limited to, factors that may affect our ability to achieve our objectives. Such forward-looking statements, including but not limited to those with respect to the Company's future operating and financial results, the Company's competitive and business strategies, the sufficiency of the Company's working capital and its ability to raise future capital, the further development of the Company's business with respect to the acquisition of licences and other assets, competitive conditions of the cannabis industry, changes in the regulatory environment relating to medical and recreational cannabis within Canada and internationally, expansion into international markets and other factors and events described in this MD&A involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The reader should verify all claims and do their own due diligence before investing in any securities mentioned or implied in this document. Investing in securities is speculative and carries a high degree of risk.

These statements are based on management's current expectations and are subject to a number of uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. Forward-looking statements are based on management's current plans, estimates, projections, beliefs, and opinions and we do not undertake any obligation to update forward-looking statements should the assumptions related to these plans, estimates, projections, beliefs and opinions change, except as required by law.

##### **Date of Report**

The information in this report is presented as of December 4, 2019.

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**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 operating or intending to operate in intending to become a world-class health and wellness organization centred around cannabis derivatives and focused on the creation of industry leading products that are sought out globally.

As at the date of this MD&A, MVMD has two wholly owned subsidiaries, Mountain Valley Medicinals Inc. ("MVM"), a company incorporated under the laws of the province of British Columbia on March 7, 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.

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

**BUSINESS OVERVIEW**

The Company's proposition is to deliver formulations that have rapid onset, with high bioavailability, with precision dosing technology across various health and wellness categories, including pain management, weight loss, energy, focus, sleep, anxiety, libido and more. Management believes its health and wellness success will be bolstered further through intelligent applications of cannabis-based cannabinoids across its transmucosal delivery product line and other health and wellness products. As such, the Company is also focused on the areas of cultivation, research and development, and manufacturing through strategic acquisitions and partnerships, for the purposes of generating a market-leading portfolio of high quality, vertically-integrated, sustainable cannabis assets.

The Company does not yet have revenues but, since incorporation, MVMD has been making acquisitions, forming agreements and generally taking steps to develop its business with a global view on four main growth pillars: 1) cultivation; 2) processing sciences; 3) delivery sciences; and 4) distribution.

Acquisitions:

On January 10, 2019, MVMD completed the acquisition of 100% of MVM's issued and outstanding shares by way of share exchange, entering into a share exchange agreement (the "SEA") with MVM and its shareholders. MVMD issued 54,206,148 Class "B" common shares to the shareholders of MVM on a 1:1 basis. At the time the terms of the SEA were negotiated, an officer and director of MVM was also a director and officer of MVMD.

MVM was formed for the purpose of acquiring 098. 098 was formed for the purpose of making an application to Health Canada to produce and sell high-quality strains of medical grade cannabis. The application was made on or about June 27, 2014 and remained under review during the time of the acquisition by MVMD of MVM. See section entitled "Discussion of Operations" for additional detail about the current status of 098's application.

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On January 2, 2019, MVMD entered into a binding letter of intent with Avicanna Inc. ("Avicanna"). Pursuant to the letter of intent, MVMD had agreed to: (i) subscribe for newly issued shares of Sativa Nativa, a corporation formed under the laws of Colombia, of which Avicanna is the majority shareholder, equal to 10% of the then total issued and outstanding shares of Sativa Nativa, for \$2,800,000 in cash; and (ii) MVMD would acquire an additional 15% of the then total issued and outstanding shares of Sativa Nativa from shareholders of Avicanna for \$2,000,000 in cash and \$2,200,000 worth of MVMD Class B common shares. See below for details regarding the completion of the foregoing transaction.

On December 20, 2018, MVMD issued a loan equal to USD \$600,000 (the "CCJC Loan") to CCJC Inc. ("CCJC"), a private Nevada corporation, and, on the same date, entered into a term sheet with CCJC (the "CCJC Term Sheet"), the intention of the parties being that the CCJC Loan be converted into equity in CCJC pursuant to the CCJC Term Sheet. CCJC is the majority shareholder (90%) of a US private corporation (the "Applicant") who has made an application (the "DEA Application") with the U.S. Drug Enforcement Administration ("DEA") to become registered under the Controlled Substances Act (United States) to manufacture marijuana to supply to researchers in the United States (the "DEA Licence"). Pursuant to the terms of the CCJC Term Sheet, MVMD would acquire newly issued shares from CCJC representing 10% of the issued and outstanding shares of CCJC (following issuance) in consideration for USD \$600,000, to be paid by way of conversion of the CCJC Loan. MVMD would acquire an additional 10% from the existing shareholders of CCJC by way of share purchase, in consideration for the issuance of 5,000,000 Class "B" common shares. Further, MVMD would acquire the right to purchase an additional 40% of the issued and outstanding shares for an additional payment of USD \$2,000,000 together with the issuance of 8,000,000 Class "B" common shares. See below for details regarding the completion of the foregoing transaction.

On April 11, 2019, MVMD completed the transaction contemplated in the letter of intent with Avicanna. MVMD entered into a Subscription and Share Purchase Agreement with Sativa Nativa, Avicanna and certain shareholders of Sativa Nativa, resulting in the acquisition by MVMD of an aggregate 25% of the issued and outstanding shares of Sativa Nativa (the "SN Interest"). MVMD acquired 7,892,248 common shares of Sativa Nativa, representing 10% of the issued and outstanding shares of Sativa Nativa (following issuance), for a subscription price of CAD \$2,800,000, and another 26,838,372 common shares of Sativa Nativa from its shareholders other than Avicanna, representing 15% of the issued and outstanding shares of Sativa Nativa, for a purchase price of CAD \$4,200,000 by way of a monetary payment of CAD \$2,000,000 and the issuance of 11,000,000 MVMD Class B Shares.

On May 9, 2019, MVMD acquired 700,000 ordinary shares in the capital stock of Winchester MD Limited ("Winchester"), a private company with its registered office in London, England, representing, as at July 2, 2019, approximately 2.6% of the ordinary shares of Winchester. Winchester is an established, fully-integrated European based medical cannabis company that operates an online store called HempElf and offers over 100 products for sale. MVMD believes that its relationship with Winchester MD will be valuable for European market expansion and supply agreements in the future.

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### **Management's Discussion and Analysis**

#### **For the six month period ended September 30, 2019**

On June 10, 2019, MVMD entered into a subscription agreement with CCJC to acquire 1,333,333 common shares of CCJC, representing 10% of the issued and outstanding shares of CCJC (following issuance), for an aggregate subscription price of USD \$600,000 (USD \$0.20 per share) by way of conversion of the CCJC Loan. MVMD also entered into share purchase agreements (the "Share Purchase Agreements") with the shareholders of CCJC to acquire an additional 1,333,334 common shares of CCJC, representing an additional 10% of the issued and outstanding shares of CCJC, in consideration for an aggregate purchase price of \$1,000,000 by the issuance of an aggregate 5,000,000 MVMD Class B Shares at a deemed price of \$0.20 per share. Pursuant to the terms of the Share Purchase Agreements, MVMD acquired the right to purchase an additional 40% of the issued and outstanding shares in CCJC for an additional payment of USD \$2,000,000 together with the issuance of 8,000,000 MVMD Class B Shares on terms to be negotiated in good faith by MVMD and the shareholders of CCJC. There is no expected timeline, or guarantee, with respect to the approval and granting of the DEA Licence.

#### Reverse Takeover/Amalgamation:

On June 28, 2019, the Company entered into an Amalgamation Agreement (the "Amalgamation Agreement") with Meadow Bay Gold Corporation ("Meadow Bay") and 2700915 Ontario Inc. (a wholly-owned subsidiary of Meadow Bay) that provides for the completion of a reverse-takeover by MVMD of Meadow Bay by way of a three-cornered amalgamation (the "Transaction").

The principal terms of the Transaction are as follows:

1. Meadow Bay will complete an 8 for 1 share consolidation (the "Consolidation"), which will reduce the number of Meadow Bay's issued and outstanding common shares from 50,056,229 pre-consolidation common shares to 6,257,029 post-consolidation common shares.
2. Meadow Bay will change its name to "Mountain Valley MD Inc." or as otherwise agreed to by the parties to the Amalgamation Agreement.
3. MVMD, Meadow Bay and 2700915 will complete a triangular amalgamation, wherein MVMD will amalgamate with 2700915 (the "Amalgamation") and as a result of the Amalgamation, Meadow Bay will thereby acquire all of the outstanding shares of MVMD in exchange for common shares of the company resulting from the Amalgamation (the "Resulting Issuer") on a one for one basis (the "Resulting Issuer Shares").

A finder's fee equal to 3% of the Resulting Issuer Shares to be issued to the shareholders of MVMD prior to the Transaction will be paid.

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Financings:

See the section entitled "Liquidity and Capital Resources" for the details regarding financings completed by the Company during the six month period ended September 30, 2019, to facilitate the Company's business development initiatives.

**DISCUSSION OF OPERATIONS**

As the Company has not yet generated revenue, below is a summary of MVMD's plan for its current projects, the status of each relative to that plan, and expenditures made and how these relate to anticipated timing and costs to take the projects to the next stage(s).

During the six month period ended September 30, 2019, the Company has primarily focused its efforts on acquiring assets in anticipation of future operations and business development efforts primarily in Colombia as well as in Canada and the United States. Of the four growth pillars MVMD has identified (see the section entitled "Business Overview"). Most of the expenditures related to these acquisitions occurred following March 31, 2019.

The Company expects that its related expenditures will grow in the second half of its year ended March 31, 2020 (and into the following year). The terms of the completed and proposed acquisitions to date have largely included share-based consideration but, in addition to cash-based consideration, the Company will begin incurring additional expenses when construction begins, primarily in Colombia.

Canada/MVM/098:

MVM, through its wholly owned subsidiary, owns property in or around the City of Nanaimo in the Province of British Columbia (the "Property"). MVM has engaged a third party in evaluating the Property and to assist in determining next steps and timing regarding construction of a facility on the Property.

In May 2019, Health Canada had announced that all new applicants applying for a Cultivation, Processing or Sale for Medical Purposes License would be required to have a fully built site that meets Health Canada requirements at the time of application. MVM would complete its application to Health Canada following the construction of a facility.

Colombia:

On April 11, 2019, MVMD completed its acquisition of the SN Interest (see section entitled "Business Overview").

Following the six-month period ended September 30, 2019, MVMD entered into a share purchase agreement with Colverde and its shareholders, setting out the terms upon which the Company will acquire all of the issued and outstanding shares of Colverde (the "Colverde Shares"). (see the section entitled "Subsequent Events" for details regarding the Colverde agreement).

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The Company is working on acquiring additional assets (such as the Smartek Assets – see the section entitled “Subsequent Events” for definition and additional detail) and forming new relationships and partnership/arrangements in addition to its plans to begin construction of its own facilities in Colombia, to support the foregoing growth in Colombia in the area of cultivation as well as the other three (3) growth pillars (see the section entitled “Business Overview”).

United States:

On June 10, 2019, MVMD completed the acquisition of 20% of the equity of CCJC (the “CCJC Interest”) (see the section entitled “Business Overview” for details). MVMD and the shareholders of CCJC are in the process of determining the terms and conditions upon which MVMD will be entitled to exercise its option to acquire an additional 40% (for an aggregate 60%) of the issued and outstanding shares of CCJC for an additional payment of USD \$2,000,000 together with the issuance of 8,000,000 Class “B” common shares. No other expenses are anticipated at this time and there is no expected timeline, or guarantee, with respect to the approval and granting of the DEA Licence.

#### **QUARTERLY FINANCIAL INFORMATION - Consolidated**

The following is a summary of the period from incorporation on October 26, 2018 to March 31, 2019 and for the six month period ended September 30, 2019, which have been derived from the financial statements of the Company. This summary should be read in conjunction with the March 31, 2019 audited consolidated financial statements and the interim consolidated statements of the Company for the same periods.

<b>Quarter Ended</b>	<b>Total Sales (\$)</b>	<b>Income (Loss) before Other Expenses Expenses (income) (\$)</b>	<b>Net Loss for the Period (\$)</b>	<b>Net Income (Loss) per Share - Basic and Diluted (\$)</b>
March 31, 2019	Nil	(897,032)	(897,032)	(0.01)
September 30, 2019	Nil	(876,336)	(876,336)	(0.00)

#### **LIQUIDITY AND CAPITAL RESOURCES**

As at September 30, 2019, the Company had cash of \$4,119,288 and working capital of \$3,654,646.

Totals assets on September 30, 2019 were \$15,236,291.

To support its business development initiatives to date, including the completed acquisitions (see sections entitled “Business Overview” and “Subsequent Events”), MVMD has completed the following financings:

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On December 7, 2018, MVMD issued 45,000,000 Class "A" Common Shares as a private issuer at a price of \$0.005 per share, for aggregate gross proceeds of \$225,000.

On December 21, 2018, MVMD completed a private placement offering of Class "A" Common Shares as a private issuer at a price of \$0.02 per share, for aggregate gross proceeds of \$512,500 by the issuance of 25,625,000 Class "A" Common Shares.

On January 9, 2019, MVMD completed a private placement offering of Class "B" (non-voting) Common Shares as a private issuer at a price of \$0.05 per share, for aggregate gross proceeds of \$613,000 by the issuance of 12,260,000 Class "B" Common Shares.

On January 15, 2019, MVMD began to offer (the "January Offering") units of MVMD (for the purposes of this paragraph, the "Units") on a private placement basis at a subscription price of \$0.20 per Unit. Each Unit was comprised of one Class "B" (non-voting) common share and one share purchase warrant (for the purposes of this paragraph, each a "Warrant", collectively the "Warrants") to acquire one Class "B" common share at an exercise price of \$0.35 per share for a period ending twenty-four (24) months after the issuance date (for the purposes of this paragraph, the "Warrant Expiry Date"), subject to forced acceleration of the Warrant Expiry Date in the event that MVMD completes a going public transaction (such as the Proposed Transaction) (the "Going Public Liquidity Event") and thereafter the common shares of the reporting issuer trade at \$0.50 or higher for at least three (3) consecutive trading days, whereby MVMD (or the Resulting Issuer following the completion of the Proposed Transaction) may, at its option, accelerate the Warrant Expiry Date by giving notice to the holder thereof and in such case the Warrants will expire at 5:00 p.m. (Toronto time) on the date which is the 30th day after the date on which such notice is given by MVMD. Also in the event of a Going Public Liquidity Event (such as the Proposed Transaction), the holders of the Units will not be able to trade the Class "B" Common Shares (or Warrants or underlying Class "B" Common Shares comprising the Units) except as follows: 1/3 no earlier than 60 days following the Going Public Liquidity Event, an additional 1/3 no earlier than 120 days following the Going Public Liquidity Event, an additional/the final 1/3 no earlier than 180 days following the Going Public Liquidity Event. MVMD relied on exemptions from prospectus requirements under National Instrument 45-106 ("NI 45-106"), including execution 2.9 (the offering memorandum exemption).

The first three (3) tranches of the January Offering closed during the year ended March 31, 2019, on February 21, March 8, and March 18th, for gross proceeds of \$9,120,332 by the issuance of 45,601,659 Units.

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, completing the fourth and final tranche of the January Offering. The warrants are exercisable at \$0.35 per Class B common share and expire two years from the grant date subject to acceleration provisions.



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On July 29, 2019, MVMD began to offer (the "July Offering") units of MVMD (for the purposes of this paragraph, the "Units") on a private placement basis at a subscription price of \$0.40 per Unit. Each Unit will be comprised of one Class "B" common share and one-half of one share purchase warrant (for the purposes of this paragraph, each full warrant a "Warrant", collectively the "Warrants"), each full Warrant entitling the holder to acquire one Class "B" common share at an exercise price of \$0.60 per share for a period ending twenty-four (24) months after the issuance date (for the purposes of this paragraph, the "Warrant Expiry Date"), subject to forced acceleration of the Warrant Expiry Date in the event that MVMD completes a going public transaction (such as the amalgamation transaction with MBGC) (the "Going Public Liquidity Event") and thereafter the common shares of the reporting issuer trade at \$0.90 or higher for at least three (3) consecutive trading days, whereby MVMD (or the resulting issuer) may, at its option, accelerate the Warrant Expiry Date by giving notice to the holder thereof and in such case the Warrants will expire at 5:00 p.m. (Toronto time) on the date which is the 30th day after the date on which such notice is given by MVMD. Also in the event of a Going Public Liquidity Event, the holders of the Units will not be able to trade the Class "B" Common Shares (or Warrants or underlying Class "B" common shares comprising the Units) except as follows: 1/3 no earlier than 60 days following the Going Public Liquidity Event, an additional 1/3 no earlier than 120 days following the Going Public Liquidity Event, an additional/the final 1/3 no earlier than 180 days following the Going Public Liquidity Event. No closings of the July Offering have yet occurred. In July and August 2019, up to the date of this MD&A, the Company received subscriptions totaling approximately \$510,000.

Where possible and reasonable to date, the Company has opted to pay for services and assets by the issuance of securities, in whole or in part, in an effort to conserve cash required for development and operations.

#### **OFF BALANCE SHEET ARRANGEMENTS**

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

#### **TRANSACTIONS WITH RELATED PARTIES**

Related parties include the board of directors, executive officers, key operational management personnel, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. MVMD's key operational management personnel are comprised of the President and Chief Executive Officer of MVMD and the President of MVM.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence was \$331,593 during the six month period ended September 30, 2019. Included in accounts payable and accrued liabilities as at September 30, 2019, was \$57,500 owing to related parties.

#### **CHANGES IN ACCOUNTING POLICIES INCLUDING**

Refer to Note 3 in the September 30, 2019 interim consolidated financial statements of the Company for information on accounting policies.

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#### **FINANCIAL INSTRUMENTS**

For a detailed description of financial instruments and their associated risks, see note 3 to the Company's interim consolidated financial statements for the period ended September 30, 2019.

#### **OUTSTANDING SHARE DATA**

As at the date of the MD&A, the following securities were outstanding:

Class "A" common shares: 70,625,200

Class "B" Common shares: 134,155,807

Warrants: 49,904,159 (see the section entitled "Liquidity and Capital Resources" for exercise details)

Stock options: 8,288,500, exercisable at \$0.05 for a period of 5 years from the date upon which the Company completes a going public transaction (such as the Transaction).

#### **SUBSEQUENT EVENTS**

On October 2, 2019, the Company subscribed for 333,333 shares of a Canadian private corporation at \$0.75 for a subscription price of \$250,000.

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 was payable in one instalment of \$60,000 plus H.S.T. 50% of the premises is being used by another individual who paid 50% of the instalment and is paying 50% of the lease payments directly.

Effective October 15, 2019, the Company agreed to an amendment to the consulting agreement with a company owned and/or controlled by 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 Units pursuant to the July Offering and, following the completion of the July Offering, by the issuance of Class B Common shares of MVMD at a deemed price of \$0.40 per share.

On November 4, 2019, the Company entered into a debenture agreement with a Canadian private corporation 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 will be entitled to an exclusive license to distribute proprietary technology for world 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.

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On November 15, 2019, MVMD entered into a share purchase agreement with Colverde and its shareholders, setting out the terms upon which the Company will acquire all of the issued and outstanding shares of Colverde (the "Colverde Shares"). In consideration for the acquisition of the Colverde Shares, MVMD has agreed to pay an aggregate purchase price (the "Purchase Price") of \$130,000 as cash compensation *and* the issuance of 9,750,000 Class "B" common shares at a deemed value of \$0.20 per share (the "Colverde Payment Shares"). A deposit of \$130,000 (the "Deposit") was made on July 16, 2019 and the Colverde Payment Shares will be issued upon closing. The Colverde Shares to be acquired by MVMD will be held in escrow such that if a going public transaction is not completed by MVMD by a certain date (the "Deadline"), the Purchase Price for the Colverde Shares will instead be paid in cash. The Colverde Payment Shares to be issued to the shareholders of Colverde will be held in escrow pending the approval and issuance of the Pending Licences (see the section entitled "Discussion of Operations").