



## **MANAGEMENT DISCUSSION AND ANALYSIS – Q1-2021**

The following management's discussion and analysis (the "MD&A") objective is to help the reader better understand the activities of KDA Group Inc., ("KDA" or the "Corporation"), and the highlights of its unaudited consolidated financial situation. It explains the consolidated financial situation and the results of its operations for the three-month period (the "First quarter" or "Q1") ended October 31, 2020, and the comparison of the Corporation's consolidated statement of financial position as at July 31, 2020.

The MD&A has been prepared in accordance with Regulation 51-102 and should be read in conjunction with the audited consolidated financial statements of the Corporation for the fiscal year ended July 31, 2020, and the related notes thereto.

The unaudited consolidated financial statements and this MD&A have been reviewed by the Audit Committee and approved by the Corporation's Board of Directors on December 22, 2020.

The context otherwise required, all references to "KDA", "Corporation", "our", "us", "we" refers to KDA Group Inc. as consolidated with its subsidiaries. Further information about the Corporation, projects, annual and quarterly reports are available for consultation on the website of SEDAR at the following address: [www.sedar.com](http://www.sedar.com).

### **LOOKING-FORWARD STATEMENTS**

Some statements contained in this MD&A, especially the opinions, the projects, the objectives, the strategies, the estimates, the intent and the expectations of the Corporation that are not historical data, are forward- looking statements. Such statements can be recognized by the terms "forecast", "anticipate", "consider", "foresee" and other terms and similar expressions. The statements are based on information available at the time they are made, on assumptions established by the management and on the management expectation, acting in good faith, concerning future events and concerning, by their nature, known and unknown risks and uncertainties mentioned herein (see the section Risks and uncertainties). The actual results for the Corporation could differ materially.

### **REPORTING ENTITY, NATURE OF OPERATIONS AND SCOPE OF ACTIVITIES**

The Corporation is domiciled in Canada and incorporated under the Business Corporations Act (Quebec). Its shares are listed for trading on the TSX Venture Stock Exchange under the symbol KDA.

The Corporation started as a provider of pharmacy personnel replacement and vocational training services and then evolved, using an acquisition strategy, to become a leading solution and services provider to pharmacies and pharmaceutical companies in Canada.

Consequently, it is recommended not to rely upon unduly these forward-looking statements. The forward-looking statements do not reflect the potential incidence of special events which could be announced or take place after the date of this MD&A. Except if the applicable legislation requires it, the Corporation does not intend to update these prospective statements to reflect new information or future events, and it is by no means committed doing so.

The Corporation's subsidiaries, as at October 31, 2020 are:

	<b>Nature of services</b>	<b>owned</b>
Alliance Pharma Operations Inc.	Pharmacy Services	<b>100%</b>
Campus Elitis Pharma Inc.	Pharmacy Services	<b>80%</b>
Elitis Pharma Inc.	Pharmacy Services	<b>100%</b>
Pro-J Pharma Inc.	Pharmacy Services	<b>100%</b>
9287396 Canada Inc.	Pharmacy Services	<b>100%</b>
Logistik Pharma Inc.	Pharmacy Services	<b>100%</b>
Alliance Pharma Group L.L.P.	Pharmacy Services	<b>99%</b>
Agence L.I.V. Inc.	Pharmaceutical Solutions	<b>100%</b>
KDA Technologique Inc.	Technology	<b>100%</b>
Pharmapar Inc. <sup>(1)</sup>	Pharmacy Services	<b>20%</b>
CanNorth Médic Inc.	Pharmaceutical cannabis	<b>51%</b>
CanNorth Médic International Inc.	Pharmaceutical cannabis	<b>80%</b>

<sup>(1)</sup> The interest in the subsidiary is accounted for in accordance with the Corporation's accounting policy for financial instruments, i.e. at fair value through other comprehensive loss. The Corporation does not have a notable influence.

## HIGHLIGHTS

- In November 2020, the Corporation signed a letter of intent to sell its 51% participation in CanNorth Medical.
- In November 2020, the Corporation issued 1.8M units at a price of \$0.15 per unit for gross proceeds of \$1.2M. The unit is composed of one common share and one warrant at \$0.20.
- In November 2020, KDA signed a letter of intent to acquire the technological asset including the Zrx prescribing tool and the source codes from ZoomMed Medical inc. for the development and use in United States and Europe.
- Sylvain Duvernay, CEO, Pierre Monet, CFO and Jean-Pierre Robert, COO were appointed in October 2020.
- The forbearance agreement with a Canadian chartered bank was extended to January 29, 2021. KDA remains current in terms of debt repayment.

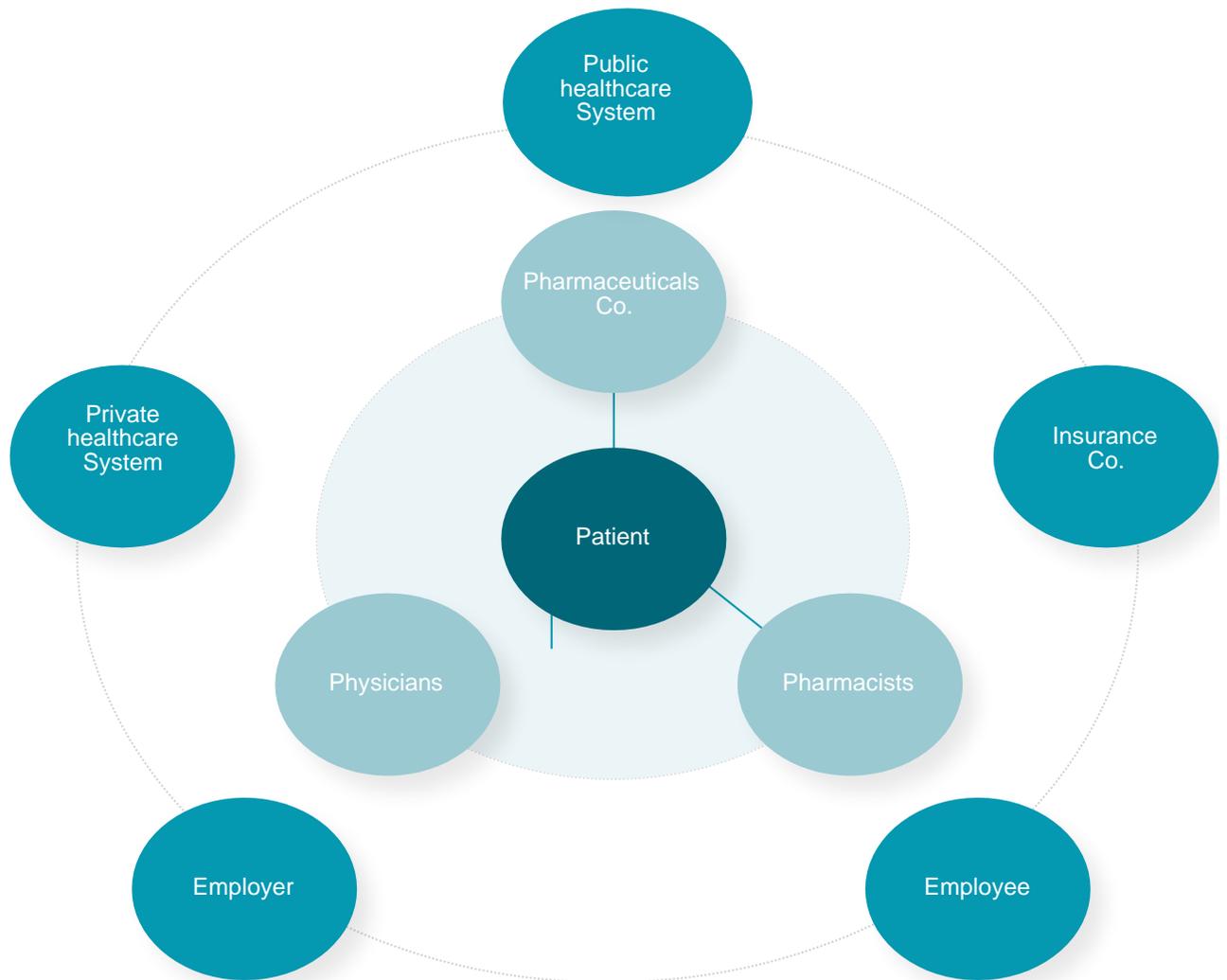
## STRATEGY

The core businesses of KDA have been the placement and staff placement and logistics and education services to doctors and training.

In a context of talent scarcity, we have gained prominence in staff placement and continuing education programs. Services are provided within personalized frameworks that promotes stringent ethical standards. We also specialize in pharmacy re-engineering through optimized work organization and comprehensive patient care.

From educational strategy development to execution, we provide clinical evidence to health professionals, and manages educational programs in a diverse number of therapeutic areas.

The Corporation focuses on the development innovative communication platforms and processes that bridge expertise and knowledge gaps in patient care.



In October 2020, the Corporation appointed Sylvain Duvernay, CEO, Pierre Monet, CFO and Jean-Pierre Robert, COO. They bring a long experience in the pharmaceutical, medical equipment and publicly traded companies. Management believes that we must bring together our core businesses with software and cloud technology. We are adding the healthcare innovative technology platform to our core businesses.

Indeed, KDA has undertaken the development on its Elixir 420 platform. The Elixir 420 platform will connect international opinion leaders and specialists to the medical community to inform them on how to prescribe medical cannabis. It will feature the latest development on therapeutic use of cannabis. Elixir 420 connects seamlessly to existing electronic medical records. It will be the first patient-centric health ecosystem addressing THC/CBD interactions. In addition, in November 2020, KDA signed a letter of intent with ZoomMed Medical inc. to acquire the technological asset including the Zrx prescribing tool and the source codes for development and use in United States and Europe.

To focus on its core businesses, the Corporation exit the segment of pharmaceutical cannabis. In November 2020, it signed a letter of intent to sell its 51% participation in CanNorth Medic inc.

## SELECTED FINANCIAL INFORMATION

(unaudited) (in \$)	Q1	
	2020	2019
<b>Revenues</b>	<b>5,317,979</b>	5,513,442
Cost of revenue	<b>3,823,807</b>	4,535,482
Selling and administrative expenses	<b>918,392</b>	1,809,082
Amortization of right of use	<b>70,521</b>	-
Depreciation of property and equipment	<b>16,752</b>	30,341
Amortization of intangible assets	<b>140,934</b>	148,784
Net finance costs	<b>500,611</b>	1,783,834
Net loss	<b>(153,038)</b>	(2,788,881)
Net loss per share, basic and diluted	<b>(0.00)</b>	(0.03)
(unaudited) (in \$)	At October 31, 2020	At July 31, 2020
Cash	<b>2,315,555</b>	<b>1,807,969</b>
Bank indebtedness	<b>(1,010,000)</b>	<b>(1,350,000)</b>
Net Cash	<b>1,305,555</b>	<b>457,969</b>
Working capital	<b>(4,095,453)</b>	<b>(4,265,083)</b>
Total assets	<b>20,314,011</b>	<b>19,914,918</b>
Total liabilities	<b>24,314,011</b>	<b>23,569,647</b>
Net deficiency	<b>(3,760,602)</b>	<b>(3,654,729)</b>

## QUARTERLY INFORMATION

Operating results for each of the last 8 quarters are presented in the table below.

	2021				2020			2019
(in \$)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	5,317,979	5,712,937	5,446,699	6,218,427	5,513,442	7,201,887	5,347,526	5,594,482
Net loss	(153,038)	(1,256,334)	(295,980)	(215,617)	(2,788,881)	(3,492,445)	(1,209,111)	(1,977,152)
Net loss per share	(0.00)	(0.02)	(0.00)	(0.00)	(0.02)	(0.03)	(0.02)	(0.03)

## OPERATING RESULTS

For Q1-2021, the net loss amounted to \$0.2M (\$0.00 per share) compared to \$2.8M (\$0.02 per share) in Q1-2020, an improvement of \$2.6M. The Corporation improved its results mainly through the increase of \$0.5M of the gross margin, a reduction of \$0.9M of the SGA and net finance costs were lower by \$1.3M.

The Corporation has generated sales of \$5.3M in Q1-2021 (\$5.5M in Q1-2020). This slight decrease has been offset by the increase of the gross margin (28% vs 18% in Q1-2020). The increase is mainly due to more virtual activities in the pharmaceutical solutions. There were more virtual events due to Covid-19

Sales of pharmacy services amounted to \$3.6 M in in Q1-2021 and Q1-2020. Gross margin was stable at 29% in Q1-2021 and Q1-2020.

Sales of pharmaceutical solutions amounted to \$1.7 M in Q1-2021 compared to \$1.9M in Q1-2020. The gross margin increased from 6% to 27%.

Selling and administrative expenses amounted to \$0.9M in Q1-2021 compared to \$1.8M in Q1-2020. The professional fees were lower by \$0.6M mainly due to a reduction of the financing fees of \$0.2M, of the restructuring fees \$0.1M and the investors relations of \$0.2. The reduction travel and meetings in person resulted in a reduction of \$0.2M expenses. Stock-based compensation is lower by \$0.1M compared to Q1-2020.

Net finance costs amounted to \$0.5M (\$1.8M in Q1-2020). The decrease of \$0.9M is mainly attributable to a reduction of \$0.7M of the accreted interest and there were no expenses resulting from the fair value adjustment of the conversion options to preferred shares (\$0.5M in Q1-2020).

## STATEMENT OF FINANCIAL POSITION

As at October 31, 2020, cash totaled \$2.3M (\$1.8M as at July 31, 2020) and the negative working capital amounted to \$4.1M (\$4.3M at at July 31, 2020). Working capital is negative mainly because the bank debt has been reclassified as current under the forbearance agreement.

As at October 31 and July 31, 2020, total assets of the Corporation amounted to \$20M.

## CASH FLOW

The cash flows from operating activities totaled \$1.4M in Q1-2021 (use of \$1.7M in Q1-2020). The cash flows used for investing activities totaled \$0.2M compared to \$0.7M in Q1-2020. They consist primarily of acquisition of fixed assets of \$62k (\$0.2M in Q1-2020) and an investment in the development of a technology in intangibles of \$65k (nil in Q1-2020). Loans receivable decreased by 41k\$ compared to \$0.4M in Q1-2020. Cash flows used for financing activities

amounted to \$0.8M (source of \$2.8M in Q1-2020). KDA repaid \$0.7M of debt and bank indebtedness (\$1.1M in Q1-2020). In Q1-2020, proceeds from issuance of shares amounted to \$4.5M while shares to be issued totaled \$0.6M.

## LIQUIDITY AND FINANCING SOURCES

Management estimates that the net cash deficiency on October 31, 2020 is serious. Additional financing will also be required to provide the Corporation with adequate funding in order to meet its short-term obligations and to continue its ongoing efforts in order to grow the business. KDA is under discussion to refinance its bank debt. The Corporation has begun discussion on the terms and conditions of the promissory notes and preferred shares with their holders.

On November 23, 2020, 1.8M units at \$0.15 the unit for gross proceeds of \$1.2M. The unit is composed of one common share and one warrant to buy a common share at a price \$0.20 the share. The warrants expire in one year.

## RELATED PARTY TRANSACTIONS

	Q1-2020	Q1-2019
Professional fees	157,703	92,860
Salaries	73,718	43,750
Share-based compensation	-	169,956
	As at October 31, 2020	As at July 31, 2020
Trade and other payables	19,465	12,977
Dividend payable <sup>(1)</sup>	75,000	75,000

<sup>(1)</sup> Recorded before the reverse takeover transaction in 2015 from prior business combination in the acquired entity.

All transactions are in the normal course of operations and are measured at the exchange value, that is, the amount of consideration established and agreed to by the related parties which approximates the arm's length equivalent value.

## CAPITAL STRUCTURE

Disclosure of outstanding securities as of December 22, 2020:

	NUMBER	AVERAGE PRICE
Outstanding shares	126,420,947	
Options	4,860,000	0.29
Warrants	43,298,904	0.37
Fully diluted	176,340,251	

## **CONTINGENCIES**

On August 23, 2018, the Corporation received a formal notification from the holder of the Series A Preferred Shares alleging breaches of certain contractual provisions by the Corporation and demanding, among other things, redemption or acquisition of all Series A Preferred Shares at principal plus any accrued but unpaid dividends repayment of their pro-rata share of the Promissory notes plus accrued but unpaid interest and regarding amounts supposedly owed under a consulting agreement. The outcome of any further action on this matter is indeterminable at this time and, therefore.

This agreement was signed in November 2016 for a fixed term of 10 years. The fees for the first five years were established at a quarterly amount of \$85,000 and the second five years, the quarterly amount is increased at \$95,000. This agreement could be terminated following the fifth-year anniversary with the payment of the balance of the next five years minus a 10% discount.

The management of the Corporation indicates that they have never received services under the consulting agreement and that the obligations of the parties under this consulting agreement have been suspended since the first forbearance agreement signed with its main lender as at November 2017.

Management of the Corporation believes the claims to be unfounded and formally responded in writing to that effect to the Preferred Shares holder on September 7, 2018. There has been no reply or development from the Preferred Shares holder following such formal response. Management intends to defend and contest any and all claims brought forward in the formal notification received from the Preferred Shares holder. The outcome of any further action on this matter is indeterminable at this time.

No adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications have been reflected in the consolidated financial statements.

At the date of this report, the Corporation and the Series A Preferred Shares have begun negotiation under these issues.

## **BASIS OF PRESENTATION AND GOING CONCERN**

The Corporation unaudited consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations as they become due. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. These unaudited consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities, the reported amounts of revenues and expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate, and these adjustments could be material.

For Q1-2021, the Corporation reported a net loss of \$0.1M. As discussed in note 1 of its unaudited consolidated financial statements, the Corporation is in breach of its financial covenants with respect to its secured credit financing as of October 31, 2020, and has, therefore, reclassified the loan under current liabilities. The lender has granted a forbearance agreement to the Corporation until January 29, 2021. The Corporation remains current in term of debt repayment. It is under discussions with potential lenders to refinance the loan and repay the lender.

In preparing these unaudited consolidated financial statements, management exercises judgement when applying the accounting policies as detailed in note 2 of its unaudited consolidated financial statements. These unaudited consolidated financial statements of the Corporation for Q1-2021 were approved and authorized by the Board of Directors on December 22, 2020.

## **STATEMENT OF COMPLIANCE WITH IFRS**

The unaudited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as of October 31, 2020.

## **SUMMARY OF ACCOUNTING POLICIES**

The accounting policies are described in note 2 of the unaudited consolidated financial statements as at October 31, 2020.

## **FINANCIAL INSTRUMENTS**

The financial instruments are described in note 13 of the unaudited consolidated financial statements as at October 31, 2020.

## **NEW ACCOUNTING PRONOUNCEMENTS ADOPTED**

There were no new accounting treatments adopted during the three-month period ended October 31, 2021.

## **FINANCIAL RISKS, MANAGEMENT OBJECTIVES AND POLICIES**

Financial risks, management objectives and policies are described in note 13 of the unaudited consolidated financial statements as at October 31, 2020.

## **OTHER RISKS AND UNCERTAINTIES**

The following are other risk factors facing the Corporation.

**Operating Environment** – The Corporation is subject to changes in its general operating environment. The Corporation is exposed to the following elements affecting its operating environment: the availability of pharmacists, sufficient qualified personnel to provide specialized training, and the average compensation offered on the market.

**General Economic Conditions** – Demand for education and specialized training and replacement pharmacists is closely linked to the state of the health industry and overall economy. Consequently, a decline in general economic growth could adversely affect the Corporation's performance.

**Interest Rate Fluctuations** – Changes in interest rates may result in fluctuations in the Corporation's future cash flows related to interest payment of its long-term debt.

**Key Personnel** – The future success of the Corporation will be based in large part on the quality of its management and key personnel. The loss of key personnel could have a negative effect on the Corporation. There can be no assurance that the Corporation will be able to retain its current personnel or, in the event of their departure, to attract new personnel of equal quality.

**Loan Default** – The Corporation's current credit facilities and financing agreements impose certain covenant requirements. There is a risk that such loans may go into default if there is a breach in complying with such covenants and obligations which could result in the Corporation being unable to pay dividends to share-holders, and in lenders realizing on their security and causing the Corporation to lose some or all of its assets.

**Credit Facilities** – The Corporation's credit facilities and financing agreement mature on various dates. There can be no assurance that such credit facilities or financing agreements will be renewed or refinanced, or if renewed or refinanced, that the renewal or refinancing will occur on equally favorable terms to the Corporation.

**Credit Risks** – The Corporation provides services to clients primarily in Canada. The concentration of credit risk to which the Corporation is exposed is limited due to the significant number of customers that make up its client base and their distribution across different geographic areas. Furthermore, no client accounted for more than 10% of the Corporation's total accounts receivable as of October 31, 2020.

**Availability of Capital** – The Corporation's future growth may be dependent on the Corporation's ability to fund a portion of its capital expenditures and working capital with the current credit facilities and financing agreement. The Corporation may be required to reduce dividends or sell additional shares in order to accommodate these items. There can be no assurance that sufficient capital will be available on acceptable terms to the Corporation for necessary or desirable capital expenditures or that the amount required will be the same as currently estimated.

## **CAPITAL MANAGEMENT**

For the purposes of capital management, capital consists of share capital and retained earnings of the Corporation. The Corporation's objectives when managing capital are:

- To ensure proper capital investment in order to provide stability and competitiveness to its operations.
- To ensure sufficient liquidity to pursue its growth strategy and undertake selective acquisitions.
- To maintain an appropriate debt level so that there is no financial constraints on the use of capital.
- To maintain investors, creditors and market confidence.

In managing capital structure, the Corporation manages its capital through regular reports to the board of directors, as well as management review of monthly or quarterly financial information.

The Corporation seeks to maintain a balance between the highest returns that might be possible with higher levels of borrowing and the advantages and security by a sound capital position.

There were no changes in the Corporation's approach to capital management during the year.

## **SUBSEQUENT EVENTS**

- a) On November 20, 2020, KDA signed a letter of intention to sell its 51% participation in CanNorth Medic inc. for a minimum consideration of \$2,400,827.
- b) On November 17, 2020, KDA announced that a letter of intention has been signed to acquire the technological assets and source codes of ZoomMed Medical inc. for the United States and Europe to be paid by the issuance of 20,000,000 ordinary shares of class A of KDA.
- c) On November 25, 2020, KDA announced that a private placement, has been completed with accredited investors totaling 8,000,000 units (the "Units") at a price of \$0.15 per unit for total gross proceeds of \$1,200,000. Each unit consists of one Class A Share of KDA and one Common share purchase warrant. Each warrant entitles the holder to purchase one additional Common share of the Corporation at an exercise price of \$0.20 per Common share for a period of 12 months from the date of issue. All securities issued in connection with the Private Placement are subject to a mandatory four-month hold period expiring on March 24, 2021, in accordance with applicable securities regulations.

## **OUTLOOK**

Adding Elixir 420 and the technological assets and code sources, the Corporation will focus on the synergies between its current core business and the content management system that will allow physicians to easily exchange high-value information and services with pharmacies, insurers and pharmaceutical companies, enabling them to participate in the lucrative and fast growing e-prescriber and electronic health records. The development of these technologies will be the focus of the coming months. KDA has implemented the Alliance dental division which will increase the revenues and earnings of the Corporation.

## **ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE**

This MD&A was prepared as of the date shown in the header of this document. Additional information relating to the Corporation can be found on the website [www.sedar.com](http://www.sedar.com) and on our website [www.kdagroup.ca](http://www.kdagroup.ca).

## **GENERAL INFORMATION**

### **HEAD OFFICE**

[www.kdagroup.ca](http://www.kdagroup.ca)

1351, Notre Dame St. East Suite 300 Thetford Mines (Québec) G6G 0G5, CANADA

Tel: 418-755-0821 | 514-622-7370

Fax: 418-755-0822

## **STOCK EXCHANGE**

TSX Venture Exchange under the symbol: KDA

### **OFFICERS**

Isabelle Bégin

Sylvain Duvernay

Pierre Monet

Jean-Pierre Robert

### **BOARD OF DIRECTORS**

Marc Lemieux, Chairman

Isabelle Bégin

Stan Bharti

Josh Chandler

Patrick Fernet

Michael W. Kinley, Chair of the  
audit committee

David Lampron

## **LEGAL COUNSEL**

Thibeault, Joyal 2110, rue Fleury Est,  
Montréal (Québec) H2B 1J5, CANADA

## **TRANSFER AGENT**

Computershare Trust Company of Canada 1500, Robert-Bourassa Boulevard, 7<sup>th</sup> floor  
Montréal (Québec) H3A 3S8, CANADA