kDa group
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management discussion and analysis of

for the three months
and the twelve months
ended July 31
2020 | 2019

KDA Group Inc.

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 consolidated financial situation. It explains the consolidated financial situation and the results of its operations for the three-month period (the "Fourth quarter") and for the year ended July 31, 2020, and the comparison of the Corporation's consolidated statement of financial position as at July 31, 2019.

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 audited consolidated financial statements and this MD&A have been reviewed by the Audit Committee and approved by the Corporation's Board of Directors on November 30, 2020. Unless otherwise indicated, all the amounts in this MD&A are in Canadian dollars.

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.

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 July 31, 2020 are:

Elitis Pharma Inc.	Pharmacy Services	**100%**	100%
Campus Elitis Pharma Inc.	Pharmacy Services	**80%**	80%
Alliance Pharma Operations Inc.	Pharmacy Services	**100%**	100%
Pro-J Pharma Inc.	Pharmacy Services	**100%**	100%
9287396 Canada Inc.	Pharmacy Services	**100%**	100%
Logistik Pharma Inc.	Pharmacy Services	**100%**	100%
Alliance Pharma Group L.L.P.	Pharmacy Services	**99%**	99%
Agence L.I.V. Inc.	Pharmaceutical Solutions	**100%**	100%
Pharmapar Inc. (1)	Pharmacy Services	**20%**	20%
CanNorth Médic Inc.	Pharmaceutical cannabis	**51%**	51%
CanNorth Médic International Inc.	Pharmaceutical cannabis	**80%**	80%

(1) 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

- 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.
- 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.
- The 2019 EBITDA adjustment related to the sale of Pharmapar to Strides Pharma Canada inc. has been set to $1,093,903. This amount is recorded in the current liabilities. The fair value of the 20% investment in Pharmapar amounts to $700,000 as at July 31, 2020.
- In June 2020, the Corporation appointed Messrs. Josh Chandler and David Lampron as members of the board of directors in replacement of Dr. Sheldon Elman and Mr. Stuart M. Elman.
- In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services for some period have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility. The Canadian Government has implemented policies giving aid to businesses due to COVID-19, as a result the Company has received $40,000 which was recognized as revenues. Management is closely monitoring the situation and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance. There has been no material impact on the company's operations so far.

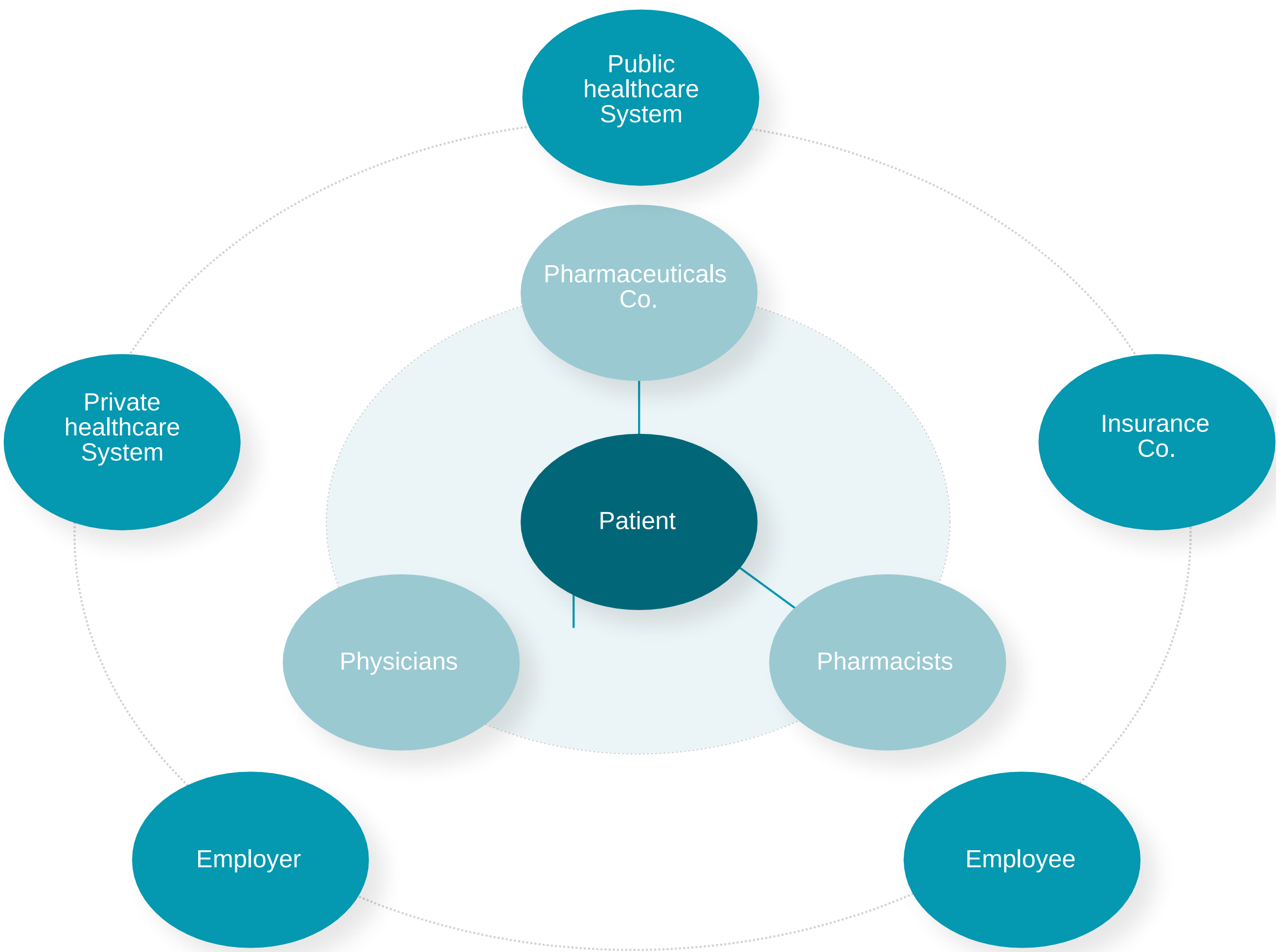
STRATEGY

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 $)	For the three months ended July 31		For the twelve months ended July 31	
	2020	2019	**2020**	2019
Revenues	**5,712,937**	7,201,887	**22,891,505**	23,093,827
Cost of revenue	**3,489,226**	5,161,835	**17,027,024**	17,538,009
Selling and administrative expenses	**342,466**	1,984,895	**4,859,393**	5,160,596
Amortization of right of use	**286,761**	-	**286,761**	-
Depreciation of property and equipment	**17,758**	9,923	**69,956**	84,872
Amortization of intangible assets	**180,655**	298,382	**727,665**	431,006
Impairment of charge	**—**	602,678	**—**	602,678
Net finance costs	**1,814,760**	1,893,526	**5,267,637**	4,448,620
Net loss	**(1,256,334)**	(2,489,084)	**(4,556,812)**	(8,322,082)
Net loss per share, basic and diluted	**(0,02)**	(0,02)	**(0,04)**	(0,11)
(in $)			**At July 31, 2020**	At July 31, 2019
Cash			**1,807,969**	1,233,334
Bank indebtedness			**(1,350,000)**	(1,251,250)
Net Cash			**457,969**	(17,916)
Working capital			**(4,265,083)**	(10,142,125)
Total assets			**19,914,918**	16,085,894
Total liabilities			**23,569,647**	22,666,342
Net equity (deficiency)			**(3,654,729)**	(6,580,448)

QUARTERLY INFORMATION

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

				2020				2019
(in $)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**5,712,937**	**5,446,699**	**6,218,427**	**5,513,442**	7,201,887	5,347,526	5,594,482	4,949,931
Net loss	**(1,256,334)**	**(295,980)**	**(215,617)**	**(2,788,881)**	(3,492,445)	(1,209,111)	(1,977,152)	(1,643,374)
Net loss per share	**(0,02)**	**(0,00)**	**(0,00)**	**(0,02)**	(0,03)	(0,02)	(0,03)	(0,03)

OPERATING RESULTS

For the year ended July 31, 2020, the net loss amounted to $4.6M ($0.04 per share) compared to $8.9M ($0.11 per share) in 2019. The Corporation improved its results as the gross margin increased by $0.3M, SGA were lower by $0.3M.

The Corporation has generated sales of $23M in 2020 and 2019. Gross margin was 26% in 2020 compared to 24% in 2019. The increase is due to lower expenses on replacement of pharmacist. There was more virtual training than presence in person due to Covid-19 which reduced to costs incurred when they are held in presence.

Sales of pharmacy services amounted to $13 M in 2020 and 2019.

Sales of training services amounted to $10 M in 2020 and 2019.

Selling and administrative expenses amounted to $4.9M ($5.2M in 2019). The revaluation of the due to third-party was reduced by $0.4M.

Net finance costs of $5.3M ($4.5M in 2019) were mainly driven by a $3.2M in finance costs and a $0.8M reduction of the lower fair value adjustment for the conversion options on the preferred shares while it was a $0.6M expense in 2019.

The Corporation recorded an impairment of $0.6M in 2019 in the pharmaceutical services operating segment and a loss of $2.2M on the sale of Pharmapar.

STATEMENT OF FINANCIAL POSITION

As at July 31, 2020, cash totaled $1.8M ($1.2M in 2019) and the negative working capital improved by $5.8M from $10.1M in 2019 to $4.3M in 2020. Working capital is negative mainly because the bank debt has been reclassified as current under the forbearance agreement.

As at July 31, 2020, total assets of the Corporation were $20M ($16M in 2019), an increase of $4M. The increase in the total assets is mainly due to the application of IFRS-16 which created a right of use assets of $2.3M and a lease liability of $2.7M.

CASH FLOW

The cash flows used in operating activities totaled $1.4M in 2020 ($2.4M in 2019). The cash flows used for investing activities totaled $1.1M compared to a source of $2.5M in 2019. They consist primarily of acquisition of fixed assets of $0.9M ($0.4M in 2019) and a reduction of loan receivable of $0.3M. Cash flows from financing activities amounted to $3.1M ($0.1M in 2019). KDA repaid $1.2M of debt ($6.4M in 2019). In 2020, gross proceeds from private placements and share issuance amounted to $4.2M compared to $6.2M in 2019.

LIQUIDITY AND FINANCING SOURCES

Management estimates that the net cash deficiency at the end of the year is serious and recognizes the requirement for a restructuring plan in order to improve operating margins, and that additional financing will also be required; such actions should 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. The Corporation is under discussion to refinance its bank debt and issued, 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.

OBLIGATIONS AND CONTRACTUAL COMMITMENTS

The Corporation entered into operating leases expiring on various dates through May 2027, with respect to leased premises and other leases. The total future minimum lease payments under non-cancellable operating

OFF-BALANCE SHEET TRANSACTIONS

The company has not concluded any off-balance sheet arrangements.

	At July 31, 2020
Less than 1 year	**88,775**
Between 1 and 5 years	**52,450**
More than 5 years	**27,594**
	168,819

RELATED PARTY TRANSACTIONS

	2020	2019
Professional fees	**679,733**	403,004
Share-based compensation	**113,856**	169,956

	2020	2019
Trade and other payables	**12,977**	177,195
Dividend payable (1)	**75,000**	75,000

(1) 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 November 27, 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 was establish 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.

FOURTH QUARTER RESULTS

For the Fourth quarter ended July 31, 2020, the net loss was $1.3M or $0.02 per share ($2.5M or $0.03 per share in Q4-2019). The Corporation has generated $5.7M of sales ($7.2M in Q4-2019). The EBIDTA amounted to $1.9M ($nil in Q4-2019). The EBITDA increase is mainly driven by reevaluation of provision of $0.4M and the reduction in the professional fees.

BASIS OF PRESENTATION AND GOING CONCERN

The Corporation 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 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 the year ended July 31, 2020, the Corporation reported a net loss of $4.6M. As discussed in note 1 of its consolidated financial statements, the Corporation is in breach of its financial covenants with respect to its secured credit financing as of July 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 consolidated financial statements, management exercises judgement when applying the accounting policies as detailed in note 2 of its consolidated financial statements. The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized in note 3. These consolidated financial statements of the Corporation for the years ended July 31, 2020 and 2019 were approved and authorized by the Board of Directors on November 30, 2020.

STATEMENT OF COMPLIANCE WITH IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as of July 31, 2020 and July 31, 2019.

SUMMARY OF ACCOUNTING POLICIES

BASIS OF MEASUREMENT

These audited consolidated financial statements have been prepared on the historical cost basis except for an investment, derivative instruments financial instruments and contingent considerations are measured at fair value.

FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Canadian dollars (“$”), which is the Corporation’s functional currency.

BASIS OF CONSOLIDATION

Subsidiaries are entities controlled by the Corporation. The Corporation controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Corporation.

Intra-Company balances and transactions, and any unrealized income and expenses arising from intra-Company transactions, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent equity interests in the subsidiary owned by outside parties. The share of net assets of the subsidiary attributable to non-controlling interests is presented as a component of equity. Their share of net loss and comprehensive loss is recognized directly in equity.

USE OF ESTIMATES AND JUDGMENTS

The preparation of the accompanying consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amount of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amount of revenues and expenses. These estimates and assumptions are based on management's best estimates and judgments.

Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate actual results could differ from these estimates. Changes in those estimates and assumptions resulting from changes in the economic environment will be reflected in the financial statements of future periods. Information about critical judgments, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are included in the following notes to the consolidated financial statements:

- Note 5 – Establishing the fair value of the investment is estimated by Management using their judgement in assessing the factors and making estimates and assumptions that are supported by quantifiable market information, supplemented by internal analysis as required.

- Note 10 — Establishing the fair value of assets and liabilities, intangible assets and goodwill related to business acquisition.

  Goodwill is reviewed annually for impairment. Property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment review requires estimates in a variety of areas including the determination of fair value, selling costs, timing and size of cash flows, long-term growth rates, discount rates, and other valuation variables; the application of these variables in valuation models requires judgment.

- Note 15 — Assessing the recoverability of deferred tax assets based on an assessment of KDA and its subsidiaries' ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions.
- Note 16 — The Series A Preferred Shares issued by the Corporation include conversion and redemption options, which are considered as Level 3 financial instruments. The derivative is measured at fair value through profit and loss, and its fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the consolidated statement of loss and comprehensive loss. A derivative valuation model is used, and includes management's assumptions, to estimate the fair value. Detailed assumptions used in the model to determine the fair value of the embedded derivative as at July 31, 2020..

- Note 24 — Provisions are recognized in the consolidated financial statements involve judgments on the occurrence of future events, which could result in a material outlay for the Corporation. In determining whether an outlay will be material, the Corporation considers the expected future cash flows based on facts, historical experience and probabilities associated with such future events. Uncertainties exist with respect to estimates made by management and as a result, the actual expenditure may differ from amounts currently reported.

They were no other critical judgments, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment described in the last consolidated financial statements for the year ended July 31, 2020.

FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

Financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'at amortized cost' and 'fair value through other comprehensive income' (FVOCI). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling it in the near term; if on initial recognition it is part of a portfolio of identified financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit- taking; or it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss.

Financial assets at FVOCI are stated at fair value, with any gains or losses arising on re-measurement recognized through other comprehensive income.

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'debt instruments'. Debt instruments are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial Asset	Classification	Subsequent Measurement
Cash	Debt instruments	Amortized cost
Trade and other receivables	Debt instruments	Amortized cost
Loans receivable from shareholders	Debt instruments	Amortized cost
Loan receivable from minority subsidiary	Debt instruments	Amortized cost
Investment (1)	FVOCI	Fair value

(1) At the initial recognition of this financial asset, the Corporation made the irrevocable election to designate this financial asset as fair value through other comprehensive loss (FVOCI).

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

DERECOGNITION OF FINANCIAL ASSETS

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS ISSUED BY THE CORPORATION

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near term; or if on initial recognition it is part of a portfolio of identified financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit-taking; or if it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; if the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or if it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive loss.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

the corporation has classified all of its financial liabilities as follows:

Financial liability	Classification	Subsequent measurement
Bank indebtedness	Other financial liability	Amortized cost
Trade and other payables (excluding sales tax payable)	Other financial liability	Amortized cost
Due to a third-party	Other financial liability	Amortized cost
Due to shareholder, without interest	Other financial liability	Amortized cost
Long-term debt	Other financial liability	Amortized cost
Lease liabilities	Other financial liability	Amortized cost
Preferred shares – host component	Other financial liability	Amortized cost
Preferred shares – conversion option	FVTPL	Fair value

DEROCOGNITION OF FINANCIAL LIABILITIES

The Corporation derecognizes financial liabilities when and only when, the Corporation's obligations are discharges, cancelled or they expire.

COMPOUND FINANCIAL INSTRUMENT AND EMBEDDED DERIVATIVES

The preferred shares issued by the Corporation are considered to be a compound financial instrument that can be converted into common shares at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The preferred shares also include a redemption option to convert the preferred shares into debt after a certain period, at the option of the holder, which amounts to be settled will vary based on the timing of the exercise as described in note 12.

The compound financial instrument is recognized as a liability, with the initial carrying value of the Preferred shares (host) being the residual amount of the proceeds, after separating the derivative component, which is recognized at fair value, and also the warrants issued with the instruments. Any directly attributable transaction costs are allocated to the host and to the warrants issued.

The embedded derivative (conversion options) that constitutes the Preferred shares (derivative) is recorded at fair value separately from the host contract, as its economic characteristics and risks are not clearly and closely related to those of the host contract.

Subsequent to initial recognition, the host component of the compound financial instrument is measured at amortized cost using the effective interest method. The derivative component of the compound financial instrument is measured at fair value through profit and loss. Subsequent changes in fair value is recorded in the consolidated statements of loss and comprehensive loss.

Accretion of interest related to the host component is also recognized in the consolidated statement of loss and comprehensive loss as financing costs.

PROPERTY AND EQUIPMENT

Property and equipment are accounted for at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in net income or loss.

Depreciation is based on the cost of an asset less its residual value and is recognized in income or loss over the estimated useful life of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

Categories	Method	Useful lives
Furniture and fixtures	Straight-line	5 years
Computer equipment	Straight-line	5 years
Leasehold improvements	Straight-line	5 years
Vehicle	Straight-line	5 years
Equipment	Straight-line	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if appropriate.

Property and equipment are reviewed for impairment in accordance with IAS 36 Impairment of Assets when there are indicators that the carrying value may not be recoverable.

INTANGIBLE ASSETS

i) Goodwill

Goodwill that arises upon business combinations is included in intangible assets. Goodwill is not amortized and is measured at cost less accumulated impairment losses in accordance with IAS 36 impairment of assets.

ii) Other finite life intangible assets

Other intangible assets consist of customer relationships, training courses, software, Web sites, commercialization rights and non-compete agreements. Other intangible assets that are acquired by the Corporation and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses in accordance with IAS 36 impairment of assets.

Intangible assets with finite lives are amortized on a straight-line basis over the following estimated useful lives:

Categories	Useful lives
Customer relationships	10 years
Training courses	5 years
Software	5 years
Web sites	3 years
Non-compete agreement	Contractual period

Useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if appropriate. The carrying amounts are reviewed at each reporting date to determine whether there is an indication of impairment.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Corporation's non-financial assets other than deferred tax assets and goodwill are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to each acquired business within the Corporation's operating segments, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell ("FVLCS"). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or group of assets.

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, if any, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment losses and impairment reversals are recognized in income or loss.

SHARE-BASED PAYMENT TRANSACTIONS

The grant date fair value of equity share-based payment awards granted to employees or consultants is recognized as an administrative expense, with a corresponding increase in contributed surplus, over the period that the employees or the consultants unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service condition at the vesting date.

DEFERRED REVENUE

Deferred revenue consists of payments received by the Corporation in consideration for professional services to be delivered over a certain period at contracted prices. As services are provided, the Corporation will record a portion of the deferred revenue as sales, based on a proportionate share of services provided compared with the total estimated contractual commitment.

DEFERRED FINANCING COSTS

Financing costs related to debt are deferred and amortized over the term of the corresponding loans. When one of these loans is repaid, the corresponding financing costs are charged to net earnings.

REVENUE RECOGNITION

Revenues are derived from sales of goods, services or contracts. Revenues from goods are recognized at the fair value of the consideration received or receivable, net of returns, trade discounts and professional allowance. Revenues from services and contracts are recognized when it is realized or realizable and earned. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, usually when the merchandise is shipped; the recovery of the consideration is probable; the associated costs and possible return of goods can be estimated reliably; there is no continuing management involvement with the goods; and the amount of revenue can be measured reliably. Professional allowance and cash discounts granted to customers are accrued at the time of sale and recorded as a reduction of sales.

DISCONTINUED OPERATIONS

A discontinued operation is a component of the Corporation that has either been disposed of or that is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations; (b) is part of a single plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Assets, liabilities, comprehensive loss, and cash flows relating to a discontinued operation of the Corporation are segregated and reported separately from the continuing operations of the Corporation. The comparative statement of comprehensive loss is re-presented as if the operation had been discontinued from the start of the comparative year.

SEGMENTED INFORMATION

An operating segment is a component in the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. The Corporation's Chief Executive Officer regularly reviews all operating segments' operating results to decide which resources should be allocated to the segment and to assess its performance, for which specific financial information is available.

The Corporation has three reportable operating segments: pharmacy services, pharmaceutical solutions and Pharmaceutical cannabis products.

The accounting policies that are used for the operating segment are the same as the one described in this note. The Corporation analyzes the performance of its pharmacy services and pharmaceutical solutions segments based on its operating income before depreciation, amortization, finance costs and income taxes. This is the measure reported to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance. The Corporation records intersegment operations, if any, at the amount agreed between the parties.

FINANCE COSTS

Finance costs comprise interest expense on bank indebtedness and long-term debt, unwinding of the discount on provisions and impairment losses recognized on financial assets (other than trade receivables) and accretion of interest on the host component of the preferred shares.

Fair value gains or losses on derivative financial instruments, on the derivative component of the preferred shares and on contingent considerations, and foreign currency gains and losses are reported as either finance income or cost.

INCOME TAXES

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

EARNINGS PER SHARE

The Corporation presents basic and diluted earnings per share ("EPS") data for its Class "A" common shares. Basic EPS is calculated by dividing the income or loss attributable to common shareholders of the Corporation by the weighted average number of Class "A" common shares outstanding during the year, adjusted for own shares held, if any.

Diluted EPS is determined by adjusting the income or loss attributable to common shareholders and the weighted average number of Class "A" common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential Class "A" common shares, which comprise convertible debentures in shares, warrants and stock options.

EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits include wages, salaries, compensated absences, and bonuses. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided or capitalized if the service rendered is in connection with the creation of a tangible or intangible asset.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

DEFINED CONTRIBUTION PLANS

The Corporation contributes to state-run defined contribution pension plans for employees in which the Corporation pays fixed contributions for eligible employees.

The costs of benefits for defined contribution plans are expensed as they are incurred. The Corporation has no legal or constructive obligation to pay any further amounts.

THE PENSION PLAN EXPENSE DURING THE YEAR AMOUNTS TO THE FOLLOWING:

	2020	2019
Total presented under cost of revenue	**3,480**	6,924

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED

Certain pronouncements, issued by the IASB or the IFRS Interpretations Committee ("IFRIC"), were adopted by the Corporation as of August 1, 2019. The following pronouncements are relevant to the consolidated financial statements:

i) IFRS 16 Lease ("IFRS 16")

On August 1, 2019, the Corporation adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases as applied under IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (leases of 12 months or less) or leases of low-value assets. The Corporation applied IFRS 16 using the modified retrospective method. Under this method, comparative financial information has not been restated and will continue to be reported under the accounting standards in effect for those periods. The Corporation has recognized lease liabilities related to its lease commitments for its building, vehicles and office leases. The lease liabilities were measured at the present value of the remaining minimum lease payments, discounted using the Corporation's estimated incremental borrowing rate as at August 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets were recognized at the lease liabilities amount, adjusted by the amount of accrued lease payments relating to the leases recognized in the statement of financial position immediately before initial adoption on August 1, 2019.

The Corporation elected to apply the following recognition exemptions and practical expedients, as described under IFRS 16:

- recognition exemption of short-term leases;
- recognition exemption of low-value leases;
- application of a single discount rate to a portfolio of leases with similar characteristics on transition;
- exclusion of initial direct costs from the measurement of the right-of-use assets upon transition;
- application of hindsight in determining the applicable lease term at the date of transition; and
- election to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.
- As a result of adopting IFRS 16, the Corporation updated its lease accounting policies as follows: The Corporation assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and an interest expense. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the Corporation is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.
- The Corporation's lease liability is recognized net of lease incentives

receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Corporation's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Corporation is reasonably certain to exercise. Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration and sales and marketing expense in the statement of operations and comprehensive loss. Short-term leases are defined as leases with a lease term of 12 months or less. Variable lease payments that do not depend on an index, rate, or subject to a fair market value renewal condition are expensed as incurred and recognized in costs of goods sold, general and administration or sales and marketing expense, as appropriate given how the underlying leased asset is used, in the statement of operations and comprehensive loss. Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs.

- The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease.

ii) IFRIC 23 - Uncertainty over Income Tax Treatments ("IFRIC 23")

This standard clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The Corporation adopted this standard on August 1, 2019, which did not have a significant effect on the Corporation's consolidated financial statements.

There are no other pending IFRSs or IFRIC interpretations that are expected to be relevant to the Corporation's consolidated financial statements.

FINANCIAL RISKS, MANAGEMENT OBJECTIVES AND POLICIES

RISKS

In the normal course of its operations and through its financial assets and liabilities, the Company is exposed to the following risks:

- Credit risk
- Liquidity risk
- Market risk

This section presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, and processes for managing risk, and the Corporation's management of capital. Further quantitative disclosures are included throughout the consolidated financial statements.

RISK MANAGEMENT FRAMEWORK

The Corporation's management identifies and analyzes the risks faced by the Corporation, sets appropriate risk limits and controls, and monitors risks and adherence to limits. Risk management is reviewed regularly to reflect changes in market conditions and the Corporation's activities. The Board of Directors has overall responsibility of the Corporation's risk management framework. The Board of Directors monitors the Corporation's risks through its audit committee. The audit committee reports regularly to the Board of Directors on its activities. The Corporation's audit committee oversees how management monitors and manages the Corporation's risks.

(a) CREDIT RISK

Credit risk is the risk of financial loss to the Corporation if a customer or counterpart to a financial instrument fails to meet its contractual obligation and arises principally from the Corporation's trade receivables. The Corporation grants credit to its customers in the ordinary course of business. Management believes that the credit risk of trade receivables is limited due to the following reasons:

- No single customer accounts for more than 10% of the Corporation's revenue,
- Approximately 85% (July 31, 2019 – 94%) of the Corporation's trade receivables are not past due or 30 days or less past due.

IMPAIRMENT LOSSES

THE AGING OF TRADE RECEIVABLES AT THE REPORTING DATE WAS:

	2020		2019	
	Total	**Impairment**	Total	Impairment
Not past due	**2,269,474**	—	2,650,260	—
Past due 1 - 30 days	**758,425**	—	410,692	—
Past due 31 - 60 days	**321,691**	—	35,282	—
Past due more than 60 days	**219,770**	—	146,875	—
	3,569,360	—	3,243,109	—

(b) LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

Cash inflows and cash outflows requirements from the Corporation and its subsidiaries are monitored closely and separately to ensure the Corporation optimizes its cash return on investment. Typically, the Corporation ensures that it has sufficient cash to meet expected operational expenses. The Corporation monitors its short and medium-term liquidity needs on an ongoing basis using forecasting tools.

THE FOLLOWING ARE THE CONTRACTUAL MATURITIES OF THE FINANCIAL LIABILITIES:

	Less than 1 year	Between 1 and 5 years	More than 5 years
Bank indebtedness	**1,350,000**	—	—
Trade and other payables (excluding sales tax)	**3,113,275**	—	—
Due to shareholders	**290,561**		
Due to third-party	**1,093,903**	—	—
Long-term debt	**4,063,010**	523,242	6,808
Lease liabilities	**248,287**	2,476,534	-
	10,159,036	2,999,776	6,808

THE FUTURE AMOUNTS PAYABLE FOR THE LONG-TERM DEBT, AS OF JULY 31, 2020 ARE AS FOLLOWS:

	At July 31, 2020	At July 31, 2019
Less than 1 year	**4,063,010**	7,569,789
Between 1 and 5 years	**523,242**	445,275
More than 5 years	**6,808**	27,183
Total amounts payable	**4,593,060**	8,042,247
Less: Financing fees	**(19,956)**	(24,000)
	4,573,104	8,018,247

The Corporation's loan agreement requires compliance with two ratios on a quarterly basis, starting August 19, 2016. The first is a ratio of Senior debt to earnings before interest, income taxes, depreciation, amortization and permitted expenses ("Adjusted EBITDA") calculated on a rolling four-quarter basis. The second is a fixed charge coverage ratio. At July 31, 2020, the Corporation was not in compliance with its financial covenants, and has, therefore, reclassified the loan from a Canadian chartered bank under current liabilities. The Corporation has entered into a forbearance agreement until January 29, 2021.

The Corporation remains current in terms of debt repayment. The Corporation remains in discussions with its banker to remediate to the situation. The Bank could recall its credit facility and its loan should the Corporation fails with its remediation plan.

The Corporation has sufficient liquidity to continue its operations, but additional financing will be required.

(c) MARKET RISK

INTEREST RATE RISK

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument held by the Corporation will fluctuate, because of changes in interest rates. The Corporation's financial liabilities other than current liabilities are comprised of medium to long-term variable rate debt.

THE CORPORATION'S EXPOSURE TO INTEREST RATE RISK IS SUMMARIZED AS FOLLOWS:

Cash	Fixed interest rates
Trade and other receivables	Non-interest bearing
Loans receivables	Non-interest bearing
Bank indebtedness	Variable interest rates
Trade and other payables	Non-interest bearing
Long-term debt	Fixed and variable interest rates

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 July 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, 2022, 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. Concurrently, KDA will implement 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 and on our website www.kdagroup.ca.

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