

**AVIDUS MANAGEMENT GROUP INC.  
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS – FORM F1-102F1  
FOR THE PERIOD ENDED JUNE 30, 2015**

## CAUTION RELATING TO FORWARD-LOOKING INFORMATION

This Management Discussion and Analysis (MD&A) contains statements and information that, to the extent that they are not historical fact, may constitute “forward-looking information” within the meaning of applicable securities legislation. Forward-looking information may include financial and other projections, as well as statements regarding future plans, objectives or economic performance, or the assumption underlying any of the foregoing. This MD&A uses words such as “may”, “would”, “could”, “will”, “likely”, “except”, “anticipate”, “believe”, “intend”, “plan”, “forecast”, “project”, “estimate”, “outlook”, and other similar expressions to identify forward-looking information.

In particular, this MD&A contains forward-looking statements pertaining to: the Company’s plans to grow and expand its business, including its plans to expand its business outside the United States; the Company’s ability to continue to develop and acquire new products; the Company’s plans to increase the recruitment, retention, retailing and productivity of its network of affiliates; the capacity of current facilities to handle projected growth; and capital investment costs in product development.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect.

Assumptions have been made regarding, among other things, the Company’s ability to develop new products which will receive market acceptance, to receive market acceptance in new markets outside the United States, to engage and retain qualified key personnel, employees and affiliates, to obtain capital and credit and to protect its intellectual property rights.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer to differ materially from any future results, performance or achievements expressed or implied by the forward-looking information.

Accordingly, readers should not place undue reliance on any such forward-looking information. Further, any forward-looking statement speaks only as of the date on which such statement is made. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on the Issuer’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. The Issuer does not undertake any obligation to update any forward-looking information to reflect information, events, results, circumstances or otherwise after the date hereof or to reflect the occurrence of unanticipated events, except as required by law including securities laws.

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
OF THE COMPANY'S FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

The following MD&A with its effective date of June 30, 2015, for Avidus Management Group Inc. (the "Company" or "Avidus") reviews the financial condition and results of operations of the Company for the three months ended June 30, 2015, and other material events up to the date of this report. The following discussion should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015 and the audited annual consolidated financial statements and related notes for the year ended December 31, 2014. The financial information in this MD&A is derived from the Company's financial statements that have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS").

Management is responsible for the preparation and fair presentation of the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015, the audited annual consolidated financial statements for the year ended December 31, 2014 and for this MD&A.

All monetary amounts in this MD&A and in the Company's financial statements are expressed in United States dollars, unless otherwise stated.

This MD&A may contain forward looking statements and information based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of factors beyond its control. Actual results may differ materially from the expected results.

**Company Background**

Avidus Management Group Inc. was incorporated under the Business Corporations Act of British Columbia on January 31, 2006 and was classified as a Capital Pool Company ("CPC") as defined by Policy 2.4 of the TSX Venture Exchange ("TSX-V"). The Company began trading under the symbol GLT.H on April 28, 2008. Effective May 28, 2010, the Company changed its name from Glenthorne Enterprises Inc. to Asantae Holdings International Inc.

Prior to December 9, 2010, the Company had no business operations and its only significant asset was cash. Effective December 9, 2010, the Company completed its Qualifying Transaction whereby the Company acquired all of the issued and outstanding share of Asantae, Inc. ("Asantae"), a company organized and incorporated under the laws of the state of Delaware on December 30, 2009 and on December 14, 2010, the common shares of the Company commenced trading on the TSX-V under the symbol JVA. Prior to December 30, 2009, Asantae operated as a limited liability company.

Effective May 31, 2013, the Company changed its name to Avidus Management Group Inc. and commenced trading on the TSX-V under the symbol AVD. There was no change to the Company's share capital. All other entities and related companies names remained the same.

**Description of Business**

Avidus is in the business of evaluating and acquitting the assets of growth-oriented direct sales and network marketing companies in the consumer health and wellness market located in the Americas. The Company, through its wholly owned subsidiaries, Asantae and Truestar Health Group Inc. ("Truestar"), develops, produces, and markets brands of innovative nutritional products via direct and network marketing channels. The operating divisions' prime objectives include increasing the recruitment, retention, retailing and productivity of its network of independent sales affiliated and continuing to introduce science-based

products that fit its core mission. The Company has deployed a scalable, network-marketing technology platform designed for companies of its size and that satisfy the needs of both the distributor and customer. Sales are currently sourced from the United States and Canada and are generated through the Company's network of affiliates and preferred customers, of which approximately 7,575 affiliates are active. Avidus' brands include Asantae, Akea and Truestar.

**Truestar:** is a personal profiling total health program that is based upon five key areas of health: Nutrition, Exercise, Vitamins, Attitude and Sleep. It includes a suite of over thirty products and resources that are used to create customized nutritional, diet and exercise plans.

**Akea:** is a supplement comprised of a complex of natural ingredients that work synergistically to provide the body the nutrients it needs. The nutrients contained in the supplement are based on the findings from research conducted in various communities from around the world to understand what foods contribute to a longer and healthier life.

**Asante** includes the following two leading products:

**IS2™:** is a functional beverage that supports the body's natural ability to protect, fight, and rebuild against the effects of injury, illness and disease. IS2™ is a proprietary blend of unique ingredients that are synergistically combined so as to aid in resolving inflammation, a contributing factor to major health problems, by strengthening the body's natural immune system and inflammatory processes.

**RealW8™:** is Asantae's exclusive weight loss supplement that uses a proprietary blend of green coffee extract, nopal cactus and marine macroalgae extract to moderate blood sugar spikes and to reduce dependency on dietary carbohydrates, thereby assisting users to lose weight.

## 2015 Highlights

- On January 23, 2015, Avidus announced that it completed a non-brokered private placement of 12,942,620 common shares of the Company (the "Shares") at a price of CAD \$0.05 per Share for gross proceeds of CAD \$647,131. No finder's fees or commissions were paid in connection with this financing.
- On January 23, 2015, the Company announced that it retained Frontier Consulting Ltd. ("Frontier"), part of the Merchant Capital Group, on a 12-month contract to assist the Company in building market awareness in the North American investment community. In relation to this contract, Avidus will also grant Frontier 200,000 incentive stock options exercisable at a price of CAD \$0.05 per share for a period of one year.
- On March 12, 2015, the Company announced that it completed a debt settlement with certain arm's length and non-arm's length creditors and issued 19,564,812 common shares (the "Shares") in the Company at a deemed price of CAD \$0.10 per Share to settle approximately CAD \$1,956,481 of debt. 10,394,916 Shares were issued to a company controlled by the Company's Chief Operating Officer and Director, 175,000 Shares were issued directly to the Chief Operating Officer and Director, 175,000 Shares were issued directly to the Chief Executive Officer and Director and 2,713,694 Shares were issued to the Company's Investor Relations firm, Sequoia Partners Inc.
- On April 16, 2015, the Avidus announced the appointment of Camille Transtrum as Chief Financial Officer of the Company.
- On May 13, 2015, the Company announced that a temporary Management Cease Trade Order has been issued by the British Columbia Securities Commission against the Chief Executive Officer and Chief Financial Officer due to the delay in filing the 2014 annual audited consolidated financial statements, management's discussion and analysis and CEO and CFO certificates.

## Summary of Quarterly Results

The following table sets forth selected financial information of the Company for each of the eight most recent financial quarters to June 30, 2015 (in '000's).

	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Sales	\$806	\$1,027	\$1,287	\$1,322	\$878	\$652	\$219	\$253
Cost of Sales	\$528	\$704	\$842	\$1,011	\$621	\$484	\$176	\$223
Gross profit (loss)	\$278	\$323	\$345	\$311	\$257	\$168	\$43	\$30
Operating Expenses	\$765	\$33	\$1,080	\$1,066	\$396	\$641	\$932	\$735
Income (Loss) from operations for the period	(\$487)	\$290	(\$735)	(\$755)	(\$139)	(\$473)	(\$889)	(\$705)
Other items	(\$233)	\$31	(\$1,879)	(\$11)	(\$56)	(\$79)	(\$93)	(\$72)
Income (Loss) for the period	(\$720)	\$320	(\$2,614)	(\$766)	(\$195)	(\$552)	(\$982)	(\$777)
Per share – Basic and diluted	\$nil	\$nil	(\$0.04)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.03)	(\$0.02)

During the three months ended June 30, 2015 (“Q2 2015”), the Company generated \$806,296 in top line revenue, compared to \$877,666 for the same three month period in 2014 (“Q2 2014”) representing a slight decrease of \$71,370 or 8%. The company attributes this change to a slight decrease in overall recruiting activities.

During Q2 2015, the Company had net loss of \$197,719 compared to a net loss of \$195,797 during Q2 2014. For the purposes of these financials, the Company finds this change to be immaterial.

Management expects sales to grow throughout 2015 as the Company continues to recruit and train experienced professional network marketers. This probable sales growth coupled with the efficiencies gained from completion of the integration of the Truostar and Akea operations within Asantae will likely result in improved overall company performance and will likely continue to generate profitable operations.

### Sales

Sales for Q2 2015 decreased to \$806,296 (Q2 2014 - \$877,666) due to a decrease in recruiting activities. The Company expects that continued recruitment of experienced professional network marketers will continue to provide sales growth through 2015.

Gross profit increased in Q2 2015 as compared to Q2 2014; \$278,382 and \$256,700 respectively. Gross profit as a percent of sales increased, 34.5% in Q2 2015 compared to 29.2% in Q2 2014, which is the result of a shift in the sales mix.

### Operating expenses

Operating (selling and general and administrative) expenses were \$765,678 in Q2 2015 compared to \$227,230 in Q2 2014, representing an increase of \$538,448. This increase is due in large part to an increase in management fees, professional fees, and salaries and wages. All these differences are directly attributable to the Truostar operations that were shut down in Q2 2015. The Company expects little residual expenses from the former Truostar operations.

### Advertising and promotion

Advertising and promotion expenses for Q2 2015 were \$63,501 compared to \$34,826 in Q2 2014. The increase in expenses is related to new promotions to attract and train experienced professional network marketers.

Management fees

Management fees for Q2 2015 were \$5,682 compared to (\$56,711) for Q2 2014 representing an increase of \$62,393.

Professional fees

Professional fees totaled \$178,643 and \$70,421 for Q2 2015 and Q2 2014 respectively. The increase of \$108,222 is attributed to additional costs related to the integration of Truostar and Akea into Asantae.

Rent

Rent decreased from \$30,515 for Q2 2014 to \$25,824 for Q2 2015. This decrease is due to elimination of office space in Canada.

Share-based compensation

Share-based compensation was \$nil in Q2 2015 and in Q2 2014 the total stock-based compensation was \$nil.

## **Liquidity and Capital Resources**

### **Quarterly Statement of Financial Position**

As of June 30, 2015, the Company had current assets of \$472,618 (December 31, 2014 – \$418,138). Current liabilities decreased from \$5,385,232 on December 31, 2014 to \$4,823,743 on June 30, 2015. The decrease in current liabilities is primarily due to a decrease in trade accounts payable and the conversion of notes to equity.

As of June 30, 2015, the Company reported a net working capital deficiency of \$4,404,763, compared to a net working capital deficiency of \$5,082,647 at December 31, 2014, representing a decrease in working deficiency of \$677,884. As the Company approaches cash-flow breakeven and generates profits resulting from the additional network recruits, management believes that its net working capital will improve over the next four quarters.

### **Investing Activities**

During Q2 2015, the Company had no new investing.

### **Financing Activities**

During Q2 2015, the company received no new financing.

During Q2 2015, the Company completed no new financing activities.

### **Disclosure of Outstanding Share Data**

At the date of this MD&A, the Company had 97,852,720 common shares issued, 5,095,024 stock options, 31,523,314 warrants and agent's option warrants outstanding.

For a detailed summary of the outstanding securities convertible into exercisable or exchangeable for voting or equity securities as at June 30, 2015, refer to Note 10 in the Company's unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015.

### **Off-Statement of Financial Position Arrangements**

The Company has no off-statement of financial position arrangements.

### **Transactions with Related Parties**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of directors and other members of key management personnel during the period ended June 30, 2015 and 2014 are as follows:

- a) Paid or accrued management fees of \$108,894 (Q2 2014 - (\$56,711)) to officers of the Company. As at June 30, 2015, the amount payable to these parties was \$204,046 (December 31, 2014 - \$130,870) and is included in accounts payable – related parties.

The Company entered into the following transactions with related parties not otherwise disclosed in these unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015:

#### Other related party transactions

### Notes Payable – Related Parties

	June 30, 2015	December 31, 2014
A note agreement due to a company controlled by a director/officer of the Company, Daniel Lundell, for the principal sum of up to \$466,252 bearing interest at 11% per annum. Repayment terms are under negotiation. Interest of \$106,957 recorded in accounts payable – related parties.	\$ 0	\$ 467,307
A non-interest bearing note due to a company controlled by a director/officer of the Company, Daniel Lundell, due and payable upon demand.	0	251,000
	0	718,307
Less: current portion	(0)	(718,307)
Long term notes payable – related parties	\$ -	\$ -

The future annual minimum payments on the related party notes payable are all in calendar 2014.

#### Financial Instruments and Risks and Uncertainties

Please refer to Note 13 in the accompanying Company's unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015 for a discussion of the financial instruments used by Avidus, including, but not limited to, the nature of the instruments used, their associated risks and how the Company manages the risks.

#### New accounting policies and pronouncements

Please refer to Note 2 in the accompanying Company's unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015 for new accounting policies and pronouncements.

#### Outlook

Although, the Company expects to be cash flow positive for 2015, the Company may need to rely upon equity markets for additional capital. However, in light of the volatility experienced in the global securities markets during the past year, there is no assurance that working capital together with equity market financings will be adequate or viable to fund the Company's activities, acquire or develop new products, make payments pursuant to the terms and to cover corporate overhead for the next twelve months.

While the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015 were prepared on the basis of accounting principles applicable to a going concern, current market conditions, including limited availability of financing opportunities, cast substantial doubt upon the validity of this assumption. Management and the Board of Directors are in the process of examining proposals for its various strategic initiatives with a view to establish growth oriented initiatives and programs, budgets and capital requirements for the next 12 months.

#### ADDITIONAL SOURCES OF INFORMATION

Additional information relating to Avidus can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com)