

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1.1 Date of Report: August 29, 2017

The following management's discussion and analysis should be read together with the annual consolidated financial statements and accompanying notes for the year ended April 30, 2017 and related notes hereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

This management discussion and analysis includes certain statements that may be deemed "forward-looking statements". Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

### 1.2 Overall Performance

#### ***Nature of Business and Overall Performance***

Veritas Pharma Inc. (formerly Seashore Organic Medicine Inc.) (the "Company" or "Veritas") was incorporated on May 14, 2014 under the Business Corporation Act of British Columbia as Seashore Organic Marijuana Corp. On September 22, 2014 the Company changed its name from Seashore Organic Marijuana Corp. to Seashore Organic Medicine Inc. On December 29, 2015, the Company changed its name to Veritas Pharma Inc.

On August 12, 2014, the Company commenced trading on the Canadian Securities Exchange ("CSE") under the trading symbol "SOM". On December 29, 2015, the trading symbol was changed to "VRT".

Its current focus is to develop the most effective proprietary cannabis strains for specific disease conditions. The Company's head office is located at 101-2386 East Mall, University of British Columbia, Vancouver, B.C.V6T 1Z3.

#### **Background**

##### Acquisition of Cannevert Therapeutics Ltd.

On October 9, 2014, the Company entered into an agreement with Cannevert Therapeutics Ltd. ("CTL") to subscribe for shares such that the Company could acquire up to a 70% equity and voting interest in CTL. The Company advanced a non-refundable deposit of \$25,000 during the year ended April 30, 2015, which would have been applied towards the subscription of shares in CTL. During the year ended April 30, 2015, the Company decided not to proceed with the investment in CTL and wrote off the deposit.

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On December 7, 2015, the Company entered into an amended and restated share purchase agreement with CTL (the "Agreement"). Under the Agreement, the Company has invested a total of \$1,500,000 into CTL in consideration for 6,001 common shares of CTL (the "CTL Shares"), in six separate tranches over the period of 15 months from the date of the Agreement (the "Private Placement"). As of April 23, 2017 the Company holds 80% of the total issued and outstanding CTL Shares. The proceeds are being used for joint research with the Company to develop and assess specific cannabis cultivars that are selective in action on specific medical disorders.

In accordance with IFRS 3, *Business Combinations*, the agreement was deemed a business combination for accounting purposes. Assets acquired and liabilities assumed are reported at their fair values as at the acquisition date. The following table summarizes the consideration paid, the relative fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	\$
Cash	1,500,000
<b>Total consideration paid</b>	<b>1,500,000</b>
Cash	750,436
Amounts receivable	6,520
Prepaid expenses	54,124
Deferred charges	25,500
Property and equipment	54,235
Intangible assets	1,580,000
Accounts payable and accrued liabilities	(18,826)
<b>Total net identifiable assets</b>	<b>2,451,989</b>
<b>80% of net identifiable assets acquired</b>	<b>1,961,591</b>
<b>Bargain purchase gain</b>	<b>461,591</b>

CTL has received permission from Health Canada to conduct research on Cannabis strains. CTL and Veritas have also entered into a licensing agreement which allows Veritas the exclusive right to market all products developed by CTL.

Sale and Option to reacquire Sechelt Organic Marijuana Corp. ("SOM")

The Company had planned to become an emerging producer and distributor of medical marijuana ("Product"), and had applied to Health Canada ("HC") for a medical marijuana production and distribution license under the new Marijuana for Medical Purposes Regulations ("MMPR") (a "Production License" or "License"), which became law as of April 1, 2014 and were seeking to start the construction of a growing facility under a "Ready to Build" approval. Cultivation and the distribution of organic marijuana for medical consumption under an MMPR license was expected to constitute the principal business activity of the Company for years to come.

On November 18, 2016, the Company entered into a Letter of Intent ("LOI") where it has the exclusive option to acquire 100% of the issued and outstanding shares of Sechelt. In consideration for entering into the LOI, the Company issued 750,000 units to the Creditors. Each unit consists of one common share and one share purchase warrant exercisable at \$0.75 expiring in two years from issue.

Upon receiving exchange authority of December 16, 2016, the Company issued the 750,000 units with a fair value of \$425,020. The fair value of the common shares was based on the stock price on the stock exchange on the date they were issued. The fair

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value of the share purchase warrants was valued at \$245,020 using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values assuming no dividend yield or forfeitures are as follows: risk-free interest rate of 0.67%, expected volatility of 187%, and an expected life of 2 year, assuming no dividend yield or forfeitures.

Once Health Canada grants to Sechelt the permit to build a cannabis-growing facility and has issued to Sechelt the requisite MMPR license, the Company will proceed to close on the option commitments to acquire Sechelt within 60 days of the approval, first by making a cash payment of \$400,000 for the land and facilities, and secondly by making a common stock payment equivalent to \$400,000 for the MMPR license.

### 1.3 Selected Annual Information

The following financial data are selected information for the Company for the three most recently completed financial years:

	For the year ended April 30		
	2017 \$	2016 \$	2015 \$
Loss from continuing operations	(2,948,644)	(913,710)	(256,205)
Loss from discontinued operations	–	(247,716)	(472,580)
Net loss attributable to non-controlling interest	18,009	–	–
Net loss for year	(2,930,635)	(1,161,426)	(728,785)
Net loss per share, basic and diluted			
Continued operations	(0.10)	(0.05)	(0.02)
Discontinued operations	–	(0.01)	(0.02)
Total Assets	3,791,396	617,021	500,831

### 1.4 Results of Operations

The Company has not generated revenues to date and has experienced minimal operating cash flow and incurred a net loss of \$2,930,635 for the year ended April 30, 2017 as compared to a net loss of \$1,161,426 (\$913,710 continuing operations) for the year ended April 30, 2016.

Comparison of Results of Operations of the year ended April 30, 2017 and 2016:

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Expense	Year ended April 30, 2017 \$	Year ended April 30, 2016 \$	Variance \$	Explanation
Consulting	774,922	197,855	577,067	The Company engaged a full time president and part time chief financial officer. In addition, the Company engaged a number of consultants and consulting firms to assist in business development services.
Depreciation	1,423	–	1,423	Depreciation is associated with property and equipment included in purchase of Cannevert Therapeutics Ltd.
Foreign exchange loss	26,895	–	26,895	Exchange loss consists of fluctuations in the foreign exchange rates
Investor relations	958,253	–	958,253	Consists of investor awareness programs the Company has invested in. These programs are utilized to increase market exposure in Europe and North America. Also, this includes investor meetings and press release fees.
Office and miscellaneous	90,576	8,666	81,910	The Company has an allowance recorded for GST paid as the Company is unable to claim input tax credits at this time.
Professional Fees	108,247	49,124	59,123	Professional fees increased due to increased audit and accounting fees. The Company required additional administrative support as it completed financings and carried out its business plan in 2017.
Rent	27,494	–	27,494	The Company rented office and storage space in 2017.
Research and development	44,994	–	44,994	Research and development expense relates to expenses incurred by Cannevert Therapeutics Ltd. as they continue to study the medical benefits of Cannabis.
Share-based compensation	1,197,890	363,095	834,795	The increase in share based compensation is due to the company issuing 4.15M stock options during 2017 compared to 1.6M in 2016.
Transfer agent and filing fees	49,272	43,632	5,640	The increase in fees in 2017 is due to fees associated with Oddo Seydler Bank designated sponsorship agreement. Expenses consist of regulatory and exchange fees as well as transfer agent services.
Travel and promotion	77,691	201,742	(124,051)	The decrease in travel and promotion in 2017 is due to decreased travel

				activity required by the Company. The higher travel costs in 2016 are associated with the costs of raising capital and the costs of trips to England and the United States.
Wages and benefits	19,032	–	19,032	Wages and benefits consist of employee costs incurred by Cannevert Therapeutics Ltd.
Interest expense	33,546	49,596	(16,050)	The decrease is due to the company being able to raise funds through equity financing instead of requiring short term loans with interest accruing.
Total Expenses	3,410,235	913,710	2,504,337	

On March 14, 2105, the Company acquired a parcel of land located in Sechelt British Columbia for \$319,439 which will house the organic medical marijuana production facility. On March 7, 2016, the Company disposed of its investment in SOM, which included this parcel of land. The Company incurred a \$113,278 loss on the sale of SOM.

Because of the sale of SOM, the Company incurred a loss on discontinued operations of \$134,438 for the year ended April 30, 2016.

On April 23, 2017, the Company acquired an 80% interest in the issued and outstanding shares of Cannevert Therapeutics Ltd. In accordance with IFRS 3, *Business Combinations*, the agreement was deemed a business combination for accounting purposes. Assets acquired and liabilities assumed are reported at their fair values as at the acquisition date. The Company recorded a bargain purchase gain of \$461,591.

#### 1.5 Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters:

Quarter ended	Revenue \$	Net Loss \$	Loss per share \$
July 31, 2015	--	64,457	(0.00)
October 31, 2015	--	56,692	(0.00)
January 31, 2016	--	606,882	(0.03)
April 30, 2016	--	433,395	(0.01)
July 31, 2016	--	258,420	(0.01)
October 31, 2016	--	517,730	(0.02)
January 31, 2017	--	904,096	(0.03)
April 30, 2017	--	1,250,389	(0.03)

Net loss has been increasing over the 2017 fiscal year as the Company raised capital and invested in investor awareness and business development spending. The Company also issued 4,150,000 stock options during the year in comparison to 1,600,000 in the previous year. The increase in total loss for the quarter ended April 30, 2017 is largely due to share-based compensation and advertising and promotion activity. The Company completed the acquisition of 80% interest in Cannevert Therapeutics Ltd. on April 23, 2017 and expenses were recognized by the Company for the first time during the quarter ended April 30, 2017.

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The increase in net loss for the quarter ended January 31, 2016 is mainly due to share-based compensation and promotional costs incurred to raise additional capital. The increase in net loss for the quarter ended April 30, 2016 is mainly due to increased promotional cost including consulting and travel, as well as the loss on the sale of the Company's subsidiary, Sechelt Organic Medicine Inc. ("SOM").

1.6 Liquidity

As at April 30, 2017, the Company has \$1,178,617 cash compared to \$34,307 as at April 30, 2016. The Company has working capital of \$1,511,217 compared to \$15,669 as at April 30, 2016.

The Company has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants. Management believes that the Company will require additional working capital to meet its primary business objectives over the next 12 months.

Since the Company will not be able to generate cash from its operations in the foreseeable future, the Company will have to rely on the funding through future equity issuances and through short term borrowing in order to fund ongoing operations and to meet its obligations. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to issue shares on acceptable terms or at all.

During the year ended April 30, 2017, the Company has issued an aggregate of 11,116,840 common shares for net proceeds of \$2,560,400 pursuant to private placements and 2,323,500 common shares for proceeds of \$779,520 pursuant to the exercise of stock options and warrants. The Company also completed a warrant issuance pursuant to a private placement where 10,000,000 purchase warrants exercisable at \$0.40 per share for aggregate gross proceeds of \$500,000. The Company also borrowed \$225,000 from unrelated parties.

1.7 Capital Resources

The Company does not have any capital commitments as of April 30, 2017.

1.8 Off Balance Sheet Arrangements

There is no off-balance sheet arrangements to which the Company is committed.

1.9 Transactions with Related Parties

- (a) As at April 30, 2017, the Company has \$947 receivable (2016 - \$6,973 owed) to a company controlled by the President of the Company, which was recorded in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing, and due on demand. During the year ended April 30, 2017, the Company incurred consulting fees of \$115,600 (2016 - \$60,600) to a company controlled by the President of the Company.
- (b) As at April 30, 2017, the Company owed \$34,580 (2016 - \$9,243) to a company controlled by the Chief Financial Officer of the Company, which was recorded in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing, and due on demand. During the year ended April 30, 2017, the Company incurred consulting fees of \$60,000 (2016 - \$38,000) and professional

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fees of \$44,000 (2016 - \$nil) to a company controlled by the Chief Financial Officer of the Company.

- (c) As at April 30, 2017, the Company owed \$6,418 (2016 - \$nil) to a director of the Company, which was recorded in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing, and due on demand. During the year ended April 30, 2017, the Company incurred consulting fees of \$47,619 (2016 - \$nil) to a director of the Company.
- (d) During the year ended April 30, 2017, the Company incurred consulting fees of \$nil (2016 – \$50,000) to a director of the Company, which was included in net loss from discontinued operations.
- (e) During the year ended April 30, 2017, the Company incurred consulting fees of \$nil (2016 – \$14,286) to a former director of the Company and a company controlled by the former director of the Company.
- (f) During the year ended April 30, 2017, the Company granted 1,550,000 (2016 - 1,000,000) stock options with a fair value of \$400,920 (2016 - \$237,414) to officers and directors of the Company.
- (g) During the year ended April 30, 2017, the Company issued 923,500 common shares (2016 - 900,000) to officers, directors, and former directors of the Company for proceeds of \$280,520 (2016 - \$90,000) pursuant to the exercise of stock options.

1.10 Fourth quarter

Expense	Three months ended April 30, 2017 \$	Three months ended April 30, 2016 \$	Variance \$	Explanation
Consulting	351,159	126,771	224,388	The Company engaged a full time president and part time chief financial officer. In addition, the Company engaged a number of consultants and consulting firms to assist in business development services.
Depreciation	1,423	–	1,423	Depreciation is associated with property and equipment included in purchase of Cannevert Therapeutics Ltd.
Foreign exchange loss	26,895	–	26,895	Foreign exchange loss is due to invoices paid in foreign currencies.
Investor relations	590,604	–	590,604	Consists of investor awareness programs the Company has invested in. These programs are utilized to increase market exposure in Europe and North America. Also, this includes investor meetings and press release fees.
Office and miscellaneous	19,863	7,581	12,282	The Company have an allowance recorded for GST paid as the

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				Company is unable to claim input tax credits at this time.
Professional Fees	10,880	18,496	(7,616)	Professional fees decreased due to a decrease in legal fee expenditure. In the previous year, the Company had sold its subsidiary SOM.
Rent	21,256	–	21,256	The Company rented office and storage space in 2017.
Research and development	44,994	–	44,994	Research and development expense relates to expenses incurred by Cannevert Therapeutics Ltd. as they continue to study the medical benefits of Cannabis.
Share-based compensation	592,746	(54,037)	646,783	The increase in share based compensation is due to the company issuing 1.85M stock options during the quarter in 2017 compared to none in 2016. The Company reclassified previously recognized expense during the quarter in 2016.
Transfer agent and filing fees	22,323	8,279	14,044	The increase in fees in 2017 is due to fees associated with Oddo Seydler Bank designated sponsorship agreement.
Travel and promotion	29,018	176,572	(147,554)	The decrease in travel and promotion in 2017 is due to decreased travel activity required by the Company. The higher travel costs in 2016 are associated with the costs of raising capital and the costs of trips to England and the United States.
Interest expense	(204)	8,733	(8,937)	The decrease is due to the company not requiring any loan financing during the quarter in 2017
Total Expenses	1,710,957	292,395	1,418,562	

Activity during the fourth quarter of 2016 was primarily related to the sale of the Company wholly owned subsidiary, SOM, and raising the required capital to meet the terms of its Share Purchase agreement with CTL. During the fourth quarter, the Company incurred a net loss of \$433,395. Of this, \$113,278 was related to the loss on the sale of SOM March 9, 2016.

On April 23, 2017, the Company acquired an 80% interest in the issued and outstanding shares of Cannevert Therapeutics Ltd. In accordance with IFRS 3, *Business Combinations*, the agreement was deemed a business combination for accounting purposes. Assets acquired and liabilities assumed are reported at their fair values as at the acquisition date. The Company recorded a bargain purchase gain of \$461,591.

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1.13 Changes in Accounting Policies

Accounting standards issued but not yet applied

The following new standard and interpretation is not yet effective and has not been applied in preparing this financial statement. The Company is currently evaluating the potential impacts of this new standard and does not anticipate any material change to the financial statements upon adoption of this new and revised accounting pronouncement.

- (i) IFRS 9, Financial Instruments
- (ii) IFRS 2, Share-based Payment

The Company has not early adopted these new and revised standards and is currently assessing the impact that these standards will have on its consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

1.14 Financial Instruments and Other Instruments

Fair value

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

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 Inputs that are not based on observable market data

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	Balance, April 30, 2017 \$
Cash and cash equivalents	1,178,617	—	—	1,178,617

The fair value of other financial instruments, which included accounts receivable, accounts payable and accrued liabilities, and loans payable approximate their carrying values due to the relatively short-term maturity of these instruments.

The Company's financial instruments are exposed to the following risks:

#### Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents, and amounts receivable. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. Amounts receivable consists of GST receivable due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

#### Foreign Exchange Rate Risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. Foreign exchange risk arises from purchase transactions.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

### 1.15 Other MD&A Requirements

#### Disclosure of Outstanding Share Data

i) Authorized:

Unlimited common shares without par value

ii) Common Shares Issued:

As at August 29, 2016, 39,422,923 common shares issued

As at April 30, 2017, 37,814,590 common shares were issued

iii) Stock Options Outstanding: Balance as of August 29, 2017- 3,326,500 (April 30, 2017 – 3,526,500)

iv) Share Purchase Warrants Outstanding: Balance as of August 29, 2017 – 21,435,507 warrants outstanding (April 30, 2017 – 22,243,840)

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**Subsequent events**

- (a) Subsequent to April 30, 2017, the Company granted 600,000 stock options exercisable at \$0.33 per common share expiring on May 4, 2018 to a consultant.
- (b) Subsequent to April 30, 2017, the Company issued 800,000 common shares for proceeds of \$298,000 pursuant to the exercise of stock options.
- (c) Subsequent to April 30, 2017, the Company issued 808,333 common shares for proceeds of \$242,500 pursuant to the exercise of share purchase warrants.

Approved and authorized by the Directors of the Company on August 29, 2017:

Yari Nieken

Lui Franciosi