

# CanaQuest Medical Corp.

(OTCPK: CANQF)

**BUY**

**Current Price: US\$0.13**

**Fair Value: US\$0.78**

**Risk\*: 5**

**Targeting Same Mental Health Space Where GW Pharma was Acquired for U\$7.2B Last Month - Initiating Coverage**

**Sector/Industry: Biotechnology**

[Click here for more research on the company and to share your views](#)

## Highlights

- Two IP protected products, Mentanine® and Mentabinol®, made through cannabinoid molecules to address mental health issues. **The products are ready for commercialization as non-Rx (non-prescription drugs) products in Canada, and the U.S.**
- Long-term plan is to sell pharmaceutical products (Rx), upon receipt of regulatory approvals from the U.S. FDA and Health Canada. Products are past pre-clinical phase.
- Product formulations are owned by the company, and developed through a sponsored research agreement with Western University.** Patents have been filed.
- Mentanine® is a formulated **CBD product that focuses on mental health issues**, including Dravet syndrome, Lennox-Gastaut syndrome, Tuberos Sclerosis Complex, and Rett syndrome – with an addressable market of over 100k patients in the U.S. and Canada.
- Mentabinol® is a formulated **THC product that addresses anxiety, depression, PTSD** – while also providing a safer alternative to natural THC based products in the market.
- Both products are supported by patents (pending) and scientific research (published in peer-reviewed journals) **with claims to be more effective compared to alternatives available in the market.**
- The company will use contract manufacturing and distribution. Products will also be sold through its online store, starting Q3-2021.
- The sector had a major M&A event last month, when Jazz Pharmaceuticals (NASDAQ: JAZZ) announced it will be **acquiring GW Pharma (OTC: GWPH) for US\$7.2B.** GWPH introduced the first FDA approved CBD-based drug to treat epilepsy (which is also Mentanine®'s target market) 2018, and generated US\$296M in sales in the first year.
- We believe CANQF's research backed formulations have the potential to generate demand based on their differentiating features. **Securing funds in the short-term is critical.**

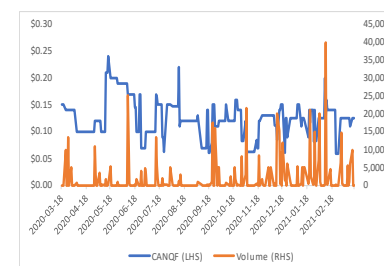
## Risks

- No guarantee of commercialization of its products.
- Poor liquidity position; currently raising capital to sustain activities.
- Operates in a highly regulated market subject to government intervention.
- We were unable to independently confirm the competitive advantages of its products.
- No guarantee that Health Canada or FDA will grant approval.
- Currently listed on the OTC Pink, planning to uplist on the CSE this year.

**Sid Rajeev, B.Tech, CFA, MBA**  
Head of Research

**Iftexhar Mahmud, MBA, MSc**  
Analyst

## CANQF Price and Volume (1Y)



	YTD	12M
CANQF	0%	-17%
OTC	6%	80%

## Company Data

52-Week Range	US\$0.06 - \$0.42
Shares O/S	20,136,337
Market Cap.	US\$3M
Current Yield	N/A
P/E (forward)	N/A
P/B	N/M

## Key Financial Data

YE March 31	2018	2019	2020E	2021E	2022E
Cash	\$ 4,151	\$ 600	\$ 45,884	\$ 378,449	\$ 53,486
Working Capital	\$ (759,970)	\$ (506,772)	\$ (894,915)	\$ 383,989	\$ (143,214)
Total Assets	\$ 73,783	\$ 68,018	\$ 103,830	\$ 519,398	\$ 377,529
Total Debt	\$ -	\$ 215,914	\$ 309,311	\$ -	\$ -
Revenue	\$ -	\$ 27,530	\$ 1,293	\$ 276,980	\$ 1,661,879
Net Income	\$ (1,088,176)	\$ (1,192,613)	\$ (467,626)	\$ (433,021)	\$ (238,812)
EPS (basic)	\$ (0.07)	\$ (0.06)	\$ (0.02)	\$ (0.02)	\$ (0.01)

**\*See last page for important disclosures, rating, and risk definitions. All figures in C\$ unless otherwise specified.**

## Company Overview

CanaQuest, founded in 2008, and formerly known as Algae Dynamics Corporation, is a pharmaceutical company that has developed health care products utilizing cannabinoid molecules and other botanical compounds.





Two products addressing a wide array of mental health issues

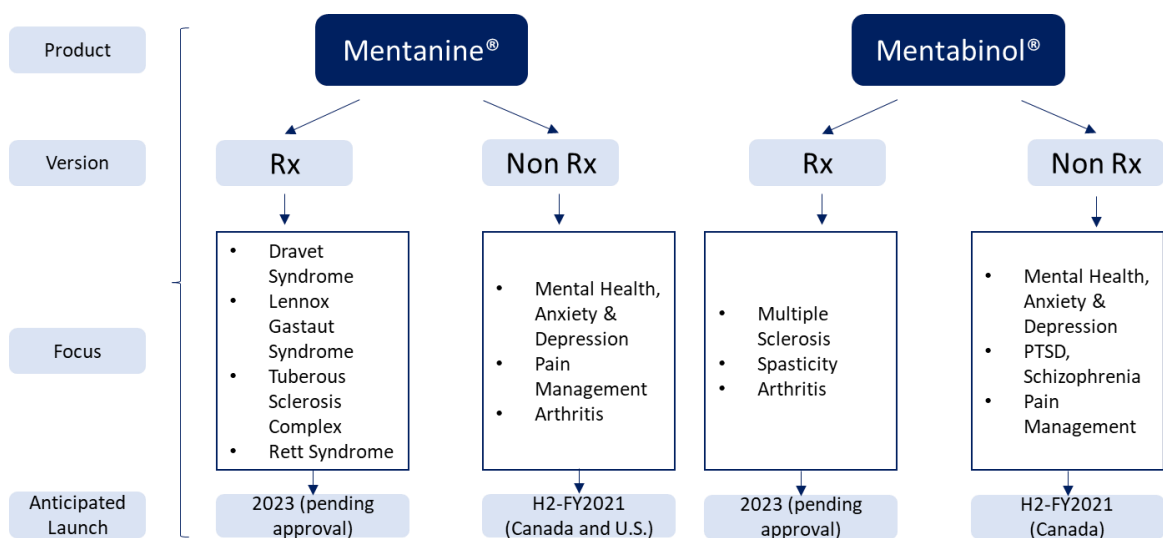
Rx products planned for 2023 launch, upon receipt of regulatory approvals

Prior to getting Rx approvals, products to be sold as non-Rx cannabis products

Non-Rx products to be in commercialization in Q3-2021

We estimate the target market in North America for its flagship Mentanine® Rx product is 100k patients

Mentanine® (CBD + Omega-3)	Mentabinol® (THC + L-Theanine)
 	 



Product	Version	Regulatory Pathway in U.S.	Regulatory Pathway in Canada
Mentanine®	Rx	FDA Approval (pending)	Health Canada Approval (pending)
	Non-Rx	2018 Farm Bill Act	Medical Cannabis Act
Mentabinol®	Rx	FDA Approval (pending)	Health Canada Approval (pending)
	Non-Rx	Federal Legalization	Medical Cannabis Act

## Target Markets

Mentanine® Market		
Individual Cases	United States	Canada
Dravet Syndrome	21,043	2,409
Lennox-Gastaut Syndrome	661	76
Tuberous Sclerosis Complex	60,000	6,869
Rett Syndrome	10,324	1,182
<b>Addressable Market</b>	<b>92,028</b>	<b>10,536</b>

Mentabinol® Market		
Individual Cases	United States	Canada
Multiple Sclerosis	400,000	77,000
Arthritis	54M	7.51M
<b>Addressable Market</b>	<b>54.4M</b>	<b>7.59M</b>

Source: Various Sources, Company, FRC

According to management, CANQF owns the intellectual property (IP) of Mentanine® and Mentabinol®, but must make annual payments (\$210k per year) under a research agreement with Western University.

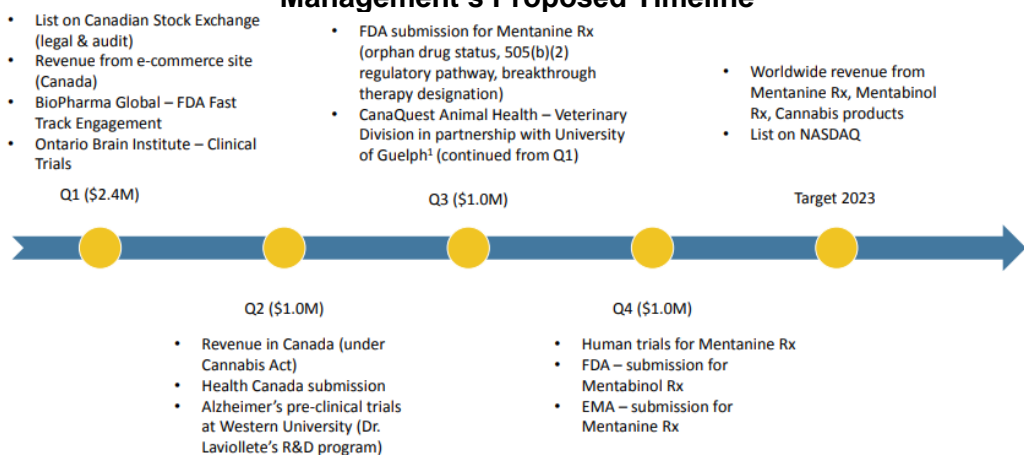
### Roadmap and Strategy

CANQF is currently in pre-revenue stage. Over the short and medium term, **CANQF plans to sell Mentanine® and Mentabinol® as cannabis products.** The company expects to make the non-Rx products available in the market by Q3-2021, after completing a financing.

**The long-term strategy is to sell Mentanine® and Mentabinol® as Rx products (“pharmaceuticals”).** Both Mentanine® and Mentabinol® have completed pre-clinical trials, with plans to complete human trials and seek regulatory approval by applying for a Drug Identification Number (“DIN”) with the Food and Drug Administration (“FDA”) and Health Canada (“HC”). Management has budgeted \$5.4M over the next two years to advance the products to commercialization.

*Long-term goal to sell both products as pharmaceuticals in the U.S. and Canada*

#### Management’s Proposed Timeline



Source: Company

### FDA Approval for Rx Versions

The company will engage BioPharma Global (a U.S. regulatory consulting firm) to guide the company through the regulatory process with the U.S. FDA, and is optimistic that it would be able to apply for Breakthrough Therapy Designation (where FDA gives a decision within 60 days) for Mentanine®. A Breakthrough Therapy Designation expedites the trial process for drugs that are intended to treat serious conditions. **It is the company’s expectation to sell both Mentanine® and Mentabinol® as pharmaceuticals in Canada and Mentanine® in the U.S. by 2023.** We are unable to comment on the plausibility of this target, as the timeline for approvals varies significantly across products.

*FDA approval to be guided through a consulting firm*

*Research is led by a professor at Western University*

## Sponsored Research with Western University

The development of Mentanine® and Mentabinol® through the sponsored research agreement is led by Dr. Steven Laviolette, a well-recognized Professor and Neuroscientist at the Schulich School of Medicine & Dentistry at Western University in London, Ontario.

An article describing the Mentabinol® formulation has been published by Dr. Laviolette in the Journal of Neuroscience, a peer reviewed journal. **Management believes the peer-reviewed publication, supporting the science behind the formulation, will be instrumental in the process of seeking regulatory approvals for Mentabinol®.** However, note that the company is focused on getting Mentanine® through approvals first, as it is the flagship product. Management indicated to us that research on Mentanine® is also in the process of being published in a peer reviewed journal.

*Manufacturing and distribution agreements in place*

## Production and Distribution

CANQF does not have its own production facilities, and all of its production will be done through third-party manufacturers. The company holds a medical cannabis sales license, that allows it to sell directly to prescribed users in Canada through its website (yet to be operational). CANQF states that they will target hospitals and other health care facilities to potentially prescribe CANQF's products to their patients.

**In February 2021, CANQF announced the signing of production and distribution agreements with SiliCycle Inc., and its subsidiary PurCann Pharma. SiliCycle and PurCann have distribution channels in Canada, and over 100 countries.** These licensed partners will need to file the products with Health Canada before commencing sales. To get placed on retail stores, SiliCycle and PurCann will need to enter into agreements with provincially licensed distributors.

*Mentanine® to alleviate anxiety, depression, PTSD, and addiction*

## Product Details

### Mentanine®

Mentanine® features a hemp-derived CBD formula, using a pharma grade CBD isolate (>98% pure), that is patent-pending, and **developed to alleviate anxiety, depression, PTSD, and all forms of addiction.**

Mentanine® is to be available in two forms:

**Mentanine® Powder**

**Mentanine® Spray**

Superior to existing CBD products, with a high absorption rate



Note: The effectiveness between the powder and the spray is the same  
Source: Company Filings, FRC

**Value Proposition**

It is a water-based product, that has an activation rate that is 10x greater than leading oil-based CBD formulations, meaning that 20 mg of Mentanine® is equivalent to 200 mg of any other CBD product. This is due to Mentanine® being different to other CBD products on multiple core features, according to management:

Greater potency, and effective in pre-clinical trials

Formulation Features	Benefits
<b>Formulation to penetrate Blood Brain Barrier (“BBB”)</b>	This penetration capability is critical for effectively addressing mental health issues.
<b>Strain independence</b>	High purity (above 98%) of formulated CBD enables consistent performance.
<b>Synergistic effect</b>	All components of the formulations enter the BBB together to keep their effectiveness intact.
<b>Sublingual delivery</b>	Bypasses the digestive system to avoid breaking down the formulation; this is 80% more effective than conventional oral delivery, per management
<b>Water-based formulation</b>	Does not have negative side-effects on the digestive system, which happens with oil-based CBD products
<b>Omega-3</b>	Ensures higher potency compared to other CBD products

Source: Management, FRC

Pre-clinical trials have been completed, with results indicating that Mentanine® (1) produces anti-anxiety effects, (2) anti-PTSD effects, (3) anti-addictive effects, and (4) reduces inflammation.



**Direct Competitor to Mentanine®**

CANQF believes that a direct competitor to Mentanine® is Epidiolex – an FDA-approved product that is developed by GWPH. Epidiolex, according to their website, is used to treat Lennox-Gastaut syndrome, Dravet syndrome, and Tuberous Sclerosis Complex (same as Mentanine®).



Source: Epidiolex

Lower priced, and supposedly more effective alternative

**GW Pharma - product**

**Epidiolex US\$1,300 / 100mL**

FDA-approved for Epilepsy

**CBD 100mg /ml**, sesame as a carrier oil, sweetener, and strawberry flavor

**LIMITATIONS & POSSIBLE SIDE EFFECTS**

- No Formula: relying 100% on CBD action
- Large dose by oral delivery, overloads the liver
- Only 10% of the formula enters the blood stream within hours

**Health concerns:**

- Sesame oil: theoretically may cause low blood pressure, esp. in those with existing condition
- Sucralose: long-term health effects are unclear



**CanaQuest - product**

**Mentanine®<sub>x</sub> US\$650 / 100mL**

Scientifically developed medicinal formula



**CBD 22.2 mg /ml**, Omega 3 (active ingredient & carrier oil), flavor w/o sweetener

**10 TIMES MORE EFFICIENT MEDICATION NO SIDE EFFECTS**

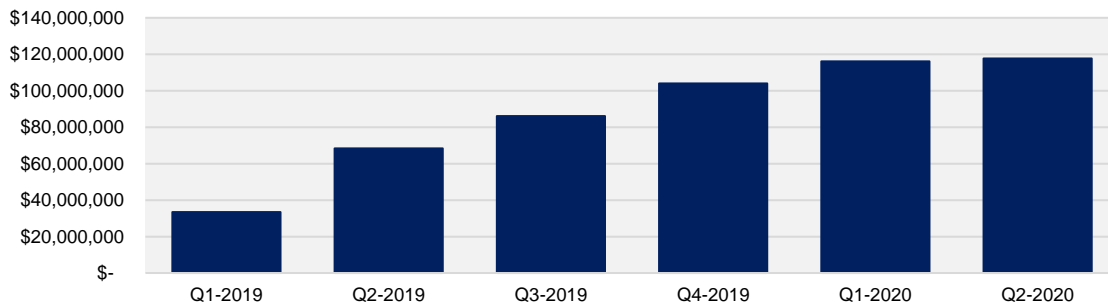
- Scientific Formula
- Minimum CBD dose via sublingual delivery, by-passing the liver
- 80% to 90% of the formula enters blood stream in minutes
- Additional Omega 3 health benefits

Source: Company Filings

**Epidiolex is the first and only FDA-approved prescription CBD product.** GW Pharma recorded US\$296M in revenue from this product, in the first year of commercialization, implying that Mentanine® is targeting a large market.

The only FDA approved prescription CBD product generated US\$296M in revenue in the first year of commercialization

**Sales of Epidiolex**



Source: GW Pharma

**Mentabinol®**

Mentabinol® features a THC-based formula that is currently patent-pending and **developed to alleviate anxiety, depression, and PTSD**. It will be available in two forms:

**Mentabinol® Powder**

**Mentabinol® Spray**

*Mentabinol® - a THC containing product addressing anxiety, depression, and PTSD*



*Note: The effectiveness between the powder and the spray is the same  
Source: Company Filings, FRC*

**Value Proposition**

The value proposition of Mentabinol® is that it is **“a safer alternative to all other THC products” by negating negative psychiatric side-effects caused by THC consumption, while getting the intended benefits of THC**. According to the company, 1 mg of Mentabinol® has an equivalency of 10 mg of THC. Management also stated that in some cases, the consumption of Mentabinol® will reverse the damage that has been done from previous consumption of other THC based products. We are unable to independently confirm this.

*Safer alternative to THC products*

As mentioned, pre-clinical trials have been completed, with results indicating that Mentabinol® - (1) reverses depression-like and schizophrenia related symptom effects, (2) completely blocks memory impairment, hyperactivity, and gene vulnerability.

**Direct Competitor to Mentabinol®**

GWPH’s Nabiximols (yet to receive FDA approval) **is approved in more than 25 countries for the treatment of spasticity due to MS**. We found the product to be sold at US\$210 for 10 ml vial -- enough to last a patient 11 days.

### Competing Product



\$210.00

~~\$250.00~~

1

Add to cart

Add to Wishlist

#### Highlights

Sativex spray (nabiximols), also known as nabiximols, is a cannabis-based oral spray. It is the first pharmaceutical drug made with ingredients extracted from the cannabis plant.

Product Name: Sativex

Dosage: 10 ml

Brand: GW Pharmaceuticals

Packaging: 3x10ml Vial box

Source: GW Pharma, Alphahealthmart.com

### Commercialization of Mentabinol®

Sales of Mentabinol® are to commence in Canada in H2-2021. As THC based products are federally illegal in the U.S., management does not plan to launch in that market for the time being.

### Management Overview

Only two of five board members are independent. Management and directors own 8.02M, or **40% of the outstanding shares**, strongly aligning their interest with investors.

Individual	Position	# of Shares	% of Total
Richard Rusiniak	CEO, Director	4,134,068	20.5%
Paul Ramsey	President, Chairman	3,857,747	19.2%
Ross Eastley	CFO, Director	24,538	0.1%
W. Cameron McDonald	Director	-	0%
P. Blair Mullin	Director	-	0%
TOTAL:		<b>8,016,353</b>	<b>40%</b>

Source: Company Filings, FRC

Brief biographies of senior management and board members, as provided by the company, follows.

#### **Richard Rusiniak – CEO, Director**

Over 35 years of management, design and process experience. Co-founder and former President, CFO, and CTO of Cymat Corp (TSX: CYM) with a market valuation over \$150 million upon his resignation in 2002. Negotiated an Aluminum Foam Manufacturing licence with Alcan International Ltd., and successfully commercialized the technology. Prepared full documentation and completed a \$10 Million technology development program with Industry Canada (TPC). Participated in the completion of \$25 million in financing with financial institutions. From 1978 to 1988, he was project manager with Long Manufacturing, as well as The Ontario



Research Foundation (Ortech). Projects on which he has consulted include NASA's Zero Gravity Program, Atomic Energy of Canada's Re-tubing Program and Hawker Siddeley's Bi-Level GO Train Modularization.

#### **Paul Ramsay – President, Chairman**

Over 30 years of business development and management experience. Co-founder and former CEO and VP Business Development of Cymat Corp, (TSX: CYM) with a market valuation over \$150 million upon his resignation in 2002. Was instrumental in securing the Stabilized Aluminum Foam (SAF) license from Alcan International Ltd. Successfully negotiated a \$10 Million technology development program with Industry Canada (TPC). Participated in the completion of \$25 million in financing with financial institutions. Mr. Ramsay also introduced and sold several newly developed products to major corporations.

#### **Ross Eastley – CFO, Director**

Over 35 years of accounting and CFO experience in both private and public sector organizations. Former CEO for the Canadian Society of Immigration Consultants (CSIC) from 2006 – 2009. Mr. Eastley reported to a nine-member Board, responsible for strategic planning, corporate communications, initial regulatory functions, creation of the staffing structure and management of legal processes. Former V P/Controller for Brandon University.

#### **W. Cameron McDonald – Director**

Over 18 years of finance and management experience. Founder, CEO of Global SeaFarms Corporation since 2009. Public listing by way of RTO on the Canadian National Stock Exchange "CNSX". Was an Investment Banker with Canaccord Adams, Montreal, Quebec (now Canaccord Genuity) from 2004 to 2009. Part of number one ranked technology investment banking deal team in Canada in 2006 and 2007. Over \$500M of Canaccord lead TSX and AIM IPOs. Over \$500M of Canaccord follow-on public offerings. Advisory to \$110M Amex listed SPAC transaction – due diligence and transaction structuring. Was an Account Manager with Business Development Bank of Canada from 1995 to 1998. Administered a portfolio of 40 companies. Is a Certified Financial Analyst "CFA" and passed the Partners, Directors, and Officers Qualifying Exam in 2006.

#### **P. Blair Mullin – Director**

Over 25 years of varied business leadership, financial and operational experience, both domestically and internationally, in a wide range of industries, as executive, consultant and banker. Mr. Mullin is currently Managing Partner of Apollo Ventures, LLC, Aldercreek Capital LLC and Apollo Marketing LLC, which provide investment capital to emerging companies. He is also President & CEO of Connectus Inc., which provides advisory services to emerging companies. Previously, Mr. Mullin served as CEO, President, CFO and a consultant to several corporations from 1997 to 2012; Mr. Mullin holds an MBA from University of Western Ontario and BA from Wilfrid Laurier University, in Canada. Mr. Mullin also serves on the Board of

Directors of Greatland Power Corporation, a privately-held independent power producer.

### Financials

At the end of fiscal Q3-2020 (quarter ended December 31), CANQF had \$5k in cash, with a working capital deficiency of \$0.6M. **We are concerned regarding the company's liquidity position. The company is currently pursuing an interim financing of \$600k, which is expected to close in April.** Following this financing, the company plans to uplist its shares to the CSE, and pursue a \$5M+ financing.

Concerning cash position; pursuing a \$600k financing

Liquidity and Capital Structure (\$)	2019	Q3-2020
YE March 31		
Cash	600	5,197
Working Capital (adj.)	(506,772)	(603,050)
Current Ratio	0.06	0.05
LT Debt		-
Total Debt	215,914	309,311

Source: Company Filings, FRC

### Options and Warrants:

At the end of Q3, the company had 2.29M options (weighted average exercise price \$0.34) and 2.60M warrants (weighted average exercise price \$0.77) outstanding. None of the options and warrants are currently in the money.

### FRC Projections

Key assumptions:

- Non-Rx products to commence sales in H2-2021
- Able to complete the current \$5.4M raise
- Mentanine® Rx sales to commence in 2023, and Mentabitol® Rx in 2024
- Mentanine® Rx version gets 1.40% of an addressable market of 100k patients in North America by 2029
- Mentabitol® Rx version gets 0.03% of an addressable market of 62M patients in North America by 2029
- Rx versions will be the primary long-term revenue driver

Our projections are contingent on successful fundraising

Mentanine	2020E	2021E	2022E	2023E	2024E	2028E	2029E
Rx		\$0	\$0	\$4,333,324	\$8,666,647	\$25,999,941	\$30,333,265
Non-Rx (OTC)		\$265,104	\$1,590,621	\$2,916,139	\$4,241,657	\$9,543,728	\$10,869,246

Mentabitol	2020E	2021E	2022E	2023E	2024E	2028E	2029E
Rx		\$0	\$0	\$0	\$4,881,713	\$24,408,563	\$29,290,275
Non-Rx (OTC)		\$11,876	\$71,258	\$1,271,748	\$1,849,815	\$4,162,083	\$4,740,151

Source: FRC

### Valuation

Based on the above estimates, our Discounted Cash Flow model generated a valuation of US\$0.78. We have used a sum-of-parts approach, and assigned a

Rx products to be the long-term revenue drivers

higher discount rate (30%) for Rx products, due to uncertainties and potential delays surrounding regulatory approvals.

Fair value estimate of \$0.78

DCF Model RX	2021E	2022E	2023E	2024E	2028E	2029E	Terminal
PV of EBIT (1-tax)	\$0	\$0	\$473,372	\$1,138,478	\$1,483,092	\$1,349,394	\$4,710,062
Discount Rate	30%						
Terminal Growth	1.05%						
<b>Sum of PV</b>	<b>\$13,791,405</b>						
DCF Model of Non-Rx	2020E	2021E	2028E	2029E	Terminal		
EBIT(1-tax) Non-Rx	(300,217)	(433,021)	1,180,359	1,043,753			
Non-Cash Expenses	7,800	6,924	342,645	390,235			
Change in Working Capital	34,698	(329,417)	(38,072)	(38,072)			
Cash from Operations	(257,719)	(755,513)	1,484,933	1,395,916			
CAPEX	(3,100)	(100,000)	(100,000)	(100,000)			
Free Cash Flow	(260,819)	(855,513)	1,384,933	1,295,916			
Present Value	(260,819)	(783,360)	557,213	463,606	5,044,648		
Discount Rate	12.5%						
Terminal Growth	3%						
<b>Present Value Non-Rx @ 12.5%</b>	<b>6,240,119</b>						
<b>Present Value Rx @ 30%</b>	<b>13,791,405</b>						
Cash - Debt	(304,114)						
Fair Value	19,727,410						
Shares O/S	20,136,377						
<b>Value per Share (US\$)</b>	<b>\$0.78</b>						

Source: FRC

### Comparables Valuation

Based on our 2022 revenue forecast, CANQF is trading at 2.3x EV/R vs GWPH's 12x

Company	Ticker	Market Cap	EV	Revenue	EV/R
GW Pharmaceuticals plc	GWPH	\$8,200M	\$7,875M	\$659M	12.0x
Charlotte's Web Holdings, Inc.	CWEB	\$865M	\$858M	\$91.13M	9.4x
<b>CanaQuest Medical Corp.*</b>	<b>CANQF</b>	<b>\$3.52M</b>	<b>\$3.83M</b>	<b>\$1.66M</b>	<b>2.3x</b>
*2022 estimate (first full year of sales)					
Mean		\$3,022.84M	\$2,912.28M	\$250.51M	7.9x
Median		\$865.00M	\$858.00M	\$91.13M	9.4x

Source: Company Filings, FRC

In conclusion, we believe the company's formulations have potential to generate demand based on their differentiating features. Even though we are not in position to verify the company's claims regarding higher efficacy levels, we believe recognition by academic journals is highly encouraging. The company's prospects are heavily dependent on management's ability to raise capital, and obtain approvals. We believe the current financing (if completed), and near-term sales of non-Rx products will be the key catalysts this year. **We are initiating coverage with a BUY rating, and a fair value estimate to \$0.78.**

### Risks

We believe CANQF is exposed to the following risks (list is non-exhaustive):

- No guarantee of commercialization of its products.
- Poor liquidity position; currently raising capital to sustain activities.

*Risk rating of 5*

- Operates in a highly regulated market subject to government intervention.
- We were unable to independently confirm the competitive advantages of its products.
- No guarantee that Health Canada or FDA will grant approval.
- Product prices used in our valuation are preliminary assumptions.
- The company is listed on the OTC Pink, which is generally associated with a high-degree of risk due to lack of sufficient disclosure requirements. Management is planning to uplist its shares to the CSE.

**We are assigning a risk rating of 5 (highly speculative).**

## Appendix

<b>STATEMENTS OF OPERATIONS (\$)</b> <b>YE March 31</b>	<b>2019</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Revenue	27,530	1,293	276,980	1,661,879
<b>Total Revenues</b>	<b>27,530</b>	<b>1,293</b>	<b>276,980</b>	<b>1,661,879</b>
COGS	-		221,584	1,329,503
<b>Gross Profit</b>	<b>27,530</b>	<b>1,293</b>	<b>55,396</b>	<b>332,376</b>
SG&A	1,264,912	437,720	481,492	529,641
Share-based compensation	18,629	31,199	6,924	41,547
<b>EBITDA</b>	<b>(1,256,011)</b>	<b>(467,626)</b>	<b>(433,021)</b>	<b>(238,812)</b>
D&A	5,856	-	-	-
<b>EBIT</b>	<b>(1,261,867)</b>	<b>(467,626)</b>	<b>(433,021)</b>	<b>(238,812)</b>
Net financing expense	15,561			
<b>EBT</b>	<b>(1,277,428)</b>	<b>(467,626)</b>	<b>(433,021)</b>	<b>(238,812)</b>
Income tax expense	-			
Unusual/Non-recurring expense	(84,815)			
<b>Net Income (Net Loss)</b>	<b>(1,192,613)</b>	<b>(467,626)</b>	<b>(433,021)</b>	<b>(238,812)</b>
<b>Comprehensive Income (Comprehensive Loss)</b>	<b>(1,192,613)</b>	<b>(467,626)</b>	<b>(433,021)</b>	<b>(238,812)</b>
EPS	(0.06)	(0.02)	(0.02)	(0.01)

<b>BALANCE SHEET (\$)</b>				
<b>YE March 31</b>	<b>2019</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
<b>Assets</b>				
Cash and cash equivalents	600	45,884	378,449	53,486
Accounts receivable	43,692	25,190	13,849	83,094
Prepaid expenses	4,396	8,426	2,770	16,619
<b>Current Assets</b>	<b>48,688</b>	<b>79,500</b>	<b>395,068</b>	<b>153,199</b>
PP&E	19,330	24,330	124,330	224,330
<b>Total Assets</b>	<b>68,018</b>	<b>103,830</b>	<b>519,398</b>	<b>377,529</b>
<b>Liabilities &amp; Shareholders' Equity</b>				
Payables and accrued liabilities	339,546	665,104	11,079	66,475
Term loans	52,000	145,397		-
Advances from shareholders	63,914	63,914		-
Convertible notes	100,000	100,000		-
Warrant derivative liabilities	229,938	229,938	229,938	229,938
<b>Current Liabilities</b>	<b>785,398</b>	<b>1,204,353</b>	<b>241,017</b>	<b>296,413</b>
<b>Total Liabilities</b>	<b>785,398</b>	<b>1,204,353</b>	<b>241,017</b>	<b>296,413</b>
Equity	8,783,317	8,836,601	10,641,601	10,641,601
Accumulated Deficit	(9,500,697)	(9,937,124)	(10,363,220)	(10,560,485)
<b>Total Liabilities and Shareholder's Equity</b>	<b>68,018</b>	<b>103,830</b>	<b>519,398</b>	<b>377,529</b>



<b>STATEMENTS OF CASH FLOWS (\$)</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
<b>YE March 31</b>			
<b>Operating Activities</b>			
Net loss for the period	(467,626)	(433,021)	(238,812)
<b>Items not involving cash</b>			
Share-based compensation	31,199	6,924	41,547
<b>FFO</b>	<b>(436,427)</b>	<b>(426,096)</b>	<b>(197,265)</b>
Prepaid expense	(4,030)	5,656	(13,849)
Receivables	18,502	11,341	(69,245)
Accounts payable and accrued liabilities	325,558	(654,025)	55,396
<b>Changes in WC</b>	<b>340,030</b>	<b>(637,028)</b>	<b>(27,698)</b>
<b>Cash from (used in) Operations</b>	<b>(96,397)</b>	<b>(1,063,124)</b>	<b>(224,963)</b>
<b>Financing activities</b>			
Equity	53,284	1,805,000	
Debt	93,397	(309,311)	
<b>Cash provided by Financing Activities</b>	<b>146,681</b>	<b>1,495,689</b>	<b>-</b>
<b>Investing activities</b>			
PP&E	(5,000)	(100,000)	(100,000)
<b>Cash used in Investing Activities</b>	<b>(5,000)</b>	<b>(100,000)</b>	<b>(100,000)</b>
<b>Increase (decrease) in Cash</b>	<b>45,284</b>	<b>332,565</b>	<b>(324,963)</b>
<b>FOREX</b>			
<b>Cash beginning of Period</b>	<b>600</b>	<b>45,884</b>	<b>378,449</b>
<b>Cash end of Period</b>	<b>45,884</b>	<b>378,449</b>	<b>53,486</b>

**Fundamental Research Corp. Equity Rating Scale:**

**Buy** – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

**Hold** – Annual expected rate of return is between 5% and 12%

**Sell** – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

**Fundamental Research Corp. Risk Rating Scale:**

**1 (Low Risk)** - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

**2 (Below Average Risk)** - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

**3 (Average Risk)** - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

**4 (Speculative)** - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

**5 (Highly Speculative)** - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

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