Fundamental Research Corp.
Investment Analysis for Intelligent Investors

Siddharth Rajeev, B.Tech, MBA, CFA

Colin Tang, B.Com

November 29, 2019

The Yield Growth Corp. (CSE: BOSS / OTCQB: BOSQF / FRANKFURT: YG3) – Key Developments Across Product Lines

Sector/Industry: Cannabis

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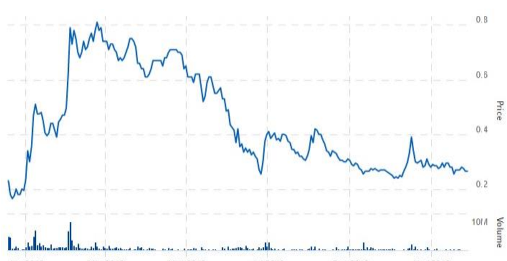
Market Data (as of November 29, 2019)

Current Price	**$0.25**
Fair Value	**$0.45**
Rating*	**BUY**
Risk*	**4**
52 Week Range	$0.18 - $0.81
Shares O/S	103,456,019
Market Cap	$25.86 million
Current Yield	N/A
P/E (forward)	N/A
P/B	5.55x
YoY Return	10.87%
YoY CSE	-44.10%

*see back of report for rating and risk definitions.
*$ denotes C$ unless otherwise specified.



Highlights

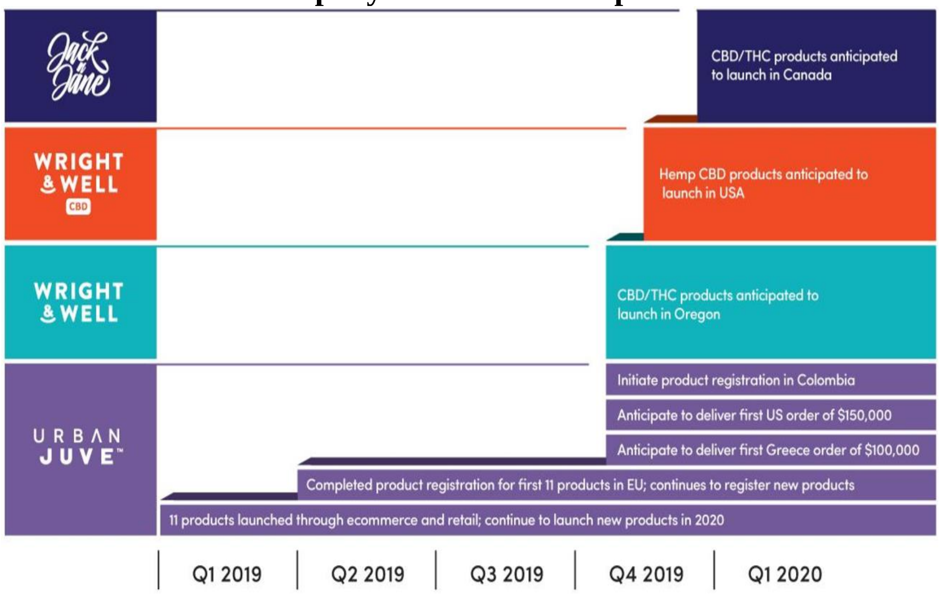
- The Yield Growth Corp. ("Yield Growth", "Company") announced their Q3-FY2019 financial results and provided an update on its product lines.
- With the recent legalization of cannabis edibles and alternative cannabis products in Canada, the company entered into a Letter of Intent ("LOI") with Apothecary Botanicals for the launch of a new product line called Jack n Jane. **With annual market demand data taken from Deloitte, we estimate the potential addressable market for Jack n Jane is $404 million.**
- The company announced that its Wright & Well product line is expected to have a United States ("U.S.") commercial launch by Q1-FY2020. **According to Brightfield Group, hemp-derived CBD products in the U.S. could generate sales of up to US$23.7 billion by 2023.**
- In an attempt to enter into the edible mushrooms market, the company established Flourish Mushroom Labs. Subsequently, on November 2019, the company entered into a distribution agreement with Eurolife Brands (CSE: EURO) for its edible mushroom products. Commercialization of said products are expected to start in the first half of 2020.
- The company reported Q3-FY2019 revenue of $1.90 million – a 61% quarter-over-quarter ("QoQ") increase and a 355% year-over-year ("YoY") increase. We are revising our revenue forecast for FY2019 to $5.28 million (previously $5.16 million) and are revising our revenue forecast for FY2020 to $7.37 million (previously $6.24 million).
- The company reported Q3-FY2019 earnings of -$1.87 million (EPS: -$0.02) versus Q2-FY2019 earnings of -$4.15 million (EPS: -$0.05) and Q3-FY2018 earnings of -$3.74 million (EPS: -$0.05). Our revised earnings forecast for FY2019 and FY2020 are -$12.59 million (EPS: -$0.12) and -$9.77 million (EPS: -$0.07), respectively. Previously, our earnings forecast for FY2019 and FY2020 were -$12.80 million (EPS: -$0.13) and -$6.13 million (EPS: -$0.05).
- As the company is still in its ramp-up phase, we anticipate that the company will need to raise additional capital shortly.

Key Financial Data (FYE - NOV 30) (C$)		2017		2018		2019E		2020E
Cash	$	1,425,380	$	36,211	$	156,795	$	298,077
Working Capital	$	2,706,374	$	1,789,550	$	5,365,555	$	5,967,612
Assets	$	2,782,713	$	2,612,345	$	8,168,143	$	8,254,178
Total Debt	$	-	$	-	$	-	$	-
Revenues	$	-	$	3,055,442	$	5,278,022	$	7,370,726
Net Income	$	-1,229,685	$	-9,708,037	$	-12,585,275	$	-9,765,537
EPS (basic)	$	-0.12	$	-0.13	$	-0.12	$	-0.07

Company Developments

Since our last update report on the Yield Growth, the company outlined significant developments across its product lines. The graphic below illustrates key product line developments.

Company Product Lines Update



Source: Company

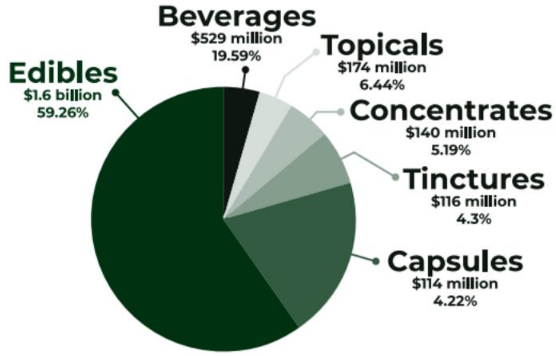
Jack n Jane

Jack n Jane

Capitalizing on Canada's second wave of cannabis legalization, the company signed a LOI in October 2019 with Apothecary Botanicals ("AB"), the subsidiary of Geyser Brands Inc. (TSXV: GYSR), for the launch of Yield Growth's new line of cannabis-infused products – Jack n Jane ("J&J"). These cannabis-infused products include tinctures, topicals and capsules. AB will manufacture and distribute J&J products, while Yield Growth will supply the non-cannabis ingredients, packaging and design for the products. The expected product line launch date is December 31, 2019 (fiscal Q1-2020). Additional information was not provided.

We believe that the launch of the company's new Jack n Jane line is expected to contribute meaningful product sales for the company – **Deloitte estimated the market demand for cannabis edibles and alternative cannabis products in Canada to be $2.7 billion.** The following chart segments the $2.7 billion market by types of cannabis products.

Cannabis Edibles and Alternative Cannabis Products Market in Canada



Source: AgraFlora Organics International Inc. (CSE: AGRA)

Given the chart above, we believe that the addressable market for Yield Growth is $404 million (which comprises tinctures, capsules and topicals). With that said, readers should note that visibility regarding the availability of cannabis edibles and alternative cannabis products to consumers (i.e. the amount of supply) is uncertain. We urge readers to view the addressable market for Yield Growth with scepticism until more information regarding how these products are to be rolled out into retail stores is disclosed in the coming weeks.

Wright and Well

<u>Wright & Well</u>

The company announced that marijuana products in its Wright & Well (W&W) line are to be bulk made and shipped to its Oregon partner (Nova Paths LLC) for infusion with cannabis. Through the company's licensing agreement with Nova Paths LLC, such products are to be sold in over 400 cannabis retail stores. Hemp-derived CBD products in its W&W line are to be manufactured in California through an undisclosed third-party manufacturer and distributed (undisclosed distributor) across the U.S. **We believe Production for W&W products are completed and that the expected market launch date is to be by Q1-FY2020.** In addition, a W&W marijuana products website (www.wrightandwellPlus.com) is expected to commercially launch later this year. Similar to our opinion on J&J, we believe W&W is expected to contribute meaningful product sales for the company.

According to New Frontier Data ("NFD"), the state of Oregon is expected to spend US$1.04 billion annually on cannabis products in 2020. NFD segmented cannabis spending as follows:

New Frontier Data Cannabis Product Sales in 2020

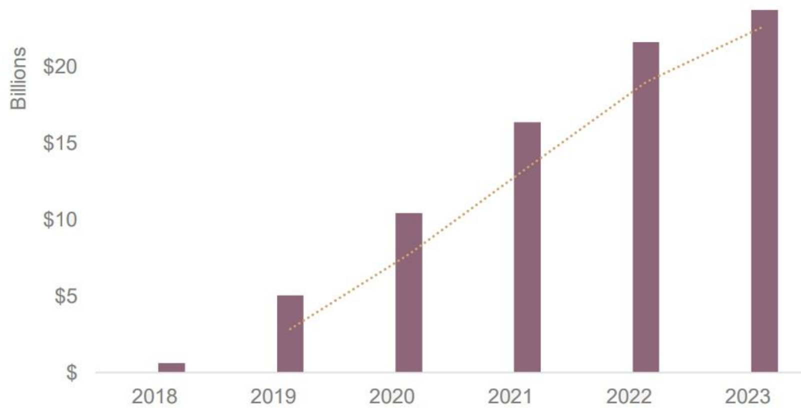
Recreational	Medical
US$856 million	US$187 million

Source: New Frontier Data

In the U.S., the 2018 Farm Bill paved way for the legalization of hemp-derived CBD products. **Brightfield Group estimated that hemp-derived CBD products in the U.S. could generate sales of up to US$23.7 billion by 2023.** This compares to a forecast of

US$5.7 billion for 2019 – a 706% increase over 2018. The growth from 2019 to 2023 implies an enormous compound annual growth rate ("CAGR") of approximately 43%.

U.S. Hemp-Derived CBD Market Size and Projections



Source: Brightfield Group

We believe the rich valuation of the CBD market in the U.S. is attributed to health claims made regarding CBD products. According to the New York Times ("NYT"), CBD is wildly popular in the U.S. due to claims that it helps with a variety of ailments such as headaches, diabetes, menstrual cramps, and anxiety. CNET reported that CBD products are being marketed as a "cure-all", with manufacturers claiming that it can do everything from relieving anxiety to stopping the spread of cancer. Although we believe the claims seem outright outlandish, they are not entirely unwarranted. It was indicated that early experiments with CBD have suggested that it may help fight anxiety, reduce pain, and ease schizophrenia symptoms. **On the other end of the spectrum, on November 25, 2019, the U.S. Food & Drug Administration ("FDA") updated its stance on CBD, stating that the cannabis derivative may have the potential to harm users.** Given that there is currently little scientific evidence supporting the safety of CBD, we urge readers to view the rich valuation of the CBD market in the U.S. with scepticism.

Urban Juve

Urban Juve

The company has secured an exclusive distribution agreement with Organic Medical Growth OMG3 Inc. ("OMG3") and Peak Performance Products Inc. ("PPP") for its Urban Juve ("UJ") products. These distribution agreements will allow UJ products to be distributed in Latin American countries and in more than 3,500 brick-and-mortar and online retailers in Canada. Additionally, the company is expected to deliver approximately $0.25 million UJ products to an undisclosed U.S. company and Melorganics Hellas for Q4-FY2019.

We are very pleased to see that the company's product lines are progressing as expected. In addition to the product lines update, the company is planning to establish a new product line, which we discuss below.

Flourish Mushroom Labs

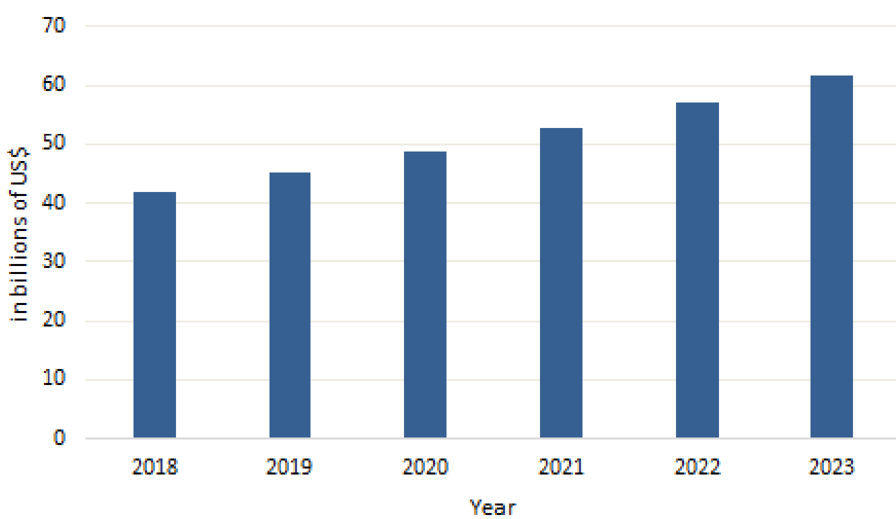
Flourish Mushroom Labs

Yield Growth established Flourish Mushroom Labs, a wholly owned subsidiary, to create edible mushroom products. In October 2019, the company completed the acquisition of a catalogue of edible mushroom formulas through the issuance of 120,000 common shares of the company at a deemed value of $0.25 per share. **Commercialization of edible mushroom products are expected to start in the first half of 2020.** On November 8, 2019, the company entered into a definitive agreement with Eurolife Brands for the exclusive distribution of edible mushroom products. Eurolife Brands will retain one-year exclusive distribution rights in Germany, the United Kingdom ("U.K.") and Switzerland (with a term extension option).

Given that this subsidiary is newly established, with expected product sales price and logistics not definitive, we are currently refraining from modelling this product line until more visibility is provided.

According to a report by Research and Markets, the edible mushroom market is expected to grow from a global market size of US$42 billion in 2018, to US$62 billion by 2023 – an implied compound annual growth rate ("CAGR") of 7.95%.

Global Edible Mushroom Market



Source: FRC

The company also announced the desire to complete a go-public transaction for Flourish Mushroom Labs (go-public date currently not definitive). On November 4, 2019, the company entered into a definitive agreement to license 126 of its formulas to Flourish Mushroom Labs for a purchase price of $3 million. The purchase price is to comprise of $1.80 million in shares of Flourish Mushroom Labs and $1.20 million in cash over the next 24 months. If Flourish Mushroom Labs is able to successfully list on a Canadian stock exchange in the next 12 months, up to $400,000 in cash will be deducted from the purchase price.

Marketing Developments

Apart from updates regarding the company's product lines, **the company bolstered its marketing efforts by entering into a definitive agreement with Green Space Worldwide (a marketing agency) to market Urban Juve products across digital mediums and appointing Karla Cheon as Vice President, Marketing of Yield Growth.** Karla Cheon holds a strong track record as a marketer and has been an instrumental part of Aritzia's marketing initiatives since January 2005.

Having outlined notable company developments, we dive into financials.

61% QoQ and 355% YoY Increase in Revenue

The company reported Q3-FY2019 revenue of $1.90 million – a 61% QoQ increase and a 355% YoY increase. The improvement in revenue QoQ and YoY were primarily attributed to strong growth in licensing revenue. With that said, licensing revenue were primarily non-cash.

	Q3-2018	Q2-2019	Q3-2019
Consulting	$342,677	$71,133	$177,378
Licensing and Product	$73,973	$1,105,496	$1,718,373
Total Revenue	**$416,650**	**$1,176,629**	**$1,895,751**

Source: Company, FRC

For the nine months (9M) of FY2019, the company reported revenue of $3.87 million – a YoY increase of 60%.

	2018 (9M)	2019 (9M)
Consulting	$541,606	$957,750
Licensing and Product	$1,873,973	$2,915,129
Total Revenue	**$2,415,579**	**$3,872,879**

Source: Company, FRC

We provide a brief discussion on revenue segments:

- **Consulting Revenue:** Consulting revenues were $0.18 million for Q3-FY2019 – a 149% QoQ increase but a 48% YoY decrease. For the 9M of FY2019, the company generated consulting revenue of $0.96 million – a 77% YoY increase. The increase in consulting revenue for the 9M of FY2019 were a result of services provided to an undisclosed related party of the company. **Readers should note that consulting revenue generated fiscal year to date are from related party transactions.**

- **Licensing and Product Revenue:** Licensing and product revenue were $1.72 million for Q3-FY2019 – a 55% QoQ increase and a 2,223% YoY increase. In discussions with management, $1.69 million relate to licensing revenue while $24,355 relate to product revenue. **Readers should note that licensing revenue**

generated for Q3-FY2019 were primarily non-cash. Compared to our estimates for licensing and product revenue for Q2-FY2019, licensing revenue increased 57% QoQ and 2,190% YoY. Product revenue increased 13% QoQ. A YoY comparison for product revenue is not meaningful as the company only started generating product sales in Q1-FY2019. **As such, product sales remain exceedingly weak.**

We provide a brief discussion on our revenue revisions:

- **Consulting Revenue:** Given our understanding that consulting is not a key revenue focus for the company, we are revising our FY2019 consulting revenue forecast slightly downwards to $1.30 million (previously $1.56 million). Additionally, we are revising our FY2020 consulting revenue forecast downwards to $1.94 million (previously $2.91 million).

- **Licensing Revenue:** Forecasting licensing revenue is challenging, as we cannot accurately predict when (or if) the company will enter into additional licensing agreements. Although we have not noted any material licensing agreements subsequent to Q3-FY2019, given the strong development across its product lines, we believe it is plausible for additional licensing agreements to materialize. We are revising both our FY2019 and FY2020 licensing revenue forecasts upwards to $3.36 million (previously $2.86 million) and $2.49 million (previously $0.39 million), respectively.

- **Product Revenue:** Product revenue has fallen well below our expectation for the 9M of FY2019. Given that the company is expected to deliver UJ products valued at $0.25 million in Q4-FY2019, we are hopeful that product revenue will pick up. We are revising our FY2019 product revenue to $0.61 million (previously $0.74 million) and leaving our FY2020 product revenue forecast unchanged.

Our revised revenue forecasts for FY2019 and FY2020 are shown below. **We are revising both our FY2019 and FY2020 revenue forecasts upwards to $5.28 million and $7.37 million, from $5.16 million and $6.24 million, respectively.**

	FY2019E	FY2020E
Consulting	$1,300,620	$1,938,587
Licensing	$3,364,382	$2,489,643
Product Sales	$613,020	$2,942,497
Total Revenue	**$5,278,022**	**$7,370,726**

Source: FRC

QoQ Decrease in SG&A Expenses

Selling, general and administrative ("SG&A") expenses for Q3-FY2019 were $3.21 million – a 4.04% QoQ decrease and a 117% YoY increase. The slight QoQ decrease in SG&A expenses were primarily attributed to lower advertising, marketing and media expenses. We believe our SG&A expense forecast for FY2019 of $13.48 million is reasonable and have maintained this figure. Given that the company is launching additional product lines, we have revised our FY2020 SG&A expenses forecast upwards to $14.41 million (from $10.29 million). **We believe that current levels of SG&A expenses are exceedingly high and must be brought down over the longer-term.** By FY2025, we expect the company to operate at the industry-average SG&A expenses to revenue of 30%. Our current valuation is heavily dependent on a scale-down in SG&A expenses from 2022 onwards.

Net Loss

The company reported a net loss of $1.87 million (EPS: -$0.02) for Q3-FY2019 versus a net loss of $4.15 million (EPS: -$0.05) for Q2-FY2019, and a net loss of $3.74 million (EPS: -$0.05) for Q3-FY2018. Due to revisions made to our revenue forecast, our revised net loss forecast for FY2019 and FY2020 are -$12.59 million (EPS: -$0.12) and -$9.77 million (EPS: -$0.07), respectively. This compares to our previous net loss forecast for 2019 and 2020 of -$12.79 million (EPS: -$0.13) and -$6.13 million (EPS: -$0.05), respectively.

Deterioration in Free Cash Flows

Free cash flows ("FCFs") deteriorated YoY as most of the revenues were non-cash. High SG&A expenses also contributed to the deterioration in FCFs.

Summary of Cash Flows ($, mm)	2018 (9M)	2019 (9M)
Operating	-$2.85	-$9.38
Investing	$0.05	$0.48
Financing	$1.88	$9.47
Effects of Exchange Rate	$0.00	-$0.00
Net	**-$0.92**	**$0.58**
Free Cash Flows to Firm (FCF)	**-$2.80**	**-$8.90**

Source: Company, FRC

Balance Sheet

At the end of fiscal Q3-2019, the company reported a cash position of $0.61 million, working capital of $3.42 million, a current ratio of 3.16x, and no debt. Subsequent to the quarter, the company issued 5.32 million special warrants for gross proceeds of $1.42 million. The special warrants consist of one common share and one share purchase warrant with varying exercise prices.

(in C$) - YE Nov 30th Liquidity & Capital Structure		Q3-2019
Cash	$	613,540
Working Capital	$	3,422,424
Current Ratio		3.16
LT Debt	$	-
Total Debt	$	-
LT Debt / Capital		-
Total Debt / Capital		-
Total Invested Capital	$	4,045,292

Source: Company, FRC

Given the company's current run-rate, we estimate that the company will have to raise up to an additional $4 million for FY2019 shortly. We have assumed this to be through equity financing.

Stock Options and Warrants: We estimate that the company has 14.25 million options (weighted average exercise price of $0.46) and 37.96 million warrants (weighted average exercise price of $1.40). Currently, 3.23 million options and nil warrants are in the money. The company will be able to raise up to $0.62 million if all the in the money options are exercised.

Valuation

Discounted Cash Flow ("DCF") Valuation

Our updated DCF valuation on Yield Growth's shares is $0.39, down from $0.43 previously. In addition to the decline primarily being caused by our revision in the company's 2020 SG&A expenses, the company witnessed a greater number of shares outstanding through the issuance of special warrants.

DCF Model	Q4-2019E	2020E	2021E	2022E	2023E	2024E	2025E	Terminal
EBIT(1-tax)	$ -2,779,676	$ -9,765,537	$ -133,261	$ 2,292,606	$ 3,397,051	$ 3,890,422	$ 4,496,714	
Non-Cash Expenses	$ -1,120,934	$ 865,276	$ 964,613	$ 825,538	$ 604,219	$ 725,730	$ 874,793	
Investment in WC	$ -114,396	$ -408,457	$ -30,669	$ -29,683	$ -35,384	$ -42,400	$ -51,046	
CFO	$ -4,015,006	$ -9,308,718	$ 800,683	$ 3,088,461	$ 3,965,887	$ 4,573,752	$ 5,320,462	
CAPEX	$ -103,140	$ -250,000	$ -250,000	$ -250,000	$ -250,000	$ -250,000	$ -250,000	
FCF	$ -4,118,146	$ -9,558,718	$ 550,683	$ 2,838,461	$ 3,715,887	$ 4,323,752	$ 5,070,462	$ 74,608,221
PV	$ -4,040,389	$ -8,525,668	$ 446,517	$ 2,092,312	$ 2,490,079	$ 2,634,019	$ 2,808,102	$ 41,319,213

Discount Rate	10%
Terminal Growth Rate	3%
Total PV	$ 39,224,184
Cash - Debt	$ 1,132,393
Equity Value	$ 40,356,577
Shares O/S (dil)	104,219,219
Fair Value	**$ 0.39**

Source: FRC

Comparables Valuation

The average EV/R of comparables industries increased from 2.94x to 3.20x while the average EV/EBITDA decreased from 16.72x to 16.18x. This implies a decrease in revenue but an increase in EBITDA across industries. As such, we believe this to be due to cost cutting efforts across industries. Our revised valuation on the company based on EV/R is $0.39 (previously $0.38) and based on EV/EBITDA is $0.57 (previously $0.63)

Sector	EV/R	EV/EBITDA
Personal Products	3.10	15.60
Beauty Care	3.10	15.70
Cosmetics	3.20	18.40
Hair Care	3.40	15.70
Skin Care	3.20	15.50
Average	**3.20**	**16.18**

Source: S&P Capital IQ / FRC

Comparables Valuation					
2025 Forecast (Gross Revenues)	$	22,231,262	2025 Forecast (EBITDA)	$	6,478,894
Average EV/ Revenue		3.20	Average EV/ EBITDA		16.18
Expected EV (C$)	$	71,140,038	Expected EV (C$)	$	104,828,502
Discounted EV (C$)	$	39,398,478	Discounted EV (C$)	$	58,055,682
Expected Market Cap (C$)	$	40,530,871	Expected Market Cap (C$)	$	59,188,075
Value per Share (C$)	**$**	**0.39**	**Value per Share (C$)**	**$**	**0.57**

Source: FRC

Based on our updated valuation models, we are revising our previous fair value estimate of $0.48 per share to $0.45 per share. This is the average of all three of our valuation models.

Risks

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

- The company operates in an industry that is highly regulated and subject to material change from governmental intervention.
- Significant partner risk as a portion of the company's business is reliant on licensees who conduct third-party Urban Juve sales.
- Access to capital and share dilution.
- Liquidity risk.
- Our revenue projections may not materialize.

We are maintaining our risk rating of 4 (Speculative).

Appendix

STATEMENTS OF OPERATIONS (in C$) - YE Nov 30th	2017	2018	2019E	2020E
Consulting		1,098,364	1,300,620	1,938,587
Licensing		1,957,078	3,364,382	2,489,643
Product			613,020	2,942,497
Revenues	-	**3,055,442**	**5,278,022**	**7,370,726**
COGS			681,248	1,862,797
Gross Profit	-	**3,055,442**	**4,596,774**	**5,507,929**
EXPENSES				
SG&A	1,139,538	5,707,997	13,722,086	14,408,190
Share-based Compensation	89,908	3,663,470	2,920,180	737,073
EBITDA	**(1,229,446)**	**(6,316,025)**	**(12,045,492)**	**(9,637,334)**
Depreciation & Amortization	239	20,985	106,836	128,204
EBIT	**(1,229,685)**	**(6,337,010)**	**(12,152,329)**	**(9,765,537)**
Financing Costs				
EBT	**(1,229,685)**	**(6,337,010)**	**(12,152,329)**	**(9,765,537)**
Non-Recurring Expenses		3,371,027	432,946	
Taxes				
Net Profit (Loss)	**(1,229,685)**	**(9,708,037)**	**(12,585,275)**	**(9,765,537)**
Other	589,030	247,698		
Comprehensive Net Profit (Loss)	**(640,655)**	**(9,460,339)**	**(12,585,275)**	**(9,765,537)**
Shares outstanding	10,051,000	77,489,000	103,456,019	136,789,352
EPS	$ -0.12	$ -0.13	$ -0.12	$ -0.07

BALANCE SHEET (in C$) - YE Nov 30th	2017	2018	2019E	2020E
ASSETS				
CURRENT				
Cash and Cash Equiv.	1,425,380	36,211	156,795	298,077
ST Investments	650,550	1,811,433	5,175,815	5,175,815
A/R	68,930	210,529	527,802	368,536
Loan Receivable	15,000			
Inventory		50,783	395,852	552,804
Prepaids	165,000	454,146	395,852	221,122
Prepaid License and Royalty Fees	452,500			
Related Parties				
Total Current Assets	**2,777,360**	**2,563,102**	**6,652,115**	**6,616,355**
Marketable Securities			900,000	900,000
PPE	5,353	49,243	192,407	314,203
Intangibles			423,621	423,621
Investment in JV				
Total Assets	**2,782,713**	**2,612,345**	**8,168,143**	**8,254,178**
LIABILITIES				
CURRENT				
A/P	28,079	364,140	1,021,872	279,420
Related Parties	42,907	59,554	787	787
Deferred Revenue		349,858	263,901	368,536
Total Current Liabilities	**70,986**	**773,552**	**1,286,560**	**648,743**
Deferred Revenue		509,589	131,951	184,268
Total Liabilities	**70,986**	**1,283,141**	**1,418,511**	**833,011**
SHAREHOLDERS EQUITY				
Share Capital	3,207,920	5,449,968	20,111,869	29,811,869
Reserves	144,926	5,980,694	5,980,694	5,980,694
AOCI	589,030	836,728	4,180,529	4,917,602
Deficit	(1,230,149)	(10,938,186)	(23,523,461)	(33,288,998)
Total shareholders' equity (deficiency)	**2,711,727**	**1,329,204**	**6,749,632**	**7,421,167**
Total Liabilities and Shareholders Equity	**2,782,713**	**2,612,345**	**8,168,143**	**8,254,178**

STATEMENTS OF CASH FLOWS (in C$) - YE Nov 30th	2017	2018	2019E	2020E
OPERATING ACTIVITIES				
Net Profit for the Year	(1,229,685)	(9,708,037)	(12,585,275)	(9,765,537)
Adjusted for items not involving cash:				
Amortization + Depreciation		473,485	106,836	128,204
Gain on Sale of ST Investments		(142,060)		
Gain on ST Investments		(296,333)		
Write-off of A/P		(20,918)		
Impairment of Loan Receivable		15,000		
Loss on JV		2,367,766		
Loss from Termination of Licensing Agreements		1,447,572		
Loss on ST Investments				
Loss from Associate				
SBC	89,908	3,663,470	2,920,180	737,073
Shares for Services	34,500	300,000		
Shares for Licensing Fees	204,772			
Shares for Distribution Rights		(2,800,000)	(3,364,382)	
Funds From Operations	**(900,505)**	**(4,700,055)**	**(12,922,640)**	**(8,900,261)**
Change in working capital				
A/R	(68,930)	(118,591)	(317,273)	159,266
A/P	30,116	385,329	657,732	(742,452)
Inventory		(91,635)	(345,069)	(156,953)
Deferred Revenue		859,447	(463,595)	156,953
Related Parties	62,406	(178,088)	(58,767)	-
Prepaids	160,000	(248,294)	58,294	174,730
NET CASH USED IN OPERATING ACTIVITIES	**(716,913)**	**(4,091,887)**	**(13,391,318)**	**(9,308,718)**
INVESTING ACTIVITIES				
License		250,000		
Loan Receivable	(15,000)			
PPE	(5,592)	(64,875)	(250,000)	(250,000)
ST Investments	(30,000)	590,997	(900,000)	
Purchase of intangible assets				
Web development costs				
NET CASH USED IN INVESTING ACTIVITIES	**(50,592)**	**776,122**	**(1,150,000)**	**(250,000)**
FINANCING ACTIVITIES				
Equity Issue	2,297,646	1,493,225	11,512,309	10,000,000
Issue Costs	(105,000)	(117,479)	(345,369)	(300,000)
Special Warrants		578,000	3,706,680	
Warrant Issue Cost		(27,150)	(211,718)	-
Subscriptions				
NET CASH FROM FINANCING ACTIVITIES	**2,192,646**	**1,926,596**	**14,661,901**	**9,700,000**
Foreign Exchange / Others				
INCREASE IN CASH FOR THE YEAR	**1,425,141**	**(1,389,169)**	**120,584**	**141,282**
CASH, BEGINNING OF THE YEAR		1,425,380	36,211	156,795
CASH, END OF THE YEAR	**1,425,141**	**36,211**	**156,795**	**298,077**

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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