

Notice of Meeting and  
Management Information Circular

for the

**2015 and 2016**

Annual General and Special Meeting of Shareholders

of

**STANDARD GRAPHITE CORPORATION**

Meeting date: October 18, 2017

Time: 10:00 a.m. (Pacific Time)



## NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING

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**NOTICE IS HEREBY GIVEN** that the 2015 and 2016 Annual General and Special Meeting (the "**Meeting**") of the shareholders of **Standard Graphite Corp.** (the "**Company**") will be held at Suite 350 – 409 Granville Street, Vancouver, BC, V6C 1T2 on the 18th day of October, 2017 at the hour of **10:00 a.m.** (local time), for the following purposes:

1. To table the audited financial statements of the Company, together with the auditor's reports thereon, for the financial years ended June 30, 2015 and June 30, 2016;
2. To fix the number of directors for the Company at three (3) and to elect directors for the ensuing year;
3. To re-appoint an auditor for the ensuing year at a remuneration to be fixed by the directors;
4. To consider and, if thought fit, to pass an ordinary resolution to ratify, confirm and approve the current stock option plan of the Company;
5. To consider and, if thought fit, to pass a special resolution authorizing an alteration of the articles of the Company to include an advance notice provision, as more particularly described in the accompanying management information circular;
6. To consider and, if thought fit, to pass a special resolution authorizing an alteration of the articles of the Company to provide for the issuance of uncertificated shares, as more particularly described in the accompanying management information circular;
7. To consider and, if thought fit, to pass a special resolution authorizing an amendment of the articles of the Company to provide for alterations of the share capital of the Company by ordinary resolution or, in certain cases, by a directors' resolution, as more particularly described in the accompanying management information circular;
8. To consider and, if thought fit, to pass a special resolution authorizing an alteration of the articles of the Company to permit a name change of the Company by way of a directors' resolution, as more particularly described in the accompanying management information circular;
9. To consider and, if thought fit, to pass a special resolution approving the acquisition of Medi-Can Health Solutions Ltd. by way of a share purchase agreement, as more particularly described in the accompanying management information circular; and
10. To transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

Accompanying this notice of Meeting (this "**Notice**") are the Company's management information circular (the "**Circular**") and form of proxy (the "**Proxy**"). The Circular provides additional information relating to the matters to be dealt with at the Meeting and is deemed to form part of this Notice.

The board of directors has fixed the close of business on **September 11, 2017** as the record date for determining shareholders entitled to receive notice of, and to vote at, the Meeting or any adjournment thereof. Shareholders who are unable to or who do not wish to attend the Meeting in person are requested to read, date and sign the accompanying Proxy and deliver it to Computershare Investor Services Inc. ("**Computershare**"). If a shareholder does not deliver a Proxy to Computershare, Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, by **10:00 a.m.** (Vancouver time) on **October 16, 2017** (or at least 48 hours, excluding Saturdays, Sundays and holidays, before any adjournment of the meeting at which the Proxy is to be used) then the shareholder will not be entitled to vote at the Meeting by Proxy.

DATED at Vancouver, British Columbia, this 19<sup>th</sup> day of September, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS**

***"Christopher Bogart"***

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**Christopher Bogart  
President**

**STANDARD GRAPHITE CORPORATION  
350 – 409 Granville Street  
Vancouver, BC V6C 1T2**

**MANAGEMENT INFORMATION CIRCULAR**

(as at and dated September 19, 2017, unless indicated otherwise)

**This management information circular (the "Circular") is furnished in connection with the solicitation of proxies and voting instructions forms ("VIFs") by the management of Standard Graphite Corporation (the "Company") for use at the 2015 and 2016 annual general and special meeting (the "Meeting") of shareholders of the Company (the "Shareholders") (and any adjournment thereof) to be held on October 18, 2017 at the time and place and for the purposes set forth in the accompanying notice of meeting (the "Notice").**

In this Circular, references to "the Company", "Standard Graphite", "we" and "our" refer to Standard Graphite Corporation. "Common Shares" means common shares without par value in the capital of the Company. "Beneficial Shareholders" means shareholders who do not hold Common Shares in their own name and "Intermediaries" refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

**GENERAL PROXY INFORMATION**

Solicitation will be primarily by mail, but some proxies and VIFs may be solicited personally or by telephone by regular employees or directors of the Company at a nominal cost. The cost of solicitation by management of the Company will be borne by the Company. We have arranged for Intermediaries to forward the Meeting materials to Beneficial Shareholders held of record by those Intermediaries and we may reimburse the Intermediaries for their reasonable fees and disbursements in that regard.

Standard Graphite is not using the 'Notice and Access' procedures available under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**") in respect of the Meeting.

**CURRENCY EXCHANGE RATES**

Financial information contained in this Circular is in Canadian Dollars unless otherwise indicated.

**COMPLETION AND VOTING OF PROXIES AND VIFS**

**Voting**

Voting at the Meeting will be by a show of hands, each registered shareholder (a "**Registered Shareholder**") and each person representing a Registered or Beneficial Shareholder through a Proxy or VIF (a "**Proxyholder**") having one vote, unless a poll is required (if the number of Common Shares represented by Proxies and VIFs that are to be voted against a motion are greater than 5% of the votes that could be cast at the Meeting) or requested, whereupon each such shareholder and Proxyholder is entitled to one vote for each Share held or represented, respectively.

**Appointment of Proxyholders**

The persons named in the accompanying form of proxy (the "**Proxy**") are directors and/or officers of the Company. **If you are a Registered Shareholder, you have the right to attend the Meeting or vote by Proxy and to appoint a person or company other than either of the persons designated in the Proxy, who need not be a Shareholder, to attend and vote on the Shareholder's behalf at the Meeting. To exercise this right, the Registered Shareholder may insert the name of the Shareholder's nominee in the space provided or, by completing and delivering another suitable form of Proxy.**

## Voting by Proxyholder

A Registered Shareholder may indicate the manner in which the Proxyholders are to vote on behalf of the Registered Shareholder, if a poll is held, by marking an "X" in the appropriate space of the Proxy. **If both spaces are left blank, the Proxy will be voted as recommended by management for any matter requiring a "For" or "Against" vote, and in favour of the matter for any matter requiring a "For" or "Withhold" vote.**

The Proxy must be dated and signed by the Registered Shareholder or the Registered Shareholder's attorney authorized in writing. In the case of a corporation, the Proxy must be dated and executed under its corporate seal or signed by a duly authorized officer of, or attorney for, the corporation.

**The Proxy when properly signed, confers discretionary authority with respect to amendments or variations to the matters identified in the Notice.** The Company's management is not aware that any amendments or variations are to be presented at the Meeting. If any amendments or variations to such matters should properly come before the Meeting, the Proxies and VIFs hereby solicited will be voted as recommended by management.

**Shareholders may vote their completed Proxies, in accordance with the instructions set out on the Proxy. If voting by mail, Shareholders must return their completed Proxies, together with the power of attorney or other authority, if any, under which it was signed or a notarially certified copy thereof, in accordance with the instructions set out on the Proxy. Proxies and VIFs received after the time set out in the Proxy or VIF for delivery thereof may be accepted or rejected by the Chairman of the Meeting in the Chairman's discretion.**

## Registered Shareholders

Only persons registered as Shareholders in the Company's central Security Register maintained by its registrar and transfer agent or duly appointed Proxyholders will be recognized to make motions or vote at the Meeting. Registered Shareholders who choose to submit a Proxy may do so by one of the following methods:

- (a) complete, date and sign the enclosed form of Proxy and return it to the Company's transfer agent, Computershare Investor Services Inc. ("**Computershare**"), by fax within North America to 1-866-249-7775, by fax outside North America to 416-263-9524, by mail or by hand to the 8th Floor, 100 University Avenue, Toronto, Ontario, Canada, M5J 2Y1, or by hand delivery to the 3rd Floor, 510 Burrard Street, Vancouver, British Columbia, Canada, V6C 3B9; or
- (b) log onto the internet website of Computershare at [www.investorvote.com](http://www.investorvote.com). Registered Shareholders must follow the instructions that appear on the screen and refer to the enclosed Proxy form for the holder's account number and the proxy access number.

Registered Shareholders must ensure the Proxy is received at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or any adjournment thereof.

## Beneficial Shareholders (Unregistered Shareholders)

Beneficial Shareholders holding their Common Shares through Intermediaries will not be recognized nor may they make motions or vote at the Meeting except as described below.

If Common Shares are listed in an account statement provided to a Shareholder by an Intermediary those Common Shares are probably not registered in the Shareholder's name. Such Common Shares will probably be registered in the name of the Intermediary or its nominee and can only be voted through a duly completed Proxy given by the Intermediary. Without specific instructions, Intermediaries are prohibited from voting Common Shares for their clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate party well in advance of the Meeting.**

NI 54-101 requires Intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. Intermediaries may have their own mailing procedures and provide their own form of VIF to clients, which should be carefully followed by Beneficial Shareholders to ensure their Common Shares are voted at the Meeting.

There are two kinds of Beneficial owners – those who object to their name being made known to the issuers of securities which they own (called “**OBOS**” for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing who they are (called “**NOBOs**” for Non-Objecting Beneficial Owners).

The Company does not intend to pay for an Intermediary to deliver to OBOs, as defined in NI 54-101, the proxy-related materials and Form 54-101F7 - *Request for Voting Instructions Made by Intermediary*. As a result, an OBO will not receive the materials unless the OBO's Intermediary assumes the cost of delivery.

The VIF supplied to you by Intermediaries is substantially similar to the Proxy provided by the Company directly to Registered Shareholders, however, it is limited to instructing the Intermediary (as the Registered Shareholder) how to vote on your behalf.

These securityholder materials are being sent to both registered and non-registered owners of the securities of the Company. If you are a Beneficial Owner, and the Company or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding securities on your behalf.

By choosing to send these materials to you directly, the Company (and not the Intermediary holding securities on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in your request for voting instructions.

The form of Proxy supplied to you by your broker will be similar to the proxy provided to Registered Shareholders by the Company. However, its purpose is limited to instructing the Intermediary on how to vote your Common Shares on your behalf. Most Intermediaries in Canada and the United States of America (“**USA**”) delegate responsibility for obtaining instructions from clients to a third party corporation such as Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge mails a VIF in lieu of a Proxy provided by the Company. The VIF will name the same persons as the Company's Proxy to represent your Common Shares at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Company), other than any of the persons designated in the VIF, to represent your Common Shares at the Meeting, and that person may be you. To exercise this right, you should insert the name of the desired representative (which may be yourself) in the blank space provided in the VIF. The completed VIF must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge's instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting, and the appointment of any shareholder's representative. **If you receive a VIF from Broadridge, the VIF must be completed and returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have your Common Shares voted at the Meeting and to vote your Common Shares at the Meeting.**

Beneficial Shareholders with questions respecting the voting of Common Shares held through an Intermediary should contact that Intermediary for assistance.

### **United States Shareholders**

This solicitation of Proxies and VIFs involve securities of a corporation located in Canada and is being effected in accordance with the corporate and securities laws of the province of British Columbia, Canada. The proxy solicitation rules under the United States Securities Exchange Act of 1934, as amended, are not applicable to the Company or this solicitation. Shareholders should be aware that disclosure and proxy solicitation requirements under the securities laws of British Columbia, Canada differ from the disclosure and proxy solicitation requirements under United States securities laws.

The enforcement by Shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Company is incorporated under the *Business Corporations Act* (British Columbia) (the “**Act**”), some of its directors and its executive officers are residents of Canada and a substantial portion of its assets and the assets of such persons are located outside the United States. Shareholders may not be able to sue a foreign corporation or its officers or directors in a foreign court for

violations of United States federal securities laws. It may be difficult to compel a foreign corporation and its officers and directors to subject themselves to a judgment by a United States court.

### **REVOCATION OF PROXIES**

#### **Revocation of Proxies**

Shareholders have the power to revoke Proxies and VIFs previously given by them. Revocation of Proxies can be effected by a Registered Shareholder by:

- (a) an instrument in writing (which includes executing a Proxy bearing a later date or by executing a valid notice or revocation, either of the foregoing to be signed by the Registered Shareholder or the Registered Shareholder's attorney authorized in writing and, for a corporation, executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation, and by delivering the proxy bearing a later date to Computershare or at the address of the registered office of the Company at Suite 350 – 409 Granville Street, Vancouver British Columbia, V6C 1T2, at any time up to and including the last business day before the day set for the holding of the Meeting, or if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any manner provided by law, or at which the Proxy is to be used, or
- (b) personally attending Meeting and voting the Registered Shareholder's Common Shares. A revocation of a Proxy will not affect a matter on which a vote is taken before the revocation.

Beneficial Shareholders who wish to revoke a VIF or a waiver of the right to receive proxy-related materials should contact their Intermediaries for instructions.

### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

No director or executive officer of the Company, nor any person who has held such a position since the beginning of the last completed financial year of the Company, nor any nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors and the approval of the Company's stock option plan, described herein.

### **RECORD DATE AND QUORUM**

The articles of the Company (the "**Articles**") provide that a quorum for the transaction of business at a meeting of Shareholders is two persons who are, or represent by Proxy, Shareholders holding in the aggregate, at least five (5%) percent of the issued Common Shares entitled to be voted at the Meeting. Unless otherwise noted, a simple majority of the votes cast at the Meeting (in person or by Proxy) is required in order to pass the resolutions referred to in the accompanying Notice. The resolution to approve an advance notice provision to its Articles, the resolution to amend the Articles to allow for uncertified issuances, and the resolution to approve the transaction with Medi-Can Health Solutions Ltd. must be approved by two-thirds of the votes cast by the Company's Shareholders, present in person or by Proxy.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

The Company has an authorized capital of an unlimited number of Common Shares without par value. As at the date of this Circular, 66,686,975 Common Shares without par value were issued and outstanding, each such Common Share carrying the right to one (1) vote at the Meeting. The record date has been fixed in advance by the directors of the Company at September 11, 2017 for the purpose of determining those Shareholders entitled to receive notice of, and to vote at the Meeting.

To the knowledge of the directors and senior officers of the Company, there are no persons who beneficially own, directly or indirectly, or exercise control or direction over, voting securities carrying more than 10% of the voting rights attached to the voting securities of the Company.

## **PARTICULARS OF OTHER MATTERS TO BE ACTED UPON**

### **Number and Election of Directors**

The board of directors (the "**Board**") presently consists of three directors. Management is nominating three individuals to stand for election as directors at the Meeting. It is proposed that the number of directors to be elected at the Meeting for the ensuing year be fixed at three.

The term of office of each of the present directors expires at the Meeting. Management of the Company proposes to nominate the persons named below for election as directors of the Company at the Meeting. In accordance with the Articles, each director elected will hold office until the next annual general meeting of the members of the Company or until their successor is duly elected or appointed, unless such office is earlier vacated in accordance with the Articles or such director becomes disqualified to act as a director pursuant to the Act.

**Except where authority to vote on the Election of Directors is withheld, unless otherwise indicated, the named Proxyholders will vote "FOR" the election of each of the proposed nominees set forth above as directors of the Company.**

The following table and notes thereto sets forth the name of each person proposed to be nominated by management for election as a director, the municipality in which he is ordinarily resident, all offices of the Company now held by him, the period of time for which he has been a director of the Company, and the number of Common Shares beneficially owned by him, directly or indirectly, or over which he exercises control or direction, as at the date hereof:

<b>Name, Province or State and Country of Residence</b>	<b>Principal Occupation</b>	<b>Date First Became Director</b>	<b>Number of Common Shares held<sup>(2)</sup></b>
<b>Christopher Bogart<sup>(1)</sup></b> British Columbia, Canada President, Chief Executive Officer, and Director	President, Chief Executive Officer, and Director of the Company	September 18, 2006	2,008,750
<b>Kevin Puil<sup>(1)</sup></b> British Columbia, Canada Director	Chartered Financial Analyst Managing Partner at RIVI Capital LLC	May 17, 2017	Nil
<b>Stephen Tong<sup>(1)</sup></b> British Columbia, Canada Director	Lawyer at Stella Law Corporation	February 23, 2016	Nil

**NOTES:**

- 1 Member of the audit committee, corporate governance committee, and compensation committee.
- 2 Voting securities beneficially owned, directly or indirectly, or over which control or direction is exercised.

**Management is not presently aware that any of the nominees will be unwilling to serve as a director if elected but in the event that, prior to the Meeting, any vacancies occur in the slate of nominees submitted herewith, the enclosed Proxy confers discretionary authority upon the persons named therein to vote for the election of any other eligible person designated by the Board, unless instructions have been given to refrain from voting with respect to the election of directors.**

### **Corporate Cease Trade Orders, Bankruptcies, Penalties, Sanctions or Individual Bankruptcies**

To the knowledge of the Company, no proposed director:

- a) is at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer ("**CEO**") or chief financial officer ("**CFO**") of any company (including the Company) that:
  - (i) was subject, to a cease trade or similar order or an order that denied the relevant company access to any exemptions under securities legislation, that was in effect for a period of more

than 30 consecutive days (collectively, an "Order"); when such Order was issued while the person was acting in the capacity of a director, CEO or CFO of the relevant company; or

- (ii) was subject to an Order for that was issued after such person ceased to be a director, CEO or CFO of the relevant company, and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO of the relevant company; or
- b) is, as at the date of this Circular, or has been within 10 years before the date of the Circular, a director or executive officer of any company (including Standard Graphite) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- c) has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; or
- d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- e) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

The Board has not appointed an executive committee.

As the Company is a reporting company the directors of the Company are required to elect from their number an audit committee. **Christopher Bogart, Kevin Puil and Stephen Tong** are the three directors to be elected by the Board to the audit committee for the ensuing year. Mr. Bogart is the President and CEO of the Company and therefore is non-independent. Kevin Puil and Stephen Tong are the independent members of the audit committee.

#### **Appointment of Auditor**

Management proposes the appointment of Smythe Ratcliffe LLP, of Vancouver, British Columbia as the Company's auditor (the "Auditor") until the next annual general meeting of Shareholders or until their successors are appointed. The directors will be authorized to fix the remuneration of the Auditor.

Smythe Ratcliffe LLP was first appointed auditor of the Company on September 1, 2015.

**Unless instructions are given to abstain from voting with regard to the appointment of the Auditor, it is the intention of management nominees to vote "FOR" the appointment of Smythe Ratcliffe LLP as auditor of the Company for the ensuing year.**

#### **Ratification and Approval of Stock Option Plan**

The Company has a rolling stock option plan (the "Plan"), which provides for a total of 10% of the issued and outstanding Common Shares of the Company available for issuance thereunder. The Plan was most recently approved by the Shareholders at the last annual general meeting held on September 14, 2015. In accordance with Policy 4.4 of the TSX Venture Exchange (the "Exchange"), all rolling stock option plans, such as the Company's requires shareholder approval on an annual basis.

The purpose of the Plan is to allow the Company to grant stock options (the "Options") to directors, officers, employees and consultants, as additional compensation, and as an opportunity to participate in the success of Standard Graphite. The granting of such Options is intended to align the interests of such persons with that of the Shareholders.

## *Terms of the Plan*

The full text of the Plan will be available for review at the Meeting and will be supplied free of charge to Shareholders upon written request made directly to the Company at its registered head office located at 350 – 409 Granville, Vancouver, BC, Canada, V6C 1T2, Attention: President and CEO.

Number of Common Shares Reserved. The Plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance, set aside and made available for issuance under the Plan may not exceed 10% of the issued and outstanding Common Shares of the Company at the time of granting of Options (including all Options granted by the Company to date). The number of Common Shares which may be reserved in any 12 month period for issuance to any one individual upon exercise of all Options held by that individual may not exceed 5% of the issued and outstanding Common Shares of the Company at the time of the grant. The number of Common Shares which may be reserved in any 12 month period for issuance to any one consultant may not exceed 2% of the issued and outstanding Common Shares and the maximum number of Common Shares which may be reserved in any 12 month period for issuance to all persons engaged in investor relations activities may not exceed 2% of the issued and outstanding Common Shares of the Company. The Plan provides that Options granted to any person engaged in investor relations activities will vest in stages over 12 months with no more than ¼ of the Options vesting in any three month period.

Exercise Price. The exercise price of any Options granted under the Plan shall be determined by the Board, but may not be less than the market price of the Common Shares on the Exchange on the date of the grant (less any discount permissible under Exchange rules).

Maximum Term of Options. The term of any Options granted under the Plan shall be determined by the Board at the time of grant but, subject to earlier termination in the event of termination or in the event of death, the term of any Options granted under the Plan may not exceed ten years. Options granted under the Plan are not to be transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

Termination. Subject to certain exceptions, in the event that a director or officer ceases to hold office, Options granted to such director or officer under the Plan will expire 90 days after such director or officer ceases to hold office. Subject to certain exceptions, in the event that an employee, or consultant ceases to act in that capacity in relation to the Company, Options granted to such employee, consultant or management company employee under the Plan will expire 90 days after such individual or entity ceases to act in that capacity in relation to the Company. Options granted to optionees engaged in investor relations activities on behalf of the Company expire 90 days after such optionees cease to perform such investor relations activities for the Company. In the event of death of an Option holder, Options granted under the Plan expire one year from the date of the death of the Option holder.

Administration. The Plan will be administered by the Board or a special committee of directors, either of which will have full and final authority with respect to the granting of all Options thereunder. Options may be granted under the Plan to such directors, officers, employees or consultants of the Company, as the Board may from time to time designate.

The Company is seeking re-approval of the Plan by the Shareholders in accordance with the rules and policies of the Exchange.

Accordingly, at the Meeting, the Shareholders will be asked to pass ordinary resolution ratifying the Plan. All Shareholders present at the Meeting, whether in person or by Proxy, will be entitled to vote on such resolution as follows:

### **Shareholder Approval of Plan**

“RESOLVED, as an ordinary resolution that:

1. the adoption of the Company’s Plan be ratified, confirmed and approved, subject to acceptance by the Exchange;

2. the Company be authorized to grant Options pursuant and subject to the terms and conditions of the Plan at any time to a maximum of 10% of the issued and outstanding Common Shares of the Company on the applicable grant date;
3. the Board be authorized on behalf of the Company to make any amendments to the Plan as may be required by regulatory authorities, without further approval of the Shareholders of the Company, in order to ensure adoption of the Plan; and
4. any one or more directors and officers of the Company be authorized and directed to perform all such acts and deeds and things and execute, under seal of the Company or otherwise, all such documents, agreements and other writings as may be required to give effect to the true intent of these resolutions."

**Unless otherwise instructed, the person named in the enclosed Proxy or VIF intend to vote such Proxy or VIF in favour of the approval of the Plan. The Board recommends that Shareholders vote in favour of the approval of the Plan. To be adopted, this resolution is required to be passed by the affirmative vote of a majority of the votes cast on the resolution.**

### **Approval of Advance Notice Provision**

#### ***Background***

The Board is proposing that the Articles be altered to include an advance notice provision (the "**Advance Notice Provision**") which will provide Shareholders, directors and management of the Company with direction on the procedure for Shareholder nomination of directors.

#### ***Purpose of the Advance Notice Provision***

The Board is committed to: (i) facilitating an orderly and efficient annual general or, where the need arises, special meeting, process; (ii) ensuring that all Shareholders receive adequate notice of the director nominations and sufficient information with respect to all nominees; and (iii) allowing Shareholders to register an informed vote having been afforded reasonable time for appropriate deliberation.

The purpose of the Advance Notice Provision is to provide Shareholders, directors and management of the Company with a clear framework for nominating directors. The Advance Notice Policy fixes a deadline by which holders of record of Common Shares must submit director nominations to the Company prior to any annual or special meeting of Shareholders and sets forth the information that a Shareholder must include in the notice to the Company for the notice to be in proper written form in order for any director nominee to be eligible for election at any annual or special meeting of Shareholders.

#### ***Summary of the Advance Notice Provision***

The following information is intended as a brief description of the Advance Notice Policy and is qualified in its entirety by the full text of the Advance Notice Policy, a copy of which is attached as Schedule "A" to this Circular. The terms of the Advance Notice Policy are summarized below.

The Advance Notice Provision provides that advance notice to the Company must be made in circumstances where nominations of persons for election to the Board are made by Shareholders of the Company other than pursuant to: (i) a "proposal" made in accordance with Part 5, Division 7 of the Act; or (ii) a requisition of the shareholders made in accordance with Section 167 of the Act.

Among other things, the Advance Notice Provision fixes a deadline by which holders of record of Common Shares of the Company must submit director nominations to the corporate secretary of the Company prior to any annual or special meeting of Shareholders and sets forth the specific information that a Shareholder must include in the written notice to the corporate secretary of the Company for an effective nomination to occur. No person will be eligible for election as a director of the Company unless nominated in accordance with the provisions of the Advance Notice Policy.

In the case of an annual meeting of Shareholders, notice to the Company must be made not less than 30 nor more than 65 days prior to the date of the annual meeting; provided, however, that in the event that the

annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement.

In the case of a special meeting of Shareholders (which is not also an annual meeting), notice to the Company must be made not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

The Board may, in its sole discretion, waive any requirement of the Advance Notice Policy.

### ***Confirmation and Approval of Advance Notice Provision by Shareholders***

The addition of the Advance Notice Provision to the Company's Articles requires the affirmative vote of not less than two-thirds of the votes cast at the Meeting by the Shareholders, in person or by Proxy.

If the addition of the Advance Notice Provision is not approved by Shareholders at the Meeting, then the Company's Articles will not include the Advance Notice Provision.

At the Meeting, the Shareholders will be asked to approve the following by special resolution (the "**Advance Notice Provision Resolution**"):

### ***Shareholder Approval of Advance Notice Provision Resolution***

"BE IT RESOLVED, as a special resolution of the Shareholders of the Company, that:

1. the addition of the Advance Notice Provision to the Company's Articles, as more particularly set out in Schedule "A" to the Company's Circular dated September 19, 2017, be approved;
2. the alterations to the Company's Articles to include the Advance Notice Provision do not take effect until the date and time that these resolutions are received for deposit at the records office of the Company;
3. any one director or officer of the Company be and is hereby authorized and directed to do all such acts and things and to execute and deliver, under the corporate seal of the Company or otherwise, all such deeds, documents, instruments and assurances as in his or her opinion may be necessary or desirable to give effect to the foregoing resolutions; and
4. the directors have the right to revoke this resolution."

The Board recommends that the Shareholders approve an alteration of the Articles by voting "FOR" the resolution adopting the Advance Notice Provision at the Meeting. In the absence of a contrary instruction, the persons designated by management of the Company in the enclosed Proxy intend to vote FOR the approval of the Advance Notice Provision.

### **Approval of Uncertificated Issuance Amendments**

#### ***Background***

The Board is proposing that the Articles be altered to ensure that the Company's corporate charter facilitates the use of uncertificated shares and electronic record keeping systems currently in use worldwide and which are being increasingly adopted in Canada. The proposed alterations are considered appropriate as a result of the proclamation of the *Securities Transfer Act* (British Columbia) ("**STA**"). STA permits the use of electronic record-keeping and uncertificated securities. Due to the proclamation of STA, the Company wishes to amend certain sections of its Articles (the "**Uncertificated Issuance Amendments**") to ensure confirmation is sent to each holder of an uncertificated share by written notice to the Shareholder pursuant to the current provisions of the Act. The amendments are intended to modernize the Company's corporate charter to more readily permit the use of uncertificated shares and electronic trading.

The material concerns arising from the amendments to the Act and which are reflected in the proposed amendments to the Articles include the following:

1. If the Common Shares of which a Shareholder is the registered owner are not uncertificated shares, such Shareholders will be entitled either to (a) one share certificate representing the shares of each class or series of shares registered in the Shareholder's name; or (b) a non-transferable written acknowledgement of the Shareholder's right to obtain such a share certificate. Shareholders holding uncertificated shares will receive written notice of any issue or transfer of those shares.
2. Currently, the Articles provide that for a share transfer to be effective the Company must receive a "duly signed instrument of transfer" and the certificate representing the share to be transferred has been surrendered and cancelled, or if no certificate was issued by the Company in respect of the share, a "duly signed instrument of transfer". In electronic delivery, in certain circumstances where transfers are effected by brokers on behalf of their clients, a signed instrument of transfer is not provided to the Company. The amendments permit the transfer of shares to occur upon receipt by the Company or its transfer agent of a written instrument of transfer.
3. Currently the Articles provide that the instrument of transfer must be either in the form, if any, on the back of the Company's share certificates or in any other form that may be approved by the directors. The amendments make the acceptance of the form of instrument of transfer by providing that the instrument of transfer be in a form either approved by the directors or by the transfer agent and registrar of the Company.

The full text of the proposed alteration of the Articles to include the Uncertificated Issuance Amendments is set out in Schedule "B" to this Circular.

The amendment to the Articles to adopt the Uncertificated Issuance Amendments requires the affirmative vote of not less than two-thirds of the votes cast at the Meeting by the Shareholders, in person or by Proxy.

If the amendment to the Articles to adopt the Uncertificated Issuance Amendments is not approved by Shareholders at the Meeting, then the Company's Articles will not include the Uncertificated Issuance Amendments.

At the Meeting, Shareholders will be asked to consider and vote on a special resolution, with or without variation, as follows:

***Shareholder Approval of Uncertificated Issuance Amendments***

"Resolved, that:

1. the Company's Articles be altered as set out in Schedule "B" hereto;
2. the alterations to the Company's Articles referred to above do not take effect until the date and time that these resolutions are received for deposit at the records office of the Company;
3. any director of the Company be authorized for and on behalf of the Company to do such things and to execute and deliver, all such forms and other documents as such director may consider advisable in connection herewith and to take all such action and do all such things to give effect to the transaction contemplated herein and the execution by any one director shall be conclusive proof of his or her authority to execute the same for and on behalf of the Company; and
4. the directors have the right to revoke this resolution."

The Board recommends that the Shareholders approve an alteration of the Company's Articles by voting "FOR" the resolution adopting the Uncertificated Issuance Amendments at the Meeting. In the absence of a contrary instruction, the persons designated by management of the Company in the enclosed Proxy intend to vote FOR the approval of the resolution to adopt the Uncertificated Issuance Amendments.

## **Approval of Alteration of Authorized Share Structure**

### ***Background***

The Board is proposing that the Articles be amended to include an alteration of authorized share structure (the "**Authorized Share Structure**") by way of an ordinary resolution or, in certain cases, by way of a directors' resolution.

The full text of the proposed alteration of the Articles to include the Authorized Share Structure is set out in Schedule "D" to this Circular.

The amendment to the Articles to adopt the Authorized Share Structure requires the affirmative vote of not less than two-thirds of the votes cast at the Meeting by the Shareholders, in person or by Proxy.

If the amendment to the Articles to adopt the Authorized Share Structure is not approved by Shareholders at the Meeting, then the Company's Articles will not include the Authorized Share Structure.

At the Meeting, the Shareholders will be asked to approve the following by special resolution:

"BE IT RESOLVED, as a special resolution of the Shareholders of the Company, that:

1. the addition of the Authorized Share Structure to the Company's Articles, as more particularly set out in Schedule "D" to the Company's Circular dated September 19, 2017, be approved;
2. the alterations to the Company's Articles to include the Authorized Share Structure do not take effect until the date and time that these resolutions are received for deposit at the records office of the Company;
3. any one director or officer of the Company be and is hereby authorized and directed to do all such acts and things and to execute and deliver, under the corporate seal of the Company or otherwise, all such deeds, documents, instruments and assurances as in his or her opinion may be necessary or desirable to give effect to the foregoing resolutions; and
4. the directors have the right to revoke this resolution."

The Board recommends that the Shareholders approve an alteration of the Articles by voting "FOR" the resolution adopting the Authorized Share Structure at the Meeting. In the absence of a contrary instruction, the persons designated by management of the Company in the enclosed Proxy intend to vote FOR the approval of the Authorized Share Structure.

## **Approval of Alteration of Articles**

### ***Background***

The Board is proposing that the Articles be altered to include an addition to the Articles which will allow the board of directors to do all things required to change the name of the Company (the "**Change of Name**") without obtaining prior shareholder approval.

If the addition to the Articles regarding Change of the Company is not approved by Shareholders at the Meeting, then the Company's Articles will not include the addition of the Change of Name.

At the Meeting, the Shareholders will be asked to approve the following by special resolution :

### ***Shareholder Approval of Change of Name***

"BE IT RESOLVED, as a special resolution of the Shareholders of the Company, that:

1. the addition of the Change of Name provision to the Company's Articles, as more particularly set out in Schedule "E" to the Company's Circular dated September 19, 2017, be approved;

2. the alterations to the Company's Articles to include the Change of Name do not take effect until the date and time that these resolutions are received for deposit at the records office of the Company;
3. any one director or officer of the Company be and is hereby authorized and directed to do all such acts and things and to execute and deliver, under the corporate seal of the Company or otherwise, all such deeds, documents, instruments and assurances as in his or her opinion may be necessary or desirable to give effect to the foregoing resolutions; and
4. the directors have the right to revoke this resolution."

The Board recommends that the Shareholders approve an alteration of the Articles by voting "FOR" the resolution adopting the Change of Name at the Meeting. In the absence of a contrary instruction, the persons designated by management of the Company in the enclosed Proxy intend to vote FOR the approval of the Change of Name.

## **Approval of the Acquisition**

### ***Background***

The Company proposes to acquire all of the issued and outstanding common shares of Medi-Can Health Solutions Ltd. ("**Medi-Can**") by way of a share purchase agreement dated August 30, 2017 (the "**Share Purchase Agreement**") between the Company, Medi-Can, John Doo-Jin Oh, Adrian Robinson, Josh Brazier, Robert Bayrack (collectively, the "**Medi-Can Shareholders**"). Medi-Can is in the business of cultivating and selling marijuana for medical purposes and related products under the ACMPR (the "**Business**").

Pursuant to the Share Purchase Agreement and subject to the fulfillment of certain conditions, the Company agreed to acquire all of the issued and outstanding common shares of Medi-Can in consideration for (a) an aggregate of 12,500,000 Common Shares (the "**Consideration Shares**") held in escrow and released to the Medi-Can Shareholders as follows: 10% on the closing of the Acquisition and thereafter over 36 months in six equal 15% releases (i.e. 5,850,000 shares each release) every 6 months; and (b) a \$2,500,000 convertible note (the "**Acquisition Note**"), at the election of the Company, either (i) redeemed by way of cash payment to the Medi-Can Shareholders on the Trigger Date (as defined in the Share Purchase Agreement), or (ii) converted by issuance to the Medi-Can Shareholders of \$2,500,000 in Common Shares valued using the 20 day volume-weighted average trading price determined on the Trigger Date (as defined in the Share Purchase Agreement) (the "**Acquisition**").

Following the completion of the Acquisition: (a) the Company will become the "**Resulting Issuer**"; (b) Medi-Can will become a wholly-owned subsidiary of the Company and the business of the combined entity after giving effect to the Acquisition, will include the business of Medi-Can (indirectly through the operation of Medi-Can); (c) original shareholders of the Company will hold an aggregate of 70,020,308 shares of the Resulting Issuer ("**Resulting Issuer Common Shares**"), representing approximately 84.85% of the then issued and outstanding Resulting Issuer Common Shares; (d) Medi-Can Shareholders will hold an aggregate of 12,500,000 Resulting Issuer Common Shares, representing approximately 15.15% of the then issued and outstanding Resulting Issuer Common Shares; and (e) the Company anticipates changing its name upon closing of the Acquisition, which name is to be determined by the Board.

In connection with the Acquisition, the Company will voluntarily delist its shares from the Exchange subject to its application being accepted by the Exchange and apply for listing on the Canadian Securities Exchange ("**CSE**").

The anticipated closing of the Acquisition is at 11:00 a.m. (Vancouver Time) on October 20, 2017, or other such time or date as may be agreed upon in writing by the parties (the "**Closing Date**", "**Closing**" or "**Closing Time**").

Any defined terms not defined in this Circular have the meaning given in the Share Purchase Agreement.

The following is a summary of certain provisions of the Share Purchase Agreement. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, provisions of the Share Purchase Agreement.

### ***Mutual Conditions and Covenants***

The respective obligations of the parties to complete the Acquisition are subject to the fulfillment of each of the following conditions precedent, unless waived in writing by the Company or Medi-Can (where capable of being waived):

- (a) At Closing, receipt by the parties of all necessary third party approvals and consents, including any required acceptances or approvals of the Acquisition by the Exchange; and
- (b) No law will have been proposed, enacted, promulgated or applied and no legal action or proceeding will have been commenced by any person which, if the transactions contemplated by the Share Purchase Agreement were completed would prohibit the completion of the sale of Medi-Can to the Company.

### ***Conditions Precedent in favour of the Company***

The obligation of the Company to complete the Acquisition is subject to the fulfillment of each of the following conditions precedent, unless waived in writing by the Company (where capable of being waived):

- (a) At Closing, all covenants of Medi-Can and the Medi-Can Shareholders under the Share Purchase Agreement to be performed on or before the Closing Time will have been duly performed by Medi-Can or the Medi-Can Shareholders in all material respects;
- (b) At Closing, the representations and warranties of the Medi-Can Shareholders set forth in the Share Purchase Agreement will be true and correct in all respects as of the date of the Share Purchase Agreement and as of the Closing Time, as though made on and as of the Closing Time, except for representations and warranties made as of a specified date, the accuracy of which will be determined as of that specified date;
- (c) Since March 31, 2017, there will not have been or occurred a change, event or occurrence that has had, or could reasonably be expected to have, an adverse effect on Medi-Can;
- (d) At Closing, all consents and approvals, if any, will have been obtained on terms and conditions satisfactory to the Company, acting reasonably;
- (e) At Closing, the Medi-Can Shares will be the only issued and outstanding securities of Medi-Can and all of which will be held by the Medi-Can Shareholders and capable of being transferred free and clear of all encumbrances;
- (f) At Closing, Medi-Can will have been assigned the Commercial Lease dated May 15, 2013, as renewed, between Geoffrey D. Bradbury, Accell Services, and Robert Bayrack;
- (g) At Closing, the Company will have entered into employment or consulting agreements, as applicable, (that will include non-competition and non-solicitation provisions) with key employees and consultants of Medi-Can as determined by the Company, all in the form required by the Company, acting reasonably; and
- (h) At Closing, the Company will have obtained approval, if required, of its shareholders of the transactions contemplated by the Share Purchase Agreement.

### ***Conditions Precedent in favour of Medi-Can Shareholders***

The obligation of Medi-Can Shareholders to complete the Acquisition is subject to the fulfillment of the following conditions precedent (each of which is for the exclusive benefit of the Medi-Can Shareholders and may be waived only by the Medi-Can Shareholders):

- (a) At Closing, all covenants of the Company under the Share Purchase Agreement to be performed on or before the Closing Time will have been duly performed by the Company in all material respects; and
- (b) The representations and warranties of the Company set forth in the Share Purchase Agreement will be true and correct in all respects as of the date of the Share Purchase Agreement and as of the Closing Time, as though made on and as of the Closing Time, except for representations and warranties made as of a specified date, the accuracy of which will be determined as of the at specified date; and
- (c) On Closing, subject to any requirement of the Exchange, the board of directors of the Company will be comprise of a maximum of five members in total, with one such director being a nominee of the Medi-Can Shareholders acceptable to the Company.

### ***Representations and Warranties***

The Share Purchase Agreement contains a number of customary representations and warranties of each of the parties relating to, among other things, corporate status, the corporate authorization and enforceability of, and board approval of the Share Purchase Agreement and the Acquisition, and the business and affairs of Standard Graphite and Medi-Can.

In addition, the Medi-Can Shareholders and Medi-Can represent and warrant to the Company the following:

- (a) Medi-Can has provided the Company with copies of all the material information relating to the Cultivation/Production Licence including a copy of all application materials submitted to Health Canada and all correspondence between Medi-Can and Health Canada.
- (b) Medi-Can holds all permits, licenses, consents and authorities issued by government or government bodies which are necessary in connection with the business of Medi-Can as currently conducted.
- (c) There are no outstanding agreements or options to acquire the Application, the Leasehold Property or any portion or interest thereof, and no person, firm or corporation has any proprietary or possessory interest in the Application or the Leasehold Property.
- (d) There is no adverse claim or challenge against or to the ownership of or title to any part of the Application and the Leasehold Property and, to the best knowledge of Medi-Can, there is no basis for such adverse claim or challenge which may affect the Application and the Leasehold Property.

In order to induce the Medi-Can Shareholders to enter into and to consummate the transactions contemplated by the Share Purchase Agreement, the Company represents and warrants to the Medi-Can Shareholders that the representations and warranties contained in Schedule C of the Share Purchase Agreement are true, accurate and correct as of the date of the Share Purchase Agreement.

### ***Termination of the Share Purchase Agreement***

The Share Purchase Agreement may be terminated by written notice given:

- (a) by the Company, if the Closing does not occur on or before February 20, 2018 as a result of failure of Medi-Can or the Medi-Can Shareholders to fulfill any of their obligations under the Share Purchase Agreement and such failure has been a cause of or resulted in the failure to close; and
- (b) by Medi-Can, if the Closing does not occur on or before February 20, 2018 as a result of failure of the Company to fulfill any of its obligations under the Share Purchase Agreement and such failure has been a cause of or resulted in the failure to close.

Subject to the provisions of the Share Purchase Agreement, whether or not the Acquisition is completed, the Company shall be responsible for all of its costs, professional and advisory fees and expenses, legal expenses and accounting expenses related to the Share Purchase Agreement and the Acquisition, and Medi-Can shall be responsible for all of its costs, professional and advisory fees and expenses, legal expenses and accounting expenses related to the Share Purchase Agreement and the Acquisition.

## ***Non-Competition Clause***

Except as employees or consultants of the Company or an affiliated party of the Company, key employees, executives and consultants to Medi-Can ("**Key Persons**") will be subject to a non-competition clause. Key Persons except with the consent of the Company, will not, for a period of 24 months after Closing, directly or indirectly, in sole proprietorship, in any partnership or joint venture or owner of more than 10% of the shares of any capital of any class of corporation, or as a consultant, employee, officer, director or any other senior position of any partnership, joint venture or corporation carry on or be engaged in the ownership or operation of any business which is the same as any part of the business of the Resulting Issuer anywhere in the world.

## ***Risk Factors***

In evaluating the Acquisition, Shareholders, and investors generally, should carefully consider not only the following risk factors relating to the Acquisition but the risk factors associated with the business of Medi-Can set out below. The following list of risk factors is not a definitive list of all risk factors associated with the Acquisition. Additional risks and uncertainties, including those currently known or considered immaterial by the Company, may also adversely affect Common Shares, Resulting Issuer Common Shares and/or the businesses of Standard Graphite and the Resulting Issuer. Shareholders should carefully consider each of, and the cumulative effect of, the following factors, which assume the completion of the Acquisition, in addition to the other information related to the Acquisition.

### ***Risks Relating to the Acquisition***

#### *Market Reaction*

The market reaction to the Acquisition and the future trading prices of the Resulting Issuer Common Shares cannot be predicted. If the Acquisition is not consummated, the market price of Common Shares may decline to the extent that the current market price of Common Shares reflects a market assumption that the Acquisition will be completed.

#### *Costs of the Acquisition*

Certain costs related to the Acquisition, such as legal and accounting fees incurred by the Company, must be paid by the Company even if the Acquisition is not completed.

#### *Failure to Secure a More Attractive Offer*

If the Acquisition is not completed and the Board decides to seek another merger or business combination, there can be no assurance that it will be able to find an equivalent or more attractive price than the consideration pursuant to the Acquisition.

#### *Termination of the Acquisition in Certain Circumstances*

Each of the Company and Medi-Can has the right to terminate the Share Purchase Agreement in certain circumstances. Accordingly, there is no certainty, nor can the parties provide any assurances that the Share Purchase Agreement will not be terminated by either the Company or Medi-Can before the completion of the Acquisition. In addition, the completion of the Acquisition is subject to a number of conditions precedent, certain of which are outside the control of the Company and Medi-Can, including regulatory approvals. There is no certainty that these conditions will be satisfied on a timely basis or at all. If for any reason the Acquisition is delayed or not completed, the market price of Common Shares may be adversely affected. See "*Risk Factors – Market Reaction*" above.

#### *Additional Financing*

From time to time, the Resulting Issuer may require additional financing. The Resulting Issuer's ability to obtain additional financing, if and when required, will depend on investor demand, operating performance, the condition of the capital markets and other factors. If the Resulting Issuer raises additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or

privileges senior to the rights of holders of the Resulting Issuer Common Shares, and existing holders of such shares may experience dilution.

#### *Tax Consequences*

The Acquisition described herein, including the acquisition, ownership and disposition of the Resulting Issuer Common Shares may have tax consequences in Canada, or elsewhere, depending on each particular existing or prospective shareholder's specific circumstances. Such tax consequences are not described herein and this Circular is not intended to be, nor should it be construed to be, legal or tax advice to any particular shareholder. Existing and prospective shareholders should consult their own tax advisors with respect to any such tax considerations.

#### ***Risks Relating to the Resulting Issuer***

##### *Facility is not Licensed under the ACMPR*

Medi-Can's ability to cultivate, store and sell medical cannabis in Canada is dependent on a license (the "**License**"), granted by Health Canada to Medi-Can designating it as a "Licensed Producer" as such term is defined in the *Access to Cannabis for Medical Purposes Regulations (Canada)*, as may be amended from time to time (the "**ACMPR**"). Medi-Can has applied to Health Canada to become a Licensed Producer under ACMPR for the Facility. Medi-Can has not yet received a license for the Facility. However, Medi-Can is currently in the Detailed Review and Initiation of Security Clearance Process stage of the licensing process. Medi-Can's ability to cultivate, store and sell medical cannabis at the Facility is dependent on obtaining a license from Health Canada and there can be no assurance that Medi-Can will obtain such a license for the Facility (defined below).

##### *Reliance on Licenses*

Failure to comply with the requirements of the License, once obtained by Medi-Can, or any failure to maintain the License would have a material adverse impact on the business, financial condition and operating results of Medi-Can. Although Medi-Can believes it will meet the requirements of the ACMPR to obtain the License, there can be no guarantee that Health Canada will grant the License. Should Health Canada not grant the License or should it grant the License on different terms, the business, financial condition and results of the operation of Medi-Can would be materially and adversely affected.

##### *Reliance on the Facility*

To date, Medi-Can's activities and resources have been primarily focused on its proposed unlicensed facility located in Vernon, British Columbia (the "**Facility**"). Adverse changes or developments affecting this facility may have a material and adverse effect on Medi-Can's ability to produce medical cannabis, business, financial condition and prospects.

##### *Volatile Market Price for Resulting Issuer Common Shares*

The market price for Resulting Issuer Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Resulting Issuer's control, including the following:

- actual or anticipated fluctuations in the Resulting Issuer's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Resulting Issuer operates;
- addition or departure of the Resulting Issuer's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Resulting Issuer Common Shares;

- sales or perceived sales of additional Resulting Issuer Common Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Resulting Issuer's industry generally and its business and operations;
- announcements of developments and other material events by the Resulting Issuer or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Resulting Issuer or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Resulting Issuer or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Resulting Issuer's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regards to the share prices of medical cannabis companies that are public issuers in Canada. Accordingly, the market price of Resulting Issuer Common Shares may decline even if the Resulting Issuer's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Resulting Issuer's operations could be adversely impacted and the trading price of Resulting Issuer Common Shares may be materially adversely affected.

#### *Licensing Requirements Under the ACMPR*

The market for cannabis (including medical marihuana) in Canada is regulated by the *Controlled Drugs and Substances Act* (Canada), as amended (the "**CDSA**"), the ACMPR, the *Narcotic Control Regulations* (Canada), as amended (the "**NCR**"), and other applicable law. Health Canada is the primary regulator of the industry as a whole. The ACMPR aims to treat cannabis like any other narcotic used for medical purposes by creating conditions for a new commercial industry that is responsible for its production and distribution.

Any applicant seeking to become a Licensed Producer under the ACMPR is subject to stringent Health Canada licensing requirements. The below table provides a general overview of the licensing process as described by Health Canada.

<b>Stage</b>	<b>Overview</b>
<b>1</b>	<b>Intake and Initial Screening:</b> When an application is received, it undergoes a preliminary screening for completeness. If an application is not complete, it will be returned. If an application is complete, it will be assigned an application number. The assignment of an application number means that the application has completed the preliminary screening.
<b>2</b> Medi-Can application is in this stage	<b>Detailed Review and Initiation of Security Clearance Process:</b> Once an application has been assigned an application number, it will be reviewed to (i) complete the assessment of the application to ensure that it meets the requirements of the Regulations of the ACMPR; (ii) establish that the issuance of the license is not likely to create risks to public health, safety or security, including the risk of cannabis being diverted to an illicit market or use; and (iii) establish that there are no other grounds for refusing the application. It is the responsibility of

**Stage****Overview**

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the applicant to ensure that they are in compliance with all applicable provincial, territorial and municipal legislation, regulations and bylaws, including zoning restrictions.

An application will be thoroughly reviewed to ensure that the level of detail included in the application is sufficient to meet the requirement of the ACMPR and to validate the information provided. Given the extensive review process, applicants are generally required to communicate with the Office of Medical Cannabis multiple times to provide clarifications with respect to the application. Physical security plans will be reviewed and assessed in detail at this stage.

When an application is in the Detailed Review stage, the security clearance forms for key personnel will be sent for processing. The time required to conduct mandatory security checks varies with each application. Security clearances generally take several months at a minimum. Health Canada and the Royal Canadian Mounted Police are not able to provide updates on the status of security checks. Applications will only advance to the review stage once security clearances for all key personnel are completed. Please note that until such a time as Health Canada receives the results of the security checks, there will be no further communication from Health Canada.

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**3 Issuance of License to Produce:** Once Health Canada confirms that the requirements of the ACMPR have been met, and the application successfully completes the Detailed Review and Security Clearance stage, a license to produce will be issued.

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**4 Introductory Inspection (as cultivation begins):** A Licensed Producer is required to notify Health Canada as cultivation begins, and once notified, Health Canada will schedule an initial inspection to verify that the Licensed Producer is meeting the requirement of the ACMPR, including but not limited to, the physical security requirement of the site, record keeping practices and Good Production Practices (GPP) and to confirm that the activities being conducted by the Licensed Producer correspond to those indicated on their license.

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**5 Pre-Sales Inspection (prior to issuance of sales license):** If a Licensed Producer would like to add the activity of sale to their existing license, an amendment application must be submitted to the Office of Medical Cannabis, upon which Health Canada will schedule an additional inspection to verify that the Licensed Producer is meeting the requirement of the ACMPR, including but not limited to, GPP, packaging, labeling, shipping and record keeping prior to allowing the sale or provision of the product.

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**6 Issuance of License to Sell:** To complete the assessment and add the activity of sale of cannabis products to an existing license, the following information is reviewed: (i) results of the pre-sale inspection; (ii) information submitted in the amendment application to add the activity of sale to the license; and (iii) any other relevant information. When the review is completed, an amended license, including the activity of sale, is issued to the Licensed Producer subject to which the Licensed Producer may supply cannabis products to registered clients, other Licensed Producers and/or other permitted parties named under the ACMPR. Separate licenses may be issued for dried marijuana, plants and/or cannabis oil.

#### *Facility Lease Risk*

The Facility is located on property that is not owned by Medi-Can. Such property is subject to a long-term lease and similar arrangements in which the underlying land is owned by a third party and leased to Medi-Can. Under the terms of a typical lease, the lessee must pay rent for the use of the land and is generally responsible for all costs and expenses associated with the building and improvements. Unless the lease term is extended, the land, together with all improvements made, will revert to the owner of the land upon the expiration of the lease term. In addition, an event of default by Medi-Can under the terms of the lease could also result in a loss of the property should the default not be rectified in a reasonable period of time. The reversion or loss of such properties could have a material adverse effect on Med-Can's operations and results.

### *Holding Company Status*

The Resulting Issuer is, at least initially upon completion of the Acquisition, a holding company and essentially all of its operating assets are the capital stock of its subsidiary. As a result, investors in the Resulting Issuer are subject to the risks attributable to its subsidiary. As a holding company, the Resulting Issuer conducts substantially all of its business through its subsidiary, which generate substantially all of its revenues. Consequently, the Resulting Issuer's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiary and the distribution of those earnings to the Resulting Issuer. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Resulting Issuer's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Resulting Issuer.

### *Limited Operating History*

Medi-Can anticipates entering the medical cannabis business. Medi-Can's Facility's application to become a Licensed Producer under the MMPR was submitted to Health Canada on November 2, 2013. Medi-Can is therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that Medi-Can will be successful in achieving a return on its shareholders' investments and the likelihood of success must be considered in light of its early stage of operations.

### *Management of Growth*

Medi-Can may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Medi-Can to manage growth effectively will require continued implementation and improvement of its operational and financial systems and to expand, train and manage its employee base. The inability of Medi-Can to deal with growth may have a material adverse effect on its business, financial condition, results of operations and prospects.

### *Reliance on Management*

The success of Medi-Can is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Resulting Issuer's business, operating results or financial condition.

### *Conflicts of Interest*

Medi-Can may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In addition, Medi-Can's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to Medi-Can, as applicable. External business interests may require significant time and attention of Medi-Can's executive officers and directors. In some cases, executive officers and directors may have fiduciary obligations associated with external business interests that may interfere with their abilities to devote time to Medi-Can's business and affairs, as applicable, and this could adversely affect Medi-Can's operations.

In addition, Medi-Can may also become involved in transactions that conflict with the interests of its respective directors and the officers, who may from time to time deal with persons, firms, institutions or corporations with which Medi-Can may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons, firms, institutions or corporations could conflict with those of Medi-Can. In addition, from time to time, these persons, firms, institutions or corporations may be competing with Medi-Can for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under the applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of Medi-Can's directors, a director who has such a conflict will abstain from voting

for or against the approval of such participation or such terms. In accordance with the applicable laws, the directors of Medi-Can are required to act honestly, in good faith and in the best interests of Medi-Can.

#### *Litigation*

Medi-Can may become party to litigation from time to time in the ordinary course of its business which could adversely affect its operations. Should any litigation in which Medi-Can becomes involved be determined against it, such a decision may adversely affect Medi-Can's ability to continue operating, adversely affect the market price of Resulting Issuer Common Shares and use significant resources. Even if Medi-Can is involved in litigation and succeeds, litigation can redirect significant company resources. Litigation may also create a negative perception of Medi-Can's brand, and ultimately the Resulting Issuer's brand.

#### *Dividends*

The Resulting Issuer's policy is to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in the Resulting Issuer's businesses. Therefore, the Resulting Issuer does not anticipate paying cash dividends on Resulting Issuer Common Shares in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the board of directors of the Resulting Issuer and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the board of directors of the Resulting Issuer may deem relevant. As a result, investors may not receive any return on investment in the Resulting Issuer Common Shares unless they sell them for a share price that is greater than that at which such investors purchased them.

#### *Limited Market for Securities*

There can be no assurance that an active and liquid market for the Resulting Issuer Common Shares will be maintained and an investor may find it difficult to resell any securities of the Resulting Issuer.

#### *Liquidity Risk*

The Resulting Issuer's ability to remain liquid over the long term depends on its ability to obtain additional financing. The Resulting Issuer has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures. The Resulting Issuer's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

### ***Risks Relating to the Medical Cannabis Industry***

#### *The Cannabis Industry is Subject to Competition*

There is potential that Medi-Can will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and production and marketing experience than Medi-Can.

Because of the early stage of the industry in which Medi-Can operates, Medi-Can expects to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and Medi-Can expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies. To remain competitive, Medi-Can will require a continued high level of investment in research and development, marketing, sales and client support. Medi-Can may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of Medi-Can.

#### *Cannabis is Not an Approved Drug or Medicine*

Cannabis is not an approved drug or medicine in Canada. The Government of Canada does not endorse the use of cannabis, but Canadian courts have required reasonable access to a legal source of cannabis when authorized by a healthcare practitioner.

### *Regulatory Risks*

Medi-Can operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. Medi-Can's ability to grow, store and sell medical cannabis in Canada with respect to the Facility is dependent on obtaining the License from Health Canada and the need to maintain such License in good standing. Failure to: (i) comply with the requirements of the License; and (ii) maintain this License would have a material adverse impact on the business, financial condition and operating results of the Resulting Issuer.

Medi-Can will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Medi-Can's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Resulting Issuer's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Resulting Issuer's earnings and could make future capital investments or the Resulting Issuer's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

### *Environmental Regulations and Risks*

Medi-Can's operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Medi-Can's operations.

Government approvals and permits are currently, and may in the future, be required in connection with Medi-Can's operations. To the extent such approvals are required and not obtained, Medi-Can may be curtailed or prohibited from the proposed production of medical cannabis or from proceeding with the development of their operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Resulting Issuer may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

### *Changes in Laws, Regulations and Guidelines*

Medi-Can's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment. To the knowledge of management, Medi-Can is currently in compliance with all such laws. That said, any changes to such laws, regulations and guidelines are matters beyond the control of Medi-Can that may cause adverse effects to Medi-Can's operations and financial conditions.

On February 24, 2016, the Federal Court of Canada delivered the *R v Allard* ("**Allard**") decision. In this decision, the Federal Court of Canada declared the *Marihuana for Medical Purposes Regulations* (the "**MMPR**") invalid as it unconstitutionally violated patients protected rights to liberty and security under the *Canadian Charter of Rights and Freedoms* (Canada), as amended (the "**Charter**"). However, the Federal Court of Canada suspended the operation of the declaration of invalidity for 6 months to permit the Canadian legislature to enact a regime compliant with the Charter. The government did not choose to appeal the decision to the Federal Court of Appeal and has, instead, decided to respond to the decision by introducing legislation compliant with the Charter.

On August 24, 2016, the ACMPR replaced the MMPR. The ACMPR is Canada's response to the Federal Court of Canada's decision in *Allard*.

The ACMPR is composed of 4 main parts, which are summarized below:

- Part 1 is similar to the framework under the MMPR. It sets out a framework for commercial production by Licensed Producers responsible for the production and distribution of quality-controlled fresh or dried marihuana or cannabis oil or starting materials (i.e. marihuana seeds and plants) in secure and sanitary conditions.
- Part 2 is similar to the former *Marihuana Medical Access Regulations* (the "**MMAR**") regime. It sets out provisions for individuals to produce a limited amount of cannabis for their own medical purposes or to designate someone to produce it for them.
- Parts 3 and 4 include:
  - transitional provisions, which mainly relate to the continuation of MMPR activities by Licensed Producers;
  - consequential amendments to other regulations that referenced the MMPR (i.e. the NCR and the *New Classes of Practitioners Regulations* (Canada), as amended) to update definitions and broaden the scope of products beyond dried marihuana; and
  - provisions repealing the MMPR and setting out the coming into force of the ACMPR on August 24, 2016.

As of August 24, 2016, Health Canada now accepts applications from individuals who wish to register to produce a limited amount of cannabis for their own medical purposes or to designate someone to produce cannabis on their behalf. Individuals who were previously authorized to possess and produce cannabis under the MMAR remain authorized to do so by virtue of an injunction order by the Federal Court of Canada.

Under the ACMPR, Health Canada will continue to accept and process applications to become a Licensed Producer that were submitted under the MMPR. Further, all licenses and security clearances granted under the MMPR will continue under the ACMPR, which means that MMPR Licensed Producers can continue to register and supply clients with cannabis for medical purposes. New applicants must apply for licenses to produce under the ACMPR.

The risks to the business of Medi-Can represented by this or similar actions are that they might lead to court rulings or legislative changes that allow those with existing licenses to possess and/or grow medical cannabis, perhaps allow others to opt out of the regulated supply system implemented through the ACMPR by growing their own medical cannabis, or potentially even legitimize illegal areas surrounding cannabis dispensaries. This could significantly reduce the addressable market for Medi-Can's products and could materially and adversely affect the business, financial condition and results of operations for Medi-Can, and ultimately, the Resulting Issuer.

In April 2017, the Government of Canada tabled two bills, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts*, and *An Act to amend the Criminal Code (offences related to conveyances) and to make consequential amendments to other Acts*, which are expected to establish the framework for the production, sale, distribution, and possession of non-medical access to cannabis in Canada. While the retail model for distribution and sale of cannabis and cannabis products will be the result of provincial and territorial legislation and regulations, the aforementioned legislation outlines four minimum conditions that provinces and territories would need to meet, specifically, only cannabis obtained from a federally licensed producer can be sold, selling to a person younger than 19

years of age is prohibited, the province/territory would need to develop a system of distribution and retail sale, and the retail model would need to be developed with an eye to public health and public safety concerns. In addition, the tabled legislation (which has not yet passed and is not yet law) proposes to allow for mail order access to both medical uses and non-medical uses of cannabis from federally licensed producers. The current licensing regime for medical access is being deemed to be a license under the proposed legislation for non-medical access.

While the impact of any of such changes is uncertain and highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on Medi-Can's operations that is materially different than the effect on similar-sized companies in the same business as Medi-Can.

In addition, the industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Medi-Can's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce Medi-Can's earnings and could make future capital investments or Medi-Can's operations uneconomic.

#### *Restrictions on Sales Activities*

The industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect Medi-Can's ability to conduct sales and marketing activities and could have a material adverse effect on Medi-Can's respective businesses, operating results and financial conditions.

#### *Competition*

On November 30, 2016, the Task Force on Marijuana Legalization and Regulation (synonymous with the Task Force on Cannabis Legalization and Regulation) as appointed by the federal government of Canada (the "**Task Force**") published its final report titled: *A Framework for the Legalization and Regulation of Cannabis in Canada*. In this report, the Task Force recommended that the federal government of Canada regulate the production of cannabis and its derivatives (e.g. edibles and concentrates), drawing on the good production practices of the current cannabis for medical purposes system. Also, the Task Force recommended that the wholesale distribution of cannabis be regulated by provinces and territories and that retail sales be regulated by the provinces and territories in close collaboration with municipalities. Further, the Task Force recommended allowing personal cultivation of cannabis for non-medical purposes with the following conditions: (i) a limit of 4 plants per residence; (ii) a maximum height limit of 100 cm on the plants; (iii) a prohibition on dangerous manufacturing processes; (iv) reasonable security measures to prevent theft and youth access; and (v) oversight and approval by local authorities. The impact of this potential development may be negative for the Resulting Issuer and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Resulting Issuer will operate.

There is potential that the Resulting Issuer will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Resulting Issuer. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

The government of Canada has only issued to date a limited number of licenses under the ACMPR to produce and sell medical cannabis. There are, however, several hundred applicants for licenses. The number of licenses granted could have an impact on the operations of the Resulting Issuer. Because of the early stage of the industry in which the Resulting Issuer operates, the Resulting Issuer expects to face additional competition from new entrants. According to Health Canada there were 58 Licensed Producers as of September 18, 2017. If the number of users of medical cannabis in Canada increases, the demand for products will increase and the Resulting Issuer expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Resulting Issuer will require

a continued level of investment in research and development, marketing, sales and client support. The Resulting Issuer may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

#### *Risks Inherent in an Agriculture Business*

Medi-Can's business involves the growing of medical cannabis, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although Medi-Can grows its products indoors under climate controlled conditions, and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the volume, quality and consistency of its products.

#### *Vulnerability to Rising Energy Costs*

Medi-Can's medical cannabis growing operations consume considerable energy, making Medi-Can vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of Medi-Can and its ability to operate profitably.

#### *Product Liability*

As a manufacturer and distributor of products designed to be ingested or inhaled by humans, Medi-Can faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of Medi-Can's products alone or in combination with other medications or substances could occur. Medi-Can may be subject to various product liability claims, including, among others, that Medi-Can's products caused injury, illness or loss, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against Medi-Can could result in increased costs, adversely affect Medi-Can's reputation with its respective clients and consumers generally, and adversely affect the results of operations and financial conditions of Medi-Can.

#### *Product Recalls*

Manufacturers and distributors of products may be subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of Medi-Can's products are recalled due to an alleged product defect or for any other reason, Medi-Can could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Medi-Can may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

#### *Operating Risk and Insurance Coverage*

Medi-Can has insurance to protect its assets, operations and employees. While Medi-Can believes its insurance coverage addresses all material risks to which they are exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which Medi-Can is exposed. However, the Resulting Issuer may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. The Resulting Issuer might also become subject to liability for pollution or other hazards which may not be insured against or which the Resulting Issuer may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Resulting Issuer to incur significant costs that could have a material adverse effect upon Medi-Can's financial performance and results of operations.

## **Information Concerning Medi-Can**

### **Corporate Structure**

#### *Name and Incorporation*

The full name of Medi-Can is "Medi-Can Health Solutions Ltd." Medi-Can's head office is located at 8101 Highland Place, Vernon, BC V1B 1B8 and its registered and records office is located at 301 – 2706 30<sup>th</sup> Avenue, Vernon, BC, V1T 2B6.

Medi-Can was incorporated on September 3, 2013 pursuant to the Act.

#### *Intercorporate Relationships*

Medi-Can has no subsidiaries.

### **General Development of the Business**

#### *History*

##### 2017

January 2017 – Abridged application form received by Health Canada.

June 2017 - Medi-Can updated Health Canada on the status and readiness of facility and site completion.

##### 2016

September 2016 – Medi-Can announces their partnership with Ample Organics to Health Canada for their record keeping requirements.

##### 2015

February 2015 - Robert Bayrack and John Oh attended and completed the Experchem Laboratories workshop on Health Canada inspections and security for medical marijuana.

April 2015 – Medi-Can hires Jason Bean as the new QAP.

March 2015 - Medi-Can enlists the help of Eurofins Experchem for consultation of Quality Assurance and Pest Control Management and drafting of SOP and GMP.

September 2015 – Medi-Can enlists the help of M6 Security Corporation for security and risk analysis.

##### 2014

March 2014 - Heather Hood is removed as the QAP for Medi-Can.

April 2014 – Medi-Can receives word that they have passed the screening stage and is in the security checks stage.

June 2014 – Medi-Can appoints Robin Woolmer QAP of second site MM0352.

July 2014 – Dr. Danielle Hirkala is added as the QAP for Medi-Can.

October 2014 – Dr. Danielle Hirkala resigns as Medi-Can QAP. Medi-Can hires Daylin Mantyka as the new QAP.

2014 – Medi-Can receives notice that site MM0352 is not suitable for a medical marijuana facility due to its proximity to high-density residential areas and schools.

## 2013

Medi-Can applies to become a licensed producer under the MMPR.

December 2013 - Medi-Can submitted an application for a second location (MM0352 in Vernon on December 20, 2013).

### ***Narrative Description of the Business***

#### *General*

Medi-Can is a proposed Canadian ACMPR Licensed Producer.

#### *Principal Products or Services*

Medi-Can is a proposed Canadian ACMPR Licensed Producer. Medi-Can's Facility is at the ACMPR Detailed Review and Initiation of Security Clearance Process stage of review. Upon becoming a Licensed Producer, Medi-Can plans to begin the planting of its various strains and ramp to cultivation and production for sale of medical cannabis. Medi-Can will introduce patients to a variety of strains specifically designed to treat and assist with a number of common ailments and conditions. Medi-Can intends to become a well-respected household name within the cannabis industry.

Future plans include a strong focus on the medicinal benefits of cannabis with a hope to one day provide unprecedented information on the newly accepted drug.

In addition, Medi-Can intends to focus some of its efforts towards exporting its products outside Canada, should the opportunity arise.

Medi-Can's Facility is located outside of Vernon, British Columbia – near Swan Lake – and is part of the North Okanagan Regional District. The Facility is a building built with steel and concrete, comprised of two floors, totaling just under 12,000 square feet. Approximately 1,500 square feet represents office space, with the remaining space used for production, cultivation and packaging. The main floor consists of office space, eight rooms designed for both vegetative growth, flowering and cuts, and a seedling room. The second floor is home to more office space, a pre-veg room, and a drying room. Upon completion of the Facility Medi-Can will also have four more grow rooms and a quality assurance and packaging area located on the second floor. Additions will be made to security once the Facility is completed, including a Level 9 vault, a security screening room and perimeter fencing around the Facility.

#### *Canadian Regulatory Environment*

##### Background

Medi-Can's activities related to medical cannabis are regulated by the CDSA and its regulations, including the ACMPR, the NCR, as well as other applicable laws. Cannabis is subject to unique and specific regulation in Canada. Cannabis is a controlled substance listed in Schedule II of the CDSA. Sale of cannabis as a drug would, as with any substance, be subject to the provisions of the *Food and Drug Act* (Canada) as amended ("**FDA**") and to Part C of the *Food and Drug Regulations* (Canada), as amended ("**FDR**").

Unlike drugs including THC and/or CBD, cannabis itself is not authorized for sale as a drug by Health Canada under the FDR. However, Canadian courts have ruled that individuals with a demonstrated need for cannabis for medical purposes are entitled to a legal source of cannabis (recognized in *R v Smith and Allard* and in earlier decisions, including *R v Parker* (Ontario Court of Appeal, (2000), 146 C.C.C. (3d) 193)). Sale of cannabis by Licensed Producers to clients, other Licensed Producers or other identified groups in accordance with the ACMPR is exempt from the application of the FDR by the *Cannabis Exemption (Food and Drugs Act) Regulations* (Canada), as amended, issued pursuant to the FDA. The ACMPR includes provisions regulating production, processing, and labelling of cannabis to ensure that quality, safety and predictability of effect are available. The provisions of the ACMPR in this respect are unique to cannabis and distinct from similar provisions applicable to drugs in the FDR.

Access to cannabis includes the option for clients to purchase dried marihuana or cannabis oil from Licensed Producers, which is delivered to the patients in the mail (the ACMPR do not provide for retail sales of cannabis). Access also includes growing by or on behalf of individuals remaining under the MMAR through the Allard injunction. Cultivation for personal use is also permitted under the ACMPR, with Licensed Producers now being permitted by the ACMPR to provide seeds or plants to clients who are approved by Health Canada. The amounts of cannabis, seeds and plants that a client may be provided with per month is determined with reference to a permitted daily amount of cannabis, normalized to the number of grams of dried marihuana per day, specific to the patient.

Recreational use of cannabis is not currently legal in Canada. On June 30, 2016, the federal government of Canada appointed the Task Force. The Task Force has taken consultations, ending August 29, 2016, and published its final report on November 30, 2016 on its recommendations titled: *Toward the Legalization, Regulation and Restriction of Access to Marijuana*, which is available online from Health Canada. In April 2017, the Government of Canada tabled two bills to for consideration by the legislature which are expected to establish the framework for the production, sale, distribution, and possession of non-medical access to cannabis in Canada.

See "*Risk Factors – Risks Relating to the Medical Cannabis Industry*".

### Recent Legislative Changes

Canadians have been able to access dried marihuana for medical purposes since 1999, when the Marihuana Medical Access Program was first established. At that time, individuals were authorized to possess dried marihuana and/or produce a limited number of marihuana plants for medical purposes via the issuance of an exemption under section 56 of the CDSA. In 2001, the MMAR was established to authorize access to marihuana for medical necessity. The MMAR set out a scheme for Canadians to access marihuana for medical purposes, if they had the support of a health care practitioner.

The MMAR evolved over time, mainly in response to a series of court decisions, and at the time of their repeal on March 31, 2014, medically authorized persons had three options for access to marihuana for medical purposes: (i) producing it themselves (personal production); (ii) designating a producer to produce marihuana for them (designated production); or (iii) purchasing it from Health Canada. With exponential increases in program participation and in the number of plants being produced, concerns about this regime were raised by physicians, municipalities, law enforcement, and other stakeholders.

The MMAR was met with various concerns from stakeholders. As such, on June 7, 2013, the MMAR was replaced by the MMAR, which was developed as a comprehensive response to address such concerns. The MMAR created the conditions for a commercial industry that produces and distributes quality-controlled dried marihuana to individuals who have the support of their health care practitioner.

In February 2016, the Federal Court of Canada found the MMAR to be unconstitutional as it did not provide Canadians reasonable access (i.e. affordability and availability) to marihuana for medical purposes. More specifically, the Federal Court of Canada was of the view that the marihuana for medical purposes regime breached section 7 of the Charter by placing limits on access to marihuana for medical purposes (e.g. the elimination of personal production and the restriction to purchasing from Licensed Producers).

The declaration of unconstitutionality was suspended for 6 months from the date of the *Allard* decision until August 24, 2016. The federal government of Canada committed to responding within that timeframe by promulgating regulations that provide reasonable access to cannabis for medical purposes. In addition, in June 2015 the Supreme Court of Canada ruled that restricting medical access to marihuana to its dried form is inconsistent with the Charter in the *R v Smith* decision.

On August 24, 2016, Health Canada introduced the ACMPR. The ACMPR provide reasonable access by enabling individuals who have the support of their health care practitioner to access cannabis for medical purposes through three access points: (i) commercial licensed producers; (ii) personal production; and (iii) designated production. The ACMPR substantively incorporated the regulatory framework established under the former MMAR for access through the commercial industry and the former personal/designated production regime under the former MMAR. The ACMPR also allows for the production and possession of cannabis in forms other than dried, further to the June 2015 Supreme Court of Canada decision in *R v Smith*, by incorporating into regulation the relevant section 56 CDSA class exemptions issued in response to the decision.

In April 2017, the Government of Canada tabled two bills, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts*, and *An Act to amend the Criminal Code (offences related to conveyances) and to make consequential amendments to other Acts*, which are expected to establish the framework for the production, sale, distribution, and possession of non-medical access to cannabis in Canada. While the retail model for distribution and sale of cannabis and cannabis products will be the result of provincial and territorial legislation and regulations, the aforementioned legislation outlines four minimum conditions that provinces and territories would need to meet, specifically, only cannabis obtained from a federally licensed producer can be sold, selling to a person younger than 19 years of age is prohibited, the province/territory would need to develop a system of distribution and retail sale, and the retail model would need to be developed with an eye to public health and public safety concerns. In addition, the tabled legislation (which has not yet passed and is not yet law) proposes to allow for mail order access to both medical uses and non-medical uses of cannabis from federally licensed producers. The current licensing regime for medical access is being deemed to be a license under the proposed legislation for non-medical access.

See "*Risk Factors – Risks Relating to the Medical Cannabis Industry*".

#### MMPR Licenses Contented Under the ACMPR

Medi-Can's Facility's application to become a Licensed Producer under the MMPR was submitted to Health Canada in the spring of 2013. The application is currently in the Detailed Review and Initiation of Security Clearance Process stage of the licensing process. On August 24, 2016, the ACMPR replaced the MMPR, and any applicants that submitted applications to become a Licensed Producer under the MMPR have been continued under the ACMPR. For additional information, see "*Risk Factors – Risks Relating to the Medical Cannabis Industry*". If and when licensed, the Facility's cannabis cultivation capacity is estimated to be up to 1500 kg of cannabis per annum, subject to regulatory approvals, market demand and other variables.

#### *Market*

The Canadian medical marijuana industry was created approximately 4 years ago with the introduction of the MMPR in June 2013. As at the date of this Circular, there were a total of 58 Licensed Producers. The vast majority of Licensed Producers have business models were designed to supply a reasonable portion of Canada's estimated future medical marijuana market.

On its website, Health Canada indicates that as of March 31, 2017, there were 167,754 individuals licensed, under the ACMPR, to possess and consume dried cannabis for medicinal purposes in Canada. It further noted that those individuals purchased 5,836 kg of dried marijuana and 5,673 kg of cannabis oil during the period of January 1, 2017 to March 31, 2017. In the Regulatory Impact Analysis Statement commissioned in connection with the development of the MMPR, Health Canada's analysis used an upper bound (or ceiling) of 450,000 Canadians who might become participants in Canada's Marijuana Medical Access Program by 2024 as the reference case.

According to the Health Canada website, the average size of dosage per prescription for licenses granted to individual users during the period of January 1, 2017 to March 31, 2017 was 2.4 grams of dried marijuana per day and that the average shipment per customer per day is 0.75 grams.

#### *Trends*

#### Legalization and Regulation of Non-Medical Use of Cannabis in Canada

The federal government of Canada is moving forward on its plan to legalize and regulate cannabis for recreational use. Key indications / milestones of progress on legalization include the following:

- In its December 2015 Speech From the Throne, the Liberal Government of Canada reaffirmed its intent to "legalize, regulate, and restrict access to marijuana".
- On April 20, 2016, the Canadian federal government announced its intention to introduce, by the spring of 2017, legislation to legalize the recreational use of marijuana in Canada.

- On June 30, 2016, Health Canada announced the creation of a Task Force on marijuana legalization and regulation. The Task Force consists of high-level experts in the fields of law enforcement, medicine, policy creation and health care administration. The Task Force's objectives are to consult with governments, industry, the public and all other relevant stakeholders in order to provide advice on the design of a new legislative and regulatory framework to the ministers.
- On August 24, 2016 the MMPR was repealed and the ACMPR came into force. Health Canada stated in the August 2016 publication titled *Understanding the New Access to Cannabis for Medical Purposes Regulations* that. The ACMPR is designed to provide an immediate solution required to address the Federal Court of Canada's judgement. Moving forward, Health Canada will evaluate how a system of medical access to cannabis should function alongside the Government's commitment to legalize, strictly regulate and restrict access to marijuana.
- On November 30, 2016, the Task Force published its final report titled: *A Framework for the Legalization and Regulation of Cannabis in Canada*. In the final report, the Task Force recommended that the federal government of Canada regulate the production of cannabis and its derivatives (e.g. edibles and concentrates) at the federal level, drawing on the good production practices of the current cannabis for medical purposes system. Also, the Task Force recommended that the wholesale distribution of cannabis be regulated by provinces and territories and that retail sales be regulated by the provinces and territories in close collaboration with municipalities. Further, the Task Force recommended allowing personal cultivation of cannabis for non-medical purposes with the following conditions: (i) a limit of four plants per residence; (ii) a maximum height limit of 100 cm on the plants; (iii) a prohibition on dangerous manufacturing processes; (iv) reasonable security measures to prevent theft and youth access; and (v) oversight and approval by local authorities.
- In April 2017, the Government of Canada tabled two bills, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts*, and *An Act to amend the Criminal Code (offences related to conveyances) and to make consequential amendments to other Acts*. These bills are expected to establish the framework for the production, sale, distribution, and possession of non-medical access to cannabis in Canada. While the retail model for distribution and sale of cannabis and cannabis products will be the result of provincial and territorial legislation and regulations, the aforementioned legislation outlines four minimum conditions that provinces and territories would need to meet, specifically, only cannabis obtained from a federally licensed producer can be sold, selling to a person younger than 19 years of age is prohibited, the province/territory would need to develop a system of distribution and retail sale, and the retail model would need to be developed with an eye to public health and public safety concerns. In addition, the tabled legislation (which has not yet passed and is not yet law) proposes to allow for mail order access to both medical uses and non-medical uses of cannabis from federally licensed producers. The current licensing regime for medical access is being deemed to be a license under the proposed legislation for non-medical access.

### Marketing Plans and Strategies

Medi-Can plans to attend medical cannabis trade shows, and events and educational platforms throughout Canada with the intention of acquiring new patients and connections within the industry.

Medi-Can is aware of the advertising restrictions imposed on cannabis companies, but has a number of innovative and somewhat unconventional tactics it plans to unleash pending the approval of its license.

Medi-Can also plans to focus its marketing efforts heavily on patients situated within British Columbia and Ontario as the two provinces make up the largest percentage of medical cannabis card holders in the country. These provinces are also known to host Canada's most prominent medical cannabis events.

### Competitive Conditions

There are currently 52 ACMPR Licensed Producers in Canada, twelve (12) of those are in British Columbia and two (2) are based in the Okanagan. Medi-Can would be the only licensed producer in Vernon, however, the Okanagan is home to the highest per capita usage in terms of prescribed cannabis users. Vernon is situated in the heart of the Okanagan Valley, which many have termed the Emerald Triangle of Canada due to its high concentration of cannabis users and richness of cannabis culture. Locally, Medi-Can would like to provide

same-day delivery and 1-day delivery in BC. Medi-Can hopes to expand their facilities to eastern Canada, where they plan to secure distribution sites so that shipping to eastern patients will also achieve same-day local delivery or 1-day delivery.

There are several large scale licensed producers in Canada such as Tweed (ON), Tilray (BC) and Aurora (AB). What separates us from these factory farmers is that Medi-Can will produce small-batch craft cannabis, specializing in the most rarest and unique strains, while mastering the most popular west coast strains.

#### Future Developments

To be determined as new federal and provincial regulations roll out.

#### **Description of Securities**

##### *Medi-Can Shares*

The authorized capital of Medi-Can consists of unlimited Medi-Can Shares, of which at the date of this Circular, 200 Medi-Can Shares are issued and outstanding as fully paid and non-assessable.

The holders of Medi-Can Shares, including those issued pursuant to the completion of the Acquisition, are entitled: to dividends, if and as when, declared by the board of directors of Medi-Can, and to one vote per Medi-Can Share at meetings of the shareholders of Medi-Can and, upon liquidation, to share equally in such assets of Medi-Can as are distributable to the holders of Medi-Can Shares.

Medi-Can is also authorized to issue other classes of shares in addition to the Medi-Can Shares, including class "B" voting common shares, class "C" voting common shares and class "D" non-voting preferred shares (the "**Medi-Can Authorized Shares**"). At the date of this Circular, Medi-Can has no Medi-Can Authorized Shares issued or outstanding.

#### **Consolidated Capitalization**

The following table sets forth the capitalization of Medi-Can before giving effect to the Acquisition:

<u>Designation of Security</u>	<u>Amount Authorized or to be Authorized</u>	<u>Amount Outstanding as of the Date of the Most Recent Balance Sheet Contained in the Circular being December 31, 2016</u>
Medi-Can Shares	Unlimited	200

#### **Stock Exchange Price**

Medi-Can Shares are not listed or traded on any exchange or quotation service.

#### **Executive Compensation**

##### *Compensation Discussion and Analysis*

For the purposes of this Executive Compensation section:

"**compensation securities**" includes options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the company or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the company or any of its subsidiaries;

"**external management company**" includes a subsidiary, affiliate or associate of the external management company;

"**NEO**" or "**named executive officer**" means each of the following individuals:

- (a) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as CEO, including an individual performing functions similar to a CEO;
- (b) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as CFO, including an individual performing functions similar to a CFO;
- (c) in respect of the Company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000 for that financial year; and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was not an executive officer of the Company, and was not acting in a similar capacity, at the end of that financial year;

This discussion describes Medi-Can’s compensation program for each person who acts as the CEO, the CFO and the four most highly compensated executive officers (or four most highly compensated individuals acting in a similar capacity) other than the CEO and CFO (each a “**Named Executive Officer**” or “**NEO**”).

Robert Bayrack is the Senior Person in Charge as defined by Health Canada and therefore acts in a similar capacity to a CEO. Adrian Robinson acts in a similar capacity to a CFO. Mr Bayrack and Mr. Robinson have not received any compensation.

**Summary Compensation Table**

The following table contains information about the compensation for Mr Bayrack and Mr. Robinson, the NEOs of Medi-Can relating to the three most recently completed financial years:

Name and Principal Position	Year	Salary (\$)	Share - Based Awards (\$)	Option - Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-term Incentive Plans			
Robert Bayrack CEO	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2014	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Adrian Robinson CFO	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2014	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

*Outstanding Option-Based and Share-Based Awards*

Medi-Can does not award option-based or share-based awards as part of its executive compensation program.

*Incentive Plan Awards*

Medi-Can does not have an incentive plan as part of its executive compensation program.

### *Termination and Change of Control Benefits*

There are no contracts, agreements, plans or arrangements that provide for payments to the Named Executive Officers by Medi-Can at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of Medi-Can or a change in a Named Executive Officer's responsibilities (excluding perquisites and other personal benefits if the aggregate of this compensation is less than \$50,000). Following completion of the Acquisition, the agreements under which the executives of Medi-Can provide services do not have any surviving obligations on the part of Medi-Can.

### **Director Compensation**

The board of Medi-Can consists of Robert Bayrack, John Oh and Joshua Brazier. The directors of Medi-Can have not received any compensation for serving in such capacity.

### *Outstanding Option-Based and Share-Based Awards*

Medi-Can does not award option-based or share-based awards as part of its director compensation program.

### *Incentive Plan Awards*

Medi-Can does not have an incentive plan as part of its director compensation program.

### **Non-Arm's Length Party Transactions**

John Oh, Adrian Robinson and Robert Bayrack have each made loans to Medi-Can amounting to \$116,969.43, \$29,242.36 and \$146,211.79 respectively (collectively, the "**Shareholder Loans**"). Under the Share Purchase Agreement, the Shareholder Loans will be repaid as follows: (a) \$50,000 on the date on which Standard Graphite raises cumulative equity capital in excess of \$1,000,000; and (b) \$250,000 paid by cash within 45 days of the Company starting tenant improvements on the Medi-Can's leasehold property.

### **Legal Proceedings**

There are no legal proceedings material to Medi-Can or any of its subsidiaries to which Medi-Can or any of its subsidiaries are party to or of which any of their respective property is the subject matter, and there are no such proceedings known to Medi-Can to be contemplated.

### **Material Contracts**

Except for the contracts made in the ordinary course of business, the following are the only material contracts entered into by Medi-Can, as of the date of this Circular, which are in effect and considered to be material:

- (a) Share Purchase Agreement dated August 30, 2017 among Standard Graphite, Medi-Can and the Medi-Can Shareholders. See "*The Share Purchase Agreement*".

Copies of the material contracts described above will be available for inspection at the head office of Medi-Can during ordinary business hours until the Closing Date and for a period of 30 days thereafter.

### **Information Concerning the Resulting Issuer**

#### *Corporate Structure*

#### *Name and Incorporation*

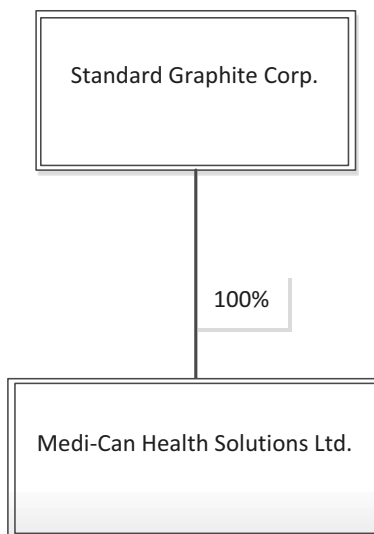
Following completion of the Acquisition, it is anticipated that the Resulting Issuer will change its name.

The Resulting Issuer will continue to be incorporated pursuant to the provisions of the Act. Upon completion of the Acquisition, the head and registered office of the Resulting Issuer will be located at 1500 – 1055 West Georgia Street, Vancouver, BC, V6E 4N7.

### *Intercorporate Relationships*

Upon completion of the Acquisition, the Resulting Issuer will own directly one wholly-owned subsidiary, Medi-Can Health Solutions Ltd., a company incorporated under the Act.

The material subsidiaries controlled by the Resulting Issuer, the place of incorporation or continuance of those subsidiaries and the percentage of voting securities held, directly or indirectly, by the Resulting Issuer, as applicable, are as follows:



### ***Narrative Description of the Business***

The following disclosure contains forward-looking statements, including with respect to the Resulting Issuer's business objectives and milestones. Such statements involve known and unknown risks, uncertainties and other factors outside of management's control, including the risk factors set forth elsewhere in this Circular, that could cause results to differ materially from those described or anticipated in such forward-looking statements. See "*Risk Factors*".

### ***Business Objectives and Milestones***

Upon completion of the Acquisition, the Resulting Issuer's business and stated business objectives will be the business and stated business objectives of Medi-Can (indirectly through the operation of Medi-Can). The Resulting Issuer will be listed as a Tier 1 or Tier 2 Industrial or Life Sciences Issuer on the CSE. See "*Information Concerning Medi-Can – General Development of the Business*".

The business objective of the Resulting Issuer with respect to Medi-Can for the 12-month period following completion of the Acquisition currently is the completion of the Detailed Review and Initiation of Security Clearance Process stage of Medi-Can's application with Health Canada for a cannabis cultivation license under the ACMPR. To achieve this objective, the Resulting Issuer will within 30 days of completing the Acquisition hire a consultant to do a full review of Medi-Can's application with a view to advancing the application to the next stage, using approximately \$15,000 of the Resulting Issuer's working capital to fund the consultant and their work. In addition, the Resulting Issuer will continue to orient its employees and activities to pursue the advancement of Medi-Can to the point of obtaining confirmation of readiness from Health Canada. Once the confirmation of readiness is obtained, Medi-Can would seek to proceed to the next stage of the Health Canada review process, in obtaining a cultivation license, readying its facility to cultivate and store cannabis, and completing each of the introductory inspection and pre-sales inspection with the ultimate objective of obtaining a license to sell cannabis. It is anticipated that additional financing would be required for the completion of each of the additional above mentioned milestones necessary to complete the ultimate objective of the Resulting Issuer and Medi-Can, being obtaining Health Canada approval to cultivate and sell cannabis under the ACMPR.

## **Description of Securities**

### *Resulting Issuer Common Shares*

The Resulting Issuer's Common Shares will have the same terms as the Common Shares.

### *Resulting Issuer Preferred Shares*

The Resulting Issuer's preferred shares (the "**Resulting Issuer Preferred Shares**") will have the same terms as the Preferred Shares. The Company currently does not have any preferred shares outstanding.

## **Pro Forma Consolidated Capitalization**

The following table sets forth the consolidated capitalization of Resulting Issuer after giving effect to the Acquisition:

<b>Designation of Security</b>	<b>Amount Authorized or to be Authorized</b>	<b>Amount Outstanding After Giving Effect to the Acquisition</b>
Resulting Issuer Common Shares <sup>(1)</sup> .....	Unlimited	82,520,308
Resulting Issuer Preferred Shares	Unlimited	Nil

### NOTES:

(1) Includes 3,333,333 Common Shares to be issued to subscribers in connection with the Company's unit private placement announced on August 31, 2017 (the "**Unit Private Placement**").

## **Pro Forma Fully Diluted Share Capital**

The following table sets out the fully diluted share capital of the Resulting Issuer after giving effect to the Acquisition.

	<b>Number and Percentage of Resulting Issuer Securities</b>
Resulting Issuer Common Shares .....	82,520,308 (96.65%)
Reserved for issuance pursuant to share purchase warrants of the Resulting Issuer after completion of the Acquisition .....	1,666,667 (1.95%)
Reserved for issuance pursuant to stock options of the Resulting Issuer after completion of the Acquisition <sup>(1)</sup> .....	1,195,000 (1.40%)
<b>Total number of diluted securities .....</b>	<b>85,381,975 (100%)</b>

### NOTES:

(1) The Company proposes to issue 1,666,667 share purchase warrants in connection with its Unit Private Placement.

(2) The stock option plan of the Resulting Issuer will allow the Resulting Issuer to grant stock options up to an amount not exceeding 10% of the issued and outstanding Resulting Issuer Common Shares, at Closing, which is estimated to be 8,252,030. See also "*Ratification and Approval of Stock Option Plan*" in this Circular for information with respect to the proposed stock option plan of the Resulting Issuer.

## **Estimated Available Funds and Principal Uses of Proceeds**

### *Estimated Funds Available*

Based on the information available as at the date of this Circular, assuming the completion of the Acquisition, the Resulting Issuer is expected to have approximately \$400,000 in working capital. The table below shows the breakdown of the estimated funds available:

<b>Estimated Funds Available</b>	<b>Amount (\$)</b>
<i>Pro forma</i> consolidated working capital <sup>(1)</sup> .....	\$520,000
Estimated fees and expenses of the Acquisition .....	\$65,000
Estimated fees and expenses of the Unit Private Placement .....	\$55,000
<b>Total estimated funds available</b> .....	<b>\$400,000</b>

**NOTES:**

(1) Includes gross proceeds in the amount of \$500,000 to be raised by the Company in connection with its Unit Private Placement.

*Dividends*

There will be no restrictions in the Resulting Issuer's articles and bylaws or elsewhere which could prevent the Resulting Issuer from paying dividends subsequent to the completion of the Acquisition. It is not contemplated that any dividends will be paid on any shares of the Resulting Issuer in the immediate future following completion of the Acquisition; however, as it is anticipated that all available funds will be invested to finance the growth of the Resulting Issuer's business. The directors of the Resulting Issuer will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Resulting Issuer's financial position at the relevant time. All of the Resulting Issuer Common Shares will be entitled to an equal share in any dividends declared and paid.

*Principal Uses of Proceeds*

Based on the information available as at the date of this Circular, the *pro forma* working capital of the Resulting Issuer assuming the completion of the Acquisition is \$400,000. The following table sets out information respecting the Resulting Issuer's intended uses of such cash over the next 12 months. The amounts shown in the table below are estimates only and are based on the information available to the Company and Medi-Can as at the date of this Circular.

<b>Principal Uses of Proceeds</b>	<b>Amount (\$)</b>
Partial consideration under the Acquisition <sup>(1)</sup> .....	\$2,500,000
Legal, audit, brokerage fees, and other closing costs for completion of the Acquisition and Private Placement .....	\$110,000
General and administrative (including the anticipated salaries of the executive officers of the Resulting Issuer) and Initial Milestones .....	\$200,000
Working capital and general corporate purposes .....	\$90,000
<b>Total</b>	<b>\$400,000<sup>(2)</sup></b>

**NOTES:**

(1) The Acquisition Note will mature on the fifth trading day after the receipt by Medi-Can of a cultivation license under the ACMPR is announced, at which time the Company will have the option to either pay \$2,500,000 in cash, or issue \$2,500,000 of its Common Shares (valued using the 20 day volume-weighted average trading price).

(2) Excludes the Acquisition Note to be issued to the Medi-Can Shareholders in connection with the Acquisition.

Notwithstanding the foregoing, there may also be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Resulting Issuer to achieve its objectives. The Resulting Issuer may also require additional funds in order to fulfill all of its expenditure requirements and to meet its objectives, in which case the Resulting Issuer expects to either issue additional shares or incur debt. There is no assurance that any additional funding required by the Resulting Issuer will be available if required.

*Principal Securityholders*

There are no Persons who are expected to own of record or beneficially, directly or indirectly, or exercise control or direction over, more than 10% of the issued and outstanding Resulting Issuer Common Shares after giving effect to the Acquisition.

See "Risk Factors – Risks Relating to the Resulting Issuer – Principal Shareholder".

### **Directors, Officers and Promoters**

#### *Name, Address, Occupation and Security Holdings*

Following closing of the Acquisition, it is expected the directors will appoint an additional director. This is expected to be John Doo-Jin Oh. The following table sets out the names of the proposed directors and officers of the Resulting Issuer, the municipality and province of residence, their position with the Resulting Issuer (and, where applicable, their current position with Standard Graphite or Medi-Can), their principal occupation during the past 5 years, and the number and percentage of Resulting Issuer Common Shares which will be beneficially owned, directly or indirectly, or over which control or direction is proposed to be exercised, by each of the Resulting Issuer's directors and officers following completion of the Acquisition:

<b>Name, Municipality of Residence and Proposed Position with the Resulting Issuer<sup>(2)</sup></b>	<b>Position and Period with Standard Graphite or Medi-Can</b>	<b>Principal Occupation During Last 5 Years</b>	<b>Anticipated Number and Percentage of Resulting Issuer Common Shares Owned or Controlled on Completion of the Acquisition</b>
<b>Christopher Bogart<sup>(1)</sup></b> British Columbia, Canada Proposed President, Chief Executive Officer, and Director	President, Chief Executive Officer, and Director of the Company	President, Chief Executive Officer, and Director of the Company	2,008,750 (2.43%)
<b>Terese Gieselman</b> British Columbia, Canada Proposed Chief Financial Officer	Chief Financial Officer of the Company	CFO, treasurer and corporate secretary of public companies	100,000 (0.12%)
<b>Kevin Puil<sup>(1)</sup></b> British Columbia, Canada Proposed Director	Director of the Company	Chartered Financial Analyst Managing Partner at RIVI Capital LLC	Nil
<b>Stephen Tong<sup>(1)</sup></b> British Columbia, Canada Proposed Director	Director of the Company	Lawyer at Stella Law Corporation	Nil
<b>John Doo-Jin Oh</b> British Columbia, Canada Proposed Director	Director of the Company	Manager at Shopify since 2015 Owner / manager of a private company since 2011	Nil

#### NOTES:

- (1) Anticipated member of the audit committee, corporate governance committee, and compensation committee of the Resulting Issuer.
- (2) The information as to country of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors and/or officers individually.

Upon completion of the Acquisition, the directors and officers of the Resulting Issuer, as a group, are anticipated to beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 2,108,750 Resulting Issuer Common Shares representing 2.55% of the issued and outstanding Resulting Issuer Common Shares (excluding 1,875,000 Resulting Issuer Common Shares to be issued to John Oh on closing).

#### *Management*

The following is a brief description of the proposed directors and officers of the Resulting Issuer:

**Christopher Bogart**

Proposed President, CEO and Director [Age: 47]

Mr. Bogart has extensive experience in the extensive experience in the areas of resource finance, business development, strategic planning and corporate restructuring. President, of Metals Mgmt Group. Within the Strategic Metals Sector, Mr. Bogart was a Co-founder of Magnum Uranium a TSX.V company which was purchased by TSX Listed Energy Fuels (TSX:EFR).

**Terese Gieselman**

Proposed CFO [Age: 54]

Ms. Gieselman has over 31 yrs experience in the resource industry with the TSX, TSX.V, NASDAQ and AMEX, as Chief Financial Officer, treasurer and corporate secretary.

**Kevin Puil**

Proposed Director [Age: 44]

Mr. Puil is currently the Managing Partner at RIVI Capital LLC. Previously, he was a partner and portfolio manager at Bolder Investment Partners (now Haywood Securities), in Vancouver, British Columbia, and more recently, he was a Portfolio Manager and Senior Analyst at a mutual fund in San Francisco, focusing on natural resources. Mr. Puil also serves as a Board member and on the Audit Committee of several TSX listed companies. He holds a degree in Economics from the University of Victoria in British Columbia, and is a Chartered Financial Analyst (CFA) Charterholder.

**Steven Tong**

Proposed Director [Age: 47]

Mr. Tong was educated at the University of British Columbia where he received his B.A. in 1992, and at the University of Manitoba where he received his LL.B. in 1998. Stephen was called to the Bar of British Columbia in 1999. The bulk of Stephen's practice focuses on financings including initial public offerings and private placements, public listings, reverse takeovers and changes of business, corporate restructuring, mergers and acquisitions, corporate governance and continuous disclosure matters.

**John Doo-Jin Oh**

Proposed Director [Age: 47]

Mr. Oh is expected to be appointed to the board of directors following completion of the Acquisition. Mr. Oh is a well-regarded entrepreneur who has received entrepreneurial awards from the Greater Vernon Chamber of Commerce. Professionally, his passion for technology and e-commerce has led him to hold leadership roles for one of Canada's top SaaS companies. Mr. Oh earned a Master's degree in Interdisciplinary Graduate Studies from the University of British Columbia.

*Committees of the Board of Directors of the Resulting Issuer*

It is anticipated that following the completion of the Acquisition, Mr. Bogart, Mr. Tong, and Mr. Puil will be members of the audit committee, corporate governance committee, and compensation committee. Mr. Puil is anticipated to be Chair of the audit committee of the Resulting Issuer.

*Corporate Cease Trade Orders or Bankruptcies*

To the Company's knowledge, no proposed director, officer or Promoter of the Resulting Issuer or a securityholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, within 10 years of the date of this Circular, has been a director, officer or Promoter of any Person that, while that person was acting in that capacity,

- (a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days; or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### *Penalties or Sanctions*

To the Company's knowledge, no proposed director, officer or Promoter of the Resulting Issuer, or a securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body that would be likely to be considered important to a reasonable securityholder making a decision about the Acquisition.

### *Personal Bankruptcies*

To the Company's knowledge, no proposed director, officer or Promoter of the Resulting Issuer, or a securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of such persons has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or Promoter.

### *Conflicts of Interest*

Some of the proposed directors and officers of the Resulting Issuer are also directors, officers and/or Promoters of other reporting and non-reporting issuers. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of the Resulting Issuer, notwithstanding that they are bound by the provisions of the Act to act at all times in good faith in the interest of the Resulting Issuer and to disclose such conflicts to the Resulting Issuer if and when they arise. To the best of their knowledge, the proposed management of the Resulting Issuer is not aware of the existence of any conflicts of interest between any of their directors and officers as of the date of this Circular, other than as disclosed herein.

See "*Risk Factors*" and "*Information Concerning the Resulting Issuer - Material Contracts*".

### *Other Reporting Issuer Experience*

The following table sets out the proposed directors, officers and Promoters of the Resulting Issuer that are, or have been within the last 5 years, directors, officers or Promoters of other reporting issuers:

<b>Name</b>	<b>Reporting Issuer (Name and Jurisdiction)<sup>(1)</sup></b>	<b>Position(s) Held</b>	<b>Market Traded On</b>	<b>From</b>		<b>To</b>	
				<b>Month</b>	<b>Year</b>	<b>Month</b>	<b>Year</b>
Kevin Puil	Corex Gold Corporation B.C	Director	TSX-V	05	2014	Present	
	Redhawk Resources, Inc. B.C	Director	TSX	09	2015	Present	
	Lion One Metals Limited B.C	Director	TSX-V	10	2013	Present	
	Golden Dawn Minerals Inc. B.C	Director	TSX-V	02	2017	Present	
	InMed Pharmaceuticals Inc. (formerly Cannabis	Director	CSE	03	2015	08	2015

Name	Reporting Issuer (Name and Jurisdiction) <sup>(1)</sup>	Position(s) Held	Market Traded On	From		To	
				Month	Year	Month	Year
Steven Tong	Technologies Inc.) B.C	Director	CSE	09	2015	06	2016
	InMed Pharmaceuticals Inc. (formerly Cannabis Technologies Inc.) B.C						
Terese Gieselman	Damara Gold Corp. B.C	CFO	TSX-V	01	2014	Present	
	Corex Gold Corporation B.C	CFO	TSX-V	03	2005	Present	
	Colorado Resources Ltd. B.C	CFO	TSX-V	10	2010	Present	
	Aurcana Corporation Canada	CFO and Corporate Secretary	TSX-V	05	2004	09	2012
	Orsa Ventures Corp. Yukon	CFO	Ceased reportin g	03	2005	09	2013
	Pacific Wildcat Resources Corp. B.C	CFO	TSX-V	12	2006	03	2014
	InMed Pharmaceuticals Inc. (formerly Cannabis Technologies Inc.) B.C	CFO	CSE	04	2014	12	2016

(1) The information as to proposed officer and directors' other reporting issuer experience, not being within the knowledge of the Company, has been furnished by the respective directors and/or officers individually.

### **Executive Compensation**

#### *Summary Compensation Table*

The following table sets out a summary of the expected compensation payable by the Resulting Issuer for services rendered for the 12-month period after giving effect to the Acquisition to the Resulting Issuer's Named Executive Officers:

Name and Principal Position	Salary (\$)	Share- Based Awards (\$)	Option- Based Awards <sup>(1)</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)			All Other Compensat ion (\$)	Total Compensat ion (\$)
				Annual Incenti ve Plans	Long- term Incentiv e Plans	Pensio n Value (\$)		
<b>Christopher Bogart<sup>(1)</sup></b> British	120,000	Nil	Nil	Nil	Nil	Nil	Nil	120,000

Name and Principal Position	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards <sup>(1)</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
				Annual Incentive Plans	Long-term Incentive Plans			
Columbia, Canada President, Chief Executive Officer, and Director <b>Terese Gieselman</b> British Columbia, Canada Chief Financial Officer	18,594	Nil	Nil	Nil	Nil	Nil	Nil	18,594

**NOTES:**

(1) See " Information Concerning the Resulting Issuer – Options to Purchase Securities – Stock Option Plan" for more details on the proposed stock option plan of the Resulting Issuer.

*Summary of Employment Contracts of each Resulting Issuer Named Executive Officer*

None of the anticipated Named Executive Officers of the Resulting Issuer will have employment contracts on Closing. It is expected that, following completion of the Acquisition, contracts will be entered for each of the executive officers of the Resulting Issuer.

*Share-Based Awards, Option-based Awards and Non-Equity Incentive Plan Compensation*

The board of directors of the Resulting Issuer will be tasked with establishing an executive compensation program, which will include any share-based awards, option-based awards or the establishment of any non-equity incentive plans.

**Director Compensation**

It is currently anticipated that the compensation for the directors of the Resulting Issuer who are not also officers of the Resulting Issuer (including any options to be granted) will be determined subsequent to the completion of the Acquisition, subject to the approval of the board of directors of the Resulting Issuer.

**Indebtedness of Directors and Officers**

No director or officer of Standard Graphite or Medi-Can nor any proposed director or officer of the Resulting Issuer, is or has been indebted to Standard Graphite or Medi-Can at any time.

**Options to Purchase Securities**

Plan

There will be no change to the Plan as a result of completion of the Acquisition. The Resulting Issuer's stock option plan (the "**Resulting Issuer Stock Option Plan**") will be the same as the Plan of Standard Graphite. See "*Ratification and Approval of Stock Option Plan*" in this Circular.

The Resulting Issuer will not be granting any Options prior to Closing. Following completion of the Acquisition, there are 1,195,000 Options outstanding to purchase 1,195,000 Resulting Issuer Common Shares exercisable at \$0.15 and \$0.18, respectively, which are held by former Standard Graphite management.

The board of directors of the Resulting Issuer may in its discretion grant additional stock options in accordance with the terms of the Resulting Issuer Stock Option Plan for annual compensation, amongst other things.

## Escrowed Securities

### Resulting Issuer Escrowed Securities

Pursuant to the Share Purchase Agreement, on Closing the Company will issue, as consideration, 12,500,000 Consideration Shares to the Medi-Can Shareholders. The Consideration Shares will be escrowed and released to the Medi-Can Shareholders as follows:

- (a) 10% of the Consideration Shares equal to 1,250,000 Resulting Issuer Shares will be released on Closing; and
- (b) thereafter over 36 months in six equal 15% releases equal to 5,850,000 Resulting Issuer Shares released every six months.

### Summary of Escrowed Securities

As of August 20, 2017, the date within 30 days before the date hereof, the following is a summary of the Resulting Issuer Common Shares that are anticipated to be held in escrow or otherwise subject to escrow restrictions:

Name and Municipality of Residence of Securityholder	Designation of Class	Prior to Giving Effect to the Acquisition		After Giving Effect to the Acquisition	
		Number of Resulting Issuer Securities Held in Escrow	Percentage of Class	Number of Resulting Issuer Securities Held in Escrow	Percentage of Class
John Doo-Jin Oh Vernon, BC	Resulting Issuer Common Shares	Nil	Nil	1,875,000 <sup>(1)</sup>	2.27%
Adrian Robinson Vernon, BC	Resulting Issuer Common Shares	Nil	Nil	3,125,000 <sup>(1)</sup>	3.79%
Josh Brazier Vernon, BC	Resulting Issuer Common Shares	Nil	Nil	1,250,000 <sup>(1)</sup>	1.52%
Robert Bayrack Vernon, BC	Resulting Issuer Common Shares	Nil	Nil	6,250,000 <sup>(1)</sup>	7.57%
<b>Total</b>	<b>-</b>	<b>Nil</b>	<b>Nil</b>	<b>12,500,000</b>	<b>15.15%</b>

#### NOTES:

- (1) An aggregate of 12,500,000 Consideration Shares will be issued to Mr. Doo-Jin Oh, Mr. Robinson, Mr. Brazier and Mr. Bayrack pursuant to the Share Purchase Agreement.

### **Auditor, Transfer Agent and Registrar**

Following completion of the Acquisition, it is expected that Smythe Ratcliffe LLP, located at 700 – 355 Burrard Street, Vancouver, BC, V6C 2G8, are to be appointed as auditors of the Resulting Issuer.

Computershare located at 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, the transfer agent and registrar of the Company, is anticipated to be appointed as the transfer agent and registrar of the Resulting Issuer following the completion of the Acquisition.

At the Meeting, Shareholders will be asked to approve the following by special resolution (the “**Acquisition Resolution**”):

### **Shareholder Approval of Acquisition**

“BE IT RESOLVED, as a special resolution of the Shareholders of the Company, that:

1. the Acquisition (for greater certainty, includes the voluntary delisting from the Exchange and subsequent application for listing with the CSE), as described in the Notice and Circular in respect of this Meeting is hereby approved and authorized and with the Board having discretion to modify the terms of the Acquisition, provided that such terms are not determined to be, in the discretion of the Board, materially adverse to the interests of the Shareholders at any time prior to the completion thereof, and subject to the approval of the Exchange;
2. the issuance of the Consideration Shares to the Medi-Can Shareholders in accordance with the escrow requirements of the Share Purchase Agreement is hereby approved; and
3. any one director or officer of the Company be and is hereby authorized and directed to do all such acts and things and to execute and deliver, under the corporate seal of the Company or otherwise, all such deeds, documents, instruments and assurances as in his or her opinion may be necessary or desirable to give effect to the foregoing resolutions; and
4. the directors have the right to revoke this resolution.”

The Board recommends that the Shareholders approve the Acquisition by voting “FOR” the resolution approving the Acquisition at the Meeting. In the absence of a contrary instruction, the persons designated by management of the Company in the enclosed Proxy intend to vote FOR the approval of the Acquisition.

### **EXECUTIVE COMPENSATION**

#### **GENERAL**

During the financial years ended June 30, 2016 and June 30, 2015 the Company had two NEOs being:

- a) Christopher Bogart, President and CEO of the Company; and
- b) Terese Gieselman, CFO of the Company.

“**underlying securities**” means any securities issuable on conversion, exchange or exercise of compensation securities.

#### **Director And NEO Compensation**

*Director and NEO compensation, excluding Options and compensation securities*

The following table sets forth all compensation for the two most recently completed financial years being June 30, 2016 and June 30, 2015, paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the Company or its subsidiary, to each NEO and director of the Company, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given or otherwise provided to the NEO or a director of the Company for services provided and for services to be provided, directly or indirectly, to the Company or its subsidiary. .

Table of Compensation Excluding Compensation Securities							
Name and Principal Position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of Perquisites (\$)	Value of all other compensation (\$)	Total Compensation (\$)
Christopher Bogart <sup>(1)</sup> Director, President and CEO	2016	120,000 <sup>1</sup>	Nil	Nil	Nil	Nil	120,000
	2015	120,000 <sup>1</sup>	Nil	Nil	Nil	Nil	120,000
Terese Gieselman <sup>(2)</sup> CFO & Corporate Secretary	2016	18,594 <sup>2</sup>	Nil	Nil	Nil	Nil	18,913
	2015	17,538 <sup>2</sup>	Nil	Nil	Nil	Nil	17,538
Kevin Puil <sup>(3)</sup> Director	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil
Stephen Tong <sup>(4)</sup> Director	2016	2,889	Nil	Nil	Nil	Nil	2,889
	2015	Nil	Nil	Nil	Nil	Nil	Nil
Michael Philpot Former Director	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil
Hamish Greig Former Director	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil

**NOTES:**

- 1 Consulting fees were paid or accrued as compensation to Mr. Bogart for his services as President and CEO at a rate of \$10,000 per month through 0954041 BC Ltd., a company wholly owned by Mr. Bogart (*See External Management Companies below*).
- 2 Consulting fees were paid or accrued to Ms. Gieselman for her services as CFO through Minco Corporate Management Inc., a management company wholly-owned by Ms. Gieselman (*See External Management Companies below*).
- 3 Mr. Puil was appointed director on May 17, 2017 to replace Mr. Philpot.
- 4 Mr. Tong was appointed director on February 23, 2016 to replace Mr. Greig. Legal fees were paid to Stella Law Corporation, a company controlled by Mr. Tong during the year ended June 30, 2016.

**Stock Options and Other Compensation Securities**

There were no option-based awards granted to NEOs and directors of the Company during the most recently completed financial years June 30, 2016 and June 30, 2015.

As at June 30, 2016 Mr. Bogart held an aggregate of 645,000 Options, each of which are exercisable into one Common Share and all of which are fully vested. Of these, 395,000 are exercisable at \$0.15 per share until December 20, 2017, and 250,000 are exercisable at \$0.18 per Common Share until February 8, 2018.

As at June 30, 2016 Ms. Gieselman (through Minco Corporate Management Inc.) held 75,000 Options, each of which are exercisable into one Common Share and all of which are fully vested and are exercisable at \$0.18 per Common Share until February 8, 2018.

**Exercise of Compensation Securities by Directors and NEOs**

During the most recently completed year end June 30, 2016 and June 30, 2015 there was no exercise of compensation securities by directors or NEOs.

**Stock Option Plans and Other Incentive Plans**

The Plan provides that the maximum number of Options eligible for issuance under the Plan is equal to 10% of the number of Common Shares of the Company outstanding from time to time. As required by the policies of the Exchange, as this plan is considered a "rolling plan" it requires approval by the Shareholders of the Company on an annual basis, which will be sought at the Meeting. Refer to "Particulars of Other Matters to be Acted Upon – Ratification of Stock Option Plan" for a summary of the material terms of the Plan.

### ***Employment, consulting and management agreements***

Other than set out herein, the Company did not have any formal employment, management or consulting agreements under which compensation was provided during the most recently completed financial year or is payable in respect of services provided to the Company or any of its subsidiaries that were performed by a director or NEO.

The Company retains the services of Christopher Bogart, through his management company, 0954041 BC Ltd. ("**0954041 BC**"). 0954041 BC is a private company wholly-owned by Mr. Bogart, the President and CEO of the Company. 0954041 BC provides management services at a rate of \$10,000 per month on a month to month basis.

The Company retains the services of Terese Gieselman, through her management company, Minco Corporate Management Inc. ("**Minco**"). Minco is a private company wholly-owned by Ms. Gieselman, the CFO and Corporate Secretary of the Company. Minco provides accounting and administration services at a rate of \$75 per hour on a month to month basis.

### ***Termination and Change of Control Benefits***

The Company does not have any pension or retirement plan which is applicable to the NEOs. The Company has not provided compensation, monetary or otherwise, during the most recently completed financial year, to any person who now or previously has acted as an NEO of the Company, in connection with or related to the retirement, termination or resignation of such person, and the Company has provided no compensation to any such person as a result of a change of control of the Company. The Company is not party to any compensation plan or arrangement with an NEO resulting from the resignation, retirement or termination of employment of any such person.

There are no compensatory plans or arrangements between the Company and an NEO with respect to the resignation, retirement or other termination of employment of the NEO, a change of control of the Company or a change in the NEO's responsibilities following a change of control of the Company.

### ***Oversight and Description of Director and NEOs Compensation***

#### *Compensation Review Process*

The Company does not have a formal compensation program. The Company's officers in most cases are compensated based on a daily or fixed monthly amounts and are paid indirectly through professional management and consulting companies in which they are owners, contractors or employees. In establishing fees or salaries for the Company's CEO, other executive officers and directors, consideration is given to salary ranges for comparable positions in similar size resource industry companies. Data for such comparisons is obtained from the evaluation of compensation against industry peers including those with a similar market capitalization, in the business of exploring similar minerals in similar jurisdictions, and from reviewing similar other companies' compensation information included in their information circulars. In setting salaries within competitive ranges, the Company considers performance related factors including the Company's overall results during the past year and its performance relative to a budgeted plan or stated objectives. Consideration also is given to an individual's contribution to the Company and the accomplishments of departments for which that officer has management responsibility, and the potential for future contributions to the Company.

In keeping with the relatively simple compensation structure adopted by most venture issuers, the Company's executive compensation for its executive officers has two primary components, cash compensation and incentive stock options.

#### *Compensation Risk Assessment and Mitigation*

Although the Company does not have formal policies specifically targeting risk-taking in a compensation context, the practice of management and the Board is to consider all factors relating to an executive officer's performance, including any risk mitigation efforts or excessive risk-taking, in determining compensation.

Under the Company's policies, executive officers and directors are not permitted to purchase financial instruments (including prepaid variable contracts, equity swaps, collars or units of exchange funds) that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held directly or indirectly by the executive officer or director.

#### *Elements of Executive Compensation Program*

The Company's compensation program consists of the following elements:

- (a) base salary or consulting fees;
- (b) bonus payments; and
- (c) equity participation through the Plan.

#### *Base Salary or Consulting Fees*

Base salary ranges for NEOs were initially determined upon review of salaries paid by other companies that are comparable in size to the Company.

In determining the base salary of a NEO, the Board considers the following factors:

- (a) the particular responsibilities related to the position;
- (b) salaries paid by other companies in the same industry, which were similar in size and stage of development as the Company;
- (c) the experience level of the NEO;
- (d) the amount of time and commitment which the NEO devotes to the Company; and
- (e) the NEO's overall performance and performance in relation to the achievement of corporate milestones and objectives.

#### *Bonus Payments*

Each of the NEOs, as well as all employees, are eligible for an annual bonus, payable in cash or through option-based compensation. The amount paid is based on the Board's assessment of the Company's performance for the year. Factors considered in determining bonus amounts include individual performance, financial criteria (such as cash management and share price performance) and operational criteria (such as significant acquisitions of mineral properties and the attainment of corporate milestones). The Company did not award any bonuses during its financial years ended June 30, 2015 and June 30, 2016.

#### *Equity Participation*

The Company currently offers equity participation in the Company through the Plan.

#### *Executive Compensation*

Except for the grant of Options to the NEOs and any compensation payable pursuant to the consulting agreements between the CEO and the Company, and the CFO and the Company, there are no arrangements under which NEOs were compensated by the Company during the two most recently completed financial years for their services in their capacity as NEOs, directors or consultants.

#### *Director Compensation*

The Company does not currently pay compensation to non-management directors, nor are they paid for attendance at board meetings. The directors are reimbursed for expenses occurred in carrying out their duties as directors and are granted Options.

The Plan allows the Company to grant Options to the officers, employees and directors. The purpose of granting such Options is to assist the Company in compensating, attracting, retaining and motivating the directors of the Company and to closely align the personal interests of such persons to that of the Shareholders.

### ***Actions, Decisions, Policies made after the Company's June 30, 2016 Financial Year End***

July 25, 2016 – The Company entered into a mineral option agreement (the "**Option Agreement**") with SOQUEM pursuant to which the Company has been granted an option to earn a 50% interest in 110 mineral claims covering 5,393 hectares located in Quebec (the "**Philibert Gold Project**"). Pursuant to the terms of the Option Agreement, the Company may acquire a 50% interest in the Philibert Gold Project by issuing 3,500,000 Common Shares over 6 years and incurring exploration costs of \$3,500,000 over a five year period. Additionally, within 12 months of the formation of a joint venture, the Company will have the option, but not the obligation, to purchase all or part of the remaining interest held by SOQUEM on terms to be agreed between the parties. Finder's fees of an aggregate of \$48,375 are payable to an arms' length party over five years. The Company received Exchange approval on August 31, 2016.

August 30, 2016 – The Company settled an aggregate amount of \$41,444 owed to non-related parties by the issuance of approximately 592,060 Common Shares at a deemed issue price of \$0.07 per Common Share. The Company also settled an aggregate amount of \$306,831 in trade payables through the issuance of an aggregate 4,383,296 Common Shares at an issue price of \$0.07 per Common Share with related parties. 535,714 Common Shares were issued to 0954041 BC to settle debt in the amount of \$37,500 and 3,847,582 were issued to Craig Schneider, an individual with significant influence over the Company, to settle debt in the amount of \$269,331.

February 7, 2017 – The Company completed a non-brokered private placement of up to 10,000,000 Common Shares at a price of \$0.05 per Common Share for gross proceeds of \$500,000.

May 17, 2017 – The Company appointed Kevin Puil to the Board to replace Mr. Michael Philpot.

June 1, 2017 – The Company announced that it entered into a letter of intent to acquire Marapharm Inc. ("**Marapharm**"), a licensed producer (LP) applicant under Health Canada's "Access to Cannabis for Medical Purposes Regulations" (ACMPR). The Company also announced that it is undertaking a non-brokered private placement to raise \$1,000,000 of units at a price of \$0.15 per unit. Each unit will consist of one Common Share and one-half of one Common Share purchase warrant. Each full warrant will be exercisable into one Common Share at \$0.25 per Common Share for 18 months. Proceeds are to be used for general corporate purposes and the evaluation of opportunities in the cannabis market, including the proposed acquisition of Marapharm.

August 31, 2017 – The Company announced the parties to the Marapharm LOI did mutually agree to terminate the agreement and the Company will no longer pursue the acquisition of Marapharm Inc. The Company also announced a reduction of the private placement to \$500,000, and the abandonment of the Company's option to earn an interest in the Philibert Gold Project.

### ***Pension Plan Benefits***

The Company has no pension plans that provide for payments or benefits to any NEO at, following or in connection with retirement. The Company also does not have any deferred compensation plans relating to any NEO.

## **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table sets forth as at the year ended June 30, 2016, the number of securities authorized for issuance under the Company's Plan which was approved by the shareholders of the Company's at the Company's last annual general meeting on September 14, 2015:

Plan Category	Number of securities to be issued upon exercise of outstanding Options (a)	Weighted-average exercise price of outstanding Options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) <sup>1</sup>
Equity compensation plans approved by security holders	2,855,000	\$0.24	2,813,698
Equity compensation plans not approved by security holders	—	—	—
Total	2,855,000	\$0.24	2,813,698

### **NOTES:**

1. The above numbers are based on 10% of the issued and outstanding Common Shares of 56,686,975 as at June 30, 2016.
2. Reference should be made to the Company's audited annual financial statements for the year ended June 30, 2016 for more detailed disclosure relating to Options granted, exercised and outstanding.

The Plan provides that the maximum number of Options eligible for issuance under the Plan is equal to 10% of the number of Common Shares of the Company outstanding from time to time. As required by the policies of the Exchange this Plan requires approval by the Shareholders of the Company on an annual basis, which will be sought at the Meeting. Refer to "Particulars of Other Matters to be Acted Upon – Ratification and Approval of Stock Option Plan" for further details.

## **MANAGEMENT CONTRACTS**

The Company's management functions are performed by its NEOs and the Company has no management agreements or arrangements in place under which such management functions are performed by persons other than NEOs.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

None of the directors, executive officers, and employees, proposed nominees for election as directors or their associates has been indebted to the Company or to any of its subsidiaries nor has any of these individuals been indebted to another entity which indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company or any of its subsidiaries for the financial year ended June 30, 2016.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as disclosed in this Circular, no informed person or proposed director of the Company and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since financial year ended June 30, 2016 or in any proposed transaction which in either such case has materially affected or would materially affect the Company.

## **INFORMATION ON CORPORATE GOVERNANCE**

The Board believes that good corporate governance improves corporate performance and benefits all shareholders. National Policy 58-201 - *Corporate Governance Guidelines* provides non-prescriptive guidelines on corporate governance practices for reporting companies such as the Company. In addition, NI 58-101 - *Disclosure of Corporate Governance Practices* ("**NI 58-101**") prescribes certain disclosure by the Company of its corporate governance practices. Pursuant to NI 58-101 this disclosure is presented in accordance with Form 58-101F2 below.

## **Board of Directors**

The Board is currently composed of three directors and it is proposed that three directors will be nominated at the Meeting.

The Board facilitates its exercise of independent supervision over management by ensuring that the Board is composed of a majority of individuals who qualify as "independent" directors under NI 52-110, which provides that a director is independent if he or she has no direct or indirect "material relationship" with the company. "Material relationship" is defined as a relationship which could, in the view of the company's board of directors, be reasonably expected to interfere with the exercise of a director's independent judgment.

Of the proposed nominees, (1) nominee, Christopher Bogart, is considered "not independent" as he is the current President and CEO and is an "insider" or management director. During the year ended June 30, 2016, legal fees were paid to Stella Law Corporation, a company controlled by Stephen Tong. Therefore, Mr. Tong is considered "not independent." Mr. Pui, proposed director is considered by the board to be "independent", within the meaning of National Instrument 52-110 – *Audit Committees*. In assessing the requirements and making the foregoing determinations whether a director is independent, the Board chiefly considers whether the director has a relationship which could, or could be perceived to interfere with the director's ability to objectively assess the performance of management.

The Board is responsible for approving long-term strategic plans and annual operating plans and budgets recommended by management. Board consideration and approval is also required for material contracts and business transactions, and all debt and equity financing transactions.

The Board delegates to management responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Company's business in the ordinary course, managing the Company's cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The Board also looks to management to furnish recommendations respecting corporate objectives, long-term strategic plans and annual operating plans.

## **Directorships**

The following table sets forth the director of the Company who currently hold directorships on other reporting issuers:

Name of Director	Other Issuer
Kevin Pui	Lion One Metals Limited Corex Gold Corp. Redhawk Resources Inc. Golden Dawn Minerals Inc.

## **Orientation and Continuing Education**

While the Company does not have formal orientation and training programs, new directors will be provided with information designed to familiarize them with the Company's projects, strategic plans, significant financial, accounting and risk management issues, its compliance programs, its principal officers, independent auditors and outside legal advisors.

Members of the Board are encouraged: to communicate with management, auditors and technical consultants; to keep themselves current with industry trends and developments and changes in legislation with management's assistance; and to attend related industry seminars and visit the Company's operations, when they are able. Members of the Board have full access to the Company's records.

## **Ethical Business Conduct**

The Company has not yet adopted a written code of conduct applicable to officers and directors of the Company. Going forward upon expansion of the size of the Board and as part of a subsequent general corporate governance review, the Company plans to adopt a written code of conduct to establish requirements and provide guidance for the behavior of employees, officers, and directors.

### **Nomination of Directors**

The Board has not established a nominating committee. In circumstances where the Company needs to nominate new directors, current directors put forward candidates to the Board for consideration and potential nomination as a director.

### **Compensation**

The Company has not yet established a compensation committee and to date, decisions regarding compensation for the directors and the executive officers have been made by the Board as a whole.

### **Other Board Committees**

The Company has no committees other than the audit committee. The Company is small and until now the duties of the recommended committees have been performed by the plenary Board. Going forward, upon the expansion in the size of the Board, the Board will review its corporate governance practices and consider, among other matters, whether it would be desirable to establish additional committees of the Board.

### **Assessments**

The Board has not yet established a formal performance review process for assessing the effectiveness of the Board, the audit committee or the individual directors. It is expected that the contributions of an individual director are informally monitored by the other Board members, having in mind the business strengths of the individual and the reasons for which the individual was nominated for appointment to the Board. The Company will continue to develop its approach to corporate governance in light of its own circumstances and what are recognized as best practices in this area.

## **AUDIT COMMITTEE**

### ***DISCLOSURE BY VENTURE ISSUERS***

NI 52-110 requires the Company as a 'venture issuer' to disclose annually in its information circular the following information concerning the audit committee and its relationship with its independent auditors.

#### **Audit Committee Charter**

The audit committee is governed by its charter, which is set out in the attached Schedule "C" of this Circular.

#### **Composition of the Audit Committee**

A member of the audit committee is independent if the member has no direct or indirect material relationship with the Company. A material relationship means a relationship which could, in the view of an issuer's board of directors, reasonably interfere with the exercise of a member's independent judgment, or is one of the relationships that is deemed material, which are described above under *Board of Directors*.

A member of the audit committee is considered financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

The current members of the audit committee are Christopher Bogart, Stephen Tong and Kevin Puil. All members of the audit committee are financially literate. Mr. Puil is the independent member of the audit committee. Christopher Bogart, is considered "not independent" as he is the current President and CEO and is an "insider" or management director. During the year ended June 30, 2016, legal fees were paid to Stella Law Corporation, a company controlled by Stephen Tong. Therefore, Mr. Tong is considered "not independent."

## **Relevant Education and Experience**

**Christopher Bogart** has several years of experience in financing, corporate development, and business management and has been involved in the junior resource sector for over 12 years in the capacity of Vice President of Corporate Development and President and Chief Executive Officer roles.

**Kevin Puil** is a Chartered Financial Analyst with over 15 years' experience in investment management and is currently a Managing Partner at RIVI Capital LLC. From 1996 to 2005, he was a financial advisor with Goepel McDermid (Raymond James), and a partner at Bolder Investment Partners in Vancouver, BC from 2008 to 2013, he was engaged as a portfolio manager at Malcolm Gissen & Associates and Senior Analyst at the Encompass Fund in San Francisco, focusing on natural resources. Mr. Puil holds a degree in economics from the University of Victoria and obtained a CFA designation in 2003.

**Stephen Tong** has been a securities lawyer in Vancouver since 1999, and has served on the boards of numerous public and private companies in various industries.

## **Audit Committee Oversight**

At no time since the commencement of the Company's most recent completed financial year was a recommendation of the audit committee to nominate or compensate an external auditor not adopted by the Board.

## **Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (*Exemptions*).

## **Pre-Approval Policies and Procedures**

As at the date of this Circular, the audit committee has not adopted any specific policies or procedures for the engagement for non-audit services.

## **External Auditor Service Fees (By Category)**

The aggregate fees billed by the Company's external auditors in each of the last two fiscal years for audit fees are as follows:

<b>Financial Year Ending</b>	<b>Audit Fees<sup>1</sup></b>	<b>Audit Related Fees<sup>2</sup></b>	<b>Tax Fees<sup>3</sup></b>	<b>All Other Fees<sup>4</sup></b>
2016	\$14,000	\$Nil	\$2,000	\$Nil
2015	\$14,000	\$Nil	\$2,500	\$Nil

### NOTES

- 1 The Audit Fees are fees billed by the Company's external auditor for services provided in auditing the annual financial statements.
- 2 Audit Related Fees are fees billed for assurance and related services by the Company's external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements.
- 3 Tax Fees are fees billed by the external auditor for tax compliance, tax advice and planning.
- 4 All Other Fees are fees billed by the external auditor for products and services not included in the categories described above.

## **Exemption for Venture Issuers**

The Company is a "venture issuer" as defined in NI 52-110 and is relying on the exemption contained in Section 6.1 of NI 52-110, which exempts the Company from the requirements of Part 5 (Reporting Obligations) of NI 52-110.

### **OTHER MATTERS**

Management of the Company is not aware of any other matter to come before the Meeting other than as set forth in the Notice. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed Proxy to vote the Common Shares represented thereby in accordance with their best judgment on such matter.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available through the internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at [www.sedar.com](http://www.sedar.com). Comparative financial information on the Company for the year ended June 30, 2016 and June 30, 2015, together with the auditor's report thereon and management discussion and analysis of the Company will be presented at the Meeting and which can also be accessed at [www.sedar.com](http://www.sedar.com). Shareholders may request copies of the Company's financial statements and MD&A by contacting the Company at #350-409 Granville Street, Vancouver, British Columbia V6C 1T2.

### **BOARD APPROVAL**

The undersigned hereby certifies that the Board has approved this Circular.

DATED at Vancouver, British Columbia, this 19th day of September, 2017

BY THE ORDER OF THE BOARD

*"Christopher Bogart"*

Christopher Bogart  
President and Chief Executive Officer

## **SCHEDULE "A"**

### **STANDARD GRAPHITE CORP.**

#### **ALTERATION OF ARTICLES TO INCLUDE ADVANCE NOTICE PROVISION**

##### **Nomination of Directors**

##### 11.12

(a) Subject only to the Business Corporations Act, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Company. Nominations of persons for election to the Board may be made at any annual Meeting of Shareholders, or at any special Meeting of Shareholders (but only if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling such special meeting):

(i) by or at the direction of the Board or an authorized officer of the Company, including pursuant to a notice of meeting;

(ii) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act or a requisition of the shareholders made in accordance with the provisions of the Business Corporations Act; or

(iii) by any person (a "**Nominating Shareholder**") (A) who, at the close of business on the date of the giving of the notice provided for below in this Section 11.12 and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting and (B) who complies with the notice procedures set forth below in this Section 11.12.

(b) In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, such person must have given:

(i) timely notice thereof in proper written form to the Chief Executive Officer of the Company at the principal executive offices of the Company in accordance with this Section 11.12 and

(ii) the representation and agreement with respect to each candidate for nomination as required by, and within the time period specified in Section 11.12(e).

(c) To be timely under Section 11.12(b)(i), a Nominating Shareholder's notice to the Chief Executive Officer of the Company must be made:

(i) in the case of an annual Meeting of Shareholders, not less than 30 nor more than 65 days prior to the date of the annual Meeting of Shareholders; provided, however, that in the event that the annual Meeting of Shareholders is called for a date that is less than 40 days after the date (the "**Notice Date**") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the tenth (10th) day following the Notice Date; and

(ii) in the case of a special Meeting (which is not also an annual meeting) of Shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the fifteenth (15th) day following the day on which the first public announcement of the date of the special Meeting of Shareholders was made.

Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in this Section 11.12(c).

(d) To be in proper written form, a Nominating Shareholder's notice to the Chief Executive Officer of the Company, under Section 11.12(b)(i) must set forth:

(i) as to each person whom the Nominating Shareholder proposes to nominate for election as a director (A) the name, age, business address and residence address of the person, (B) the principal occupation or employment of the person, (C) the class or series and number of shares in the capital of the Company which are controlled or which are owned beneficially or of record by the person as of the record date for the Meeting of Shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice, (D) a statement as to whether such person would be "independent" of the Company (within the meaning of sections 1.4 and 1.5 of National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators, as such provisions may be amended from time to time) if elected as a director at such meeting and the reasons and basis for such determination and (E) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Business Corporations Act and Applicable Securities Laws; and

(ii) as to the Nominating Shareholder giving the notice, (A) any information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Business Corporations Act and Applicable Securities Laws, and (B) the class or series and number of shares in the capital of the Company which are controlled or which are owned beneficially or of record by the Nominating Shareholder as of the record date for the Meeting of Shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice.

(e) To be eligible to be a candidate for election as a director of the Company and to be duly nominated, a candidate must be nominated in the manner prescribed in this Section 11.12 and the candidate for nomination, whether nominated by the Board or otherwise, must have previously delivered to the Chief Executive Officer of the Company at the principal executive offices of the Company, not less than 5 days prior to the date of the Meeting of Shareholders, a written representation and agreement (in form provided by the Company) that such candidate for nomination, if elected as a director of the Company, will comply with all applicable corporate governance, conflict of interest, confidentiality, share ownership, majority voting and insider trading policies and other policies and guidelines of the Company applicable to directors and in effect during such person's term in office as a director (and, if requested by any candidate for nomination, the Chief Executive Officer of the Company shall provide to such candidate for nomination all such policies and guidelines then in effect).

(f) No person shall be eligible for election as a director of the Company unless nominated in accordance with the provisions of this Section 11.12; provided, however, that nothing in this Section 11.12 shall be deemed to preclude discussion by a shareholder (as distinct from nominating directors) at a Meeting of Shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Business Corporations Act. The chair of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

(g) For purposes of this Section 11.12:

(i) "**Affiliate**", when used to indicate a relationship with a person, shall mean a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified person;

(ii) "**Applicable Securities Laws**" means the Securities Act (British Columbia) and the equivalent legislation in the other provinces and in the territories of Canada, as amended from

time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commissions and similar regulatory authorities of each of the applicable provinces and territories of Canada;

(iii) **"Associate"**, when used to indicate a relationship with a specified person, shall mean (A) any corporation or trust of which such person owns beneficially, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all voting securities of such corporation or trust for the time being outstanding, (B) any partner of that person, (C) any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar capacity, (D) a spouse of such specified person, (E) any person of either sex with whom such specified person is living in conjugal relationship outside marriage or (F) any relative of such specified person or of a person mentioned in clauses (D) or (E) of this definition if that relative has the same residence as the specified person;

(iv) **"Board"** means the board of directors of the Company;

(v) **"Business Corporations Act"** means the Business Corporations Act (British Columbia);

(vi) **"Derivatives Contract"** shall mean a contract between two parties (the **"Receiving Party"** and the **"Counterparty"**) that is designed to expose the Receiving Party to economic benefits and risks that correspond substantially to the ownership by the Receiving Party of a number of shares in the capital of the Company or securities convertible into such shares specified or referenced in such contract (the number corresponding to such economic benefits and risks, the **"Notional Securities"**), regardless of whether obligations under such contract are required or permitted to be settled through the delivery of cash, shares in the capital of the Company or securities convertible into such shares or other property, without regard to any short position under the same or any other Derivatives Contract. For the avoidance of doubt, interests in broad-based index options, broad-based index futures and broad-based publicly traded market baskets of stocks approved for trading by the appropriate governmental authority shall not be deemed to be Derivatives Contracts;

(vii) **"Meeting of Shareholders"** shall mean such annual shareholders meeting or special shareholders meeting, whether general or not, at which one or more persons are nominated for election to the board by a Nominating Shareholder;

(viii) **"owned beneficially"** or **"owns beneficially"** means, in connection with the ownership of shares in the capital of the Company by a person, (A) any such shares as to which such person or any of such person's Affiliates or Associates owns at law or in equity, or has the right to acquire or become the owner at law or in equity, where such right is exercisable immediately or after the passage of time and whether or not on condition or the happening of any contingency or the making of any payment, upon the exercise of any conversion right, exchange right or purchase right attaching to any securities, or pursuant to any agreement, arrangement, pledge or understanding whether or not in writing; (B) any such shares as to which such person or any of such person's Affiliates or Associates has the right to vote, or the right to direct the voting, where such right is exercisable immediately or after the passage of time and whether or not on condition or the happening of any contingency or the making of any payment, pursuant to any agreement, arrangement, pledge or understanding whether or not in writing; (C) any such shares which are beneficially owned, directly or indirectly, by a Counterparty (or any of such Counterparty's Affiliates or Associates) under any Derivatives Contract (without regard to any short or similar position under the same or any other Derivatives Contract) to which such person or any of such person's Affiliates or Associates is a Receiving Party; provided, however that the number of shares that a person owns beneficially pursuant to this clause (C) in connection with a particular Derivatives Contract shall not exceed the number of Notional Securities with respect to such Derivatives Contract; provided, further, that the number of securities owned beneficially by each Counterparty (including their respective Affiliates and Associates) under a Derivatives Contract shall for purposes of this clause be deemed to include all securities that are owned

beneficially, directly or indirectly, by any other Counterparty (or any of such other Counterparty's Affiliates or Associates) under any Derivatives Contract to which such first Counterparty (or any of such first Counterparty's Affiliates or Associates) is a Receiving Party and this proviso shall be applied to successive Counterparties as appropriate; and (D) any such shares which are owned beneficially within the meaning of this definition by any other person with whom such person is acting jointly or in concert with respect to the Company or any of its securities; and

(ix) "**public announcement**" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Company or its agents under its profile on the System of Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com).

(h) Notwithstanding any other provision to this Section 11.12, notice or any delivery given to the Chief Executive Officer of the Company pursuant to this Section 11.12 may only be given by personal delivery, facsimile transmission or by email (provided that the Chief Executive Officer of the Company has stipulated an email address for purposes of this notice, at such email address as stipulated from time to time), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Chief Executive Officer at the address of the principal executive offices of the Company; provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Vancouver time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.

(i) In no event shall any adjournment or postponement of a Meeting of Shareholders or the announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice as described in Section 11.12(c) or the delivery of a representation and agreement as described in Section 11.12(e).

## **SCHEDULE "B"**

### **STANDARD GRAPHITE CORP.**

#### **ALTERATION OF ARTICLES TO INCLUDE UNCERTIFICATED ISSUANCE AMENDMENTS**

Pursuant to Section 259 of the *Business Corporations Act* (British Columbia), the existing Articles of the Company be altered as follows:

1. Section 2.2 – "Right to Share Certificate" be amended by deleting that paragraph and substituting the following:

##### Section 2.2 – Right to Share Certificate Acknowledgment or Written Notice

Unless the shares of which the shareholder is the registered owner are uncertificated shares, each shareholder is entitled, without charge, to (a) one certificate representing the share or shares of each class or series of shares held by the shareholder or (b) a non-transferable written acknowledgment of the shareholder's right to obtain such a share certificate, provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate and delivery of a share certificate for a share to one of several joint shareholders or to one of the shareholders' duly authorized agents will be sufficient delivery to all. The Company must send to a holder of an uncertificated share a written notice containing the information required by the Business Corporations Act (British Columbia) (the "Act") within a reasonable time after the issue or transfer of such share.

2. Section 2.3 – "Sending of share certificate" be amended by deleting that paragraph and substituting the following:

##### Section 2.3 – Delivery by Mail

Any share certificate or non-transferable written acknowledgment of a shareholder's right to obtain a share certificate, or written notice of the issue or transfer of an uncertificated share to which a shareholder is entitled may be sent to the shareholder by mail at the shareholder's registered address and neither the Company nor any director, officer or any agent of the Company is liable for any loss to the shareholder because the share certificate, acknowledgement or written notice sent is lost in the mail or stolen.

3. Section 2.5 – "Replacement of lost, stolen or destroyed certificate" be amended by deleting that paragraph and substituting the following:

##### Section 2.5 – Replacement of Lost, Stolen or Destroyed Certificate or Acknowledgment

2.5 If a share certificate or a non-transferable written acknowledgment of a shareholder's right to obtain a share certificate is lost, stolen or destroyed, a replacement share certificate or acknowledgment, as the case may be, must be issued to the person entitled to that share certificate or acknowledgment, if the requirements of the Act are satisfied, as the case may be, if the directors receive:

(a) proof satisfactory to them that the share certificate or acknowledgment, as the case may be, is lost, stolen or destroyed, and

(b) any indemnity the directors consider adequate.

4. Deleting Section 4.1 (a) and (b) – Recording or registering transfer in its entirety and substituting the following as paragraph 5.1 (a) (b) (c) & (d):

##### Section 4.1 – Registering Transfers

A transfer of a share of the Company must not be registered:

(a) unless a duly signed instrument of transfer in respect of the share has been received by the Company (which may be a separate document or endorsed on the share certificate for the shares transferred) made by the shareholder or other appropriate person or by an agent who has the actual authority to act on behalf of the person; ~~and the certificate representing the share to be transferred has been surrendered and cancelled, or~~

~~(b) if no certificate has been issued by the Company in respect of the share, unless a duly signed instrument of transfer in respect of the share has been received by the Company;~~

(b) if a share certificate has been issued by the Company in respect of the share to be transferred, that share certificate has been surrendered to the Company; and

(c) if a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred, that acknowledgment has been surrendered to the Company; and

(d) such other evidence, if any, as the Company or the transfer agent or registrar for the class or series of share to be transferred may require to prove the title of the transferor or the transferor's right to transfer the share, that the written instrument of transfer is genuine and the right of the transferee to have the transfer registered.

5. Section 4.2 – Form of instrument of transfer be amended by deleting that paragraph and substituting the following:

The instrument of transfer in respect of any share of the Company must be either in the form, if any, on the back of the Company's share certificates of that class or series or in any other form that may be approved by the directors from time to time or by the transfer agent or registrar for those shares.

6. Section 4.3 – Signing of instrument of transfer be amended by deleting that paragraph and substituting the following:

If a shareholder, or his or her duly authorized attorney, signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents to register the number of shares specified in the instrument of transfer or specified in any other manner, or, if no number is specified, all the shares represented by the share certificates or set out in the written acknowledgments deposited with the instrument of transfer, or if the shares are uncertificated shares, then all of the shares registered in the name of the shareholder on the central securities register:

(a) in the name of the person named as transferee in that instrument of transfer, or

(b) if no person is named as transferee in that instrument of transfer, in the name of the person on whose behalf the share certificate is deposited for the purpose of having the transfer registered.

## **SCHEDULE "C"**

### **STANDARD GRAPHITE CORP.** (the "Company")

#### **AUDIT COMMITTEE'S CHARTER**

##### *Mandate*

The primary function of the audit committee (the "**Committee**") is to assist the board of directors (the "**Board of Directors**") in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting and the Company's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements.
- Review and appraise the performance of the Company's external auditors.
- Provide an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors.

##### *Composition*

The Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Committee.

At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Company's Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company's financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

##### *Meetings*

The Committee shall meet at least once annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditors in separate sessions.

##### *Responsibilities and Duties*

To fulfill its responsibilities and duties, the Committee shall:

##### Documents/Reports Review

- (a) Review and update this Charter annually.

- (b) Review the Company's financial statements, MD&A and any annual and interim earnings, press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

#### External Auditors

- (a) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Company.
- (b) Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Company, consistent with Independence Standards Board Standard 1.
- (c) Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
- (d) Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.
- (e) Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.
- (f) At each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.
- (g) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.
- (h) Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
- (i) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
  - i. the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided;
  - ii. such services were not recognized by the Company at the time of the engagement to be non-audit services; and
  - iii. such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

### *Financial Reporting Processes*

- (a) In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.
- (b) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- (c) Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.
- (d) Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
- (e) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- (f) Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
- (g) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- (h) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
- (i) Review certification process.
- (j) Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

### *Other*

Review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements and to review any related-party transactions.

## **SCHEDULE "D"**

### **STANDARD GRAPHITE CORP.** (the "Company")

#### **ALTERATION OF ARTICLES TO INCLUDE AUTHORIZED SHARE STRUCTURE**

9.1 Subject to §9.2 and the Act, the Company may by ordinary resolution (or a resolution of the directors in the case of §9.1(c) or §9.1(f):

- (a) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;
- (b) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;
- (c) subdivide or consolidate all or any of its unissued, or fully paid issued, shares;
- (d) if the Company is authorized to issue shares of a class of shares with par value:
  - (i) decrease the par value of those shares; or
  - (ii) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;
- (e) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value;
- (f) alter the identifying name of any of its shares; or
- (g) otherwise alter its shares or authorized share structure when required or permitted to do so by the Act where it does not specify by a special resolution;

and, if applicable, alter its Notice of Articles and Articles accordingly.

#### **Special Rights and Restrictions**

9.2 Subject to the Act and in particular those provisions of the Act relating to the rights of holders of outstanding shares to vote if their rights are prejudiced or interfered with, the Company may by ordinary resolution:

- (a) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued; or
  - (b) vary or delete any special rights or restrictions attached to the shares of any class or series of shares, whether or not any or all of those shares have been issued,
- and alter its Notice of Articles and Articles accordingly.

**SCHEDULE "E"**

**STANDARD GRAPHITE CORP.**  
(the "Company")

**ALTERATION OF ARTICLES TO INCLUDE  
CHANGE OF COMPANY NAME**

9.3 The Company may by directors resolution authorize an alteration of its Notice of Articles in order to change its name or adopt or change any translation of that name.

**Other Alterations**

9.4 If the Act does not specify the type of resolution and these Articles do not specify another type of resolution, the Company may by ordinary resolution alter these Articles.

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