MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Three Months Ended

September 30, 2017

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The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of Choom Holding Ltd. *(formerly Standard Graphite Corporation)* (the "Company") as at as at September 30, 2017 and for the comparative period ended September 30, 2016. This MD&A should be read in conjunction with the un-audited condensed interim financial statements for periods ended September 30, 2017 and 2016 and related notes.

All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise indicated. The effective date of this MD&A November 27, 2017.

Throughout the report we refer to Choom Holdings Ltd. as the "Company", "we", "us", "our" or "its". All these terms are used in respect of Choom Holdings Ltd. Additional information on the Company can be found on SEDAR at www.sedar.com and the Company's website www.standardgraphite.com.

Cautionary Statement on Forward-Looking Information

This report contains "forward-looking statements", with respect to the proposed change of business as described herein including 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 in this MD&A that could cause results to differ materially from those described or anticipated in such forward-looking statements. See "*Risk Factors*" Forward-looking statements express, as at the date of this report relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include but are not limited to the Company and its operations, its projections or estimates about its future business operations, its planned expansion activities, the adequacy of its financial resources, future economic performance and the Company's ability to become a leader in the field of medical marihuana. The material factors and assumptions used to develop the forward-looking statements and forward looking information contained in this MD&A are based on management's ability to maintain the Company as a going concern and be successful in obtaining the required funding and approval of its cannabis production license to further develop and cultivate certain strains of cannabis and the ability to expand production in Canada's emerging cannabis market.

Forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated. The forward-looking information in this MD&A is based on management's current expectations and Standard Graphite assumes no obligations to update such information to reflect later events or developments, except as required by law.

Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, the factors discussed in the section "Risk Factors" as well as those detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review under the Company's profile on SEDAR at www.sedar.com. Actual results may differ materially from those currently anticipated in such statements.

Overall Performance and Results of Operations

Choom Holdings Ltd. (the "Company") was incorporated in the province of British Columbia on September 18, 2006 under the *Business Corporations Act*. On January 27, 2012, the Company received shareholder approval to change the Company's name to Standard Graphite Corporation. Effective February 3, 2012, the Company commenced trading on the TSX Venture Exchange (the "Exchange") under the symbol "SGH" as a Tier 2 issuer.

On October 18, 2017 the Company received shareholder approval to complete the acquisition of Medi-Can Health Solutions Ltd, and a name change. On November 17, 2017 the Company changed its name to Choom Holdings Limited and completed a change of business to the business of cultivating and selling

cannabis for medical purposes and related products under the ACMPR (the "**Business**"). Additionally on November 22, 2017 the Company's shares were delisted from the Exchange and approved for listing on the Canadian Securities Exchange ("CSE") and commenced trading thereafter under the symbol CHOO.

Choom Holdings Ltd.'s corporate office and principal place of business is located at 350 – 409 Granville Street, Vancouver, British Columbia V6C 1T2.

Change of Business

On August 31, 2017, the Company entered into a share purchase agreement with Medi-Can Health Solutions Ltd. ("Medi-Can") and its shareholders (the "Medi-Can Shareholders") pursuant to which the Company will acquire (the "Acquisition") all of the issued and outstanding common shares of Medi-Can.

About Medi-Can

Medi-Can, a cannabis production license applicant under Health Canada's Access to Cannabis for Medical Purposes Regulations (ACMPR), holds a leasehold property in Vernon, B.C. and extensive cannabis cultivation equipment. Medi-Can's planned phase 1 cannabis production facility will be capable of producing approximately 660 kg/year of dried cannabis and its planned phase 2 expansion plans would increase its cannabis production capacity to a total of 1500 kg/year.

Medi-Can intends to focus its business, subject to obtaining a cannabis production license, on the highest quality handcrafted strains and intends to develop a unique lifestyle brand for cannabis. Medi-Can plans to feature a range of curated, handcrafted strains ideally suited for Canada's emerging cannabis market. The Okanagan Valley, which includes the cities of Vernon and Kelowna, features British Columbia's world class wineries, lakes, orchards, golf courses and ski hills, which draws 1.9 million visitors annually.

Medi-Can was founded by the proven entrepreneurial team of Robert Bayrack, John Oh, Adrian Robinson and Josh Brazier, who are the Medi-Can shareholders and will help to drive the success of Medi-Can following closing of the Acquisition.

Robert Bayrack is the Senior Person in Charge under the ACMPR application for Medi-Can. He is a master grower with extensive knowledge of cannabis horticulture, plant pathology and cultivation mastery for the commercial market. Robert brings a wealth of knowledge and experience from growing medical-grade cannabis for designated medical patients. In addition, his background in project management and construction has translated to efficient growing systems, production planning, plants scheduling and quality assurance for commercial grow operations. He is a firm believer and advocate in providing adequate and safe access to high-quality craft cannabis to patients across Canada.

John 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. John earned a Master's degree in Interdisciplinary Graduate Studies from the University of British Columbia.

Adrian Robinson is a strategically minded entrepreneur who has been leading pursuits in real estate investment, hospitality management and cannabis facility operations for more than a decade. His hands ¬on approach has provided him with extensive knowledge in all facets of business development, from initial concept through to fostering relationships with industry leaders and government agencies. Adrian, a Royal Roads University graduate, is applying his innovative thinking and management expertise to the emerging medical cannabis industry. Adrian is a founding member of Quintet, a strategic alliance of business professionals with a focus on sustainable growth, and the Cannabis Trade Alliance of Canada, a not-for-profit organization supporting the development of a safe and ethical and inclusive cannabis industry.

Josh Brazier is an accomplished entrepreneur and philanthropist with a psychology degree from the

University of British Columbia. His passion for business and innovation has led to accolades such as Young Entrepreneur of the Year, New Business of the Year and being recognized as one of the Top 30 Entrepreneurs under the age of 30, in the city of Vernon, British Columbia. Josh has co-founded a number of successful ventures and has recently enjoyed international success as a result of manufacturing and exporting a line of hydroponic products that are now available in over 20 countries across the globe.

Acquisition Terms
Pursuant to the Acquisition, on the closing date, the Company will acquire all of the shares of Medi-Can, which will become a wholly owned subsidiary of the Company, and the Company will issue to the Medi-Can Shareholders, based on their pro rata holdings, the following:

- 12,500,000 common shares were issued with into escrow, of which 10% (1,250,000) were released on October 18, 2017 with the remaining balance of 11,250,000 to be released over the subsequent 36 months; and

- a non-interest-bearing note in the amount of $2,500,000, which 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).

The definitive share purchase agreement includes customary conditions, including obtaining all necessary corporate approvals and applicable exchange acceptances. The Acquisition is arms-length and will constitute a change of business of the Company under the policies of the Exchange. In connection with the Acquisition, the Company (i) will apply to list on the Canadian Securities Exchange (the "Resulting Issuer"); (ii) will seek shareholder approval of, among other things, the Acquisition and change of its business; (iii) intends to affect a name change on the closing; and (iv) expects to apply to voluntarily delist its shares from the Exchange.

The Company received all necessary approvals from its shareholders in connection with the Acquisition at its annual general and special meeting of shareholders held on October 18, 2017.

Use of Proceeds

On September 27, 2017, the Company completed a non-brokered private placement of 3,333,333 units of at a price of $0.15 per unit (a "Unit") for gross proceeds of $500,000. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant. Each full warrant entitles the holder to acquire an additional common share of the Company at $0.25 until March 27, 2019. The Company has paid aggregate cash finder's fees in connection with the financing of $24,322.

Proceeds are to be used for general corporate purposes, the Company's continuing evaluation of other opportunities in the cannabis market, and for the costs incurred in connection with the Acquisition.

Outlook

Subsequent to the Company's approval of its CSE listing as an Industrial or Life Sciences Issuer with a focus its efforts on it's the license applications for 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.

Results of Operations

Financial Results for the three months ended September 30, 2017 and 2016

During the period ended September 30, 2017, the Company reported a net loss of $158,017 and loss per share of $0.00 compared to a net loss of $87,737 and loss per share of $0.00 for the period ended September 30, 2016.

During the period ended September 30, 2017, the Company recorded a fair value loss (2016 – gain) on available-for-sale investment of $167 (2016 – $333) for a total comprehensive loss of $158,185 compared to $87,404 comprehensive for the period ended September 30, 2017.

The net loss for the period ended September 30, 2017 primarily consisted of general and administration cost in connection with the change of business as described herein as well as some initial research and development costs of $9,300 in connection with the change to the cannabis industry. The prior period ended September 30, 2016 was primarily general and administration costs and pre-exploration costs of $5,000.

The summary of variances in expenditures included:

	2017	2016	Variance	
	$	$	$	%
Accounting & legal	**49,645**	-	49,645	100%
Consulting	**75,563**	59,263	16,300	28%
Investor relations, website development and marketing	**4,321**	2,682	1,639	61%
Office and administration fees	**4,417**	1,961	2,456	125%
Regulatory fees	**-**	3,966	(3,966)	-100%
Rent	**12,000**	13,500	(1,500)	-11%
Shareholder communications	**1,872**	-	1,872	100%
Transfer agent fees	**873**	1,280	(407)	-32%
	148,691	82,652	16,394	20%

Significant variances to note were:

Increase in accounting and legal were legal fees in connection with the Transaction as described herein.

The increase if consulting related to additional support in connection with the Transaction.

The increase in investor relations, website development and marketing was a result of the website development and design in connection with the change of business as described hereinabove.

Office and administrative expenses increased as a result of the increased activity for administrative personnel and telephone office expenses in relation to the Transaction.

Rent was reduced from $6,000 per month from the comparative period to $4,000 per month on July 1, 2017.

Summary of Quarterly Results

The following table summarizes certain selected financial information reported by the Company for each of the last eight quarters reported. The following quarterly results are prepared in accordance with IFRS.

	Sept.30, 2017	**June 30, 2017 ($)**	**March 31, 2017 ($)**	**Dec. 31, 2016 ($)**
Operations				
Revenue	—	—	—	—
Net Loss	(158,017)	(518,992)	(91,092)	11,058
Net Loss per Share	(0.00)	(0.01)	0.00	0.00
	Sept. 30, 2016 ($)	**June 30, 2016 ($)**	**March 31, 2016 ($)**	**Dec. 31, 2015 ($)**
Operations				
Revenue	—	—	—	—
Net Loss	(87,404)	(374,551)	(81,600)	(78,958)
Net Loss per Share	(0.00)	(0.01)	(0.00)	(0.00)

The Company earned no revenue during the periods presented other than interest income due to the nature of the industry and its current operations.

The significant variances for the quarter ended September 30, 2017 are discussed hereinabove.

Additionally, the Company reported a net loss during the fourth quarter June 30, 2017 of $518,992 (2016 - $374,552) or $0.01 loss per share (2016 - $0.01), which primarily included the $424,506 for impairment of exploration and evaluation assets for the write off of all of its exploration properties as described hereinabove (2016 - $253,339 for the impairment of exploration and evaluation assets of its Mousseau, Other Quebec properties and the Diego Property).

There were no significant variances for the remaining quarter's reported hereinabove to note.

	September 30 2017 $	June 30 2017 $
Financial position:		
Cash and cash equivalents	**476,597**	109,309
Working capital	**476,597**	51,725
Trade payables	**166,309**	77,761
Property, plant and equipment	**1,363**	1,431
Total Assets	**501,710**	130,917
Shareholders' equity (deficiency)	**335,400**	53,156

Key change to the Company's financial condition was the increase of the working capital to $476,597 as a result of the private placement as described hereinabove (June 30, 2017- $51,725).

The proceeds from the recent financing are to be used for general corporate purposes as well as the costs incurred in connection with the Transaction and to provide working capital for continuing evaluation of the cannabis market.

The Company has not generated revenues from its operations to date.

Related Party Transactions

a) Key Management Compensation

	September 30 2017	September 30 2016
Key management personnel compensation comprised:		
Consulting fees	**$ 68,063**	$ 59,263
	$ 68,063	$ 59,263

i) Consulting fees of $70,000 (2016 - $120,000) were paid to 0954041 BC Ltd. ("0954041"), a company controlled by Chris Bogart, President and Chief Executive Officer;

ii) Consulting fees of $18,594 (2016 - $12,413) were paid to Minco Corporate Management Inc. ("Minco"), a company controlled by Terese Gieselman, Chief Financial Officer and Secretary;

iii) Consulting fees of $68,500 (2016 - $102,000) were paid to Etoby Management Limited ("Etoby") and/or Craig Schneider ("Schneider") a company controlled by Schneider, an individual with significant influence over the Company. In addition, rental fees of $46,653 (2016 - $61,000) were charged by Etoby and/or Schneider; and

iv) Legal fees of $Nil (2016 - $2,889) were paid to Stella Law Corporation a company controlled by Stephen Tong, a director of the Company.

b) Related Party Liabilities

The following amounts owing to related parties are included in trade and other payables:

Amounts due to:	Service for:		**September 30 2017**		June 30 2017
Minco	Consulting Fees	$	**7,350**	$	2,730
Corex Gold Corporation	Expenses		**12,717**		12,717
0954041	Consulting Fees		**21,000**		-
0954041	Expenses		**-**		89
Schnieder/Etoby	Consulting Fees		**21,000**		-
Schnieder/Etoby	Rent		**12,600**		-
		$	**74,667**	$	15,536

As at September 30, 2017, $12,717 (June 30, 2017 - $12,717) was due to Corex Gold Corporation ("Corex"), which has a common officer, Terese Gieselman of the Company, for expenses incurred by Corex on behalf of the Company for shared office space and administrative personnel expenses. These advances are non-interest-bearing and due on demand.

c) Related Party Receivables

As at September 30, 2017, $Nil (June 30, 2017 - $276) was due from InMed Pharmaceuticals Inc. ("InMed"), which has common officer Chris Bogart of the Company for expenses incurred on behalf of InMed for shared office space and general expenses. These advances are non-interest-bearing and due on demand.

d) Shares for Debt

On August 30, 2016, included in the shares for debt settlement as describe in Note 11, was the settlement of an aggregate $306,831 in trade payables through the issuance of an aggregate 4,383,296 common shares at an issue price of $0.07 with related parties as follows:

Debtor	Debt Amount	Share Price	No. Shares
0954041 BC Ltd.	$37,500	$0.07	535,714
Schneider	269,331	$0.07	3,847,582
Total	**$306,831**		**4,383,296**

Changes in Accounting Policies including Initial Adoption

Standards, Amendments and Interpretations Not Yet Effective

The standards listed below include only those which the Company reasonably expects may be applicable to the Company at a future date. The Company is currently assessing the impact of the standards on the consolidated financial statements.

IFRS 9 *Financial Instruments*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*
  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: “amortized cost”, “fair value through other comprehensive income”, or “fair value through profit or loss” (default). Equity instruments are classified and measured as “fair value through profit or loss” unless upon initial recognition elected to be classified as “fair value through other comprehensive income”.

- *Classification and measurement of financial liabilities:*
  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity’s own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- *Impairment of financial assets:*
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at “amortized cost” or “fair value through other comprehensive income”, lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting:*
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

- *Derecognition:*

The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

This standard is applicable to annual periods beginning on or after January 1, 2018.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

This standard is applicable to annual periods beginning on or after January 1, 2018.

Applicable to annual periods beginning on or after January 1, 2017.

Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)
The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 Income Taxes)
The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-based Payment)

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

IFRS 15 Revenue from Contracts with Customers

This new standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue — Barter Transactions Involving Advertising Services*.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

Revenue is recognized based on a five-step model:

1. Identify the contract with customer;
2. Identify the performance obligations;
3. Determine the transaction price;

4. Allocate the transaction price to the performance obligations; and
5. Recognize revenue when (or as) the performance obligations are satisfied.

New disclosure requirements on information about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

Financial Instruments and Risk Management

The Company is exposed through its operations to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets out are reviewed periodically by the Board of Directors if and when there are any changes or updates required.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices are comprised of interest rate, commodity price risk and foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in GICs or interest-bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.

Cash and GICs are subject to floating interest rates.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to its investment in securities. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities may be subject to risks associated with fluctuations in the market prices of the relevant commodities. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The effect of commodity price risk to the Company's financial instruments is immaterial.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and short-term investments and related party receivable. Cash and short-term investments are maintained with financial institutions of reputable credit and may be redeemed upon demand.

The carrying amount of the related party receivable represents the maximum credit exposure.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days. To achieve this objective, the Company would prepare annual capital expenditure budgets, which are regularly monitored and updated as considered necessary.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other payable and option payment commitments. The Company's trade and other payables are all due within 90 days after the period ended September 30, 2017.

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The statements of financial position carrying amounts for cash, short-term investments, related party receivable, and trade and other payables approximate fair value due to their short-term nature.

Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash, short-term investments and available-for-sale investments are measured as Level 1 financial instruments.

Capital Management

The Company considers its cash and share capital as capital. The Company's objectives when maintaining capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future development and production of the business.

The Company is not exposed to any externally imposed capital requirements. There has been no change in the Company's approach to capital management during the period ended September 30, 2017.

Off balance-sheet arrangements

The Company has no off balance-sheet arrangements.

Risks and uncertainties

Risk Factors

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 (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.

Stage	Overview
1	**Intake and Initial Screening**: 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.
2 Medi-Can application is in this stage	**Detailed Review and Initiation of Security Clearance Process**: 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 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.
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.
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.
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.
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

Stage	Overview

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 into the medical cannabis business. Medi-Can's Factility's application to becom 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.

Outstanding Share Data

The Company's authorized capital is unlimited common shares without par value. As at the date of this report, 82,520,308 common shares were issued and outstanding. The Company as at the date of this report had the following outstanding options, warrants and convertible securities as follows:

Type of Security	Number	Exercise price	Expiry Date
Stock Options	445,000	$0.15	December 20, 2017
Stock Options	150,000	$0.18	February 7, 2018
Stock Options	475,000	$0.18	February 8, 2018
Stock Options	125,000	$0.15	March 15, 2018
Warrants	1,666,667	$0.25	March 27, 2019

As at the date of this report hereof there 11,250,000 common shares held in escrow in connection with the Transaction as described herein.

Other Requirements

Additional disclosure of the Company's material change reports, news release and other information can be obtained on SEDAR at www.sedar.com.