

**Zidane Capital Corp.**  
**Management's Discussion and Analysis for the**  
**Three Months Ended October 31, 2017**  
**Expressed in Canadian Dollars**  
**Dated January 2, 2018**

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This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial condition and results of operations to enable a reader to assess material changes in the financial condition and results of operations for the Nine months ended October 31, 2017. The MD&A should be read in conjunction with the financial statements and notes thereto ("Statements") of Zidane Capital Corp. ("Company") for the nine months period ended October 31, 2017 and the audited financial statements for the year ended January 31, 2017. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts included in the MD&A are in Canadian dollars, unless otherwise specified. This report is dated as of January 2, 2018.

**NATURE OF BUSINESS**

The Company was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on February 12, 2010. The Company is a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange Inc. (the "TSX-V").

**NATURE AND CONTINUANCE OF OPERATIONS**

The Company was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on February 12, 2010. Its registered office is Suite 300 – 576 Seymour Street, Vancouver, BC, Canada, V6B 3K1. The Company is a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange Inc. (the "TSX-V") and trades under the symbol "ZZE.H" on the NEX board. The Company is currently suspended due to its previously announced Qualifying Transaction with Grid Essence Holding Limited ("Grid Essence"). The Qualifying Transaction with Grid Essence was terminated in November of 2014 and the Company is currently actively looking for an alternative Qualifying Transaction.

The Company is in the process of attempting to complete a Qualifying Transaction ("QT") pursuant to the requirements of Policy 2.4. The TSX-V may suspend from trading or delist the Company's shares if has not issued a Final Exchange Bulletin to the Company in respect of the QT within 24 months after the date of listing. The Company's two-year period expired on May 22, 2013 and the Company was suspended. On October 23, 2013, the Company was moved to NEX, a separate board of the TSX-V. The NEX is a trading forum for listed companies that have fallen below the TSX-V's ongoing listing standards. In connection with the move to NEX, 1,000,000 common shares held by the directors and officers of the Company were cancelled.

These financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. There is no assurance that the Company will identify an appropriate business for acquisition or investment and even if so identified and warranted, it may not be able to finance such acquisition or investment. Additional funds may be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms, which are satisfactory to it. Furthermore, there is no assurance that the businesses acquired will be profitable.

**PROPOSED TRANSACTION**

On January 12, 2016, the Company executed an Amalgamation Agreement (the "Agreement") with Hydrx Farms Ltd. ("Hydrx"), a private Canadian company, and

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Precursor Capital Corp. ("Precursor"). This transaction and the Agreement are intended, subject to their terms and conditions, to result in the business combination of Hydrx, Precursor and the Company through the amalgamation. Pursuant to the Agreement, the Company will acquire all of the issued and outstanding securities of Hydrx and Precursor by way of a three-cornered amalgamation pursuant to which Hydrx and Precursor will amalgamate under the provisions of the Canada Business Corporations Act. On the completion of the amalgamation, former holders of the common shares of Hydrx and Precursor will receive common shares of the Company. Hydrx has applied to Health Canada to obtain a license under the Access to Cannabis for Medical Purposes Regulations ("ACMPR") and owns an industrial production facility located in Whitby, Ontario. Completion of this transaction is subject to several conditions, as specified in the Agreement, including Hydrx receiving its producer's license under the ACMPR.

On January 9, 2017, Hydrx provided notice of termination of the Agreement to the Company, effective January 23, 2017. In response, on January 19, 2017, the Company commenced legal action against Hydrx, alleging Hydrx has breached the Agreement with the Company and Precursor by attempting to merge with CannScience Innovations Inc. ("CannSci"), concealing negotiations with CannSci, refusing to confirm the accuracy of representations and warranties pursuant to the Agreement and failing or refusing to take steps to carry out its duties under the Agreement. Pursuant to this action, the Company is seeking specific performance of the Agreement. On February 10, 2017, Hydrx filed a Response to the Notice in the Supreme Court of British Columbia opposing the granting of the relief sought in the Notice.

#### **FORWARD LOOKING STATEMENTS**

Certain information included in this MD&A may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results, which are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

#### **DISCUSSIONS OF OPERATIONS AND FINANCIAL CONDITION**

As at January 31, 2017, the Company had not completed a Qualifying Transaction and all business activity was directed towards the identification of a Qualifying Transaction.

The Company's expenditures include costs to maintain a public company in good standing and expenses to identify and evaluate acquisitions of companies, businesses, assets or properties. Public company costs include professional fees for audit and legal, transfer agent fees, exchange listing and filing fees and costs of preparing, printing, filing and mailing quarterly reports, annual general meeting materials and other continuous disclosure documents to shareholders, as applicable.

#### **SELECTED FINANCIAL INFORMATION**

This section analyzes any significant changes in the audited consolidated financial statements for the year ended January 31, 2017, compared to those for the same period ended January 31, 2016.

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The audited financial statements and the accompanying notes for the twelve month period ended January 31, 2017 (the 'Financial Statements') are incorporated by reference herein and form an integral part of Management's Discussion and Analysis. The Financial Statements can be found on [www.sedar.com](http://www.sedar.com). All financial information is reported in Canadian dollars unless otherwise noted.

Table 1 presents a summary of selected annual financial information for the three fiscal years to January 31, 2017

	Jan 31, 2017 \$	Jan 31, 2016 \$	Jan 31, 2015 \$
Net Loss	94,814	44,342	27,892
Basic and diluted loss per share	0.04	0.02	0.01
Revenue	680	2,585	2,975
Expenses	95,494	46,927	30,867
Cash and cash equivalents, end of period	163,715	200,602	241,214
Assets	186,108	206,273	247,528
Liabilities	37,811	49,032	40,946
Working Capital	124,727	157,241	206,582
Total Stockholders Equity	124,727	157,241	206,582

Table 2 presents two years of comparative selected quarterly results.

	Oct 31, 2017 \$	July 31, 2017 \$	Apr 30, 2017 \$	Jan 31, 2017 \$	Oct 31, 2016 \$	July 31, 2016 \$	Apr 30, 2016 \$	Jan 31, 2016 \$
Revenue	68	99	223	223	223	178	55	549
Expenses	30,189	27,129	26,608	46,805	25,292	15,009	8,388	26,486
Net loss	30,121	27,030	26,384	46,582	25,069	14,831	8,333	25,937
Net loss per share: basic:	0.01	0.01	0.01	0.04	0.00	0.00	0.00	0.00
Cash and cash equivalents, end of period	85,578	93,818	125,940	163,715	165,836	179,370	199,727	200,602
Assets	90,052	122,854	148,788	186,108	171,372	197,775	205,908	206,273
Working Capital	41,191	71,313	98,342	124,727	171,034	196,377	165,598	151,570

**LIQUIDITY AND CAPITAL RESOURCES**

As at October 31, 2017 the Company had cash and cash equivalents of \$85,578 and working capital of \$41,191. The Company's cash was derived from the issuance of 3,139,052 common shares for gross proceeds of \$425,317, less amounts paid for certain costs relating to the creation of a Prospectus for the Company's initial public offering, filing and TSX-V fees, agent's fees and legal expenses.

On May 18, 2017, the Company purchased a term deposit, comprised of one Coast Capital GIC maturing on May 18, 2018 with a total principal amount of \$36,016. The interest rate is 0.75% per annum.

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Upon closing of its initial public offering of two private placements totaling \$399,910 net of share issuance costs, management believes that the Company has sufficient working capital to meet its ongoing administrative costs. As a capital pool company, the Company's only source of revenue will be interest income, thus working capital is expected to decrease pending the completion of a Qualifying Transaction.

**CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS**

The Company is not yet party to any industry contracts or arrangements and does not have any offbalance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

**RISKS AND UNCERTAINTIES**

The Company is a capital pool company under the policies of the TSX-V. If the Company fails to complete a Qualifying Transaction within 24 months of the listing, the TSX-V could suspend or delist the common shares of the Company. The applicable securities commission may issue an interim cease trade order against the Company's securities if the common shares of the Company are suspended from trading on the TSX-V, and will issue such an interim cease trade order if the Company is delisted from the TSX-V. In addition, delisting from the TSX-V will result in the cancellation of all currently issued and outstanding securities of the Company held by Insiders.

Although management of the Company will work diligently to identify a Qualifying Transaction, there is no assurance that a Qualifying Transaction will be entered into nor completed.

Until completion of a Qualifying Transaction the Company is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and sundry receivable. Cash and cash equivalents balances are held with a reputable financial institution, from which management believes the risk of loss to be remote. Financial instruments included in sundry receivables consist of goods and services tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to financial instruments included in sundry receivable is remote.

b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2017, the Company had a cash and cash equivalents balance of \$85,578 to settle current liabilities of \$48,861. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The

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Company regularly evaluates its cash position to ensure preservation and security of capital as well as the maintenance of liquidity.

**RELATED PARTY TRANSACTIONS**

At October 31, 2017, there were no related party transactions during the quarter.

The foregoing transactions were conducted in the ordinary course of business and recorded at their exchange amounts, which was the consideration paid or received by the Company as agreed to between the related parties.

**FINANCIAL AND OTHER INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, sundry receivable, and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values.

The Company's financial instruments (cash and cash equivalents, sundry receivable, and accounts payable and accrued liabilities) are not subject to market risk.

The Company is not involved in any hedging program, nor is it a party to any financial instruments that may have an impact on its financial position.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. These include cash and cash equivalents. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in IFRS. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data.

	Level One	Level Two	Level Three
Cash and cash equivalents	\$85,578	\$ -	\$ -

**CRITICAL ACCOUNTING ESTIMATES**

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the January 31, 2017 audited financial statements.

**FUTURE ACCOUNTING PRONOUNCEMENTS**

Consolidations and Non-Controlling Interests CICA

Handbook Section 1601 "Consolidations" and Section 1602 "Non-Controlling Interests" replace Section 1600 "Consolidated Financial Statements". Section 1602 provides the Canadian equivalent to International Accounting Standard 27 - "Consolidated and Separate Financial Statements", for noncontrolling interests. These standards are effective for fiscal

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years beginning on or after January 1, 2011. The Company is currently evaluating the impact of the adoption of this section.

Business Combinations

CICA Handbook Section 1582 "Business Combinations", replaces Section 1581 - "Business Combinations" and provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3 - Business Combinations. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be re-measured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. This standard is effective for fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the impact of the adoption of this section.

International Financial Reporting Standards ("IFRS")

These financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board ("IASB") that are effective or available for early adoption for the period ended October 31, 2017.

**PROPOSED TRANSACTIONS**

There is no imminent decision by the Board of Directors of the Company with respect to any transaction beyond what is included in this MD&A.

**CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the general operations of the Company and facilitate the liquidity needs of a Qualifying Transaction. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position, capital stock and accumulated deficit.

In order to fund a future Qualifying Transaction and pay for administrative costs, the Company will spend its existing working capital and may have to raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended October 31, 2017. The Company is not subject to externally imposed capital requirements.

**POTENTIAL DILUTION**

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional option and warrants or additional common shares from time to time in

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the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

**CURRENT GLOBAL FINANCIAL CONDITIONS**

Current global financial conditions have been characterized by increased volatility, declining liquidity and the exit of a number of traditional investors from public markets. Access to public financing has been made more challenging by a global contraction of commercial and consumer credit markets. The ensuing decline in consumption has led to a marked erosion of investor confidence and risk tolerance.

A major consequence/contributor to these factors may be seen in the unparalleled number of established financial institutions facing involuntary corporate reorganization, insolvency, bankruptcy and/or governmental intervention. While the most sensational of the corporate casualties have occurred in the United States, the global nature today's economic reality has left no interrelated public market unscathed. These factors may affect the ability of the Company to obtain equity or debt financing in the future on terms favourable to the Company or at all. Any or all of these economic factors, as well as other factors not specifically identified herein, may cause a decline in asset values that could be deemed to be other than temporary, resulting in impairment losses. If such conditions continue, the Company's operations could be negatively impacted, and the trading price of its common shares may be adversely affected.

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION**

The Company's financial statements are the responsibility of the Company's management, and have been approved by the board of directors. The financial statements were prepared by the Company's management in accordance with Canadian generally accepted accounting principles. The financial statements include certain amounts based on the use of estimates and assumptions.

Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

**DISCLOSURE AND INTERNAL FINANCIAL CONTROLS**

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that:

- (i) the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the years presented by the audited financial statements; and
- (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the years presented by the audited financial statements.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the

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establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**OUTSTANDING SHARE DATA**

The Company is authorized to issue an unlimited number of common shares without par value. On October 31, 2017, there were 2,450,552 common shares issued and outstanding.

**ADDITIONAL INFORMATION**

Additional information relating to the Company is available on the SEDAR website [www.sedar.com](http://www.sedar.com).