EMBLEM CORP.

(FORMERLY SABER CAPITAL CORP.)

Management Discussion & Analysis

For the three and nine months ended October 31, 2016

OVERVIEW

The purpose of this Management Discussion and Analysis ("MD&A") is to explain management's point of view of Emblem Corp.'s (the "Company") past performance and future outlook. This report also provides information to improve the reader's understanding of the financial statements and related notes as well as important trends and risks affecting the Company's financial performance, and should therefore be read in conjunction with the Company's condensed interim financial statements for the three and nine months ended October 31, 2016 (the "Interim Financial Statements") and audited financial statements and notes thereto for the year ended January 31, 2016 (the "Annual Financial Statements"). Additional information on the Company is available on SEDAR. All information contained in this MD&A is current as of December 28, 2016, unless otherwise stated.

All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

In December 2016, the Company completed a share consolidation on the basis of one new post-consolidation common share for every four pre-consolidation common shares. All current and comparative references to the number of common shares, weighted average number of common shares, loss per share, stock options and warrants have been restated to give effect to this share consolidation.

FORWARD LOOKING STATEMENTS

Certain sections of this MD&A may contain forward-looking statements.

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to the Company's future financial conditions, results of operations, plans, objectives, performance or business developments. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in our other filings with applicable securities regulators in Canada. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

The forward-looking statements contained herein are based on information available as of December 28, 2016

BUSINESS OVERVIEW

The Company was classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange (the "Exchange") Policy 2.4 with the principal business of the Company being the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition of or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

On December 5, 2016, the Company changed its name from Saber Capital Corp. to Emblem Corp., completed its Qualify Transaction, and commenced trading its shares on the TSX-V under the symbol EMC as a Tier 2 Industrial issuer operating as a licensed producer of medical marihuana.In accordance with a letter of intent ("LOI") signed in May 2016 between the Company and 9045538 Canada Inc. (formerly Emblem Holdings Limited ("9045538"), an arm's length Ontario-based licensed producer of medical marihuana, the Company entered into an arrangement agreement (the "Arrangement Agreement") with 9045538. Pursuant to the Arrangement Agreement, Saber Acquisition Corp. ("Saber Sub"), a subsidiary of the Company which was incorporated in August 2016, amalgamated with 9045538 and continued as one corporation, Emblem Cannabis Corp. ("ECC"), which is wholly owned by the Company.

The Arrangement Agreement was completed on December 6, 2016 as a result of the following occurring:

Consolidation of the Company's common shares (the "Consolidation") on the basis of one post-consolidation share for each four shares immediately prior to the Consolidation;

- Continuation of the Company from a corporation existing under the *Business Corporations Act* (BC) to a corporation existing under the *Canada Business Corporations Act* ("CBCA") and changing its name to "Emblem Corp.";
- Completion by 9045538 of an equity financing consisting of one 9045538 share and one-half of one 9045538 share purchase warrant for gross proceeds of a minimum of $2,500,000 at a price of $0.50 per unit with each warrant being exercisable at $0.75 for a period of five years (closed for total proceeds of $3,000,000 in June 2016);
- Completion by 9045538 of an equity financing consisting of one 9045538 share and one-half of one 9045538 share purchase warrant for gross proceeds of a minimum of $3,000,000 at a price of $0.75 per unit with each warrant being exercisable at $1.20 for a period of five years (closed for total proceeds of $5,000,000 in September 2016);
- Completion of three equity offerings as follows:
  - An offering of 1,739,130 units of the Company at $1.15 per unit for gross proceeds of $2,000,000 (by way of a short form offering). Each unit consists of one common share of Emblem and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase an additional Emblem common share at $1.75 per common share for term of 3 years from the closing date of the offering. The Company issued 139,130 units as compensation to the agent;
  - A brokered private placement of 6,690,000 units at $1.15 per unit for gross proceeds of $8,004,000. Each unit consists of one common share of Emblem and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase an additional Emblem common share at $1.75 per common share for term of 3 years from the closing date of the Qualifying Transaction. The Company issued 606,800 units as compensation to the agent; and
  - A non-brokered private placement of 11,821,985 units at $1.15 per unit for gross proceeds of $13,595,283. Each unit consists of one common share of Emblem and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase an additional Emblem common share at $1.75 per common share for term of 3 years from the closing date of the Qualifying Transaction. The Company issued 1,953,444 units as compensation to certain finders.
- Received approval by all regulatory bodies, directors and shareholders.

The completion of the Arrangement Agreement resulted in 37,298,937 common shares of 9045538 being cancelled in exchange for Emblem Shares on a 1:1 basis and the common shares of the Saber Sub being cancelled in exchange for common shares of ECC on a 1:1 basis. The Company holds all of the outstanding common shares of ECC. The business combination transaction is structured as a reverse takeover ("RTO") and constitutes the Company's Qualifying Transaction.

As required under National Instrument 51-102, 9045538, as the reverse takeover acquirer, filed its financial statements for the three and nine month periods ending September 30, 2016 on SEDAR on December 16, 2016. In addition, the filing statement with respect the Company's Qualifying Transaction filed on SEDAR on November 30, 2016 includes a Management Discussion and Analysis of 9045538, formerly Emblem Corp. for the nine-month period ended September 30, 2016 as Schedule E thereto. Readers are directed to these documents for a description and overview of Emblem Corp.'s business subsequent to December 6, 2016 and a discussion of 9045538's results of operations, liquidity and capital resources, operating and financing activities at and for the nine-months ended September 30, 2016.

SELECTED FINANCIAL DATA

As at October 31, 2016, the Company was listed on the NEX. The Company has not recorded any revenues, and depends upon share issuances to fund its administrative expenses. The following financial data, which has been prepared in accordance with IFRS, is derived from the Company's condensed interim financial statements for the three and nine months ended October 31, 2016 and 2015:

	Three Months Ended October 31,		**Nine Months Ended October 31,**	
	2016	**2015**	**2016**	**2015**
	$	$	$	$
Revenues	-	-	-	-
General and administrative expenses	183,589	4,283	312,592	28,752
Interest income	1,130	1,109	3,398	4,077
Loss and comprehensive loss	(182,459)	(3,174)	(309,197)	(24,675)
Basic and diluted loss per common share	(0.04)	(0.00)	(0.07)	(0.01)
Total assets	4,645,899	848,257	4,645,899	848,257
Working capital	4,432,754	828,007	4,432,754	828,007
Dividends per share	-	-	-	-

At October 31, 2016, the Company had not yet achieved profitable operations and has accumulated losses of $789,775 (October 31, 2015 - $483,377). The losses for the nine months ended October 31, 2016 resulted in a loss and comprehensive loss per common share of $0.07 (October 31, 2015 - $0.01).

At October 31, 2016, the Company has no continuing source of operating revenues and related expenditures. The Company has not paid any dividends on its common shares nor does it have any present intention of paying dividends on its common shares, as it anticipates that all available funds for the foreseeable planning horizon will be invested to finance its business activities.

RESULTS OF OPERATIONS

The Company has yet to generate any revenue since its inception from its planned operations and has, to date, incurred annual net losses from operating and administrative expenses.

The general and administrative expenses for the three months ended October 31, 2016 totalled $183,589 (October 31, 2015 - $4,283). The table below details the major changes in administrative expenditures for the three months ended October 31, 2016 as compared to the corresponding three months ended October 31, 2015.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Business investigation costs	Increase of $15,350	Increased in connection with the Company's LOI signed in May 2016 with Emblem.
Filing fees	Increase of $32,087	Increased in connection with additional filings required associated with the Company's LOI signed with Emblem.
Professional fees	Increase of $131,853	Increased in connection with higher legal fees associated with the Company's LOI signed with Emblem.

The general and administrative expenses for the nine months ended October 31, 2016 totalled $312,592 (October 31, 2015 - $28,752). The table below details the major changes in administrative expenditures for the nine months ended October 31, 2016 as compared to the corresponding nine months ended October 31, 2015.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Business investigation costs	Increase of $54,220	Increased in connection with the Company's LOI signed in May 2016 with Emblem.
Filing fees	Increase of $33,515	Increased in connection with additional filings required associated with the Company's LOI signed with Emblem.
Professional fees	Increase of $195,673	Increased in connection with higher legal fees associated with the Company's LOI signed with Emblem.

SUMMARY OF QUARTERLY RESULTS FOR THE LAST CONSECUTIVE EIGHT QUARTERS

Historical quarterly financial information derived from the Company's eight most recently completed quarters is as follows:

	Quarters Ended			
	October 31, 2016	**July 31, 2016**	**April 30, 2016**	**January 31, 2016**
	$	$	$	$
Loss and Comprehensive Loss	(182,459)	(99,870)	(26,868)	(14,031)
Basic and Diluted Loss Per Common Share	(0.04)	(0.02)	(0.01)	(0.00)
Weighted Average Shares	4,416,602	4,416,602	4,416,602	4,416,602
	October 31, 2015	**July 31, 2015**	**April 30, 2015**	**January 31, 2015**
	$	$	$	$
Loss and Comprehensive Loss	(3,174)	(13,335)	(8,166)	(40,616)
Basic and Diluted Loss Per Common Share	(0.00)	(0.00)	(0.00)	(0.01)
Weighted Average Shares	4,416,602	4,416,602	4,416,602	4,416,602

Weighted average share calculations do not include 250,000 escrowed shares for the quarters up to and including October 31, 2016 as they are contingently returnable.

The variations in losses from quarter to quarter are a result of the extent of the amount of administrative expenses incurred. Additionally, the following one time events occurred:

- During the quarters ended July 31, 2016 and October 31, 2016, the Company incurred significant business investigation costs, filing fees, and professional fees in association with the LOI signed with Emblem; and
- During the quarter ended January 31, 2015, the Company recognized $20,565 of share-based compensation.

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations to date through the issuance of common shares. The Company may continue to seek capital through various means including the issuance of equity and/or debt.

As at October 31, 2016, the Company's liquidity and capital resources are as follows:

	October 31, 2016	January 31, 2016
	$	$
Cash	711,049	842,193
Restricted cash	3,927,975	-
Prepaid expense	6,875	875
Total current assets	**4,645,899**	**843,068**
Accounts payable and accrued liabilities	213,145	29,092
Working capital	**4,432,754**	**813,976**

As at October 31, 2016, the Company had cash of $711,049 (January 31, 2016 - $842,193) consisting mainly of proceeds from its IPO and private placements. Cash decreased during the three (and nine months) ended October 31, 2016 and 2015 as a result of funding operating activities. The Company also spent more cash in the current period due to various costs associated with the signing of the LOI with 9045538.

During the three months ended October 31, 2016, the Company received $3,927,975 in share subscriptions for private placements relating to the Qualifying Transaction. As the private placements were subject to the closing of the Qualifying Transaction, these funds were held in trust and released upon the closing of the Qualifying Transaction.

Management believes the Company has sufficient funds on hand to meet anticipated administrative expenses.

As of the date hereof, the Company had a commitment in the amount of approximately $130,000 to complete the customer service centre located at 2 Woodslee Avenue, Paris Ontario.The Company anticipates it will be making further capital expenditures in early 2017 for its planned renovations of its grow facility located at 20 Woodslee Avenue, as well as the planned renovation of 10 Woodslee Avenue to convert this building into a laboratory and production facility for cannabis oils. The total amount of these capital expenditures is expected to be between $3,000,000 and $4,000,000.

OFF-BALANCE SHEET TRANSACTIONS

The Company does not have any off-balance sheet arrangements as at October 31, 2016 or as of the date of this report.

RELATED PARTY TRANSACTIONS

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive and non-executive) of the Company.

As at October 31, 2016, $nil (January 31, 2016 - $2,625) was owed to DD Mercantile Corp., a company controlled by an officer and director of the Company, for unpaid rent and was included in accounts payable and accrued liabilities

RISKS & UNCERTAINTIES

In this section, Emblem refers to the Company and Emblem Cannabis Corp, the Company's newly amalgamated subsidiary created through the completion on the Company's Qualifying Transaction.

REQUIREMENT FOR PERMITS AND LICENCES

Emblem will apply for, as the need arises, all necessary licences and permits, including but not limited to the renewal of those licences and permits under the ACMPR or the extension of those licenses and permits to ECC's expanding facilities, to carry on the activities it expects to conduct in the future. However, the ability of Emblem or its Affiliates to obtain, sustain or renew any such licences and permits or extend them to expanding facilities on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable Canadian regulatory authorities. Any loss of interest in any licence or permit required under the ACMPR, or the failure of appropriate governmental authority to issue or renew such licences or permits upon acceptable terms, would have a material adverse impact upon the Company. The current license expires on January 26, 2018. Although ECC believes it will meet the requirements of the ACMPR for extension of the license, there can be no guarantee that Health Canada will extend or renew the license or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the license or should it renew the license on different terms, the business, financial condition and results of the operation of ECC and Emblem would be materially adversely affected.

At the end of each term of the Emblem's ACMPR License, Emblem must submit an application for renewal to Health Canada containing information prescribed by the ACMPR. The ACMPR requires that the Federal Minister of Health, after examining the application and any supplementary information requested, issue a renewed license, unless the applicant fails to meet certain prescribed criteria.

ECC is not currently aware of any reason why it would not be able to receive a renewal of its ACMPR License.

EMBLEM MAY INCUR SIGNIFICANT NET LOSSES IN THE FUTURE AND MAY NOT ACHIEVE OR MAINTAIN PROFITABILITY

Emblem is a recently formed business and has limited operating history. Shareholders must rely upon the ability of Emblem and its management to implement its business plan and strategy in a manner that is consistent with the business plan and strategy.

Emblem has incurred losses in recent periods. Emblem may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, Emblem expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If Emblem's revenues do not increase to offset these expected increases in costs and operating expenses, Emblem will not be profitable.

Emblem will be subject to the general risks inherent in the ownership and operation of the business of planting, growing, harvesting and marketing medical cannabis, which, as an agricultural product, is subject to the general risks associated with all agricultural products such as changes in raw material costs, the risk and uncertainties of planting, growing and harvesting, environmental matters, considerations relating to product quality, grading and branding, changes in laws and other general economic and market conditions. Equally important, cannabis, like all agricultural products is essentially a commodity. Although Emblem will use its best marketing efforts to distinguish it products from those of its competitors, there can be no assurance that such efforts will be successful.

REGULATORY RISKS

Emblem'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. While to the knowledge of Emblem's management, ECC is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of ECC and Emblem may cause adverse effects to ECC's operations and the financial condition of ECC.

The ACMPR is a new regime established in August 2016, replacing the previous MMPR (established in June 2013), following a February 24, 2016 Federal Court of Canada decision ruling the MMPR was unconstitutional as it did not provide "reasonable access" to medical marihuana. As such, revisions to the regime could be implemented which could have an impact on the Company's operations, including increased opportunity for individual producers (see "Individual Producers" immediately below).

Furthermore, although the operations of Emblem are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail Emblem's ability to distribute or, in the future, produce medical cannabis. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of medical cannabis, or more stringent implementation thereof could have a substantial adverse impact on Emblem.

Additionally, the pharmaceutical formulations Emblem intends to develop and produce are subject to approval by Health Canada. If Health does not provide such approval, this could have a substantial adverse impact Emblem.

INDIVIDUAL PRODUCERS

Following a February 2016 Federal Court of Canada decision, the MMPR was deemed unconstitutional as it did not provide "reasonable access" for those seeking medical marihuana. Under the new ACMPR, registered persons may produce medical marihuana for their own personal use. If many individuals produce their own medical marihuana, then this may result in a smaller customer base for Emblem which may ultimately have a materially adverse effect on the business of Emblem.

ENVIRONMENTAL REGULATION AND RISKS

Emblem's operations will be subject to environmental regulation federally and in the municipal and provincial jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards. They also set forth limitations on the generation, transportation, storage and disposal of 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 Emblem's operations.

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

Amendments to current laws, regulations and permits governing the production of medical cannabis, or more stringent implementation thereof, could have a material adverse impact on Emblem and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

EMPLOYEE HEALTH AND SAFETY REGULATIONS

Emblem's operations are subject to laws and regulations concerning and employee health and safety and Emblem will incur ongoing costs and obligations related to compliance with such matters. Failure to comply with safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Emblem's operations or give rise to material liabilities, which could result in a material adverse effect on the operations of Emblem.

NEW INDUSTRY AND MARKET

Emblem's business as a licensed producer represents a relatively new industry and young market resulting from the ACMPR (previously the MMPR) and its regulated regime. In addition to being subject to general business risks and to risks inherent in the nature of an early stage business, a business involving an agricultural product and a regulated consumer product, Emblem will need to build brand awareness in the new industry and market through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations, especially against competitors who have already spent some time building their brand. These activities may not promote the Emblem brand and products as effectively as intended, or at all. This new market and industry into which management is entering will have competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets. There are no assurances that this new industry and market will exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects this new market and industry may materially and adversely affect the business, financial conditions and results of operations of Emblem.

RELIANCE ON A SINGLE FACILITY

To date, Emblem's activities and resources have been primarily focused on its existing facility in Paris, Ontario. Adverse changes or developments affecting the existing facility could have a material adverse effect on the business, financial condition and prospects of Emblem.

RELIANCE ON THIRD PARTIES

The nature of Emblem's business may require engaging third party suppliers and contractors. Non-performance by such third parties may disrupt the operations of the Emblem which could have a substantial adverse impact on the Company.

RELIANCE ON SKILLED WORKERS

The ability of Emblem to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that Emblem will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

PLANNED EXPANSION

It is possible that the final costs and time to completion of its planned expansion and related major equipment purchases contemplated by Emblem may be significantly greater than anticipated by management, and may require more time and more funds than are available, in which circumstance Emblem may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of Emblem.

LIMITED EXPERIENCE OPERATING A LICENSED PRODUCER

The board and management of Emblem will have overall responsibility for management of Emblem and, while certain of Emblem's directors and officers have extensive experience in management and finance as well as in the operation of publicly-owned businesses, certain officers have limited experience operating a public company. In addition, Emblem will be required to develop control systems and procedures required to operate as a public company, and these systems and procedures could place a significant strain on Emblem's management systems, infrastructure and other resources. Emblem cannot assure shareholders that its management's past experience will be sufficient to enable Emblem to successfully operate as a public company.

Similarly, though certain of Emblem's directors and officers have extensive experience in similar industries involving pharmaceutical products, the nature of the new industry and developing market for medical cannabis may result in management having to change focus and strategy and adapt to an evolving and changing market and industry. In addition, Emblem will be susceptible to adverse developments in this new market and industry, the sole market in which it will operate, such as new developments, changing demographics, changing regulatory regime and other factors.

If Emblem is unable to successfully operate as a public company or as a licensed producer, this could substantially reduce its earnings and its ability to generate stable positive cash flow from its operations and may reduce the value of its common shares and adversely affect Emblem's ability to raise additional capital.

ATTRACTING CUSTOMERS

Emblem's cash-flow is dependent on its ability to attract customers. As Emblem is a young company, it may not be able to attract enough customers to allow it to achieve its cash-flow breakeven point.

INSURANCE AND UNINSURED RISKS

Emblem's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Emblem will obtain insurance as to its business operations, including general liability, fire, flood and extended coverage. There are, however, certain types of risks, generally of a catastrophic nature, or environmental contamination, which currently are or may in the future become either uninsurable or not insurable on an economically viable basis. Emblem 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. Emblem might also become subject to liability for pollution or other hazards which may not be insured against or which Emblem may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Emblem to incur significant costs that could have a material adverse effect upon Emblem's financial performance and results of operations.

UNFAVOURABLE PUBLICITY OR CONSUMER PERCEPTION

Emblem believes the medical marihuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marihuana distributed to such consumers. Consumer perception of Emblem's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marihuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical marihuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for Emblem's products and the business, results of operations, financial condition and cash flows of Emblem. Emblem's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on Emblem, the demand for Emblem's products, and the business, results of operations, financial condition and cash flows of Emblem. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marihuana in general, or Emblem's products specifically, or associating the consumption of medical marihuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

ONGOING NEED FOR FINANCING

As Emblem will likely operate at a loss throughout much of 2017, its ability to continue operations will be largely reliant on its continued attractiveness to equity investors. Emblem is expected to incur operating losses as it continues to expend funds to develop its business operations. Even if its financial resources upon completion of its go public transaction are sufficient to fund its current operations, there is no guarantee that Emblem will be able to achieve its business objectives. The continued development of Emblem following the go public transaction may require substantial additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or Emblem going out of business. The primary source of funding available to Emblem will consist of equity financing. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to Emblem. In addition, from time to time, Emblem may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase Emblem's debt levels above industry standards.

VOLATILE STOCK PRICE

Upon completion of the Qualify Transaction, the stock price of Emblem is expected to be highly volatile and could be drastically affected by governmental and regulatory regimes and community support for the medical marihuana industry. Emblem cannot predict the results of its operations expected to take place in the future. The results of these activities will inevitably affect Emblem's decisions related to future operations and may trigger major changes in the trading price of the Emblem's trading after the completion of the Qualifying Transaction.

POTENTIAL CONFLICTS OF INTEREST

Some of the individuals who will be appointed as directors or officers of Emblem may also be directors and/or officers of other reporting and non-reporting issuers. As of the date of these financial statements, and to the knowledge of the directors and officers of Emblem, there are no existing conflicts of interest between Emblem and any of the individuals who will continue as directors or officers following the completion of the go public transaction, other than as may arise in connection with Harvey Shapiro and Gordon Fox's interest in White Cedar Pharmacy Corporation. Additional situations may arise where the directors and/or officers of Emblem may be in competition with the Company. Any conflicts will be subject to and governed by the law applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of Emblem'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 applicable laws, the directors of Emblem are required to act honestly, in good faith and in the best interests of the Company.

MARKET PRICE OF EMBLEM COMMON SHARES

The Company's common shares are currently listed and posted for trading on the TSXV. Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of Emblem's Common Shares is also likely to be significantly affected by changes in applicable rules and regulations governing the importation, distribution and production of medical marihuana, or in financial condition or results of its operations. Other factors unrelated to the performance Emblem that may have an effect on the price of Emblem's Common Shares include the following: the extent of analytical coverage available to investors concerning the business of Emblem may be limited if investment banks with research capabilities do not follow these securities; lessening in trading volume and general market interest in the these securities may affect an investor's ability to trade significant numbers of Emblem's Common Shares; the size of the public float may limit the ability of some institutions to invest in these securities; and a substantial decline in the price of the Emblem's Common Shares that persists for a significant period of time could cause these securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of Emblem's Common Shares at any given point in time may not accurately reflect the long-term value of Emblem following the completion of the Qualifying Transaction or otherwise. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. Emblem may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

HOLDING COMPANY

Emblem is a holding company and essentially all of its assets are the capital stock of its subsidiaries. As a result, investors in Emblem are subject to the risks attributable to its subsidiaries. As a holding company, Emblem conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Emblem's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to Emblem. 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 Emblem'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 Emblem.

ATTRACTION AND RETENTION OF KEY PERSONNEL INCLUDING DIRECTORS

Emblem has a small management team and the loss of a key individual or inability to attract suitably qualified staff could have a material adverse impact on its business. Emblem may also encounter difficulties in obtaining and maintaining suitably qualified staff in certain of the jurisdictions in which it conducts business. Emblem has sought to and will continue to ensure that management, directors and any key employees are provided with appropriate incentives; however, their services cannot be guaranteed.

COMPETITION

The Canadian medical marihuana industry is competitive in all of its phases. Emblem will face strong competition from other companies. Many of these companies have greater financial resources, operational experience and technical capabilities than Emblem. As a result of this competition, Emblem may be unable to maintain its operations or develop them as currently proposed, on terms it considers acceptable or at all. Consequently, the revenue, operations and financial condition of Emblem could be materially adversely affected.

The government has only issued to date a small number of licences under the ACMPR (and its predecessor regimes) to produce and sell medical marihuana. There are, however, several hundred applicants for licences. The number of licences granted could have an impact on the operations of Emblem. Because of early stage of the industry in which Emblem operates, it may face additional competition from new entrants. If the number of users of medical marihuana in Canada increases, the demand for products will increase and Emblem expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, Emblem will require a continued high level of investment in research and development, marketing, sales and client support. Emblem 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.

LIMITED OPERATING HISTORY

Emblem's subsidiaries have generated $38,250 of revenue from the sale of products as of September 30, 2016, Emblem is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that Emblem will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

TRANSPORTATION DISRUPTIONS

Due to the perishable and premium nature of Emblem's products, Emblem depends on fast and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of Emblem. Rising costs associated with the courier services used by Emblem to ship its products may also adversely impact the business of Emblem and its ability to operate profitably.

NECESSITY OF CERTAIN INPUTS

Emblem's business is dependent on a number of fundamental inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for certain inputs could materially impact the business, financial condition and operating results of Emblem. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, Emblem might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to Emblem in the future. Any inability to secure required supplies and services or to do so on appropriate terms could result in a material adverse effect on the operations of Emblem and materially adversely impact the business, financial condition and operating results.

KEY EXECUTIVES

Emblem is dependent on the services of key executives, including the directors of Emblem and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of Emblem, the loss of these persons or the inability to attract and retain additional highly skilled employees may adversely affect its business and future operations.

CURRENT FINANCIAL MARKET CONDITIONS

Current financial market conditions are subject to volatility and other pressures. Access to public financing may be negatively impacted by global events. These factors may impact the ability of Emblem to obtain equity or debt financing in the future and, if obtained, on terms favourable to it. If these increased levels of volatility and market turmoil continue, the operations Emblem could be adversely impacted and the value and the price of Emblem's Common Shares and other securities could be adversely affected.

PRODUCT LIABILITY

As a distributor of products designed to be ingested by humans, Emblem 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 sale of Emblem's products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of Emblem's products alone or in combination with other medications or substances could occur. Emblem may be subject to various product liability claims, including, among others, that Emblem's products caused injury or illness, 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 Emblem could result in increased costs, could adversely affect Emblem's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of Emblem. There can be no assurances that Emblem will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of Emblem's potential products.

PRODUCT RECALLS

Manufacturers and distributors of products are sometimes 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 labelling disclosure. If any of Emblem's products are recalled due to an alleged product defect or for any other reason, Emblem could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Emblem 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. Although Emblem has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of Emblem's significant brands were subject to recall, the image of that brand and Emblem could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for Emblem's products and could have a material adverse effect on the results of operations and financial condition of Emblem. Additionally, product recalls may lead to increased scrutiny of Emblem's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

RISKS INHERENT IN AN AGRICULTURAL BUSINESS

Emblem's business involves the growing of medical marihuana, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although Emblem expects that any such growing will be completed indoors under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

VULNERABILITY TO RISING ENERGY COSTS

Emblem's medical marihuana growing operations, such operations will consume considerable energy, which will make Emblem vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business and its ability to operate profitably.

DEPENDENCE ON SUPPLIERS

The ability of Emblem to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to equipment, parts and components. No assurances can be given that Emblem will be successful in maintaining its required supply of equipment, parts and components. This could have an adverse effect on its financial results.

DIVIDEND POLICY

Payment of any future dividends by Emblem, if any, will be at the discretion of the board of directors after taking into account many factors, including the Company's operating results, financial condition, and current and anticipated cash needs.

DIFFICULTY TO FORECAST

Emblem must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marihuana industry in Canada. A failure in the demand for its products to materialize as a result of competition, regulatory change or other factors could have a material adverse effect on the business, results of operations and financial condition of Emblem.

MANAGEMENT OF GROWTH

Emblem may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Emblem to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Emblem to deal with this growth may have a material adverse effect on Emblem's business, financial condition, results of operations and prospects.

ACMPR LITIGATION

There have been a number of civil suits brought by various parties against the Government of Canada in an attempt to forestall the implementation of or completely eliminate the ACMPR (and/or its predecessor regimes). Emblem believes that efforts to eliminate or materially alter the ACMPR through litigation will be unsuccessful. However, efforts to forestall implementation or amend the language of the MMPR and MMAR have enjoyed some success. The ACMPR itself was created following a February 24, 2016 court order. Earlier, an interim injunction was granted, forestalling the application of the MMPR as it relates to the ability of certain patients in financial distress to continue to grow marihuana for their private medical use.

Emblem believes that civil actions involving the Government of Canada concerning various aspects of the ACMPR will continue to appear and that this will create an environment of uncertainty for a considerable period of time. Although, Emblem believes that any litigation process would not ultimately result in a material impact on the overall Canadian market for medical marihuana under the ACMPR, litigation proceedings are inherently unpredictable and prospective investors should be aware that such proceedings could have a material adverse effect on Emblem's business.

LITIGATION

Emblem or the Emblem Subsidiaries may become party to litigation from time to time in the ordinary course of business which could result in a material adverse effect on the operations of Emblem or the Emblem Subsidiaries. Should any litigation in which Emblem or the Emblem Subsidiaries become involved be determined against Emblem or the Emblem Subsidiaries, such a decision could result in a material adverse effect on the operations of Emblem or the Emblem Subsidiaries. Even if Emblem or the Emblem Subsidiaries is successful in litigation, litigation can redirect significant company resources.

CHANGE IN TAX LAWS

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 Emblem'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 Emblem's earnings and could make future capital investments or Emblem's operations uneconomic.

CRITICAL JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

All of the Company's significant judgements and estimates are included in Note 2 of the Annual Financial Statements.

CHANGES IN ACCOUNTING POLICIES

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the nine months ended October 31, 2016 and have not been applied in preparing the Interim Financial Statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's financial statements for the year ending January 31, 2019 or later:

a) IAS 12 – Income Taxes: The amendments clarify the recognition of deferred tax assets for unrealized losses on debt instruments. It is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company does not expect any effect on the Company's financial statements.

b) IFRS 2 – Share Based Payments: The amendments eliminate the diversity in practice in the classification and measurement of particular share-based payment transactions which are narrow in scope and address specific areas of classification and measurement. It is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted provided it is disclosed. The Company is currently assessing the impact of this amendment to its financial statements.

c) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The amendments are effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair values of the Company's accounts payable and accrued liabilities approximate their carrying values. The Company's other financial instruments, being cash, are measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company has deposited its cash with its bank from which management believes the risk of loss is remote.

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 objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and raising capital through equity financing.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

Options outstanding	Options exercisable	Exercise Price		Expiry Date
60,000	60,000	$	0.40	June 6, 2017
533,333	533,333	$	0.50	September 16, 2020
2,440,000	-	$	0.50	December 16, 2020
1,830,000	-	$	0.50	July 31, 2021

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a Qualifying Transaction. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms and approved by the Exchange.

DISCLOSURE OF DATA FOR OUTSTANDING COMMON SHARES, OPTIONS AND WARRANTS

Common Shares

As at October 31, 2016 and the date of this report, the Company had 17,666,409 common shares issued and outstanding.

The Company has one class of common shares. Below is a summary of the common shares and stock options issued and outstanding as at October 31, 2016 and the date of this report.

	As at October 31, 2016	As at the date of this report
Common shares	4,416,602	65,650,811
Special shares	-	14,065,285
Stock options	60,000	4,833,333
Warrants	-	29,246,226

Stock Options

The following table summarizes the options outstanding and exercisable at the date of this report:

Options outstanding	Options exercisable	Exercise Price		Expiry Date
30,000	30,000	$	0.40	June 6, 2017
533,333	533,333	$	0.50	September 16, 2020
2,440,000	-	$	0.50	December 16, 2020
1,830,000	-	$	0.50	July 31, 2021

Warrants

The following table summarizes the warrants outstanding and exercisable at the date of this report:

Expiry Date	Warrants #	Equivalent number of common shares #	Exercise price per share $
December 6, 2018	39,365	787,300	0.50
December 6, 2021	545,495	10,909,890	0.75
June 23, 2021	145,640	2,912,800	0.75
September 9, 2018	694,670	694,670	1.20
September 12, 2018	2,089,609	2,089,609	1.20
September 15, 2018	615,989	615,989	1.20
September 19, 2018	33,333	33,333	1.20
December 6, 2019	10,860,245	10,860,245	1.75
December 12, 2019	125,000	125,000	1.75
December 13, 2019	217,391	217,391	1.75
	15,366,737	**29,246,227**	

Escrow shares

As at October 31, 2016 and the date of this report, the Company had 250,000 issued shares held in escrow which will be released to shareholders in accordance with TSX-V Policy 2.4 over a period of up to 36 months from the completion of the Qualifying Transaction.

MANAGEMENTS RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The financial statements were prepared by management in accordance with IFRS and include certain amounts based on management’s best estimates using careful judgment. The selection of accounting principles and methods is management’s responsibility.

The Company maintains internal control systems designed to ensure that financial information is relevant and reliable and that assets are safeguarded.

Management recognizes its responsibility for conducting the Company’s affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors and its Audit Committee supervises the financial statements and other financial information.

EVALUATION OF DISCLOSURE CONTROLS & PROCEDURES

Management has evaluated the effectiveness of its disclosure controls and procedures and has concluded that they are sufficiently effective to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found on or in:

- SEDAR at www.sedar.com.
- The Company's condensed interim financial statements for the three and nine months ended October 31, 2016.
- The Company's audited financial statements for the year ended January 31, 2016.

This MD&A was approved by the Audit Committee of Emblem Corp. on December 28, 2016.