CANADA HOUSE WELLNESS GROUP INC.

Management's Discussion and Analysis

For the Three Months Ended July 31, 2017

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

This Management's Discussion and Analysis ("**MD&A**") of Canada House Wellness Group Inc. (the "**Company**" or "**CHWG**") was prepared in accordance with National Instrument 51-102 *Continuous Disclosure Obligations* and should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes thereto of the Company for the three months ended July 31, 2017 and 2016 (the "**Financial Statements**"). The Company files its Financial Statements, press releases and other required disclosure documents on the SEDAR database at www.sedar.com.

The Company prepared the Financial Statements in accordance with International Financial Reporting Standards ("**IFRS**"). Except where otherwise indicated, all financial information reflected herein is expressed in Canadian Dollars.

This MD&A may contain information and declarations on the future performance of the Company that are, by nature, forward looking. These declarations reflect management's expectations regarding future events based on assumptions and uncertainties that are subject to the risk factors identified in the ''Risks and Uncertainties'' section of this MD&A. Readers are hereby cautioned.

The Financial Statements and MD&A of the Company in respect of the three months ended July 31, 2017 were reviewed and approved by the Board of Directors of the Company on November 20, 2017. The effective date of the MD&A is November 20, 2017.

OVERVIEW

The Company was incorporated under the *Business Corporations Act* (British Colombia) and continued under the *Canada Business Corporations Act.* The Company is listed on the Canadian Stock Exchange (the "**CSE**") under the symbol "CHV". The address of the registered office is 1773 Bayly Street, Pickering, Ontario.

Business Overview

Abba Medix Corp. ("**Abba Medix Corp.**" and together with the Company, the "**Group**"), a wholly-owned subsidiary of the Company, is an Ontario corporation established in 2013 to capitalize on the changing rules governing medical marijuana production in Canada. On April 1, 2014, Health Canada repealed the *Marihuana Medical Access Regulations* (the "**MMAR**") and enacted the *Marihuana for Medical Purposes Regulations* (the "**MMPR**") which established the new regulatory framework governing the production and distribution of medical cannabis for patients across Canada.

Abba Medix Corp. filed an application with Health Canada in November of 2013 to obtain a license to cultivate and sell medical cannabis (the "**License**") and become a licensed producer (a "**Licensed Producer**") under the MMPR (now the *Access to Cannabis for Medical Purposes Regulations* "**ACMPR**"). Abba Medix Corp. has secured a 49,500 square foot facility in Pickering, Ontario (the "**Facility**") to support its production plans and has invested over $1,700,000 in the first phase of the plan that includes 14,500 square feet of production space. Upon receipt of the License, Abba Medix Corp. will proceed through the steps necessary to commence cultivation and move towards receipt of a license to sell medical cannabis.

Subsequent to the three months ended July 31, 2017, Abba Medix Corp received its License to cultivate medical cannabis.

Acquisition of 672800 NB Inc. and The Longevity Project Corp.

On June 15, 2016, the shareholders of the Company entered into a Share Exchange Agreement (the "**Agreement**") with the shareholders of 672800 NB Inc. ("**MFT**") and The Longevity Project Corp. ("**TLP**") (together the "**Target Shareholders**") to exchange a sufficient amount of shares of the Company for all of the issued and outstanding shares of MFT and TLP (the "**Transaction**"), such that immediately following the completion of the Transaction on November 7, 2016, approximately 66% of all of Company's issued and outstanding shares were owned by the Target Shareholders. In connection with the Transaction, the Company effected a consolidation of their common shares such that each one and one-half pre-consolidation common shares became one post-consolidation common share in the resulting issuer (the "**Share Consolidation**").

In connection with the Transaction, the Company completed a share consolidation whereby each pre-consolidation common share of the Company was exchanged for one post-consolidation common share of the Company, on the basis of one (1) post-consolidation common share for every one and one half pre-consolidation common shares (the "**Consolidation**"). All units of common shares, warrants and options, along with unit prices, have been retroactively restated for all periods on a post-consolidation basis in this MD&A.

The Company acquired all of the issued and outstanding common shares of MFT and TLP in exchange for the following consideration:

i. A cash payment of $250,000;

ii. The issue of such number of common shares of the Company as would represent approximately 66% of all of the Company's issued and outstanding common shares immediately post-acquisition (being 64,272,824 common shares); and

iii. Cash payments totaling $4,000,000 payable over a period of up to three years from the closing date with the timing of such payments dependent upon MFT and TLP, on a continued basis achieving certain EBITDA performance targets at certain milestones.

During the year ended April 30, 2017, the Transaction was completed through the issuance of 64,272,824 common shares of the Company and a cash payment of $250,000 to the shareholders of the MFT and TLP.

In connection with the Transaction, the Company completed a private placement offering (the "**Offering**") for gross proceeds of $6,025,000. The Offering consisted of 19,001,000 equity units (the "**Equity Units**") and 1,275 convertible debenture units (the "**Convertible Debenture Units**"). Each Equity Unit consists of one common share and warrant which will entitle the holder to purchase one common share of the Company at a price of $0.40 per share for a period of 24 months following the issuance of the warrant. Each Convertible Debenture Unit consists of one 8.5% secured convertible debenture ("**Convertible Debentures**") with a principal amount of $1,000 with a maturity date ("**Maturity Date**") of 48 months from the date of issuance, and 1,000 detachable convertible debenture warrants (each, a "**CD Warrant**"). Each Convertible Debenture shall be convertible at the holder's option into fully-paid common shares of the Company (each a "**CD Share**") at any time prior to the Maturity Date at a conversion price of $0.40 per CD Share being a ratio of 2,500 CD Shares per $1,000 principal amount of Convertible Debentures. Each CD Warrant shall be exercisable into one common share of the Company (each, a "**CD Warrant Share**") at a price of:

(a) $0.40 per CD Warrant Share between the date the escrow release conditions are met (the "**Escrow Release Date**") and the date that is 24 months from the Escrow Release Date;

(b) $0.75 per CD Warrant Share between the date that is 24 months from the Escrow Release Date and the date that is 36 months from the Escrow Release Date; and

(c) $1.00 per CD Warrant between the date that is 36 months from the Escrow Release date and the Maturity Date.

In connection with the Offering, the Company paid commissions and expenses of $396,840 and issued 2,410,100 compensation options to the agent (the "**Compensation Options**"). Each Compensation Option is exercisable at any time up to 36 months following the Escrow Release Date, to acquire one Equity Unit from treasury at the Equity Offering Price (as defined in the Compensation Options).

In connection with the Transaction, the Company changed its name to "Canada House Wellness Group Inc.". A special meeting of the Shareholders of the Company was called and took place on October 18, 2016 (the "**Meeting**") where Shareholders approved, among other things, a change of the Company's name to "Canada House Wellness Group Inc." (the "**Name Change**") and the Consolidation. A management information circular in respect of the Meeting was delivered to Shareholders and filed on SEDAR.

The Transaction constituted a "fundamental change" under CSE Policy 8 and therefore, the Common Shares of the Company were halted from trading and remained halted until November 9, 2016 at which point the Common Shares began trading under the name Canada House Wellness Group Inc. and the ticker symbol "CHV".

Business Developments During the Three Months Ended July 31, 2017

MFT's mission is to improve the quality of life for anyone suffering from post-traumatic stress disorder, chronic pain and/or other medical conditions. MFT does not currently grow or distribute cannabis. MFT provides services to assist their patients in selecting a Licensed Producer, identify appropriate strains, and consult and support patients regarding the use of medical cannabis. Since its inception, MFT has directly supported thousands of veterans across the country with comprehensive service and care. MFT continues to provide a community environment for those engaged in the process of healing with a focus on support during the various steps of the program.

TLP, through its client services platforms, including the "*Plants Not Pills"* program, provided resources to Canadians considering medical cannabis as an alternative to prescription medication. They had assembled a team of knowledgeable wellness consultants guiding and supporting clients in understanding safe and effective treatments for their conditions.

Following the completion of the Transaction, the Company has consolidated the TLP and MFT operations to carry on the businesses of MFT with a focus towards enhancing the professional services offered by its cannabis wellness clinics across Canada. Adhering to best clinical practices, clients of MFT clinics are educated to understand the possible benefits of cannabinoid therapy, and, if appropriate, introduced to a professional who can write a cannabis prescription in order to meaningfully improve the quality of lives for veterans, first responders and civilians alike.

During the three months ended July 31, 2017, MFT executed several different initiatives to provide better service and support for their patients. During the quarter, MFT introduced its new Cannabis

Patient Management ("**CPM**") software which includes new physician services capabilities and an improved service to patients with 48 to 72 hour response times for all prescriptions and renewals. The CPM software not only allows for better service to existing clients, it also adds capacity to serve more than 1,000 new clients per month in Ontario alone. MFT's clinics located outside of Ontario should also achieve similar benefits.

The Company also released its Knalysis Wellness Tracker Application during the three months ended July 31, 2017, which helps patients monitor how well their cannabis treatments are working to relieve their symptoms. This application has the ability to quantify how effective cannabis products are at treating the symptoms of an individual. By keeping track of one's treatments, moods and general physical condition throughout the day using the Knalysis Wellness Tracker Application, MFT's trained professionals are able to identify different products and strains that will relieve specific symptoms of suffering patients, and allow them to regain their optimal physical, mental and emotional balance that has been compromised by trauma and harmful "pharmaceutical cocktails". The Knalysis Wellness Tracker Application can be downloaded from the Apple store for use with iPhones and iPads, or from Google Play for Android phones and tablets.

In the interest of providing superior, comprehensive service to its clients, MFT has added Licensed Practical Nurses to all five of its Ontario clinics to provide Cannabinoid Therapy Education to all clients, which is an integral part of the Company's vision in offering better health outcomes to those seeking alternative treatments towards improving their quality of life. Patients in Ontario also now have access to educators and prescribers at no additional cost which allows MFT to help patients quickly and securely.

Abba Medix Corp. received Health Canada's ACMPR License to Cultivate for its 14,500 square foot production facility (the "**Facility**") in Pickering, Ontario subsequent to July 31, 2017. Abba Medix Corp. has since commenced the improvements needed towards receiving a Health Canada License to Sell medical cannabis.

The Canadian medical cannabis marketplace continues to experience changes at a rapid pace. On June 11, 2015 the Supreme Court of Canada, in a case titled *R v. Smith* ("**Smith**"), held that the restriction on the use of non-dried forms of cannabis for medical cannabis users violates the right to liberty and security of individuals in a manner that is arbitrary and not in keeping with the principles of fundamental justice. As a result, the Supreme Court of Canada declared Sections 4(1) and 5(2) of the *Controlled Drugs and Substances Act* (**"CDSA"**), which prohibit the possession and trafficking of nondried forms of cannabis, are of no force and effect to the extent that they prohibit a person with medical authorization from possessing cannabis other than dried cannabis. This ruling means medical cannabis patients authorized to possess and use medical cannabis are not limited to using dried forms of cannabis and may consume cannabis other than dried cannabis for medical purposes. On July 8, 2015 Health Canada issued certain exemptions under the CDSA, permitting Licensed Producers to produce and sell cannabis oil and fresh cannabis buds and leaves, in addition to dried cannabis (this did not permit Licensed Producers to sell plant material that can be used to propagate cannabis).

As a response to the decision rendered on February 24, 2016 in *Allard v. Canada* ("**Allard**"), the Federal Government introduced new regulations, the ACMPR. On August 24, 2016 the ACMPR replaced the MMPR as the regulations governing Canada's medical cannabis program. The ACMPR enables an individual to produce their own cannabis for personal use, or designate someone to produce it for them, however, the ACMPR also substantively incorporates the regulatory framework established under the MMPR for Licensed Producers, including allowing patients to purchase cannabis directly from Licensed Producers. In addition, the ACMPR enable

the production and sale by Licensed Producers of starting materials, including cannabis seeds and plants.

The decision of the Federal Court in Allard and the decision of the Supreme Court of Canada in Smith, both had significant impact on the operating assumptions of the industry. Management continues to monitor the industry very closely from every direction and continues to seek opportunities that can be expected to bring value to the Company and its shareholders.

Abba Medix Corp. is now in the process of constructing the first phase of the cannabis production portion of the Facility, to include a nursery, vegetative rooms, flowering rooms, a drying room and required vault and storage space. It is projected that this Phase 1 will have the capacity to produce approximately 1,500 kg of premium bud annually. It is projected that Phase 2 will increase the Facility's production to over 13,000 kg per year.

Additionally, Abba Medix Corp. has entered into a Joint Venture (the "**JV**") with Nutritional High, a company specializing in extracting valuable oils from cannabis flower and trim. This JV has been allocated approximately 2,000 square feet of the Facility, which will be constructed and operated at no cost to Abba Medix Corp. This JV, projected to be operational in 2018, is expected to provide Abba Medix Corp. with a substantial additional revenue stream through an agreed 50-50 profit sharing arrangement.

Going Concern

The Financial Statements have been prepared on the going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

While Abba Medix Corp. has received its License from Health Canada to cultivate medical cannabis as of September 1, 2017, it has yet to receive approval for the sale of medical cannabis in order to become a full Licensed Producer. The Group's ability to continue as a going concern is dependent upon, but not limited to, becoming a Licensed Producer, its ability to raise financing necessary to discharge its liabilities as they become due and its ability to generate positive cash flows from operations. During the three months ended July 31, 2017, the Company incurred a net loss and comprehensive loss of $1,580,325 (2016 – net income and comprehensive income of $97,321). A significant contributor to this loss is $559,477 of non-cash expenses, which include amortization expense ($68,204), interest accretion ($139,584) and stock-based compensation ($351,689). As at July 31, 2017, the Company had current assets of $1,529,466 (April 30, 2017 - $2,156,302) and current liabilities of $3,736,052 (April 30, 2017 - $3,202,949) resulting in a working capital deficiency of $2,206,586 (April 30, 2017 – $1,046,647).

These conditions have resulted in material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern in the foreseeable future. The Financial Statements do not give effect to adjustments that may be necessary, should the Group be unable to continue as a going concern. If the going concern assumption is not used then the adjustments required to report the Group's assets and liabilities at liquidation values could be material to the Financial Statements.

Subsequent to the three months ended July 31, 2017, the Company entered into debt settlement agreements pursuant to which the Company made cash payments of $35,000 and issued 780,000 common shares of the Company to settle aggregate debt of $422,177. The Company also issued convertible debentures with aggregate principal of $402,500 subsequent to July 31, 2017.

Selected Information Table

The following table summarizes certain financial data related to the Company and should be read in conjunction with the Company's audited financial statements for the year ended April 30, 2017.

	As at and for the Year Ended April 30, 2017 $	As at and for the Year Ended April 30, 2016 $	As at and for the Year Ended April 30, 2015 (Unaudited) $
Revenue	6,207,294	3,085,864	732,746
Income (Loss) for the period	(14,453,068)	555,356	(5,017)
Current assets	2,156,302	989,460	444,878
Non-current assets	3,238,622	166,654	113,477
Current liabilities	3,202,949	872,025	296,136
Non-current liabilities	3,401,069	69,779	323,265
Working capital (deficiency)	(1,046,647)	117,435	148,742
Deferred income tax liability	181,886	11,504	-
Share capital	9,000,137	98	100
Shareholders' equity (deficit)	(1,209,094)	214,310	(61,046)
Earnings (Loss) per share – basic and diluted	(0.25)	5,667	(50)

Quarterly Results

Fiscal Quarter	Revenues (Unaudited) $	Net income (loss) (Unaudited) $	Net earnings (loss) per share - basic and diluted (Unaudited) $
Year ended April 30, 2018			
Quarter ended July 31, 2017	826,607	(1,580,325)	(0.01)
Year ended April 30, 2017			
Quarter ended April 30, 2017	1,211,222	6,714,849	0.056
Quarter ended January 31, 2017	1,714,355	(21,383,345)	(0.18)
Quarter ended October 31, 2016	1,788,068	118,107	1205.17
Quarter ended July 31, 2016	1,493,649	97,321	993.07
Year ended April 30, 2016			
Quarter ended April 30, 2016	1,572,823	215,223	2,196.15

Fiscal Quarter	Revenues (Unaudited)	Net income (loss) (Unaudited)	Net earnings (loss) per share - basic and diluted (Unaudited)
	$	$	$
Quarter ended January 31, 2016	630,387	152,724	1558.41
Quarter ended October 31, 2015	656,410	308,206	3,082.06

RESULTS OF OPERATIONS

Revenues

The Company had revenue of $826,607 for the three months ended July 31, 2017, a decrease of $667,042 compared to revenue of $1,493,649 for the three months ended July 31, 2016.

The decrease in the Company's revenues are attributable to several factors, the most important of which was the decision of Veterans Affairs Canada ("**VAC**") to reduce the coverage for veterans from 10 grams per day to 3 grams per day effective May 2017. In addition, in November 2016, VAC capped the coverage to $8.50 per gram, a decrease from the historical coverage of $10 - $15 per gram. Finally, the Company experienced reductions in commission percentages from two of its Licensed Producers.

Expenses

Total expenses for the three months ended July 31, 2017 were $2,491,129, Included in this amount were non-cash expenses of $68,204 related to the amortization of its property, plant and equipment, $351,689 of share based compensation expense related to the vesting of 5,100,000 stock options, and 15,000,000 warrants granted during the year ended April 30, 2017, and accretion expense of $139,584. Total expenses for the three months ended July 31, 2016 were $1,374,213 and included $12,126 of non-cash amortization expense. During the three months ended July 31, 2017, the Company realized aggregate gains on the settlement of debt in the amount of $64,983. In addition, during the three months ended July 31, 2017, the Company disposed of a vehicle in exchange for the purchaser's assumption of the Company's debt in the amount of $19,000, the effect of which was a reversal of $19,000 of impairment loss recognized by the Company during the year ended April 30, 2017.

The Company incurred advertising and promotion expenses of $49,097 during the three months ended July 31, 2017. This amount represents a decrease of $145,302 when compared to expenses of $194,399 for the three months ended July 31, 2016. During the quarter ended July 31, 2016, the Company incurred charges of approximately $27,000 with respect to clothing handed out to veterans and other new and potential clients for marketing purposes, as well as approximately $29,000 to wrap several of its vehicles with company logos and information. In addition, the Company utilized a third party marketing subcontractor to handle marketing initiatives as well as sponsoring various events and causes during the three months ended July 31, 2016. The Company reduced its spending on such initiatives during the three months ended July 31, 2017.

As the Company has continued to add new locations, rental expense has increased year-over-year. Rental expense for the three months ended July 31, 2017 was $212,475, an increase of $145,858 when compared to rental expense of $66,617 during the three months ended July 31, 2016. The number of the Company's clinics has risen from three locations in May of 2015 to eleven by the

end of July 2017. The Company also added a consultation office in Fredericton, New Brunswick. Rent expense for the three months ended July 31, 2017 also includes rent paid for the Pickering, Ontario facility which were not included in the quarter ended July 31, 2016.

As a result of the expansion of the Company into new locations across Canada, as well as growth in the overall scope of the operations, professional fees that include legal, accounting, audit and consulting fees, increased from $148,251 during the three months ended July 31, 2016 to $313,236 during the three months ended July 31, 2017. The increased fees are the result of increased compliance costs, building and property procurement as well as other general legal and accounting matters and are a function of the stage of growth of the Company is currently in.

During the three months ended July 31, 2017, the Company incurred salaries, wages and commission expenses of $949,691. This amount represents an increase of $372,976 when compared to similar expenses of $576,715 during the three months ended July 31, 2016. The increase is a function of the growth of the Company which has resulted in the addition of several employees, including more members of senior management and additional departments such as IT. In addition, the Company continues to add employees as new clinics are opened In addition, subcontractor expenses have increased from $48,664 to $81,462 during the three months ended July 31, 2017, which is also a function of the increased personnel requirements related to the growth of the Company.

While the geographical footprint of the Company has increased year-over-year, the Company was able to achieve a reduction in travel expenses. During the quarter ended July 31, 2017, the Company incurred travel expenses of $61,174, a reduction of $39,796 when compared to travel expenses of $100,970 incurred during the quarter ended July 31, 2016. The decrease was a function of reduced vehicle expenses with respect to leases, fewer vehicle repairs and maintenance charges as well as a reduction in fuel costs paid for the Company's veteran volunteers.

During the year ended April 30, 2017, the Company issued 1,275 convertible debentures with aggregate principal of $1,275,000. In connection with the issuance of these debentures, the Company incurred interest expense of $27,306, and interest accretion expense of $24,607 during the three months ended July 31, 2017. The remaining accretion expense of $114,977 relates to the purchase consideration payable with respect to the Transaction discussed previously. The Company did not have any such charges during the three months ended July 31, 2016. During the three months ended July 31, 2017, the Company issued promissory notes with aggregate principal of $1,000,000. In connection with these promissory notes, the Company incurred interest expense of $5,040. The Company incurred other interest and bank charges in the amount of $4,039, a decrease of $3,327 when compared to similar charges of $7,366 during the three months ended July 31, 2016.

The Company incurred overall increases in several other expense categories during the three months ended July 31, 2017 when compared to the three months ended July 31, 2016 as a result of the overall increase in the size and scope of the Company.

CHANGE IN FINANCIAL POSITION

The following table summarizes certain financial data related to the Company and should be read in conjunction with the Company's Financial Statements for the three months ended July 31, 2017 and 2016.

	Three Months Ended	
	July 31, 2017	**July 31, 2016**
	$	**$**
Cash flow generated by (used in)operating activities	(605,482)	414,870
Cash flow generated by (used in) investing activities	(280,062)	(174,635)
Cash flow generated by (used in) financing activities	946,822	(65,534)
Net increase (decrease) in cash	61,278	174,701

Operating Activities

Cash flows used in operating activities were $605,482 for the three months ended July 31, 2017, compared to cash flows generated of $414,870 for the three months ended July 31, 2016. The increase in the amount of cash used in operating activities is primarily attributable to the payment and settlement of a significant amount of the Company's accounts payable and accrued liabilities, as well as the net loss for the period.

Investing Activities

Cash flows used in investing activities were $280,062 for the three months ended July 31, 2017, compared to cash flows used of $174,635 for the three months ended July 31, 2016. During the three months ended July 31, 2017, the Company invested in property and equipment and advanced funds to another party on a short-term basis.

Financing Activities

Cash flows provided by financing activities were $946,822 for the three months ended July 31, 2017 and was driven by the issuance of promissory notes with aggregate principal of $1,000,000. These inflows were offset by debt repayments of $25,872. Cash flows used in financing activities for the three months ended July 31, 2016 were $65,534 and relate to the repayment of debt.

Consolidated Statements of Financial Position

The total current assets of the Company amounted to $1,529,466 as at July 31, 2017, compared to $2,156,302 as at April 30, 2017. The most significant changes between the two dates relates to a decrease in accounts receivable which was offset partially by an increase by a short-term advance receivable. The most significant components of the Company's current assets as at July 31, 2017 were cash and accounts receivable.

The Company's current liabilities as at July 31, 2017 amounted to $3,736,052 compared to $3,202,949 as at April 30, 2017. The most significant components of the balance at July 31, 2017 are accounts payable and accrued liabilities of $2,538,938 and promissory notes, including accrued

interest, of $1,005,040. The balance includes other items of short term debt such as amounts due to shareholders, the current portion of long-term debt and sales and income taxes.

Issued and Outstanding Shareholders' Equity

Share Capital

The Company's shares are traded on the CSE under the symbol "CHV".

As of November 20, 2017, the Company has 120,657,626 issued and outstanding voting participating common shares.

Warrants

As of November 20, 2017, the Company had the following warrants outstanding:

i. 3,558,482 warrants are exercisable at $0.375 per share exercisable until March 13, 2018.

ii. 19,001,000 warrants exercisable at $0.40 per share exercisable until November 7, 2018.

iii. 1,275,000 CD Warrants exercisable at a price of:

   a. $0.40 per CD Warrant Share between the date the escrow release conditions are met (the "**Escrow Release Date**") and the date that is 24 months from the Escrow Release Date;

   b. $0.75 per CD Warrant Share between the date that is 24 months from the Escrow Release Date and the date that is 36 months from the Escrow Release Date; and

   c. $1.00 per CD Warrant between the date that is 36 months from the Escrow Release Date and the Maturity Date.

iv. 1,333,334 warrants exercisable at $0.25 per share exercisable until November 7, 2019.

v. 15,000,000 warrants exercisable at $0.25 per share exercisable until November 7, 2021.

Stock Options

As of November 20, 2017, the Company had the following stock options outstanding:

i. 66,667 stock options are exercisable at $0.69 per share exercisable until June 8, 2020.

ii. 7,510,100 stock options are exercisable at $0.25 per share exercisable until September 2, 2019.

Related Party Transactions

During the three months ended July 31, 2017 and 2016, the Company incurred the following related party transactions:

a) A total of $51,653 (2016 - $Nil) in occupancy expenses was charged by a company whose shareholders are related to the shareholders of one of the Company's corporate shareholders. As at July 31, 2017, prepaid expenses included $41,302 (2016 - $Nil), deferred lease inducement included $6,470 (2016 - $Nil) and accounts payable and accrued liabilities included $50,233 (2016 - $Nil) payable to this company.

b) A total of $6,000 (2016 - $Nil) of accounting fees and $6,000 (2016 - $Nil) of consulting fees were charged by an accounting firm in which an officer of the Company is a partner. As at July 31, 2017, accounts payable and accrued liabilities included $259,723 (2016 - $Nil) payable to this accounting firm.

c) A total of $160,898 (2016 - $Nil) of salaries were charged by the various officers, directors and key members of the Company's management team.

d) The amount of stock-based compensation expense for the period ended July 31, 2017 related to stock options granted to directors and key members of management during the three months ended July 31, 2017 was $79,273 (2016 - $Nil).

e) The amount of stock-based compensation expense for the period ended July 31, 2017 related to warrants granted to director and officer, a former director and a key member of management during the three months ended July 31, 2017 was $271,965 (2016 - $Nil).

All related party transactions were in the normal course of operations and are measured at the exchange amount.

Total compensation of $524,586 (2016 - $Nil) comprised of short-term employee benefits of $172,898 (2016 - $Nil) and share-based payments of $351,688 (2016 - $Nil) were paid to the Company's key members of management during the three months ended July 31, 2017.

Subsequent Events

Subsequent to July 31, 2017:

a) The Company issued 253 unsecured convertible debenture units for gross proceeds of $253,000. Each Unit is comprised of: (i) $1,000 principal amount of 8.0% unsecured convertible debentures ("**Convertible Debentures**") in the capital of the Company with a maturity date ("**Maturity Date**") of three years from the date of issuance; and (ii) 6,667 detachable common share purchase warrants of the Company (each, a "**Warrant**").

Each Convertible Debenture shall be convertible at the holder's option into fully-paid common shares of the Company (each, a "**CD Share**") at any time prior to the Maturity Date at a conversion price of $0.15 per CD Share, being a ratio of 6,667 CD Shares per $1,000 principal amount of Convertible Debentures. The interest payable on the debenture is payable in cash or in common shares of the Company at the option of the holder. Any common shares issuable as payment of interest shall be issued at a price of $0.15 per common share, subject to the rules and policies of the Canadian Securities Exchange.

Each Warrant shall be exercisable into one common share of the Company (each, a "**CD Warrant Share**") at a price of $0.15 per CD Warrant Share on or prior to two years from the date of issuance.

In connection with the issuance of the Convertible Debentures, the Company paid a loan processing fee equal to $75 per unit payable in common shares of the Company at a price of $0.15 per common share.

All securities issued pursuant to the financing are subject to a four-month hold period in accordance with applicable Canadian securities laws.

b) The Company issued 149.5 unsecured convertible debenture units for gross proceeds of $149,500. Each Unit is comprised of: (i) $1,000 principal amount of 8.0% unsecured convertible debentures ("**Convertible Debentures**") in the capital of the Company with a maturity date ("**Maturity Date**") of three years from the date of issuance; and (ii) 6,667 detachable common share purchase warrants of the Company (each, a "**Warrant**").

Each Convertible Debenture shall be convertible at the holder's option into fully-paid common shares of the Company (each, a "**CD Share**") at any time prior to the Maturity Date at a conversion price of $0.15 per CD Share, being a ratio of 6,667 CD Shares per $1,000 principal amount of Convertible Debentures. The interest payable on the debenture is payable in cash or in common shares of the Company at the option of the holder. Any common shares issuable as payment of interest shall be issued at a price of $0.15 per common share, subject to the rules and policies of the Canadian Securities Exchange.

Each Warrant shall be exercisable into one common share of the Company (each, a "**CD Warrant Share**") at a price of $0.15 per CD Warrant Share on or prior to two years from the date of issuance.

All securities issued pursuant to the financing are subject to a four-month hold period in accordance with applicable Canadian securities laws.

c) The Company entered into an agreement to acquire all issued and outstanding shares of Knalysis Technologies Inc. in exchange for 5,000,000 common shares of the Company. As of the date of these financial statements, the shares have yet to be issued.

d) The Company issued 780,000 common shares and made a cash payment of $35,000 to settle outstanding accounts payable with an aggregate value of $422,177 pursuant to debt settlement agreements.

Off Balance Sheet Arrangements

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and their interpretations issued by the IFRS Interpretations Committee ("**IFRIC**") and were approved by the Company's Board of Directors on October 29, 2017.

Basis of Presentation

The Financial Statements, presented in Canadian Dollars, have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Abba, MFT, and TLP.

The accounts of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. Abba, MFT, and TLP are controlled by the Company, as the Company is exposed, or has rights, to variable returns from its involvement with Abba, MFT, and TLP and has the ability to affect those returns through its power over Abba, MFT and TLP by way of its ownership of all of the issued and outstanding common shares of each of the respective companies.

The functional currency of the Company and its subsidiaries is the Canadian Dollar, which is also the presentation currency of the consolidated financial statements.

Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

Recent Accounting Pronouncements and Amendments Not Yet Effective

In January 2016, the IASB issued the disclosure initiative amendments to IAS 7, Statement of Cash Flow. The amendment will require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash and non-cash changes.

IFRS 9 "Financial Instruments" was issued in final form in July 2014 by the IASB and will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however early adoption is permitted.

IFRS 15, Revenue from Contracts and Customers ("IFRS 15") was issued by the IASB in May 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 Leases was issued in January 2016 and replaces IAS 17 Leases. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains,

a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and obtain substantially all the economic benefits from that use. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied.

The Company has not yet completed its evaluations of the effect of adopting the above standards and amendment and the impact it may have on its consolidated financial statements.

Critical Accounting Estimates, Judgements and Assumptions

The preparation of the Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The key sources of information about judgments, estimates and assumptions uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the Financial Statements are:

- Going concern - the ability of the Company to continue as a going concern;
- Valuation of other receivables - the recoverability of other receivables;
- Availability for use – when an item of property, plant and equipment are available for use;
- Estimated useful lives – the estimated useful lives of property, equipment and intangible assets and the related depreciation;
- Income taxes valuation – the provision for income tax recovery and the composition of deferred tax assets and liabilities;
- Convertible debt – the presentation and classification of convertible debt;
- Share-based payments – the inputs used in accounting for share-based payment expense;
- Options and warrants - valuation of options and warrants included in shareholders' equity, including volatility;
- Financial Instruments - the fair value of financial instruments;
- Impairment – the assessment of events or changes in circumstances that indicate that carrying value of property and equipment, financial and non-financial assets may not be recoverable;
- Acquisitions – the assessment of whether acquisitions are asset or business acquisitions;
- Reverse takeover – the assessment of whether the Transaction constitutes a reverse takeover or a business acquisition.
- Contingencies – the inputs used in determining any potential contingencies; and
- Goodwill- the assessment of events or changes in circumstances that indicate that carrying value of goodwill may not be recoverable.

Management has determined that judgments, estimates and assumptions reflected in the Financial Statements are reasonable.

FINANCIAL INSTRUMENTS

Fair Values

The carrying amounts for the Company's cash, accounts receivable, short-term advance to related party, loan receivable, accounts payable and accrued liabilities, amounts due to shareholders, sales taxes payable, income taxes payable and convertible debentures approximate their fair values because of the short-term nature of these items. The carrying amounts of long-term debt, convertible debentures and purchase consideration payable approximate their fair values as the interest rates are based on market rates.

RISKS AND UNCERTAINTIES

Carefully consider the following risk factors in addition to the other information contained in this document. The risks presented below may not be all the risks that the Group may face. Additional risks and uncertainties may also impair its business operations.

It is believed that these are the factors that could cause actual results to be different from expected and historical results. Other sections of this MD&A include additional factors that could have an effect on the business and financial performance of the business. The markets in which the Group currently compete are very competitive and change rapidly. New risks may emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. If any of these risks actually occur, the Company's business may be harmed and results of operations and financial condition may suffer.

Market risks

The Group's securities trade on public markets and the trading value thereof is determined by the evaluations, perceptions and sentiments of both individual investors and the investment community taken as a whole. Such evaluations, perceptions and sentiments are subject to change; both in short term time horizons and longer term time horizons. An adverse change in investor evaluations, perceptions and sentiments could have a material adverse outcome on the Group and its securities.

Commodity price risks

Cannabis is a developing market, likely subject to volatile and declining prices year over year, as a result of increased competition. Because medical cannabis is a newly commercialized and regulated industry, historical price data is either not available or not predictive of future price levels. The Group believes there is downward pressure on the average price for medical cannabis and has arranged its proposed business accordingly, however, there can be no assurance that price volatility will be favorable to the Group. Pricing will depend on general factors including, but not limited to, the number of licenses granted by Health Canada and the supply such licensees are able to generate, the number of patients who gain physician approval to purchase medical cannabis. An adverse change in the cannabis prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Group and its securities.

Financing risks

Entering the MMPR (now ACMPR) regulated medical cannabis marketplace requires substantial outlay of capital. The Group currently generates no operating revenues; therefore, for the foreseeable future, it will be dependent raising capital through a combination of debt and/or equity offerings. There can be no assurance that the capital markets will remain favorable in the future,

and/or that the Group will be able to raise the financing needed to continue its business at favorable terms, or at all. Restrictions on the Company's ability to finance could have a material adverse outcome on the Group and its securities.

Credit Risk

The Company is exposed to credit risk as at July 31, 2017 on its accounts receivable, short-term advance to related party, short-term advances and loan receivable. This risk related to accounts receivable is mitigated as the accounts receivable relate to amounts due from licensed producers, who receive revenue proceeds from insurance companies from their patients, who in turn pays a commission to the Company. Therefore, the underlying amounts to be collected are due from medical insurance companies rather than individual patients. The risks related to the short-term advance receivable, other receivable, short-term advances and loan receivable are mitigated as the parties to whom the amounts are advanced are related parties or other parties close to the Company. The Company's cash is on deposit with a highly rated financial institution in Canada.

Liquidity Risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they become due. As at July 31, 2017, the Company has current assets of $1,529,466 and current liabilities of $3,736,052. The Company has a working capital deficiency as at July 31, 2017 of $2,206,586. The Company plans to raise capital as needed to mitigate its liquidity risk.

Interest Rate Risk

Interest rate risk is the risk that the cash flows of a financial instrument will fluctuate due to changes in market interest rates.

As at July 31, 2017, all of the Company's interest-bearing financial instruments, which include short-term advance to related party, convertible debentures, promissory notes and long-term debt, are at fixed interest rates. As such, there is no significant cash flow interest rate risk associated with the Company's financial instruments.

Risk Factors Related to the Transaction

Acquisitions Generally

While the Company conducted substantial due diligence in connection with the Transactions, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of MFT or TLP for which the Company is not sufficiently indemnified pursuant to the provisions of the Acquisition Agreement. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations. The Company could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits anticipated in the Transaction. All of these factors could cause a delay the anticipated accretive effect of the Transaction and cause a decrease in the market price of the common shares.

Failure to Realize Benefits of Acquisitions

The Company may not realize the anticipated benefits of the Transaction, or may not realize them in the time frame expected. The Company cannot provide assurance that it will be able to grow or

even sustain the cash flow generated by the Transaction. Difficulties encountered as a result of the Transaction may prove problematic to overcome such as, without limitation, the inability to integrate or retain key personnel, the inability to retain business relationships with current customers, and difficulties with adoption or implementation of new business plans, standards, controls, processes and systems within MFT and/or TLP.

Dilution

Following completion of the Transaction, the Company may issue equity securities to finance its activities, including future acquisitions. If the Company was to issue common shares, existing holders of such common shares may experience dilution in their holdings. Moreover, when the Company's intention to issue additional equity securities becomes publicly known, the Company's share price, as the case may be adversely affected.

Risks Related to the Operations of Abba Medix Corp. and to the Medical Cannabis Industry

Cannabis Not an Approved Drug or Medicine

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

Abba Medix Corp. does not yet have a License to Sell under the MMPR/ACMPR

The Group, through its wholly owned subsidiary Abba Medix Corp., has received Health Canada's License to Cultivate under the ACMPR that would enable Abba Medix Corp. to commence the cultivation of medical cannabis. Abba Medix Corp. expects to eventually receive a License to Sell, which will allow it to sell medical cannabis to patients across Canada. There can be no assurance that Abba Medix Corp. will obtain such a License to Sell.

Abba Medix Corp.'s success to date includes:

- Abba Medix Corp. has received its license to cultivate medical cannabis, and
- Abba Medix Corp. has accomplished substantial work towards the build out of its proposed cannabis grow Facility.

Even if Abba Medix Corp. is successful in obtaining a License to Sell, such License will subject Abba Medix Corp. to ongoing compliance and reporting requirements. Failure to comply with the requirements of the License or any failure to maintain the License could have a material adverse impact on the business, financial condition and operating results of the Group. Furthermore, the License will have an expiry date of approximately one year from the date it is granted. Upon expiration of the License, Abba Medix Corp. would be required to submit an application for renewal to Health Canada containing information prescribed under the ACMPR and renewal cannot be assured.

Licensing Requirements under the ACMPR

The market for cannabis (including medical cannabis) in Canada is regulated by the CDSA, the ACMPR, the Narcotic Control Regulations, 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.

Applicants and Licensed Producers are required to demonstrate compliance with regulatory requirements, such as quality control standards, record-keeping of all activities as well as inventories of cannabis, and physical security measures to protect against potential diversion. Licensed Producers are also required to employ qualified quality assurance personnel who ultimately approve the quality of the product prior to making it available for sale. This approval process includes testing (and validation of testing) for microbial and chemical contaminants to ensure that they are within established tolerance limits for herbal medicines for human consumption as required under the *Food and Drugs Act*, and determining the percentage by weight of the two active ingredients of marijuana, delta-9- Tetrahydrocannabinol and cannabidiol.

Factors related to the Facility which may Prevent Realization of Business Objectives

As of November 20, 2017, the Facility is being completed. Any adverse changes or developments affecting construction of the Facility and commencement of production could have a material and adverse effect on the Company's business, financial condition and prospects. There is a risk that these changes or developments could cause the Facility to not be completed on time, on budget, or at all, as it can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

(a) delays in obtaining, or conditions imposed by, regulatory approvals;

(b) plant design errors;

(c) environmental pollution;

(d) non-performance by third party contractors;

(e) increases in materials or labour costs;

(f) construction performance falling below expected levels of output or efficiency;

(g) breakdown, aging or failure of equipment or processes;

(h) contractor or operator errors;

(i) labour disputes, disruptions or declines in productivity;

(j) inability to attract sufficient numbers of qualified workers;

(k) disruption in the supply of energy and utilities; or

(l) major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

It is also possible that the final costs of constructing the Facility and commencing production may be significantly greater than anticipated by the Company's management, and may be greater than

funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing its business plans. This could have an adverse effect on the financial results of the Company.

Regulatory Risks

The Group operates in a new industry which is highly regulated and is in a market which is very competitive and evolving rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. The Group's ability to grow, store and sell medical cannabis in Canada is dependent on the License to Sell from Health Canada and the need to maintain the License in good standing. Failure to comply with the requirements of the License or any failure to maintain this License would have a material adverse impact on the business, financial condition and operating results of the Group.

The Group 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 the Group'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 Company.

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 Group'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 Group's earnings and could make future capital investments or the Group'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.

The Group's business as a prospective Licensed Producer under the ACMPR represents a new industry and new market resulting from the ACMPR 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, the Group will need to continue to build brand awareness in the industry and market through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations. These activities may not promote the Group's brand and products as effectively as intended. 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.

Change in Laws, Regulations, and Guidelines.

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

On March 21, 2014 the Federal Court of Canada issued an interim order affecting the repeal of the MMAR and the application of certain portions of the MMPR which are inconsistent with the MMAR in response to a motion brought by four individuals in the Allard case. Prior to the trial, the Federal Court of Canada ordered injunctive relief (the "**Injunction**") in favour of certain individuals licensed to use medical cannabis pursuant to the MMAR. As a result, (i) individuals who held a license to possess cannabis under the MMAR on March 21, 2014 can continue to possess cannabis in accordance with the terms of that license, except that the maximum quantity of dried cannabis authorized for possession shall be the lessor of that which is specified by their license or 150 grams; and (ii) individuals who held a valid license to produce cannabis under the MMAR as of September 30, 2013, or were issued one thereafter may continue to produce medical cannabis in accordance with the terms of that license. Individuals covered by the Injunction who wish to change the terms of their license, such as a change in address or designated producer, will be able to do so by registering with Health Canada under the new regulations, the ACMPR.

The Federal Court's decision on the Allard case was delivered on February 24, 2016. In the decision, the Federal Court declared the MMPR invalid as it unconstitutionally violated patients Charter protected rights to liberty and security. However, the Court suspended the operation of the declaration of invalidity for six months to permit Canada to enact a Charter-compliant regime. The government choose not to appeal the decision to the Federal Court of Appeal. On August 24, 2016, the ACMPR replaced the MMPR. The ACMPR is Canada's response to the Federal Court of Canada's February 2016 decision in Allard.

Overall, the ACMPR contains four parts:

- 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 marijuana or cannabis oil or starting materials (i.e., marijuana seeds and plants) in secure and sanitary conditions.
- Part 2 is similar to the former 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., *Narcotic Control Regulations*, *New Classes of Practitioners Regulations*) to update definitions and broaden the scope of products beyond dried marijuana; 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 commenced accepting 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 for them. Individuals who were previously authorized to possess and produce cannabis under the MMAR remain authorized to do so by virtue of a Federal Court injunction order.

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

The risks to the business of the Group 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 the Group's proposed products and could materially and adversely affect the business, financial condition and results of operations for the Group.

While the impact of any of such changes are uncertain and are 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 the Group's proposed operations that is materially different than the effect on similar sized companies in the same business as the Group.

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 the Group'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 Group's earnings and could make future capital investments or the Group's proposed operations uneconomic.

On June 30, 2016, the Government of Canada appointed a Task Force on Marijuana Legalization and Regulation (the "**Task Force**"). On November 30, 2016, the Task Force published its final report titled: *A Framework for the Legalization and Regulation of Cannabis in Canada*. In the final report, the Task Force recommended that the federal government of Canada regulate the production of cannabis and its derivatives (e.g. edibles and concentrates) at the federal level, drawing on the good production practices of the current cannabis for medical purposes system. Also, the Task Force recommended that the wholesale distribution of cannabis be regulated by provinces and territories and that retail sales be regulated by the provinces and territories in close collaboration with municipalities. Further, the Task Force recommended allowing personal cultivation of cannabis for non-medical purposes with the following conditions: (i) a limit of four plants per residence; (ii) a maximum height limit of 100 cm on the plants; (iii) a prohibition on dangerous manufacturing processes; (iv) reasonable security measures to prevent theft and youth access; and (v) oversight and approval by local authorities.

Volatile Stock Price

The stock price of the Company is expected to be highly volatile and will be drastically affected by governmental and regulatory regimes and community support for the medical cannabis industry. The Company cannot predict the results of its operations expected to take place in the future. The results of these activities will inevitably affect the Company’s decisions related to future operations and will likely trigger major changes in the trading price of the Company’s common shares.

Limited Operating History

While Abba Medix Corp. was incorporated and began carrying on business in 2013, it is yet to generate any revenue. The Group 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 the Group 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.

History of Losses

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

Risks Inherent in an Agricultural Business

The Group's business may, in the future, involve the growing of medical cannabis, 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 all such growing is expected to 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.

Energy Costs

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

Reliance on Management

Another risk associated with the production and sale of medical cannabis is the loss of important staff members. The Group is currently in good standing with all high level employees and believes that with well managed practices will remain in good standing. The success of the Group will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Group's business, operating results or financial condition.

Insurance and Uninsured Risks

The Group's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labor 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.

Although the Group maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Group 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. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Group is not generally available on acceptable terms. The Group might also become subject to liability for pollution or other hazards which may not be insured against or which the Group may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Group to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Reliance on a Single Facility

To date, the Group's proposed activities and resources have been primarily focused and will continue to be focused on the Facility for the foreseeable future. Adverse changes or developments affecting the Facility could have a material and adverse effect on the Group's business, financial condition and prospects.

Difficulty to Forecast

The Group's 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 cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Group.

Management of Growth

The Group may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Group 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 the Group to deal with this growth may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Internal Controls

Effective internal controls are necessary for the Group to provide reliable financial reports and to help prevent fraud. Although the Group will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Group under Canadian securities law, the Group cannot be certain that such measures will ensure that the Group will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Group's results of operations or cause it to fail to meet its reporting obligations. If the Group or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Group's consolidated financial statements and materially adversely affect the trading price of the Group shares.

Litigation

The Group may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Group becomes involved be determined against the Group such a decision could adversely affect the Group's ability

to continue operating and the market price the Group shares and could use significant resources. Even if the Group is involved in litigation and wins, litigation can redirect significant company resources.

Conflicts of Interest

The Company 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, the Company'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 the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

Limited Market for Securities

There can be no assurance that an active and liquid market for the common shares will be maintained and an investor may find it difficult to resell any securities of the Group.

Unfavorable Publicity or Consumer Perception

Management of the Group believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical cannabis produced. Consumer perception of the Group's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical cannabis 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 favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Group's proposed products and the business, results of operations, financial condition and cash flows of the Group. The Group'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 the Group, the demand for the Group's proposed products, and the business, results of operations, financial condition and cash flows of the Group. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or the Group's proposed products specifically, or associating the consumption of medical cannabis 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.

Product Liability

If licensed as a distributor of products designed to be ingested by humans, the Company 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 the Company's products would involve 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 the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company'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 the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company 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 the Company'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 labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company 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 the Company 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 the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Competition

On October 19, 2015, the Liberal Party of Canada obtained a majority government in Canada. The Federal Government has committed to the legalization of recreational cannabis in Canada, though no model for this regulatory change has been publicly disclosed or timeline for implementation put forward. This regulatory change may not be implemented at all. The introduction of a recreational model for cannabis production and distribution may impact the medical cannabis market. The impact of this potential development may be negative for the Company 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 Company operates.

If the Company is successful in becoming a Licensed Producer, there is potential that the Company will face intense competition from other companies, some of which have operating histories, more financial resources, and more industry, manufacturing and marketing experience than the Company. 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 Group.

The government has only issued to date a limited number of licenses, under the MMPR/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 Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. According to Health Canada there were 37 Licensed Producers as of December 30, 2016**.** If the number of users of medical cannabis in Canada increases, the demand for products will increase and the Company 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 Company will require a continued level of investment in research and development, marketing, sales and client support. The Company 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 Company.

On November 30, 2016, the Task Force published its final report titled: *A Framework for the Legalization and Regulation of Cannabis in Canada*. In the final report, the Task Force recommended that the federal government of Canada regulate the production of cannabis and its derivatives (e.g. edibles and concentrates) at the federal level, drawing on the good production practices of the current cannabis for medical purposes system. Also, the Task Force recommended that the wholesale distribution of cannabis be regulated by provinces and territories and that retail sales be regulated by the provinces and territories in close collaboration with municipalities. Further, the Task Force recommended allowing personal cultivation of cannabis for non-medical purposes with the following conditions: (i) a limit of four plants per residence; (ii) a maximum height limit of 100 cm on the plants; (iii) a prohibition on dangerous manufacturing processes; (iv) reasonable security measures to prevent theft and youth access; and (v) oversight and approval by local authorities.

The impact of this potential development may be negative for the Company 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 Company operates.

INFORMATION COMMUNICATION CONTROLS AND PROCEDURES

Management, including the Interim Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**"), is responsible for designing, establishing, and maintaining a system of internal controls over financial reporting ("**ICFR**") to provide reasonable assurance that all information prepared by the Company for external purposes is reliable and timely. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Financial Statements for external purposes in accordance with IFRS.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately reflect the transactions of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's Financial Statements. Due to its inherent

limitations, internal control over financial reporting and disclosure may not prevent or detect all misstatements.

The CEO and CFO have evaluated whether there were changes to the ICFR during the three months ended July 31, 2017 that have materially affected, or are reasonably likely to materially affect, the ICFR. As a result, no such significant changes were identified through their evaluation.

There have been no material changes in the Company's internal control over financial reporting during the year ended July 31, 2017 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities laws (collectively referred to as "forward-looking information") which relate to future events or the Company's future performance and may include, but are not limited to, statements about strategic plans, spending commitments, future operations, results of exploration, anticipated financial results, future work programs, capital expenditures and expected working capital requirements. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved.

Readers are cautioned not to place undue reliance on forward looking information and there can be no assurance that forward looking information will prove to be accurate as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking information if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking information will materialize. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking information, include, but are not limited to: fluctuations in the currency markets (such as the Canadian Dollar and the United States Dollar); changes in national and local government, legislation, taxation, controls, regulations and political or economic developments in Canada or other countries in which the Company may carry on business in the future; operating or technical difficulties in connection with exploration and development activities; risks and hazards associated with the business of the production and distribution of medical cannabis (including environmental hazards or industrial accidents); risks relating to the credit worthiness or financial condition of suppliers and other parties with whom the Company does business; the presence of laws and regulations that may impose restrictions on the production and distribution of medical cannabis, including those currently enacted in Canada; employee relations; relationships with and claims by local communities; availability and increasing costs associated with operational inputs and labor; business opportunities that may be presented to, or pursued by, the Company; risks relating to the Company's ability to raise funds; and the factors identified under "Risk Factors" in this MD&A available under the Company's profile at www.sedar.com.

The forward looking information contained in this MD&A are based upon assumptions management believes to be reasonable including, without limitation: the Company will be awarded a license to produce medical cannabis under the MMPR (now ACMPR); financing will be available for future working capital purposes and the completion of the construction of the Company's future production space; operating, and construction costs will not exceed management's expectations; all

requisite regulatory and governmental approvals for construction projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions will be favorable to the Company with respect to the medical cannabis industry; debt and equity markets and other applicable economic conditions will be favorable to the Company; the availability of equipment and qualified personnel to advance the Company's licensing and construction projects and; the execution of the Company's existing and future plans, which may change due to changes in the views of the Company or if new information arises which makes it prudent to change such plans or programs.

All forward-looking-information contained in this MD&A is given as of the date hereof and is based upon the opinions and estimates of management and information available to management as at the date hereof. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

This MD&A was prepared on November 20, 2017. Additional information about the Company is available under the Company's profile on the SEDAR website.

(signed) Gerry Goldberg, CPA, CA	*(signed)* Michael Johnston, CPA, CA
Interim Chief Executive Officer	Chief Financial Officer