BELEAVE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

The following is a discussion and analysis of the financial condition and results of operations of Beleave Inc. ("**Beleave**" or the "**Company**") and its wholly owned subsidiary First Access Medical Inc. ("**FAM**") for the nine months ended December 31, 2016. This MD&A should be read in conjunction with the Company's unaudited financial statements and accompanying notes for the three months and nine months ended December 31, 2016. All amounts in the MD&A are in Canadian dollars, except per share amounts or as indicated otherwise. The Company's accounting policies are in accordance with IFRS.

The effective date of this MD&A is February 28, 2017.

FORWARD-LOOKING STATEMENTS

This MD&A includes certain forward-looking statements that are based upon current expectations, which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend" and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts, but reflect management's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including, but not limited to, risks and uncertainties related to:

- the performance of the Company's business and operations;
- the intention to grow the business and operations of the Company;
- expected growth in the number of users of medical cannabis in Canada;
- the number of grams of medical cannabis to be used by each user;
- the impact of potential legalization of cannabis in Canada;
- future liquidity and financial capacity;
- the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest;
- treatment under government regulatory and taxation regimes and potential changes thereto in light of recent court decisions; and
- other risks described in this MD&A and described from time to time in documents filed by the Company with Canadian securities regulatory authorities.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including:

- the ability of the Company to generate cash flow from operations and obtain necessary financing on acceptable terms;
- general economic, financial market, regulatory and political conditions in which the Company operates;
- consumer interest in the Company's products;
- the timely receipt of any required regulatory approvals, included approvals from Health Canada;

- competition;
- the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; and
- the ability of the Company to conduct operations in a safe, efficient and effective manner.

With respect to the forward-looking statements contained herein, although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Consequently, all forward-looking statements made in this MD&A and other documents of the Company are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on the Company's behalf may issue. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

OVERVIEW

Beleave's Business

In 2001, Canada became the second country in the world to recognize the medicinal benefits of cannabis and to implement a government-run program for *Medical Marijuana Access Regulations* ("**MMAR**"). The original regulations permitted approved persons access to either grow the product, assign a person to grow product on their behalf, or seek supply from Health Canada. The methods implemented in 2001 provided access for less than 500 persons which grew to more than 30,000 approved persons by 2013, to possess and consume cannabis for medicinal purposes. Due in part to overwhelming growth, Health Canada issued new regulations, the *Marihuana for Medical Purposes Regulations* ("**MMPR**") in June 2013 that would replace government supply and home-grown medical cannabis with highly secure and regulated commercial operations. The introduction of MMPR program was viewed as a highly regulated free marketplace designed to reduce costs associated with policing the growth of the cannabis industry.

Under the MMPR, patients are required to obtain a medical document from their physician or nurse practitioner and provide the medical document to a "Licensed Producer" (as such term is defined in the MMPR/ACMPR) from whom they wish to purchase cannabis. Since the requirements under the new regulations are both simpler and involve fewer participants than the previous regulatory regime, it is anticipated that the growth in the number of approved users will accelerate.

As a response to the decision rendered on February 24, 2016 in *Allard v. Canada*, the Federal Government introduced new regulations called the *Access to Cannabis for Medical Purposes Regulations* ("**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 ACMPRs 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 ACMPRs enable the production and sale by Licensed Producers of starting materials, including cannabis seeds and plants. The ACMPRs are not expected to significantly impact the operations of Beleave.

Beleave's wholly-owned subsidiary FAM has submitted an application to Health Canada for a license to cultivate and sell cannabis for medical purposes under the MMPR (and now ACMPR) and is currently in the review stage of the application process. In anticipation of patient participation within this program, Beleave's management recognized the business opportunity to be not only a Licensed Producer in this marketplace, but to provide further insights to the efficacy of cannabis to health practitioners as well as patient education. Amid these views, Beleave's management took initiatives to partner up with researchers and educators in applying

for grants to obtain intellectual property that will not only allow physicians to monitor the efficacy of their patients in real time, but be able to provide alternative applications of cannabis.

On September 26, 2016 FAM received notification from Health Canada that, upon the confirmation that FAM's proposed site and storage security measures are in place, and functional and comply with the requirements of the ACMPR and the Security Directive, Health Canada will prepare to request a pre-license inspection (the "**Pre-License Inspection**"). The issuance of a license under the ACMPR is in part dependent upon the completion of a satisfactory Pre-License Inspection by Health Canada of FAM's proposed site. Beleave's management is anticipating an efficient response to Health Canada in order to be able to notify Health Canada and the Office of Medical Cannabis that FAM's proposed site is ready for Health Canada to conduct a Pre-License Inspection.

RESULTS OF OPERATIONS SETUP

Summary of Cash Flows for the nine months ended December 31, 2016, and 2015

	2016	2015
Cash Flows provided by (used in) operating activities	($778,244)	($255,249)
Cash Flows Provided by financing activities	$3,214,710	$182,465
Cash Flows used in investing activities	($825,391)	($39,310)
Cash, End of Period	$1,841,769	$124,146

SUMMARY OF RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

During the nine months ended December 31, 2016, Beleave's focus and operating spending has been limited as Beleave is preparing for its Pre-License Inspection and waiting on any further inquiries from Health Canada with respect to requirements to be a Licensed Producer. Beleave is well positioned to obtain a license and acquire patients to support its business model and is focusing its resources as follows:

- As at September 26, 2016 FAM has received notification from Health Canada that upon FAM's confirmation that its proposed site and storage security measures are in place, functional and comply with the requirements of the ACMPR and the Security Directive, Health Canada will prepare to request a Pre-License Inspection of FAM's proposed site. The issuance of a license under the ACMPR is in part dependent upon the completion of a satisfactory Pre-License Inspection by Health Canada of FAM's proposed site. In connection with the foregoing, Beleave has been focusing its resources on preparing FAM's proposed site to ensure it is ready for Pre-License Inspection.

- At the time this MD&A was written the Company has made significant advancements towards requesting a Pre-License Inspection date from Health Canada.

- Continuing to add to an in-house expertise for the operations, production, management and professional services requirements of the business, including advisory board members from respected universities and research centers.

- Continuing open dialogue with healthcare practitioners for patient educational purpose.

- Furthering its client acquisition strategy with strategic partnerships that will continue to pursue the plans as outlined below:

    (a) Beleave has established a reputable team to lead the Company through its ongoing research and development surrounding the clinically-appropriate uses of cannabinoids for medical purposes. The breadth of expertise of Beleave's team provide it unique access to Canada's medical community. In the short run, the way in which Beleave plans to acquire patients and

generate revenue to cover operational costs, is by clinically demonstrating the safety and efficacy of its cannabis, cannabis-based medicines and ancillary products for the treatment of ailments. Specifically, Beleave is currently collaborating with scientists and physicians actively involved in medicinal cannabinoid research on projects involving the cultivation of relevant cannabis cultivars with particular cannabinoid/terpenoid profiles, and regarding the development of two proprietary cannabinoid-based products/technologies: (i) pharmaceutical-grade cannabinoid/terpenoid-based medicinal extracts; and (ii) relevant clinical trial technologies that aid in the use of these medicines by patients. This research and development platform regarding Beleave's cannabis cultivars and ancillary product/technology development will achieve 3 goals:

(i) Development of proprietary strains that will enable it to standardize treatment for patients with specific ailments

(ii) Development of ancillary products/technologies, that are themselves proprietary and revenue generating

(iii) These products promote practices surrounding cannabinoid consumption by patients that are safer and more therapeutically effective than what has been previously possible prior to this research and development (while not taking away existing customers), thus providing physicians with a greater level of confidence when clinically evaluating the efficacy of cannabinoids for the treatment of disease.

(b) As such, these products will serve to increase the number of medical documents filled by physicians. A valuable role of our research and development platform will be to foster interdisciplinary and inter-institutional research on medicinal cannabinoids in Ontario and across Canada, as well as to increase related knowledge transfer on the clinical use of cannabinoids. Alongside development of pharmaceutical-grade cannabinoid/terpenoid-based medicinal extracts and relevant clinical trial technologies that aid in the use of these medicines by patients, Beleave will also engage physicians that are at the forefront of patient care and research within the field of medicinal cannabinoids in order to sponsor research and continuing education programs aimed at investigating and disseminating clinical evidence regarding the safety and efficacy of FAM products for the treatment of disease. Our aim is to develop an educational platform for patients, physicians and the community in general regarding the clinical data for safety and efficacy of our medicinal cannabinoid products. By advancing research in the field of cannabinoid based medicines, and actively educating the patient and medical community, we feel this will also be a crucial driving factor for client acquisition.

(c) Given successful implementation of the aforementioned strategy, Beleave projects to only need 186 patients purchasing an average of 0.75 grams per day to break even. The Company could support an estimated 1,500 patients at its current facility, with additional space available to produce enough product to support 9,000 patients.

The following table sets forth the statement of comprehensive loss for the nine months ended December 31, 2016, and 2015:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	**2015**	**2016**	**2015**
Expenses				
Marketing and promotion	**$ 70,526**	$ 70,013	**$ 419,923**	$ 70,013
Professional services	**296,239**	188,415	**509,385**	211,690
Office expenses	**167,279**	21,740	**209,879**	71,456
Research and development	**-**	25,475	**13,660**	42,075
Share-based compensation	**(39,554)**	-	**1,122,991**	664,200
Rent and facilities	**152,696**	20,340	**244,764**	61,020
Listing costs	**-**	1,468,071	**-**	1,468,071
Loss on debt settlement	**56,538**	(788)	**56,538**	44,512
Management and consulting fees	**213,042**	91,316	**327,042**	91,316
Supplies and consumables	**186**	-	**13,697**	-
Net loss and comprehensive loss for the period	**$ (860,414)**	$ (1,884,582)	**$ (2,917,879)**	$ (2,724,353)
Loss per share - basic and diluted	**$ (0.04)**	$ (0.14)	**$ (0.14)**	$ (0.20)
Weighted average number of shares outstanding - basic and diluted	**24,453,131**	13,683,354	**20,536,619**	13,463,341

Beleave did not have any material purchases or expenses that required conversion of foreign currency-denominated transactions.

Revenues

The Company has no revenue to report as it is not yet earning revenues from its principal operations.

Operating Expenses

Operating expense for the nine months ended December 31, 2016 was $2,917,879. These expenses were incurred as part of professional services to support its client acquisition strategy, general and administrative expenses, as well as research and development, and management compensation as issued in share capital to key management. All of the cash expenses incurred were in form of G&A, marketing, R&D and leases as the Company did not pay any cash based salaries to its management team nor its board of directors.

There was no income tax expense during the period.

Net Loss

The net loss for the nine months ended December 31, 2016 was $2,917,879.

Loss Per Common Share

The table below presents the basic and diluted loss per common share for nine months ended December 31, 2016.

	Nine months ended December 31, 2016
Basic and diluted loss per common share:	$(0.14)
Weighted Average Number of Common Shares	20,536,619

Due to a net loss from continuing operations, financial instruments, including warrants and options, are anti-dilutive.

SELECTED FINANCIAL INFORMATION – SUMMARY OF QUARTERLY RESULTS

The following tables sets out selected quarterly information for the last 8 completed fiscal quarters of the Company:

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net Sales/Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Income (Loss)	(2,917,879)	(2,000,927)	(751,861)	(2,011,208)	(263,159)	(40,466)	(677,543)	(129,905)
Basic and diluted Earnings (Loss) per share	(0.14)	(0.11)	(0.04)	(0.15)	(0.02)	(0.00)	(0.05)	(0.01)

LIQUIDITY

The Company's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund the Company's operating and organic growth requirements. Beleave secured new equity investments during fiscal 2015 as well as subsequent to year-end (see "Subsequent Events" below), to finance the development of the business as well as facilitating ongoing operations. The table below sets out the cash, short-term debt and working capital at December 31, 2016.

	As at Dec. 31, 2016
Cash	$1,841,769
Prepaid expenses	$15,780
Sales Tax Receivable	$117,368
Account Payables	$905,280
Working capital	$1,069,637

At as December 31, 2016, the Company had cash available of $1,841,769. The Company consumed $2,917,879 in operating activities during the nine months. The Company has incurred losses to date. The Company expects to generate operational revenue commencing in the fourth quarter of 2017 and will incur losses until revenues reach a level where operations become profitable. The Company's ability to reach

profitability is dependent on successful implementation of its business strategy. While management is confident in the success and profitability of the business, there can be no assurance that Beleave will gain adequate market acceptance for its products or be able to generate sufficient gross margins to reach profitability.

Cash from Financing Activities

During April and May 2015 the Company completed a non-brokered placement raising aggregate gross proceeds of $90,000 through the sale of 180,000 units at $0.50 per unit. Each unit comprised one common share and one warrant of the Company.

Concurrent with the RTO, the Company issued 96,666 subscription receipts to be automatically exchanged for shares at a price of $0.75 per subscription receipt for gross proceeds of $72,500.

As at March 31, 2016, the Company received $216,801 for units that were issued subsequent to year end. These proceeds have been reported as units to be issued under shareholders' equity. Each unit comprises one common share and one common share purchase warrant of the Company. Each warrant is exercisable into one common share at an exercise price of $0.50 until the date that is 24 months following the issue date.

In April of 2016, the Company, through a non-brokered private placement, issued 1,464,336 common shares for gross proceeds of $439,301 through the sale of common shares at $0.30 per share.

On June 9, 2016, the Company announced that it has closed a second tranche of a private placement financing for gross proceeds of $28,000. Upon closing the financing, Beleave issued 93,332 units at a price of $0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of $0.50 for a period of two years from closing

On September 21, 2016, Beleave closed a non-brokered private placement financing for gross proceeds of $1,405,000. Pursuant to the non-brokered private placement financing the Company issued an aggregate of 3,512,500 units at a price of $0.40 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of $0.50 for a period of two years from date of closing. The common shares and warrants issued pursuant to the financing are subject to a four-month hold period.

On October 6, 2016, Beleave closed a non-brokered private placement financing for gross proceeds of $250,000. Upon closing the financing, Beleave issued 416,666 units at a price of $0.60 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of $0.75 for a period of two years from closing. The common shares and warrants issued pursuant to the financing are subject to a four-month hold period.

Cash from Investing Activities

There were no private company, public company or any derivative securities types of investing activities for the nine months ended December 31, 2016, however the company continues to invest in property plant and equipment. Such aggregate investments amount to $825,391 as at December 31, 2016.

CAPITAL RESOURCES

To date and for the foreseeable future, the Company expects to finance its operations through the issuance of common shares until the point at which its operations are profitable and self-funding. The Company periodically evaluates the opportunity to raise additional funds through either the public or private placement of equity capital to strengthen its financial position and to provide sufficient cash reserves for growth and development of the business.

Beleave has an unlimited number of common shares authorized for issuance of which 26,721,356 common shares are issued and outstanding as at February 28, 2017. No other shares are issued and outstanding.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

The Company has no off-balance sheet arrangements.

OUTLOOK

The Company expects to be well positioned to be a key player in this growing industry. In the Regulatory Impact Analysis Statement commissioned in connection with the development of the MMPR, Health Canada's analysis used an upper bound (or ceiling) of 450,000 Canadians who might become participants in Canada's Marijuana Medical Access Program by 2024 as the reference case.

Beleave anticipates that the majority of the existing Licensed Producers and upcoming Licensed Producers will be given a free market participation in due course; however, a number of new competitors will emerge and will launch; all vying for market share. Although the Company anticipates a range of competitors, it believes that its management team, alongside with its industry partners will enable the Company to establish and retain a leadership position in the market.

As purveyors of a commodity product, there is initially little to differentiate our products in terms of unique features or benefits. Beleave will continue to differentiate its brand through research and educational materials through its partnerships with universities and research facilities that will allow the Company to attract new customers to the market. This strategy will position Beleave as the number one trusted brand within the industry when it comes to quality, care, and advocates of safe and carefully monitored consumption of medicinal cannabis.

TRANSACTIONS WITH RELATED PARTIES

The Company transacts with related parties in the normal course of business. These transactions are measured at their exchange amounts.

	Three months ended December 31, 2016	**Three months ended December 31, 2015**	**Nine months ended December 31, 2016**	**Nine months ended December 31, 2015**
Expenses:				
Rent	**$ 18,000**	$ 20,340	**$ 54,000**	$ 61,020

As at December 31, 2016, there was $149,685 (March 31, 2016 - $46,740) outstanding payables to related parties.

A director of the Company has participated in the April 12, 2016 financing.

Key management compensation is comprised of the following:

	Three months ended December 31, 2016	Three months ended December 31, 2015	Nine months ended December 31, 2016	Nine months ended December 31, 2015
Short term benefits	**$ 213,042**	$ -	**$ 1,167,042**	$ -
Share-based compensation	**-**	-	**84,374**	303,900

Companies owned and/or controlled by certain directors of the Company provided services or sale of items of property and Equipment which are included in the financial statements as follows:

Beleave's proposed production facility, located in Flamborough, Ontario is leased from a related party and director of the Company on favourable terms. On July 1, 2015 the Company signed a long term net lease agreement for a term of 8.5 years and the option to extend the lease for 5 years, twice. For the first 3.5 years, the net rent payable is $14,875 monthly until December 2018, with 5% annual increase from January 1st, 2019 and each subsequent year.

RISKS AND UNCERTAINTIES

The Company operates in a dynamic, rapidly changing environment that involves risks and uncertainties and as a result management expectations may not be realized for a number of reasons. An investment in Beleave common shares is speculative and involves a high degree of risk and uncertainty.

1. Cannabis is 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.

2. Beleave is Not a Licensed Producer Under the ACMPR

Beleave, through its wholly owned subsidiary FAM, has applied to Health Canada to become a Licensed Producer under ACMPR (which has replaced the MMPR) that would enable Beleave to cultivate and sell medical marijuana to patients across Canada. Beleave has not yet received a License and as such is not a Licensed Producer. However, FAM has received an affirmation email from Health Canada notifying it that upon FAM's confirmation that its proposed site and storage securities measures are in place, functional and comply with the requirements of the ACMPR, and the Security Directive, Health Canada will prepare to request a Pre-Licence Inspection (a "**PLI Notice**"). Beleave's ability to cultivate, store and sell medical marijuana in Canada is dependent on obtaining a license from Health Canada and there can be no assurance that Beleave will obtain such a License.

Beleave's success to date includes:

- Beleave has advanced to the review stage of the licensing process;
- Beleave personnel have passed through the security clearance stage of the licensing process;
- Beleave has completed the build out of its proposed facility; and
- Beleave has received a PLI Notice and is preparing for its Pre-Licence Inspection.

Even if Beleave is successful in obtaining a License, such License will subject Beleave 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 Beleave. Furthermore, the License will have an expiry date of approximately one year from the date it is granted. Upon expiration of the License, Beleave would be required to submit an application for renewal to Health Canada containing information prescribed under the ACMPR and renewal cannot be assured.

3. Licensing Requirements Under the ACMPR

The market for cannabis (including medical marijuana) 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. The below table provides a general overview of the licensing process as described by Health Canada.

Stage	Overview
Stage 1	**Preliminary Screening**: When an application is received, it undergoes a preliminary screening for completeness. If an application is not complete, it will be returned. If an application is complete, it will be assigned an application number. The application number means that the application has completed the preliminary screening.
Stage 2	**Enhanced Screening**: Once an application has been assigned an application number, it will be reviewed to ensure: that the location of the proposed site does not pose a risk to public health, safety and security; that the proposed security measures outlined in the application meet the requirements of the ACMPR; and the proposed quality assurance person has the appropriate credentials to meet the good production requirements outlined in Subdivision D of the ACMPR. It is the responsibility of the applicant to ensure that they are in compliance with all applicable provincial, territorial, and municipal legislation, regulations and bylaws, including zoning restrictions.
Stage 3	**Security Clearance:** Once the screening of an application is complete, the security clearance forms for key personnel will be sent for processing. The time required to conduct mandatory security checks varies with each application. Security clearances generally take several months at a minimum. Health Canada and the RCMP are not able to provide updates on the status of security checks. Applications will only advance to the review stage once the security clearances for the key personnel are completed. Please note that until such a time as Health Canada receives the results of the security checks, there will be no further communication from Health Canada.
Stage 4	**Review:** Once all security clearances are obtained, an application will be thoroughly reviewed to validate the information provided. Given the extensive review process, applicants are generally required to communicate with the Office of Controlled Substances multiple times to provide clarifications on the application. Physical security plans will be reviewed and assessed in detail at this stage. Applicants must meet a minimum of a level 7 (pursuant to the physical security directive) to be considered for a license.
Stage 5 *Beleave's current stage of the licensing process*[1]	**Pre-License Inspection:** Upon confirmation from the applicant that the site has been fully built and security measures are in place, a Pre-License Inspection will be scheduled. If any deficiencies are identified, they will be communicated to the applicant and must be addressed prior to a license being issued.
Stage 6	**Licensing:** Once it has been confirmed through the Pre-License Inspection that the applicant meets all the requirements of the ACMPR, a license will be issued. Health Canada has introduced a staged process for the issuance of licenses. Applicants will first be issued a license to produce only. This will enable Health Canada inspectors to confirm that the first batch of dried marihuana produced meets the good production practices and record keeping requirements outlined in the ACMPR. It also allows Health Canada to verify the test results of the dried marihuana (e.g. for microbial and chemical contaminants) to ensure that the dried marihuana meets all quality control requirements before it is made available for sale. Once a Licensed Producer has finished producing the first crop of marijuana, they must demonstrate through an inspection and test results that the planned growing processes will result in the production of a dried product that meets the Licensed Producer's specified quality control

Stage	Overview
	standards and the Good Production Practices set out in Subdivision D of the ACMPR. Only once Health Canada is satisfied the Licensed Producer meets the requirements of Subdivision D of the ACMPR will a license be amended to allow sale to the public.

Notes:

(1) FAM has received a PLI Notice and expects it will soon be in a position to respond to Health Canada.

4. Change in Laws, Regulations, and Guidelines.

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

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. 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 that which is specified by their license or 150 grams, whichever is less; and (ii) individuals who held, as of September 30, 2013, or were issued thereafter a valid license to produce cannabis under the MMAR can 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.

On June 11, 2015 the Supreme Court of Canada, in 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 that Sections 4(1) and 5(2) of the CDSA, which prohibits possession and trafficking of non-dried forms of cannabis, are no longer of force and effect to the extent that they prohibit a person with medical authorization from possessing cannabis derivatives for medical purposes. This ruling means that medical cannabis patients authorized to possess and use medical cannabis are no longer limited to using dried forms of cannabis and may now consume cannabis and its derivative forms for medical purposes. The effect of the Supreme Court of Canada decision on Licensed Producers was not as clear since Licensed Producers were governed and licensed under the MMPR. In order to clarify the uncertainty surrounding a legal source of supply of cannabis as a result of the Supreme Court of Canada decision, 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).

The Federal Court decision on Allard 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 did not choose to appeal the decision to the Federal Court of Appeal and has, instead, decided to respond to the decision by introducing Charter-compliant legislation.

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 contain 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:

    (a) Transitional provisions, which mainly relate to the continuation of MMPR activities by Licensed Producers;

    (b) 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

    (c) 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 will accept 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 marijuana 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 Beleave 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 Beleave's proposed products and could materially and adversely affect the business, financial condition and results of operations for Beleave.

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 Beleave's operations that is materially different than the effect on similar-sized companies in the same business as Beleave.

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

5. Volatile Market Price for Common Shares.

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

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding common shares;
- sales or perceived sales of additional common shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Company's industry generally and its business and operations;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

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

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

As of the date of this MD&A, Beleave's proposed production facility is substantially complete. The facility will require an inspection by Health Canada prior the granting of a license under the MMPR/ACMPR. Adverse changes or developments affecting construction of the facility and commencement of production could have a material and adverse effect on Beleave'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 Beleave's management, and may be greater than funds available to Beleave, in which circumstance Beleave may curtail, or extend the timeframes for completing its business plans. This could have an adverse effect on the financial results of Beleave.

7. Timeframes and Cost to Obtain a License Under the MMPR/ACMPR

The timeframes and costs required for Beleave or any applicant for a license under the MMPR/ACMPR to build the infrastructure required, to apply for, and to receive, a license can be significant. Estimates of the timeframe and costs cannot be reliably determined at this time given that Beleave is at the review stage in the licensing process. The current backlog of applications from other licensees with Health Canada and the anticipated timeframe for processing and approval of any application cannot be reliably determined at this time.

Ultimately, in the process of meeting all licensing requirements, a facility meeting the rigorous requirements of Health Canada must be available for inspection by Health Canada before any license can be granted.

8. Regulatory Risks

Beleave 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. Beleave's ability to grow, store and sell medical cannabis in Canada is dependent on the License 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 Beleave.

Beleave 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 Beleave'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 Beleave'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 Beleave's earnings and could make future capital investments or Beleave'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.

Beleave'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, Beleave 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 Beleave 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

9. Governmental Regulations and Risks

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

Government approvals and permits are currently, and may in the future, be required in connection with the Beleave's operations. To the extent such approvals are required and not obtained, Beleave 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. Beleave 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 cannabis, or more stringent implementation thereof, could have a material adverse impact on Beleave and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

10. Limited Operating History

While FAM was incorporated and began carrying on business in 2013, and became a wholly owned subsidiary of Beleave on December 22, 2015, it is yet to generate any revenue. The Company 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 Company 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.

11. History of Losses

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

12. Risks Inherent in an Agricultural Business

The Company'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.

13. Energy Costs

The Company's prospective 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 Company and its ability to operate profitably.

14. Reliance on Management

Another risk associated with the production and sale of cannabis is the loss of important staff members. The Company 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 Company 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 Company's business, operating results or financial condition.

15. Insurance and Uninsured Risks

The Company'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.

Although the Company 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 Company 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 Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

16. The Company Will Be an Entrant Engaging in a New Industry

The cannabis industry is fairly new. There can be no assurance that an active and liquid market for shares of the Company will develop and shareholders may find it difficult to resell their shares. Accordingly, no assurance can be given that the Company will be successful in the long term.

17. Reliance on a Single Facility

To date, the Company's proposed activities and resources have been primarily focused on the premises leased under the Lease Agreement and the Company 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 Company's business, financial condition and prospects.

18. Difficulty to Forecast

The Company 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 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 Company.

19. Management of Growth

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

20. Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company 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 Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company 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 Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company shares.

21. Litigation

The Company 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 Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for Company shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources.

22. 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.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or corporations with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Company'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 the Company are required to act honestly, in good faith and in the best interests of the Company.

23. 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 Beleave.

24. Unfavourable Publicity or Consumer Perception

Management of Beleave believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of 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 favourable to the 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 favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company'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 Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Company's proposed products specifically, or associating the consumption of 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.

25. 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.

26. 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.

27. Competition

On October 19, 2015, the Liberal Party of Canada obtained a majority government in Canada. The Party 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 Beleave.

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 39 Licensed Producers as of February 28, 2017. 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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses and the related disclosures of contingent assets and liabilities. Significant estimates in the accompanying financial statements relate to accruals and provisions, stock-based compensation. Actual results could differ from these estimates.

SUBSEQUENT EVENTS

(a) Subsequent to December 31, 2016, 1,054,706 warrants with an exercise price of $0.50 were exercised for aggregate cash proceeds of $527,353.

(b) Subsequent to December 31, 2016, the Company granted 1,320,000 options exercisable at $1.75 per common share to various consultants and members of the board of directors. All options expire five years from grant.

(c) Subsequent to December 31, 2016, the Company entered into a debt settlement agreement with certain consultants and directors whereby Beleave settled $149,685 of its outstanding payables through the issuance of 100,460 common shares at a deemed price of $1.49 per common share.