THC BIOMED INTL LTD.

Management Discussion and Analysis

For the Year Ended July 31, 2017

(Expressed in Canadian Dollars)

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. All statements, other than statements of historical fact, made by the Company that address activities, events ,or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by, or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance, or business developments. These statements speak only as of the date they are made and are based on information currently available and on the Company’s then current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance, or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the availability of financing opportunities, risks associated with economic conditions, dependence on management, and conflicts of interest;
- market competition and agricultural advances of competitive products;
- the timing and availability of the Company’s products, its ability to expand production space, and acceptance of its products by the market;
- the ability to successfully market, sell, and distribute the products, and to expand the Company’s customer base.

Actual results or events could differ materially from the plans, intentions, and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties, and other factors such as those described above and in “Risks and Uncertainties” below. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

INTRODUCTION

This Management Discussion and Analysis ("MD&A") of the operating results and financial condition of THC BioMed Intl Ltd. (the "Company") for the year ended July 31, 2017 should be read in conjunction with the consolidated financial statements for the year ended July 31, 2017.

The consolidated financial statements include the accounts of THC BioMed Intl Ltd. and its three wholly owned subsidiaries: THC BioMed Ltd., THC Meds Inc., (collectively the "THC Companies") and Clone Shipper Ltd.. on a consolidated basis after elimination of intercompany transactions and balances. Subsidiaries are entities the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures, and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board of Director's Audit Committee meets with management quarterly to review the financial statements and the MD&A and to discuss other financial, operating, and internal control matters. The reader is encouraged to review the Company's statutory filings on www.sedar.com.

This MD&A is prepared as at November 27, 2017. All dollar figures stated herein are expressed in Canadian dollars unless otherwise noted.

Readers should use the information contained in this report in conjunction with all other disclosure documents including those filed on SEDAR at www.sedar.com.

DESCRIPTION OF THE BUSINESS

THC BioMed Intl Ltd. ("THC" or the "Company") is a publicly traded company with its head office at Unit 1 – 2550 Acland Road, Kelowna, British Columbia, Canada, V1X 7L4. The Company's shares trade on the Canadian Securities Exchange ("CSE") under the symbol THC and on the Over the Counter ("OTC") market under the symbol THCBF.

The Company's principal business is the production and sale of medical marijuana through THC BioMed Ltd. which is licensed to produce and sell medical marijuana under the provisions of the *Access to Cannabis for Medical Purposes Regulations ("ACMPR").* The Company also conducts research and development of the products and services related to cannabis for medical purposes.

At the close of business on July 31, 2017, THC BioMed Ltd. and THC Meds Inc. were amalgamated and the name THC BioMed Ltd. was retained.

HISTORY OF THE BUSINESS

On February 18, 2016, THC BioMed Ltd. received its license to grow medical marijuana.

On May 24, 2016 the Company's license was amended to include the production of fresh marijuana, cannabis oil, and cannabis resin.

On September 26, 2016, the Company announced that it signed a Letter of Intent to purchase 100% of Clone Shipper LLC, a US based company specializing in the packaging products used to transport live plants, for US$1,000,000. This is a strategic acquisition to allow the Company to penetrate the US and International cannabis market along with the ability to securely ship live plants with the increased legalization of medical marijuana. Clone Shipper is currently the only device that meets the legal requirements governing the transportation of controlled live plants. Clone Shipper products are currently available for sale at gardening supply outlets throughout the US and on popular sites like Amazon.com.

On October 17, 2016, the Company had its license amended again to be able to sell fresh marijuana, cannabis oil, and cannabis resin to other Licensed Producers.

As an interim step until the acquisition of Clone Shipper LLC was completed, the Company signed a Distribution Agreement with Clone Shipper LLC on October 27, 2016. The Distribution Agreement was for a period of two years and the Company paid Clone Shipper LLC US$75,000 for the Company to have the distribution rights for all Clone Shipper products in Canada.

On December 19, 2016, Health Canada amended THC BioMed Ltd.'s license to allow the sale of "starting materials" or marijuana plants immediately to legally authorized patients under the ACMPR.

In January 2017, the Company began sales of clones using the Clone Shipper packaging.

On March 16, 2017, the Company announced that it entered into a Capital Commitment Agreement with GEM Global Yield Fund LLC SCS for a $10,000,000 capital commitment from GEM to invest into THC. Proceeds raised from the investment will be used for working capital and general corporate purposes, and in particular, to close the Clone Shipper asset acquisition transaction.

On May 8, 2017, the acquisition of Clone Shipper assets was completed and $500,000 of the GEM facility was used to complete the transaction.

The Company announced on June 22, 2017 that they received an order to export dried marijuana to Germany. THC has initiated the process to meet the regulatory requirements to export to the European Union.

On July 21, 2017, the Company entered into a capital commitment from Alumina Partners (Ontario) Ltd. for up to $12,000,000.

On August 24, 2017, the Company announced that Health Canada amended the license again to allow the sale of dried marijuana to registered patients under the ACMPR.

On September 1, 2017, the Company signed a Secondary Site License Agreement ("Agreement") with Canadian Biotechnology and Development Services Ltd.("CBD"). The Agreement provides for the Company to apply to Health Canada for a second site license, the location to be determined by CBD, and the use of the Company's laboratory facilities to conduct experiments in accordance with the ACMPR and the Company's current licensing. CBD will pay the Company a total of $250,000 of which $130,000 is to be paid up front, and an additional $20,000 per month commencing October 1, 2017 to and including March 1, 2018.

On November 1, 2017, the Company completed the acquisition of two additional units to add to its existing facilities in Kelowna, British Columbia. The total purchase price of the two units was $485,000 in an arm's-length transaction. $185,000 was paid in cash and a $300,000 mortgage was obtained by the Company. An agent's fee of $10,000 per unit was paid to an arm's length party. These additional units add 4,000 square feet to the Company's facility. This acquisition increases the Company's footprint to 20,000 square feet of owned and rented premises.

For the Year Ended July 31, 2017

On November 20, 2017, the Company announced the creation of THC2GO Dispensaries Ltd., a wholly-owned subsidiary. The Company has begun the application process to become a cannabis retailer in Manitoba and intends to apply for retail outlets in each Canadian province that permits private cannabis outlets.

The Company aims to become a leader in the industry by producing a product of high quality and reliable quantity. The Company expects to be selling its medical marijuana product and earning revenues by concentrating on:

1. Target market: the Company intends to sell its products and services, including medical marijuana, to other Licensed Producers, patients, and physicians;
2. Marketing and branding: the Company will develop recognition of its brand and quality through a high quality web presence and participation in industry events. The Company has developed the website www.thcbiomed.com . The Company intends to comply with all advertising prohibitions and marketing restrictions of the Food and Drug Act, the Narcotic Control Regulations, and the ACMPR;
3. Personnel: the Company intends to engage new professionals as required for its board of directors, sales and marketing to fulfill the Company's current business objectives, and to prepare the Company for changes and developing opportunities in the industry; and
4. Monitoring and development of growing plan: the Company intends to continuously monitor and attempt to maximize the quantity and quality of its medical marijuana products. The Company further intends to continue to develop technologies, products, and services that will assist the Company and other Licensed Producers to grow the best product possible, in sufficient quantity, and for reasonable costs.

SELECTED ANNUAL INFORMATION

The following table provides selected annual audited financial information that should be read in conjunction with the audited financial statements and notes:

	July 31 2017	July 31 2016	July 31 2015
Revenue	$ 59,876	$ -	$ -
Negative profit margin	$ (85,835)	$ (100,579)	$ -
General and administrative expenses	$ (1,157,157)	$ (818,266)	$ (1,904,316)
Depreciation and amortization	$ (89,978)	$ (46,895)	$ (11,686)
Sales and marketing	$ (41,761)	$ -	$ -
Share-based compensation	$ (134,788)	$ (68,595)	$ (59,754)
Other income (expense) items	$ 904,652	$ 497,995	$ (1,086,300)
Net loss for the year	$ (604,867)	$ (536,340)	$ (3,062,056)
Total assets	$ 6,963,292	$ 1,600,973	$ 1,267,427
Total liabilities	$ 4,983,997	$ 1,250,306	$ 2,782,131
Total shareholders' equity (deficiency)	$ 1,979,295	$ 350,667	$ (1,514,704)

SUMMARY OF QUARTERLY RESULTS

	Quarter Ended		Revenue		Net Income (Loss)		Income (Loss) Per Share
Q4/2017	July 31, 2017	$	21,037	$	(932,197)	$	(0.01)
Q3/2017	April 30, 2017	$	35,644	$	(740,078)	$	(0.01)
Q2/2017	January 31, 2017	$	3,195	$	125,702	$	-
Q1/2017	October 31, 2016	$	-	$	941,706	$	0.01
Q4/2016	July 31, 2016	$	-	$	(46,301)	$	-
Q3/2016	April 30, 2016	$	-	$	(256,376)	$	(0.01)
Q2/2016	January 31, 2016	$	-	$	63,090	$	-
Q1/2016	October 31, 2015	$	-	$	(296,753)	$	-

RESULTS OF OPERATIONS

Year Ended July 31, 2017

The Company’s net loss for the year ended July 31, 2017 was $604,867 compared to a net loss of $536,340 for the year ended July 31, 2016.

During the year ended July 31, 2017: the Company had sales revenue of $59,876 (July 31, 2016 - $Nil) and produced a negative profit margin of $85,835 (July 31, 2016 - $100,579). At the end of the previous year, the Company only had a license to produce medical marijuana and not a license to sell product from Health Canada. During the year ended July 31, 2017, the Company only had a license to sell fresh marijuana, cannabis oil, and cannabis resin to other Licensed Producers and beginning on December 19, 2016 “starting materials” or marijuana plants to legally authorized patients; accordingly, sales revenue is minimal for fiscal 2017. As production increases at the facility, the cost of sales per ounce is expected to decline considerably.

General and administrative expenses increased overall to $1,157,157 (July 31, 2016 - $818,266) as a result of: increased legal and accounting fees, increased investor relation expenses, and increased transfer agent and filing fees all a result of increased business activity during the year. The Company currently has 16 employees.

Depreciation increased for the year ended July 31, 2017 as the assets became “in use” upon the license received by Health Canada in the last quarter of the previous fiscal year, whereas the current fiscal year reports a full year of depreciation. Depreciation was $89,978 (July 31, 2016 - $46,895).

Share-based compensation increased for the year ended July 31, 2017 to $134,788 (July 31, 2016 - $68,595).

Other income and expense items for the year ended July 31, 2017 produced $904,652 of gains (July 31, 2016 - $497,995) made up of: consulting fees of $Nil (July 31, 2016 - $250,000); $101,433 (July 31, 2016 - $Nil) for the distribution agreement for Clone Shipper that was expensed in the current fiscal year when the acquisition of Clone Shipper was completed; a foreign exchange gain of $22,333 (July 31, 2016 - $2 loss); revaluation of the agent warrants relating to the GEM financing produced a gain of $2,225,501 (July 31, 2016 - $Nil); the impairment loss of the patents and trademarks acquired from Clone Shipper of $1,270,708 (July 31, 2016 - $Nil); interest income of $170 (July 31, 2016 - $885); commission from filing provincial sales tax returns produced income of $153 (July 31, 2016 - $Nil); and a reversal of amounts payable of $28,636 (July 31, 2016 - $Nil).

Three Months Ended July 31, 2017

The Company's net loss for the three months ended July 31, 2017 was $932,197 compared to a net loss of $46,301 for the three months ended July 31, 2016.

During the three months ended July 31, 2017, the Company had sales revenue of $21,037 (July 31, 2016 - $Nil) and produced a negative profit margin of $1,290,400 (July 31, 2016 - $100,579) due to the revaluation of the fair value of biological assets during the fourth quarter. At the end of the previous year, the Company only had a license to produce medical marijuana and not a license to sell product from Health Canada compared to a license to sell fresh marijuana, cannabis oil, and cannabis resin to other Licensed Producers and beginning on December 19, 2016 "starting materials" or marijuana plants to legally authorized patients; accordingly, sales revenue is minimal for the fourth quarter.

For the three months ended July 31, 2017, general and administrative expenses increased to $367,156 (July 31, 2016 - $37,948) as a result of increased legal and accounting fees in the current quarter commensurate with increased business activity and the reversal of consulting fees and salaries accrued in the comparative quarter. The Company currently has 16 employees.

Depreciation for the three months ended July 31, 2017 was $21,511 (July 31, 2016 - $35,257).

For the three months ended July 31, 2017, sales and marketing expenses were $14,860 (July 31, 2016 - $Nil). Sales efforts were undertaken with the change in the license from Health Canada during the fourth quarter.

For the three months ended July 31, 2017, share-based compensation was $134,788 (July 31, 2016 - $59,754).

Other income and expense items for the three months ended July 31, 2017 produced $896,518 of gains (July 31, 2016 - $120,965) made up of: $101,433 (July 31, 2016 - $Nil) for the distribution agreement for Clone Shipper that was expensed in the fourth quarter when the acquisition of Clone Shipper was completed; a foreign exchange gain of $22,339 (July 31, 2016 - $Nil); revaluation of the agent warrants relating to the GEM financing produced a gain of $2,225,501 (July 31, 2016 - $Nil); the impairment loss of the patents and trademarks acquired from Clone Shipper of $1,270,708 (July 31, 2016 - $Nil); interest income of $7,883 was reversed (July 31, 2016 - $Nil); commission from filing provincial sales tax returns produced income of $66 (July 31, 2016 - $Nil); and a reversal of amounts payable of $28,636 (July 31, 2016 - $Nil).

LIQUIDITY

The Company does not have positive cash flow from operations; accordingly, it must rely on equity financing to fund operations.

The Company has secured two capital commitments: (i) GEM Global Yield Fund LLC SCS ("GEM") for up to $10,000,000; and (2) Alumina Partners (Ontario) Ltd. for up to $12,000,000. At November 27, 2017, the remaining amounts that can be drawn down under these commitments are $9,160,026 and $8,799,998 respectively.

The Company's cash on hand at July 31, 2017 decreased to $22,852 (July 31, 2016 - $109,101).

At July 31, 2017, the Company's working capital deficiency increased to $3,881,358 (July 31, 2016 - $391,110).

The Company's current asset balance of $727,389 (July 31, 2016 - $454,528) is comprised of cash of $22,852 (July 31, 2016 - $109,101); amounts receivable of $17,505 (July 31, 2016 - $124,551); goods and services tax receivable from the Canada Revenue Agency of $13,827 (July 31, 2016 - $19,107), advances to related parties of $70,748 (July 31, 2016 - $75,613), biological assets and inventory of $542,934 (July 31, 2016 - $Nil); and

prepaid expenses and deposits of $59,523 (July 31, 2016 - $126,156).
The Company's current liabilities total $4,608,747 (July 31, 2016 - $845,638) consisting of accounts payable and accrued liabilities of $732,751 (July 31, 2016 - $473,118); promissory note payable of $135,000 (July 31, 2016 - $135,000); current portion of the mortgages payable of $26,016 (July 31, 2016 - $23,802); promissory note payable relating to the GEM financing of $99,004 (July 31, 2016 - $Nil); warrant liability relating to the GEM financing of $2,416,464 (July 31, 2016 - $Nil) which is a non-cash item; and advances from related parties of $1,199,512 (July 31, 2016 - $213,718).

The Company's long term assets total $6,235,903 (July 31, 2016 - $1,146,445) consisting of a prepaid financing fee relating to the GEM financing of $4,866,965 (July 31, 2016 - $Nil) and property and equipment of $1,368,938 (July 31, 2016 - $1,146,445).

The Company's long term liabilities total $375,250 (July 31, 2016 - $404,668) consisting of mortgages payable.

As of the date of this MD&A, the Company has insufficient working capital to meet its ongoing financial obligations for the coming year.

OPERATING LEASE COMMITMENTS

The Company signed a 36 month lease for a Toyota Venza. A vehicle is to be available to the Responsible Person in Charge at all times in case of an emergency, as stipulated in the ACMPR. The lease began on October 1, 2014 with monthly payments of $757. The vehicle was purchased subsequent to the year end.

The Company signed a 36 month lease for premises with an option for a further two terms of three years each. The lease began on September 1, 2016 with monthly payments of $2,004 plus Goods and Services Tax.

Future minimum lease payments due in the next three years are as follows:

Year Ended	Amount
2018	**$ 24,047**
2019	**24,047**
2020	**2,004**
	$ 50,098

PROPOSED TRANSACTIONS

There are no proposed asset or business acquisitions or dispositions, other than those in the ordinary course of business as disclosed herein, before the board of directors for consideration.

OFF-BALANCE SHEET ARRANGEMENTS

None

RELATED PARTY TRANSACTIONS

The Company has identified certain directors and senior officers as key management personnel. The following table lists the compensation costs paid to key management personnel and companies owned by key management personnel for the year ended July 31, 2017 and 2016:

	Consulting	Director Fees	Office and Administration	Rent	Salaries and Benefits	Share-Based Compensation	July 31, 2017 Total
Ashish Dave	$ -	$ 1,000	$ -	$ -	$ -	$ 15,265	$ 16,265
BUA Capital Management Ltd.	20,000	-	-	-	-	-	20,000
BUA Group Holdings Ltd.	-	-	16,400	-	-	-	16,400
Chief Executive Officer	-	6,000	-	31,200	60,400	15,265	112,865
Chief Financial Officer	-	6,000	-	1,761	60,400	15,265	83,426
Close family member	-	-	-	-	37,495	7,632	45,127
George Smitherman	-	6,000	-	-	-	15,265	21,265
	$ 20,000	**$ 19,000**	**$ 16,400**	**$ 32,961**	**$ 158,295**	**$ 68,692**	**$ 315,348**

	Consulting	Director Fees	Office and Administration	Rent	Salaries and Benefits	Share-Based Compensation	July 31, 2016 Total
BUA Capital Management Ltd.	$ 72,500	$ -	$ -	$ -	$ -	$ -	$ 72,500
BUA Group Holdings Ltd.	-	-	49,200	-	-	-	49,200
Chief Executive Officer	-	-	-	-	62,400	-	62,400
Chief Financial Officer	-	-	-	-	62,400	-	62,400
GRW Inc.	12,000	-	-	-	-	-	12,000
Publico Services Ltd.	15,000	-	-	-	-	-	15,000
T. St. Denis, Inc.	92,255	-	-	-	-	-	92,255
	$ 191,755	$ -	$ 49,200	$ -	$ 124,800	$ -	$ 365,755

Ashish Dave receives a director fee of $500 per month totaling $1,000 (July 31, 2016 - $Nil) for the year ended July 31, 2017. Dr. Dave was granted 500,000 stock options that vest over 12 months with an exercise price of $0.385 and a total fair value of $119,706 and a fair value of vested options at July 31, 2017 of $15,265.

BUA Capital Management Ltd. provided consulting services to the Company until November 30, 2016. It is a private company controlled by a former director, Jason Walsh. On October 26, 2015, BUA Capital Management Ltd. was issued 250,000 Units at $0.06 for $15,000 in debt. At July 31, 2017, the Company owed $Nil (July 31, 2016 - $70,448) to BUA Capital Management Ltd. and $135,000 (July 31, 2016 - $135,000) which is included in the promissory note payable.

BUA Group Holdings Ltd. provided administration services to the Company until November 30, 2016. It is a private company controlled by a former director, Jason Walsh. At July 31, 2017, the Company owed $Nil (July 31, 2016 - $6,679) to BUA Group Holdings Ltd.

The President and Chief Executive Officer ("CEO") of the Company, a director, and co-founder of the THC Companies, receives a salary from the THC Companies of $5,000 per month. At July 31, 2017, $46,800 (July 31, 2016 - $36,400) in accrued salaries is included in accounts payable and accrued liabilities. The CEO also received a director fee of $500 per month totaling $6,000 (July 31, 2016 - $Nil) for the year ended July 31, 2017.

The CEO was granted 500,000 stock options that vest over 12 months with an exercise price of $0.385 and a total fair value of $119,706 and a fair value of vested options at July 31, 2017 of $15,265. The CEO also purchased product from the Company with sales totaling $1,215 with a cost of sales of $3,876.

The Chief Financial Officer ("CFO"), a director of the Company, and co-founder of the THC Companies, receives a salary from the THC Companies of $5,000 per month. At July 31, 2017, $46,800 (July 31, 2016 - $36,400) in accrued salaries is included in accounts payable and accrued liabilities. At July 31, 2017, the Company also owed the CFO $1,188,160 (July 31, 2016 - $125,239), which is included in advances from related parties. The CFO also received a director fee of $500 per month totaling $6,000 (July 31, 2016 - $Nil) for the year ended July 31, 2017. The CFO was granted 500,000 stock options that vest over 12 months with an exercise price of $0.385 and a total fair value of $119,706 and a fair value of vested options at July 31, 2017 of $15,265.

The Company signed a month-to-month lease for premises from the CEO and CFO. The lease began on August 1, 2016 with monthly payments of $2,600 plus Goods and Services Tax along with all 75% of all operating costs. For the year ended July 31, 2017, the CEO received $31,200 in rental income along with a security deposit on that unit in the amount of $2,470.

The Company signed a month-to-month lease for premises from the CFO. The lease began on July 10, 2017 with monthly payments of $2,600 plus Goods and Services Tax along with all operating costs. For the year ended July 31, 2017, the CFO received $1,761 in rental income along with a security deposit on that unit in the amount of $3,351.

A close family member of the CEO works full-time in the office in Kelowna. This close family member is paid an hourly wage of $22. This family member was granted 250,000 stock options that vest over 12 months with an exercise price of $0.385 with a total fair value of $59,853 and a fair value of vested options at July 31, 2017 of $7,632.

George Smitherman received a director fee of $500 per month totaling $6,000 (July 31, 2016 - $Nil) for the year ended July 31, 2017. Mr. Smitherman was granted 500,000 stock options that vest over 12 months with an exercise price of $0.385 and a total fair value of $119,706 and a fair value of vested options at July 31, 2017 of $15,265.

GRW Inc. provided consulting services to the Company until November 30, 2015. It is a private company controlled by the former Chief Financial Officer, Geoff Watson.

T. St. Denis, Inc. is a private accounting firm owned by the former Chief Financial Officer, Tracey A. St. Denis. T. St. Denis, Inc. provides accounting services to the Company. On October 26, 2015, T. St. Denis, Inc. was issued 250,000 Units at $0.06 for $15,000 of debt.

International Ranger Corp. is a public company with common former directors. At July 31, 2017, the Company is owed $1,881 (July 31, 2016 - $1,881) from International Ranger Corp. which is included in advances to related parties.

Thelon Diamond Company Limited is a public company with a common former director, Jason Walsh. At July 31, 2017, the Company owes Thelon Diamond Company Limited $1,000 (July 31, 2016 - $1,000) which is included in advances from related parties.

At July 31, 2017, the Company owed $10,352 (July 31, 2016 - $10,352) to Global Li-ion Graphite Corp. (formerly Thelon Diamonds Ltd.), a private company controlled by a former director of the Company, Jason Walsh. The amount is included in advances from related parties.

At July 31, 2017, the Company was owed $5,850 (July 31, 2016 - $5,850) from 1177129 Alberta Ltd., a private company controlled by a former director of the Company, Jason Walsh. The amount is included in advances to related parties.

At July 31, 2017, the Company was owed $66 (July 31, 2016 - $66) from 782618 B.C. Ltd., a private company controlled by a former director of the Company, Jason Walsh. The amount is included in advances to related parties.

At July 31, 2017, the Company was owed $613 (July 31, 2016 - $613) from United Zeolite Ltd., a private company with common former directors. The amount is included in advances to related parties.

At July 31, 2017, the Company was owed $62,338 (July 31, 2016 - $67,203) from Zadar Ventures Ltd., a public company with a common former director, Jason Walsh. The amount is included in advances to related parties.

Amounts due to or from related parties are unsecured, do not bear interest, and are classified as a current asset or liability due to their nature and expected time of repayment.

CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

CONTINGENCY

A legal action begun by Jacob Securities Inc. (the "Complainant") in 2016 is ongoing. The Complainant claims that the Company is in breach of a settlement agreement dated September 10, 2015 (the "Settlement Agreement"). The Complainant alleges it is owed delivery of certain original share certificates from the Company and possible damages. The Complainant alleges that pursuant to the Settlement Agreement, it was entitled to 4,660,000 common shares of the Company plus an additional 1,600,000 shares on the occurrence of certain events. The Complainant acknowledges it received from the Company and sold 1,165,000 shares but alleges at a later date that 3,495,000 of the remaining shares in its possession were represented by copies and not original share certificates. The Company filed a Response to Civil Claim on November 25, 2016. The Company intends to vigorously defend itself from this lawsuit as it believes it has meritorious defences to this action. Although it is not possible to predict the outcome of the pending litigation, the Company believes that the action will not have a material adverse effect upon the results of operations, cash flow, or financial condition of the Company.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The carrying values of cash, amounts receivable, advances to/from related parties, deposits, accounts payable and accrued liabilities, and promissory note payable approximate their carrying values due to the immediate or short-term nature of these instruments. The carrying value of the mortgages payable approximate their fair value as the current interest rates are in line with market interest rates.

Fair value hierarchy

IFRS 13, Fair Value Measurement, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

The warrant liability has been classified as a level 2 instrument.

Financial risk management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash, amounts receivable, and advances to related parties. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. For amounts receivable, the Company limits its exposure to credit risk by dealing with what management believes to be financially sound counter parties. For some advances to/from related parties, the Company expects to limit risk by offsetting the advances from related parties against the promissory note payable.

The Company's financial assets are not subject to material credit risk as it does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments, or the proposed transaction. The Company manages liquidity risk by maintaining adequate cash balances when possible.

The Company's expected source of cash flow in the upcoming year will be through debt or equity financing. Cash on hand at July 31, 2017 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

The Company has entered into a Capital Commitment Agreement with GEM Global Yield Fund LLC SCS ("GEM") for a $10,000,000 capital commitment. Subsequent to the year end, the Company announced a capital commitment from Alumina Partners (Ontario) Ltd. for up to $12,000,000.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to fair value interest rate risk.

Current financial assets and financial liabilities are generally not exposed to significant cash flow interest rate risk because of their short-term nature, fixed interest rates, and maturity. The Company is not exposed to cash flow interest rate risk on the promissory note payable nor the advances to/from related parties as they are without interest. The Company is not exposed to cash flow interest rate risk on the mortgages payable due to the fixed interest rates.

The Company may be exposed to fair value interest rate risk if the prevailing market rates increase or decrease compared to the interest rates associated with its financial assets and liabilities. Management does not believe this risk is significant.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in a foreign currency.

At July 31, 2017, the Company is exposed to foreign currency risk with respect to its US denominated bank accounts. At July 31, 2017, financial instruments were converted at a rate of $1.00 US to Canadian $1.2485. At July 31, 2017, the cash in US denominated bank accounts was minimal.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, reserves, and deficit. The availability of new capital will depend on many factors including positive stock market conditions, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

Price risk

Price risk is the risk that the fair value of investments will decline below the cost of the underlying investments. The Company is not exposed to price risk as it has no investments held for sale.

OTHER RISKS AND UNCERTAINTIES

The Company is the development stage with respect to its medical marijuana business.

In conducting its business, the Company is subject to a number of risks and uncertainties that could have a material adverse effect on the Company's business prospects or financial condition that could result in a delay or indefinite postponement in the development of the Company's business. The following risk factors should be carefully considered in evaluating the Company. The risks presented below may not be all of the risks that the Company may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. The market in which the Company currently competes is very competitive and changes 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.

Profitability of operations

The Company does not have profitable operations at this time and it should be anticipated that it will operate at a loss until such time as sufficient revenue is achieved or if a profit is in fact ever achieved. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

Going concern

The Company's consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its on-going commitments and further its medical marijuana business.

Reliance on license

The Company's ability to grow, store, and sell medical marijuana in Canada is dependent on the license under from Health Canada. 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 Company.

Regulatory risks

The activities of the Company are subject to regulation by governmental authorities, particularly Health Canada. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Change in laws, regulations, and guidelines

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of medical marijuana but also including laws and regulations relating to health and safety, the conduct of operations, and the protection of the environment. While to the knowledge of management, the Company is currently in compliance with all such laws, changes to such laws, regulations, and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations.

Limited operating history

The Company has yet to generate significant revenue from the sale of products. 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 likelihood of success must be considered in light of the early stage of operations.

Reliance on management

The success of the Company is dependent upon the ability, expertise, judgment, discretion, and good faith of its management. 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.

Factors which may prevent realization of growth targets

The Company is currently in the early development stage. The Company's growth strategy contemplates outfitting the facility with additional production resources. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they are can be adversely affected by a variety of factors, including the following:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- plant design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging, or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions, or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes, or storms.

As a result, there is a risk that the Company may not have product or sufficient product available for shipment to meet the anticipated demand or to meet future demand when it arises.

The Company has a history of net losses, may incur significant net losses in the future, and may not achieve or maintain profitability

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, the Company will not be profitable.

Additional financing

The building and operation of the Company's facilities and business are capital intensive. In order to execute the anticipated growth strategy, the Company will require some additional equity and/or debt financing to support on-going operations, to undertake capital expenditures, and/or to undertake acquisitions or other business combination transactions. The Company will require additional financing to fund its operations to the point where it is generating positive cash flows.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of 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. If the number of users of medical marijuana 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 high 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.

Risks inherent in an agricultural business

The Company's business involves the growing of medical marijuana, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business such as insects, plant diseases, and similar agricultural risks. Although the Company will grow its products indoors under climate controlled conditions and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Vulnerability to rising energy costs

The Company's medical marijuana growing operations will consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

Transportation disruptions

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

Unfavourable publicity or consumer perception

The Company believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy, and quality of the medical marijuana produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention, and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention, or other research findings or publicity will be favourable to the medical marijuana 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 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 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, the efficacy, and quality of medical marijuana in general, or the Company's products specifically, or associating the consumption of medical marijuana 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

As a manufacturer and 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 manufacture and sale of the Company's products 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 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 our 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 finished

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.

Reliance on key inputs

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

Dependence on suppliers and skilled labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure program 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 capital expenditure plans. This could have an adverse effect on the financial results of the Company.

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 medical marijuana 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.

Operating risk and insurance coverage

The Company has insurance to protect its assets, operations, and employees. While the Company believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations, and financial condition could be materially adversely affected.

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.

Conflicts of interest

Certain of the directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

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 its ability to continue operating and the market price for the Company's common shares and could use significant Company resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Environmental and employee health and safety regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations 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.

Dividends

The Company has no earnings or dividend record, and does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

In the preparation of the consolidated financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the consolidated financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimates and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

Impairment of non-financial assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the asset and a suitable discount rate in order to calculate present value.

Share-based compensation

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's profit or loss. For the year ended July 31, 2017, the Company recognized share-based compensation expense of $134,788 (July 31, 2016 - $68,595).

Purchase price allocation

The allocation of the purchase price and subsequent costs between land and building on the acquisition of property required judgment. The allocation was determined using the property tax assessments when the properties were acquired.

Asset acquisition allocation

The allocation of the purchase price and subsequent costs between assets on the acquisition of assets required judgment. The allocation was determined using fair value of current assets acquired at their acquisition date and management's judgment in allocating costs to the intellectual property.

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates including estimating the stage of growth of the marijuana up to the point of harvest, harvesting costs, selling costs, sales price, wastage, expected yields from the marijuana plant, and the fair value of biological assets.

Estimated useful lives, impairment considerations, and depreciation and amortization of property, plant, and equipment and intellectual property

Depreciation and amortization of property, plant, and equipment and intellectual property assets are dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Income taxes

The measurement of deferred income tax assets requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the audited annual financial statements.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following accounting pronouncements have been released but have not yet been adopted by the Company:

IFRS 9 *Financial Instruments*

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 *Financial Instruments* (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

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. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's financial statements.

IFRS 15 *Revenue Recognition*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* (IFRS 15). The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Management has not yet determined the potential impact the adoption of IFRS 15 will have on the Company's financial statements.

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16 *Leases* which specifies how a lease will be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less, or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged for its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. Management has not yet determined the potential impact the adoption of IFRS 16 will have on the Company's financial statements.

CAPITAL RESOURCES

Common shares

	Issued Number		Amount
Balance, July 31, 2016	96,199,544	$	3,865,413
Shares issued for cash	1,000,000		250,000
Stock options exercised	916,000		104,100
Fair value of stock options exercised	-		46,389
Warrants exercised	4,983,915		1,096,037
Shares issued for debt	133,172		58,596
Balance, July 31, 2017	103,232,631		5,420,535
Private placements issued for cash	6,728,850		4,039,976
Share issuance cost	-		(455,422)
Stock options exercised	860,250		164,756
Fair value of stock options exercised	-		90,396
Balance, November 27, 2017	**110,821,731**	**$**	**9,260,241**

Escrow Shares

Currently 690 shares (July 31, 2017 – 690) are held in escrow.

Warrants

	Number of Warrants		Weighted Average Exercise Price
Balance, July 31, 2016	17,092,916	$	0.3300
Warrants exercised	(4,983,915)	$	0.2200
Warrants expired	(12,109,001)	$	0.3800
Balance, July 31, 2017	-		-
Warrants issued	5,298,850		0.9344
Balance, November 27, 2017	**5,298,850**		**0.9344**

Expiry Date	Remaining Life (Years)	Number of Warrants		Exercise Price
August 8, 2020	2.70	483,870	$	0.3875
October 2, 2020	2.85	403,226		0.9600
October 5, 2020	2.85	359,196		1.0875
October 12, 2020	2.87	355,115		1.1000
October 20, 2020	2.90	333,333		0.9400
October 23, 2020	2.90	333,333		0.9400
October 31, 2020	2.93	362,318		0.8625
November 8, 2020	2.95	513,698		0.9125
November 14, 2020	2.96	666,666		0.9375
November 22, 2020	2.99	1,488,095		1.0500
		5,298,850	$	0.9344

Agent Warrants

	Number of Warrants		Weighted Average Exercise Price
Balance, July 31, 2017	-	$	-
Warrants issued	6,635,000		1.20
Balance, November 27, 2017	**6,635,000**	**$**	**1.20**

Expiry Date	Remaining Life (Years)	Number of Warrants		Exercise Price
March 13, 2022	4.29	6,635,000	$	1.20

Stock Options

	Number of Options		Weighted Average Exercise Price
Balance, July 31, 2016	1,500,000	$	0.110
Options granted	4,415,000		0.385
Options exercised	(916,000)		0.110
Balance, July 31, 2017	4,999,000		0.352
Options exercised	(860,250)		0.192
Balance, November 27, 2017	**4,138,750**	**$**	**0.385**

Date of Grant	Expiry Date	Remaining Life (Years)	Number of Options Vested	Number of Options Outstanding	Exercise Price
July 25, 2017	July 25, 2019	1.66	1,103,750	4,138,750	$ 0.385

DIRECTORS AND OFFICERS

The Company's directors and officers as of the date of this MD&A are:

John Miller	President, Chief Executive Officer, Director
Hee Jung Chun	Chief Financial Officer, Director
George Smitherman	Independent Director
Dr. Ashish Dave	Independent Director

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.