

**INTEGRATED ENERGY STORAGE CORP.**  
(formerly Aileron Ventures Limited)

**Management's Discussion & Analysis**

**For the year ended December 31, 2018**

# **INTEGRATED ENERGY STORAGE CORP.**

(formerly Aileron Ventures Limited)

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**December 31, 2018**

The management of Integrated Energy Storage Corp. (formerly Aileron Ventures Limited) (the "**Company**" or "**IESC**") is pleased to present the Company's management's discussion and analysis (the "**MD&A**") for the year ended December 31, 2018. This MD&A is dated as of April 26, 2019.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Issuer. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other things contemplated by the forward-looking statements will not occur. Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect, including those assumptions listed below and those discussed elsewhere in this MD&A. Some of the assumptions made by IESC, upon which such forward-looking statements are based, include: the ability of IESC to maintain reasonably stable general administrative expenses; the ability of IESC to access financing on commercially reasonable terms; and the current economic condition in Canada strengthening and not deteriorating any further due to the influence of international economic developments in the United States, Europe, Asia and elsewhere.

Although the forward-looking statements contained in this MD&A are based upon what IESC's management believes to be reasonable assumptions, IESC cannot assure investors that actual results will be consistent with such information. Forward-looking statements reflect management's current beliefs and are based on information currently available to IESC. We caution readers of this MD&A not to place undue reliance on our forward-looking statements because a number of factors, such as those referred to in the paragraph above, could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements contained in this MD&A. The forward-looking statements are made as of the date of this MD&A and IESC assumes no obligation to update or revise such information to reflect new events or circumstances, except as may be required by applicable law.

### **Overall Performance**

The Company was originally incorporated in Alberta on May 31, 2010 as Aileron Ventures Limited. The Company has not carried on any active business to-date other than (i) to make an investment in Altius Edge Ltd. ("**Altius**") to acquire 50% of the outstanding common shares thereof, (ii) to undertake matters in connection with an amalgamation transaction involving Altius and Immunall Science Inc. ("**Immunall**"), and (iii) to engage in activities to identify and evaluate businesses and assets with a view to completing an acquisition of a business or assets

The Company's Management and Board believes that, in addition to traditional uses for vanadium related to steel production, demand for vanadium has the potential for significant growth related to the ongoing growth in energy storage markets and, in particular, technological developments related to vanadium flow batteries. Management and Board believe that there is significant opportunity to position the Company as a key producer of vanadium and vanadium related products in North America.

In addition, the Company has relationships with people and organizations related to the latest technological developments in flow batteries and, in particular, vanadium flow batteries, which it believes have the potential to further enable it to leverage a position as a supplier of vanadium and related products.

In light of this new focus, and subsequent to the quarter end, the Company sought shareholder approval to change its name to "Integrated Energy Storage Corp." at its Annual General Meeting held on November 10, 2016. The resolution approving this change was passed and, the Company anticipates formalizing this name change shortly.

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Effective October 18, 2016, the Company signed a license agreement to gain non-exclusive rights to certain patented technologies. Consideration for the license includes an aggregate \$27,161 (US\$20,000) paid over four tranches and the Company shall pay 1% of any revenues earned based on the licensed technology subject to minimum royalties starting in 2019 of \$5,000, 2020 of \$10,000 and 2021 and beyond of \$20,000. The license terminates when the last of the patents expires or may terminate through written notice by the Company with 60 days' notice.

On October 24, 2016, the Company announced that it has signed a license agreement ("the License Agreement") with Battelle Memorial Institute, which operates the U.S. Dept. of Energy's Pacific Northwest National Laboratory ("PNNL"). Pursuant to the License Agreement, the Company has the right to supply vanadium based electrolytes to those companies utilizing PNNL'S patented vanadium flow battery technologies. The Company believes this relationship and License helps position it to develop and supply electrolytes to the leading companies currently commercializing vanadium flow battery systems.

### Risks and Uncertainties

The Company does not have a history of earnings, nor has it paid any dividends since it was incorporated. IESC's assets are limited to its cash balances, receivables, prepaid expenses and a license. There is no assurance that the Company will be able to obtain additional funding.

### Selected Annual Information

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
<i>Selected operations data</i>			
Loss for the year	\$ 168,209	\$ 181,047	\$ 92,780
Weighted number of shares outstanding	9,764,915	9,436,148	9,436,148
Loss per share	0.02	0.02	0.01
<i>Selected balance sheet data</i>			
Net working capital (deficiency)	\$ (478,635)	\$ (362,246)	\$ (186,630)
Total assets	\$ 33,617	\$ 27,680	\$ 62,485
Total long-term liabilities	\$ -	\$ -	\$ -
Net shareholders' equity (deficiency)	\$ (539,056)	\$ (340,516)	\$ (159,469)

### Results of Operations

For the years ended December 31, 2018 and 2017, the Company reported net losses of \$168,209 and \$181,047, respectively.

The net loss before income taxes during the years ended December 31, 2018 and 2017 are summarized below.

	2017	2016
General and administrative	\$ 7,411	\$ 5,688
Amortization	4,074	5,431
Consulting fees	55,000	97,469
Patent costs	31,363	42,331
Professional fees	67,930	27,730
Write off (recovery) of GST	(15,225)	15,225
Impairment of intangible asset	17,656	-
Realized gain on investment	-	(12,807)
Net loss before income taxes	\$ (168,209)	\$ (181,047)

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### Summary of Quarterly Results

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Net Income (Loss) for the period	\$(84,173)	\$(59,238)	\$(22,374)	\$(2,424)	\$(84,590)	\$(43,758)	\$(45,215)	\$(7,484)
Income (Loss) per share	\$(0.01)	\$(0.01)	\$(0.00)	\$(0.00)	\$(0.01)	\$(0.00)	\$(0.00)	\$(0.00)

### Liquidity and Capital Resources

The Company reported a working capital deficiency of \$478,635 at December 31, 2018 compared to a working capital deficiency of \$362,246 as at December 31, 2017. As at December 31, 2018, the Company had net cash on hand of \$8,162 (2017 - \$5,950).

Current assets excluding cash at December 31, 2018 consisted of receivables of \$25,455 which consists of GST receivable (2017 - \$Nil). The Company did not have current assets other than Cash as at December 31, 2018.

Current liabilities as at December 31, 2018 consist of accounts payable of \$82,219 (2017 - \$62,250) and a demand loan of \$430,033 (2017 - \$305,946).

The Company expects to have capital requirements in excess of its currently available resources and therefore will be required to seek additional financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

### Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

### Transactions with Related Parties

Included in demand loans is \$10,000 (2017 - \$10,000) owing to a director of the Company (Note 4).

### Fourth Quarter

Net loss in the fourth quarter was \$84,173 which represented a \$25,475 increase from the quarter ended September 30, 2018 (\$59,238) and a \$417 decrease from the quarter ended December 31, 2017 (\$84,590).

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### Proposed Transaction – Medcolcanna (BVI) Inc.

On December 5, 2018, the Company entered into a definitive agreement with Medcolcanna (BVI) Inc. (“MCC”) whereby terms for the acquisition of 100% of the common share of MCC by IESC were outlined (the “MCC Transaction”). MCC is a private company incorporated under the laws of British Virgin Islands. MCC is the parent company of its wholly owned subsidiary, Medcolcanna S.A.S., which is located in Bogota, Colombia. Medcolcanna S.A.S. is licensed to grow psychoactive and non-psychoactive cannabis in Colombia with its cultivation facility and manufacture cannabis products anywhere in Colombia. It is currently anticipated that the proposed Transaction will be effected by way of a share exchange.

Pursuant to the proposed Transaction, the holders of the issued and outstanding Medcolcanna Shares shall receive one post-Consolidation (as defined below) IESC Common Share for each Medcolcanna Share held. As well, IESC has agreed to seek shareholder approval for, among other things the consolidation of its outstanding shares and options at a ratio to be determined (the “Consolidation”), such ratio to result in there being approximately 12,900,000 IESC Common Shares outstanding immediately prior to the closing of the Transaction. In connection with completion of Transaction, IESC intends to issue approximately 6,450,000 Resulting Issuer Warrants to the existing shareholders of IESC.

Prior to the completion of the Transaction, it is anticipated that Medcolcanna and IESC will complete three securities offerings, as follows:

- Medcolcanna intends to complete a non-brokered offering of 2,000,000 units (“Medcolcanna Units”) at a price of \$0.25 per Medcolcanna Unit (the “Non-Brokered Offering”) for gross proceeds of approximately \$500,000, with the subscribers in the Non-Brokered Offering being sourced by IESC. Each Medcolcanna Unit will consist of one Medcolcanna Share and one-half of one Medcolcanna Warrant, with each whole Medcolcanna Warrant being exercisable into one Medcolcanna Share at an exercise price of \$0.40 for a period of 24 months following issuance. This securities offering closed in December 2019 as discussed further below.
- IESC intends to complete a non-brokered offering of shares in order to meet a closing condition of the Transaction that it have not less than \$1,000,000 of available cash, after deducting all fees associated with the Transaction (such as legal, audit, printing and mailing costs, etc.) (the “IESC Offering”). Pursuant to the Definitive Agreement, Medcolcanna has the ability to borrow funds raised in the IESC Offering for general working capital purposes until the closing of the Transaction, subject to granting a security interest in the assets of Medcolcanna as collateral for such loan.
- Medcolcanna anticipates completing a brokered private placement of approximately 30,986,800 subscription receipts (the “Subscription Receipts”) at a price of C\$0.25 per Subscription Receipt for gross proceeds of approximately \$7,746,700 (the “Brokered Offering”). It is anticipated that each Subscription Receipt shall entitle the holder to receive, upon satisfaction of certain escrow release conditions, and without payment of additional consideration, one unit in the capital of Medcolcanna (a “Unit”). Each Unit shall consist of one Medcolcanna Share and one-half of one Medcolcanna Share purchase warrant (each whole warrant, a “Warrant”), which Units shall be exchanged, without further consideration, for one Unit in the capital of the Resulting Issuer (as defined herein), upon the completion of the proposed Transaction. Following the exchange for Units of the Resulting Issuer, each Warrant of the Resulting Issuer (a “Resulting Issuer Warrant”) shall entitle the holder thereof to acquire one common share of the Resulting Issuer (a “Resulting Issuer Share”) at a price of \$0.40 per Resulting Issuer Share for a period of 24 months following issuance. As at December 31, 2018 \$2,908,000 representing 11,632,000 Subscription Receipts was received (“First closing”) plus another \$572,500 towards subscriptions dated February 14, 2019. Subsequent to December 31, 2018 in two additional tranches another \$4,266,200 of cash has been received for another 17,064,800 Subscription Receipts besides the \$572,500 received prior to December 31, 2018 for 2,290,000 Subscription Receipts issued subsequent to that time.
- Medcolcanna also anticipates completing a non-brokered private placement of 400,000 (“second private round”) common shares at a price of C\$0.09 per share for gross proceeds of \$36,000.

Upon completion of the Transaction, and assuming the maximum gross proceeds in the Offerings are raised, there will be approximately 85,649,459 post-Consolidation common shares of the combined entity (the “Resulting Issuer”) issued and outstanding, of which it is expected that the current shareholders of IESC (including purchasers in the IESC Offering) will hold approximately 15.1%, purchasers in the Non-Brokered Offering and Brokered Offering will hold approximately 36.1%, and the former shareholders of Medcolcanna will hold approximately 48.8%. This transaction will be accounted for as a reverse takeover for IFRS purposes in the subsequent period.

Furthermore, Pursuant to the closing of Subscription Receipts in December 2018 Investment Bankers vested 50% of their

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Compensation Options as determined in their agency agreement. (the "Compensation Options"). The remaining 50% will vest on closing of the RTO. These Compensation Options equal 6% of the number of Subscription Receipts sold pursuant to the offering. Given 11,632,000 Units were sold 348,960 Compensation Options are authorized at 50% vesting.

The proposed Transaction is subject to requisite regulatory approvals and standard closing conditions, including the listing of the IESC Shares on the facilities of the TSX Venture Exchange, as well as other closing conditions described below. Upon completion of the Transaction, it is the intention of the parties that the Resulting Issuer will continue to focus on the current business and affairs of Medcolcanna SAS.

Medcolcanna will not be involved in vanadium electrolytes as was Integrated Energy Storage Corp; Instead the Company will be involved in the medical marijuana business.

### **Critical Accounting Estimates**

Not applicable to Venture Issuers.

### **Changes in Accounting Policies including Initial Adoption**

There were no changes in accounting policies during the year. Refer to Note 2 of the financial statements for the Company's significant accounting policies and future changes to accounting standards.

### **Financial Instruments and Other Instruments**

The carrying amounts of cash, receivables, and accounts payable approximate fair value because of the short-term maturity of these items.

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### **Other Requirements**

#### Summary of Outstanding Share Data as at April 26, 2019:

Authorized: Unlimited number of common shares without par value.

Issued and outstanding: 64,561,401 common shares.

#### Options and Warrants

The Company has no warrants outstanding.

The Company has no outstanding stock options

Additional disclosures pertaining to the Company's technical report, management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).