

INTEGRATED ENERGY STORAGE CORP.

**FILING STATEMENT
IN RESPECT OF THE REVERSE TAKE-OVER OF
INTEGRATED ENERGY STORAGE CORP. BY
MEDCOLCANN (BVI), INC.**

Dated May 16, 2019

Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Reverse Takeover described in this Filing Statement.

All information contained in this Filing Statement with respect to Integrated Energy Storage Corp. (“**IES**”) was supplied by IES for inclusion herein.

All information contained in this Filing Statement with respect to Medcolcanna (BVI), Inc. (“**Medcolcanna**”) was supplied by Medcolcanna for inclusion herein.

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SCHEDULE B
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SCHEDULE G
AUDIT COMMITTEE CHARTER

GLOSSARY OF TERMS

Whenever used in this Filing Statement including the summary hereof, unless the context otherwise requires, the following terms shall have the indicated meanings and grammatical variations of such words and terms have corresponding meanings. Words importing the singular number, where the context requires, include the plural and vice versa and words importing any gender include all genders. In this Filing Statement, unless otherwise noted, all dollar amounts are expressed in Canadian dollars.

“Affiliate” - a company is an “Affiliate” of another Company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same Person.

A Company is “controlled” by a Person if:

- i. voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person, and
- ii. the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company.

A Person beneficially owns securities that are beneficially owned by:

- i. a Company controlled by that Person, or
- ii. an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

“Arm’s Length Transaction” means a transaction which is not a “Related Party Transaction” as defined below.

“Associate” when used to indicate a relationship with a Person, means:

- (a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer,
 - (b) any partner of the Person,
 - (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity, or
 - (d) in the case of a Person, who is an individual:
 - (i) that Person’s spouse or child, or
 - (ii) any relative of the Person or of his spouse who has the same residence as that Person;
- but
- (e) where the Exchange determines that two Persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

“BCAA” means the *Business Corporations Act of Alberta*, as promulgated or amended from time to time.

“BCBCA” means the *Business Corporations Act* (British Columbia), and the regulations made thereunder, as promulgated or amended from time to time.

“Board” means the board of directors of IES.

“Board Resolution” means the ordinary resolution voted upon at the Meeting to approve the election as directors of the Resulting Issuer of nominees of Medcolcanna.

“Business Day” means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Toronto, Ontario or Vancouver, British Columbia for the transaction of banking business.

“CBCA” means the *Canada Business Corporations Act*, as promulgated or amended from time to time.

“**CBD**” means cannabidiol, a naturally occurring and non-psychoactive cannabinoid constituent of cannabis and a precursor of THC.

“**CBN**” means cannabinol, a naturally occurring and non-psychoactive cannabinoid constituent of cannabis and the by-product of THC as it ages.

“**Change of Control**” includes situations where after giving effect to the contemplated transaction and as a result of such transaction:

- (a) any one Person holds a sufficient number of the Voting Shares of the Issuer or Resulting Issuer to affect materially the control of the Issuer or Resulting Issuer, or
- (b) any combination of Persons, acting in concert by virtue of an agreement, arrangement, commitment or understanding, hold in total a sufficient number of the Voting Shares of the Issuer or Resulting Issuer to affect materially the control of the Issuer or Resulting Issuer;

where such Person or combination of Persons did not previously hold a sufficient number of Voting Shares to affect materially the control of the Issuer or Resulting Issuer. In the absence of evidence to the contrary, any Person or combination of Persons acting in concert by virtue of an agreement, arrangement, commitment or understanding, holding more than 20% of the Voting Shares of the Issuer or Resulting Issuer is deemed to materially affect the control of the Issuer or Resulting Issuer.

“**Closing**” means the closing of the Share Exchange between IES and Medcolcanna.

“**Closing Cash Amount**” means the amount of cash IES has on hand, being not less than \$940,000, on Closing, after deducting all costs associated with the completion of the Share Exchange (including, without limitation, legal fees, accounting costs, printing and mailing costs, etc.).

“**Closing Date**” means the date of closing of the transactions contemplated by this Filing Statement, including the Share Exchange.

“**Company**” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

“**Completion Date**” means the date of the Final Exchange Bulletin.

“**Concurrent Financing**” means the brokered financing of Medcolcanna completed by way of a best efforts private placement consisting of the sale of Unit Subscription Receipts for gross proceeds of \$7,746,700.

“**Consolidation**” means the consolidation of the issued and outstanding IES Shares pursuant to which the total number of post-consolidation IES Shares issued and outstanding as of the date of such consolidation shall not exceed 12,900,000, and the corresponding consolidation and adjustment of the IES Payment Warrants, provided that the total number of post-Consolidation IES Payment Warrants issued and outstanding as of the Closing Date shall not exceed 6,450,000. The consolidation ratio shall be one (1) Resulting Issuer Share for every 9.072 IES Shares.

“**Continuation**” means the continuation of IES from the CBCA to the BCBCA, such continuation having been approved at the Meeting and expected to occur on or before the Closing Date.

“**Control Person**” means any Person that holds or is one of a combination of Persons that hold a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or (ii) more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holding of those securities does not affect materially the control of the issuer.

“**COP**” means Colombian pesos, the official currency of the Republic of Colombia.

“Cultivation Facility” means the facilities to be constructed on the Leased Lands for the purposes of cultivating High THC Medicinal Cannabis and Low THC Medicinal Cannabis.

“Effective Time” means the time on the Closing Date that the Share Exchange shall become effective.

“Escrow Agreement” means the escrow agreement to be entered into among the Escrow Agent, IES and certain of the Medcolcanna Shareholders in compliance with the requirements of the TSXV Corporate Finance Manual.

“Escrow Agent” means TSX Trust Company

“Filing Statement” means this filing statement, including all appendices hereto.

“Final Exchange Bulletin” means the bulletin issued by the Exchange following closing of the RTO and the submission of all Post-Approval Documents which evidences the final Exchange acceptance of the RTO.

“FNE” means the National Narcotics Fund (Fondo Nacional de Estupefacientes), the Colombian narcotics regulatory regime.

“GEP Standards” means the Colombian good elaboration practices certified in accordance with the guidelines set out in Decree 2200 of 2005 and INVIMA Resolution 444 of 2008.

“GMP Standards” means the Colombian good manufacturing standards for pharmaceutical laboratories in accordance with the guidelines set out in Decree 549 of 2001 and INVIMA Resolution 01087 of 2001.

“High THC Medicinal Cannabis” means psychoactive cannabis containing more than 1% THC.

“ICA” means the Colombian Agricultural Institute.

“IES” means Integrated Energy Storage Corp., a company incorporated pursuant to the CBCA.

“IES \$0.25 Warrant” means a common share purchase warrant of IES, one-half of which shall be issued on the exchange of each of the Medcolcanna \$0.09 Units, with each whole IES \$0.25 Warrant entitling the holder thereof to acquire one IES Share at a price of \$0.25 per IES Share until September 24, 2019.

“IES Payment Warrants” means the 6,450,000 common share purchase warrants in the capital of the Resulting Issuer to be issued at Closing to certain IES Shareholders, entitling the holder thereof to acquire one IES Share at price of \$0.40 per IES Share until the date that is two (2) years from the Closing Date, as described in greater detail under *“Part I – Information Concerning IES – General Development of the Business.”*

“IES Shares” means common shares in the capital of IES.

“IES Shareholders” means the holders of IES Shares.

“IES Private Placement” means the private placement of IES Shares completed by IES in order to satisfy its covenant in the Share Exchange Agreement relating to the Closing Cash Amount.

“IES Stock Option Plan” means the incentive stock option plan of IES which will be adopted by the Resulting Issuer upon the completion of the Share Exchange.

“IES Stock Options” means incentive stock options issued by IES pursuant to the IES Stock Option Plan.

“IES Unit Warrant” means a common share purchase warrant of IES, one-half of which shall be issued on the exchange of each of the Unit Subscription Receipts and Medcolcanna Units, with each whole IES Unit Warrant entitling the holder thereof to acquire one IES Share at price of \$0.40 per IES Share until the date that is two (2) years from the Closing Date.

“**IFRS**” means International Financial Reporting Standards.

“**Informed Person**” means:

- i. a director or executive officer of a reporting issuer;
- ii. a director or executive officer of a person or company that is itself an informed person or subsidiary of a reporting issuer;
- iii. any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of a reporting issuer or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the reporting issuer other than voting securities held by the person or company as underwriter in the course of a distribution; and
- iv. a reporting issuer that has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

“**Insider**” if used in relation to an issuer, means:

- (a) a director or senior officer of the issuer;
- (b) a director or senior officer of the Company that is an insider or subsidiary of the Issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the Issuer; or
- (d) the Issuer itself if it holds any of its own securities.

“**INVIMA**” means the Colombia National Food and Drug Surveillance Institute (Instituto Nacional de Vigilancia de Medicamentos y Alimentos), the Colombian prescription drug regulatory body.

“**Leased Lands**” means the lease of three (3) hectares within the Guacachica Estate, Calle 175 Chorrillos, La Conejera, Bogota D.C., pursuant to a five year lease agreement dated August 22, 2018.

“**Low THC Medicinal Cannabis**” means CBD-focused, non-psychoactive cannabis containing less than 1% THC.

“**Magistral Preparation**” means any medicinal product prepared in a pharmacy in accordance with a medical prescription for an individual patient as directed by a qualified medical practitioner.

“**Medcolcanna**” means Medcolcanna (BVI), Inc., a company organized under the laws of the British Virgin Islands.

“**Medcolcanna \$0.09 Unit Private Placement**” means the private placement of Medcolcanna units at a price of \$0.09 per Medcolcanna \$0.09 Unit with each Medcolcanna \$0.09 Unit comprising one Medcolcanna Share and one-half of one Medcolcanna \$0.25 Warrant, and which shall be converted into IES Shares and IES \$0.25 Warrants on the Closing Date.

“**Medcolcanna \$0.09 Units**” means the 7,362,659 units issued pursuant to the Medcolcanna \$0.09 Unit Private Placement, at a price of \$0.25 per Medcolcanna Unit with each Medcolcanna Unit comprising one Medcolcanna Share and one-half of one Medcolcanna Second Private Placement Warrant, and which shall be converted into IES Shares and IES Unit Warrants on the Closing Date.

“**Medcolcanna \$0.25 Warrant**” means a common share purchase warrant of Medcolcanna entitling the holder thereof to acquire one Medcolcanna Share at a price of \$0.25 per Medcolcanna Share until September 29, 2019.

“**Medcolcanna Land Interests**” means collectively (i) the lease of three (3) hectares within the Guacachica Estate, Calle 175 Chorrillos, La Conejera, Bogota D.C., pursuant to a five year lease agreement dated August 22, 2018; (ii) a purchase option on 27.62 hectares in respect to the estate known as the “**Mangavilla Estate**” pursuant to a purchase option agreement dated August 15, 2018 whereby Medcolcanna acquired an irrevocable option to purchase the Mangavilla Estate for US\$23,726.80 and (iii) a lease option right over an area of up to 156.3 hectares belonging to five additional estates (jointly called the “**Las Brisas Estates**”) pursuant to a lease option agreement dated August 15, 2018.

“Medcolcanna Licences” or **“Licences”** means the licences issued to Medcolcanna for: (i) the cultivation of non-psychoactive cannabis; (ii) the cultivation of psychoactive cannabis; and (iii) for the manufacture of cannabis derivatives, all of which were granted for a five-year period and shall expire, unless renewed, in 2023.

“Medcolcanna Private Placement Warrants” means the warrants issued pursuant to the Medcolcanna Second Private Placement and the Concurrent Financing to purchase approximately 1,000,000 Medcolcanna Shares at a price of \$0.40 until December 20, 2020 and 15,493,400 Medcolcanna Shares at a price of \$0.40 for a period of two (2) years from the Closing Date, respectively, all such warrants to be exchanged for IES Unit Warrants on the Closing Date.

“Medcolcanna SAS” means Medcolcanna S.A.S., a company organized under the laws of the Republic of Colombia.

“Medcolcanna Second Private Placement” means the private placement of Medcolcanna Units representing \$500,000 in gross proceeds which closed on December 20, 2018.

“Medcolcanna Shares” means common shares in the capital of Medcolcanna.

“Medcolcanna Shareholders” means the holders of Medcolcanna Shares.

“Medcolcanna Stock Option Plan” means the incentive stock option plan which will be adopted by the Resulting Issuer upon the completion of the Share Exchange as the stock option plan for the Resulting Issuer.

“Medcolcanna Units” means the 2,000,000 units issued pursuant to the Medcolcanna Second Private Placement, at a price of \$0.25 per Medcolcanna Unit with each Medcolcanna Unit comprising one Medcolcanna Share and one-half of one Medcolcanna Second Private Placement Warrant, and which shall be converted into IES Shares and IES Unit Warrants on the Closing Date.

“medicinal cannabis” means the cannabinoids extracted for medicinal purposes to treat certain diseases or minimize specific symptoms and, for clarity, unless otherwise indicated, reference made to medicinal cannabis in this Filing Statement shall not be considered as referring to the business of cannabis for scientific research or recreational use.

“Meeting” means the special meeting of the IES Shareholders, held on February 21, 2019 at 10:00 a.m. (PST) at Suite 2200, 885 West Georgia Street, Vancouver, BC, V6C 3E8 which approved the Name Change, Consolidation, Continuance, Medcolcanna Stock Option Plan and Board Resolutions.

“Member” has the meaning given to it in Rule A.1.00 of the Exchange.

“Ministry of Agriculture” means the *Colombian Ministry of Agriculture and Rural Development*.

“Ministry of Health” means the *Colombian Ministry of Health and Social Protection*.

“Ministry of Justice” means the *Colombian Ministry of Justice and Law*.

“Name Change” means the proposed change of name of IES to Medcolcanna Organics Inc. or such other name as the Resulting Issuer Board may determine in its sole discretion.

“Name Change Resolution” means a special resolution of the IES Shareholders approving the proposed Name Change to be voted on at the Meeting.

“Non-arm’s Length Party” means in relation to a Company, a promoter, officer, director, other Insider or Control Person of that Company (including an issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, means any Associate of the individual or any Company of which the individual is a promoter, officer, director, Insider or Control Person.

“Notice of Meeting” means the notice of meeting distributed to IES Shareholders in connection with the Meeting.

“Person” means a Company or individual.

“PNNL Licence” has the meaning ascribed to that term in *“Part I – Information Concerning IES – General Development of the Business.”*

“Post-Approval Documents” mean the documents prescribed as such in Exchange Policy 5.2 – *Changes of Business and Reverse Takeovers.*

“Property Lease Agreement” means the land lease signed March 26, 2018 with an addendum added on July 29, 2018 for the Leased Lands.

“Record Date” means the record date for the Meeting.

“Related Party Transaction” has the meaning ascribed to that term in Exchange Policy 5.9, and includes a related party transaction that is determined by the Exchange, to be a Related Party Transaction. The Exchange may deem a transaction to be a Related Party Transaction where the transaction involves Non Arm’s Length Parties, or other circumstances exist which may compromise the independence of the issuer with respect to the transaction.

“Renmark Investor Relations Agreement” means the six (6) month Investor Relations Agreement entered into between Medcolcanna and Renmark Financial Communications Inc. on February 22, 2019 and effective from March 1, 2019 to August 31, 2019. Renmark Financial Communications is based in Toronto, ON and offers Medcolcanna investor relations services as more particularly set forth in the agreement.

“Resulting Issuer” means the issuer existing on the Completion Date.

“Resulting Issuer Board” means the board of directors of the Resulting Issuer following the Closing Date.

“Resulting Issuer Shares” means the IES Shares following completion of the Share Exchange and the Consolidation.

“Resulting Issuer Stock Option Plan” means the stock option of the plan to be approved by the IES Shareholders at the Meeting, a copy of which is attached as Schedule “F”.

“Resulting Issuer Warrants” means the IES Unit Warrants, the IES Payment Warrants and the IES \$0.25 Warrants following completion of the Share Exchange.

“Reverse Takeover” or **“RTO”** means a transaction or series of transactions, involving an acquisition by the issuer or of the issuer, and a securities issuance by an issuer that results in:

- (a) new shareholders holding more than 50% of the outstanding voting securities of the issuer; and
- (b) a Change of Control of the issuer. The Exchange may deem a transaction to have resulted in a Change of Control by aggregating the shares of a vendor group and/or incoming management group,

but does not include any transaction or series of transactions whereby the newly issued securities are to be issued to shareholders of an issuer listed on TSX or another senior exchange under a formal takeover bid made pursuant to Securities Laws.

A transaction or series of transactions may include an acquisition of a business or assets, an amalgamation, arrangement or other reorganization.

Any securities issued pursuant to a Private Placement effected concurrently, contingent upon, or otherwise linked to a transaction or series of transactions, may be used in order to determine whether a transaction or series of transactions satisfies (a) and/or (b), above.

“Share Consolidation Resolution” means the special resolution of the Shareholders that approved the Consolidation at the Meeting.

“Share Exchange Agreement” means the Share Exchange Agreement dated as of December 5, 2018 between IES and Medcolcanna, pursuant to which IES and Medcolcanna have agreed to the terms of the Share Exchange, as amended from time to time.

“Share Exchange Agreement Drop Dead Date” means May 21, 2019 or such other date as the parties may mutually agree.

“Share Exchange” means the transactions contemplated by the Share Exchange Agreement, which include the issuance of IES Shares to Medcolcanna Shareholders following the Consolidation.

“Sponsor” has the meaning specified in Exchange Policy 2.2 – *Sponsorship and Sponsorship Requirements*.

“Stock Option Plan Resolution” means the ordinary resolution approving the Stock Option Plan to be voted on at the Meeting.

“Storyboard Investor Relations Agreement” means the six (6) month Services Agreement entered into between Medcolcanna and Storyboard Communications Corp. on February 26, 2019 and effective from March 1, 2019 to August 31, 2019. Storyboard Communications Corp. is based in Toronto, ON and offers Medcolcanna investor relations services as more particularly set forth in the agreement.

“THC” means tetrahydrocannabinol, a naturally occurring and psychoactive cannabinoid constituent of cannabis.

“Transaction” means the purchase and sale of Medcolcanna Shares contemplated by the Share Exchange Agreement.

“TSXV” or the **“Exchange”** means the TSX Venture Exchange Inc.

“Unit Subscription Receipts” means the subscription receipts issued pursuant to the Concurrent Financing, at a price of \$0.25 per Unit Subscription Receipt with each Unit Subscription Receipt entitling the holder thereof to acquire one Medcolcanna Share and one-half of one Medcolcanna Private Placement Warrant upon certain terms and conditions being satisfied, including but not limited to the completion of the Transaction, and which shall be converted into IES Shares and IES Unit Warrants on the Closing Date.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This Filing Statement contains certain forward-looking information. Words such as “may”, “would”, “could”, “will”, “expects”, “anticipates”, “believes”, variations of such words and similar expressions are intended to identify such forward-looking information. Specifically, and without limiting the generality of the foregoing, all information included in this Filing Statement that addresses activities, events or developments that IES, Medcolcanna or the Resulting Issuer expects or anticipates will or may occur in the future, including, but not limited to, such things as future capital (including the amount and nature thereof), projects under development, goals, objectives, plans and references to the future success of such entities is forward looking information, including, without limitation, such information contained in this Filing Statement. Actual results could differ materially from those expressed or implied by such forward looking information as a result of certain factors, including those described in *“Part IV - Information Relating to Medcolcanna - Risk Factors Relating to Medcolcanna and the Resulting Issuer”* in this Filing Statement.

Readers are cautioned not to place undue reliance on forward-looking information contained in this Filing Statement, which reflects the analysis of the management of IES, Medcolcanna and the Resulting Issuer, as appropriate, only as of the date of this Filing Statement. There can be no assurance that the actual results or developments anticipated by IES, Medcolcanna or the Resulting Issuer will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, IES, Medcolcanna or the Resulting Issuer or any of the business or operations of such entities. IES, Medcolcanna and the Resulting Issuer do not intend, and do not assume any obligation, to update such forward looking information.

MARKET AND INDUSTRY DATA

This Filing Statement includes market and industry data that has been obtained from third party sources, including industry publications, as well as industry data prepared by Medcolcanna management on the basis of its knowledge of and experience in the cannabis industry (including management's estimates and assumptions relating to such industry based on that knowledge). The knowledge of management of Medcolcanna of such industry has been developed through its experience and participation in such industry. Although management of IES or Medcolcanna believe such information to be reliable, neither IES nor Medcolcanna nor their management have independently verified any of the data from third party sources referred to in this Filing Statement or ascertained the underlying economic assumptions relied upon by such sources. References in this Filing Statement to any publications, reports, surveys or articles prepared by third parties should not be construed as depicting the complete findings of the entire publication, report, survey or article. The information in any such publication, report, survey or article is not incorporated by reference in this Filing Statement.

SUMMARY OF FILING STATEMENT

The following is a summary of information relating to IES, Medcolcanna and the Resulting Issuer (assuming completion of the Share Exchange) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement. Reference is made to the Glossary of Terms for the definitions of certain abbreviations and capitalized terms used in this Filing Statement and in this summary.

Integrated Energy Storage Corp.

IES was incorporated under the BCAA on May 31, 2010 under the name “1539460 Alberta Ltd”. It then changed its name to “Aileron Ventures Limited” on December 29, 2010. On December 2, 2016 a Certificate of Continuance was filed to change the name again to “Integrated Energy Storage Corp.” and for it be continued under the CBCA. IES's head office is located at Suite 520, 65 Queen Street West, Toronto, Ontario, M5H 2M5.

IES has not carried on any active business to-date other than (i) to make an investment in Altius Edge Ltd. to acquire 50% of the outstanding common shares thereof, (ii) to undertake matters in connection with an amalgamation transaction involving Altius Edge Ltd. and Immunall Science Inc., (iii) to engage in activities to identify and evaluate businesses and assets with a view to completing an acquisition of a business or assets, and (iv) to hold a licence with Pacific Northwest National Laboratories (the “**PNNL Licence**”), which provides for evaluation and testing of vanadium that will be used in the production of vanadium electrolyte and enables IES to produce vanadium electrolyte that is currently patented by Pacific Northwest National Laboratories.

Medcolcanna

Medcolcanna was incorporated in the British Virgin Islands on July 10, 2018 under the name Geberi, Ltd. Medcolcanna changed its name to Medcolcanna (BVI), Inc. on August 27, 2018. Medcolcanna's registered office is 2nd floor, O'Neal Marketing Associates Building, P.O. Box 4493, Road Town, Tortola, British Virgin Islands, VG1110. On July 24, 2018, Medcolcanna purchased all of the outstanding shares of Medcolcanna SAS, a company organized under the laws of the Republic of Colombia on March 4, 2016. Medcolcanna is a holding company whose only assets are cash and the outstanding shares of Medcolcanna SAS.

Medcolcanna has received three licences in Colombia, including cultivation of psychoactive (high THC) and non-psychoactive (THC<1%) medical cannabis, as well as a licence for the production, domestic distribution and international export of both THC and CBD medical cannabis.

Medcolcanna SAS has a lease for 3 hectares of land upon which it plans to start construction of facilities and greenhouses following the Closing Date. The land is located close to Bogota, the capital city of Colombia. Medcolcanna SAS also has an option to lease up to 184 hectares of additional land (the Mangavilla Estate and the Las Brisas Estates) in order to provide optionality for the expansion of its operations.

Concurrent Financing

It is a condition of the closing of the Transaction that Medcolcanna complete the Concurrent Financing for gross proceeds of not less than \$4,000,000. The Concurrent Financing was a brokered best efforts private placement pursuant to which Medcolcanna issued Unit Subscription Receipts at a price of \$0.25 per Unit Subscription Receipt. On closing of the Transaction, each Unit Subscription Receipt will be converted into one (1) IES Share and one half of one (0.5) IES Unit Warrant. Each full IES Unit Warrant will be exercisable at a price of \$0.40 per share for a period of two years from the Closing Date. The Concurrent Financing raised a total of \$7,746,700. Certain of the IES Shares and IES Shares underlying an IES Unit Warrant are subject to the escrow requirements of the TSXV or subject to a contractual escrow with the brokers for the Concurrent Financing. The Concurrent Financing closed in four tranches, the first of which closed on December 20, 2018 for gross proceeds of \$2,908,000, the second of which closed on February 14, 2019 and raised gross proceeds of \$2,291,700, the third of which closed on March 5, 2019 and raised gross proceeds of \$2,407,000 and the fourth of which closed on March 12, 2019 and raised gross proceeds of \$140,000.

In connection with the Concurrent Financing, Medcolcanna entered into an engagement letter (the “**Engagement Letter**”) dated October 23, 2018 with GMP Securities L.P. (“**GMP**”) and Canaccord Genuity Corp. (collectively with GMP, the “**Agents**”).

The gross proceeds from the Concurrent Financing less certain expenses of the Agents (the “**Escrow Funds**”) were deposited in escrow with the Escrow Agent until the satisfaction of the following conditions (the “**Release Conditions**”):

- (a) all conditions to the completion of the Transaction (other than the release of the Escrowed Proceeds), shall have been satisfied, and the Agents, shall have received written confirmation from each of the Medcolcanna and IES to such effect;
- (b) the receipt of all regulatory approvals required for the Transaction;
- (c) the receipt of all shareholder approvals required for the Transaction;
- (d) the distribution of the following being exempt from applicable prospectus and registration requirements of applicable securities laws: (A) the Medcolcanna Shares and the Medcolcanna Private Placement Warrants underlying the Unit Subscription Receipts; (B) the IES Shares, the IES Unit Warrants, the IES \$0.25 Warrants, and the IES Payment Warrants, including any such Resulting Issuer Shares and Resulting Issuer Warrant Shares to be issued in exchange for the Medcolcanna Shares, the Medcolcanna Private Placement Warrants and the Medcolcanna \$0.25 Warrants, pursuant to the Transaction, and (C) the Resulting Issuer Shares, the Resulting Issuer Warrants and the Compensation Options (as hereinafter defined);
- (e) the Resulting Issuer being conditionally approved for listing on the TSXV and the completion, satisfaction or waiver of all conditions precedent to such listing (other than the release of the Escrow Funds); and
- (f) IES and GMP shall have delivered a release notice to the Escrow Agent confirming that items (a) through (e), inclusive, have been satisfied.

At the effective time of the completion of the Transaction: (i) the Medcolcanna Shares, (ii) the Medcolcanna Private Placement Warrants and the Medcolcanna Shares acquired upon conversion of the Unit Subscription Receipts, and (iii) the Medcolcanna \$0.25 Warrants will be exchanged for IES Shares, the IES Unit Warrants and the IES \$0.25 Warrants without payment of any additional consideration or any further action on the part of the holder thereof.

The date on which the Release Conditions are satisfied is hereinafter referred to as the “**Escrow Release Date**” which, for greater certainty, subject to the terms hereto, shall be no later than 150 days following the closing of the Concurrent Financing, except as may be extended in accordance with the terms of the Unit Subscription Receipts.

In the event that the Release Conditions have not been satisfied or waived prior to 5:00 p.m. (Toronto time) on the date which is 150 days after the Closing, the subscription funds shall be returned to the applicable holders of the Unit Subscription Receipts together with any interest earned thereon, and such Unit Subscription Receipts shall be automatically cancelled and be of no further force and effect.

In connection with the Concurrent Financing, the Agents earned a cash commission of 6.0% from the gross proceeds of the Concurrent Financing (the “**Agency Fee**”). Fifty percent (50%) of the Agency Fee under the Concurrent Financing was paid by Medcolcanna upon closing of the Concurrent Financing with the balance (50%) to be paid to the Agents upon the receipt by the Escrow Agent of the Release Notice. In addition, upon the closing of the Concurrent Financing, the Agents were granted compensation options (the “**Compensation Options**”) which shall be automatically exchanged for compensation options of the Resulting Issuer (the “**Resulting Issuer Compensation Options**”) following satisfaction of the Escrow Release Conditions and pursuant to the Transaction, entitling the Agents to purchase that number of Unit Subscription Receipts equal to 6.0% of the aggregate number of Unit Subscription Receipts issued by the Medcolcanna under the Concurrent Financing with an exercise price per Reporting

Issuer Compensation Option that is equal to \$0.25, subject to any necessary adjustments. The Resulting Issuer Compensation Options shall have a term of 24 months following the Escrow Release Date. Pursuant to the Concurrent Financing and the IES Private Placement, the Agents received 2,102,028 Compensation Options and received an Agency Fee of \$464,802 from Medcolcanna and fees of 3% of the gross proceeds raised from the IES Private Placement, being \$42,240. Pursuant to the terms of the subscription receipt agreement amongst the Agents, IES and Medcolcanna dated December 20, 2019 (the “**Subscription Receipt Agreement**”), half of the Compensation Options and Agency Fee was paid on the respective closing dates and the other half is being held pending satisfaction of the escrow release conditions set forth in the Subscription Receipt Agreement.

The proceeds of the Concurrent Financing will be primarily used for construction of facilities and greenhouses and working capital. See “*Part III - Information Relating to the Resulting Issuer - Available Funds and Principal Purposes*”.

Non-brokered private placements

On September 24, 2018, Medcolcanna completed the non-brokered Medcolcanna \$0.09 Unit Private Placement in which it issued 7,362,659 Medcolcanna \$0.09 Units at a price of \$0.09 per unit for gross proceeds of \$662,639. Each Medcolcanna \$0.09 Unit consists of one Medcolcanna Share and one-half of one Medcolcanna \$0.25 Warrant. Each whole Medcolcanna \$0.25 Warrant is exercisable into one Medcolcanna Share at a price of \$0.25 per share until September 24, 2019.

Simultaneous with the Concurrent Financing Medcolcanna completed a non-brokered private placement of 400,000 Medcolcanna Shares at a price of \$0.09 per share for gross proceeds of \$36,000 on March 15, 2019.

Summary of the Share Exchange

Pursuant to the Share Exchange Agreement, IES and Medcolcanna have agreed to complete a share exchange whereby IES will continue under the name Medcolcanna Organics Inc. or such other name as the Resulting Issuer Board may determine in its sole discretion. The Share Exchange will be effected in accordance with the terms of the Share Exchange Agreement. The number of IES Shares that each shareholder of Medcolcanna will receive upon completion of the Share Exchange and the Consolidation ratio have been negotiated and agreed to on an arm’s-length basis and are specifically set out in the Share Exchange Agreement. As at the date of this Filing Statement, there were 51,628,148 IES Shares and 500,000 IES Stock Options issued and outstanding. Medcolcanna has 41,762,659 Medcolcanna Shares (which includes 7,362,659 shares issued pursuant to the Medcolcanna \$0.09 Unit Private Placement), 3,681,330 Medcolcanna \$0.25 Warrants, 1,000,000 Medcolcanna Private Placement Warrants and 30,986,800 Unit Subscription Receipts issued and outstanding. Pursuant to the terms of the Share Exchange Agreement:

- (i) immediately prior to completion of the Share Exchange, IES shall complete the IES Private Placement in order to meet the condition that it have the Closing Cash Amount and extinguish or otherwise settle all outstanding debt of IES such that at closing there are no current or long-term financial liabilities existing in IES;
- (ii) the outstanding IES Shares will be consolidated such that there will be 12,900,000 IES Shares issued and outstanding immediately prior to the Effective Time and IES will receive 6,450,000 IES Payment Warrants;
- (iii) the IES Options shall be terminated and cancelled;
- (iv) each Medcolcanna Shareholder will exchange their Medcolcanna Shares for IES Shares on a one-for-one (1:1) basis, resulting in, prior to giving effect to the Concurrent Financing, 41,762,659 IES Shares being issued to Medcolcanna Shareholders;
- (v) immediately prior to the Closing Date, each holder of a Unit Subscription Receipt will acquire one Medcolcanna Share and one-half of one Medcolcanna Private Placement Warrant, which shall then be converted into an IES Share and one-half of one IES Unit Warrant on the Closing Date, resulting in

30,986,800 IES Shares and 15,493,400 IES Unit Warrants being issued to holders of Unit Subscription Receipts and Medcolcanna Units;

- (vi) immediately prior to the Closing Date, each Medcolcanna Share and each whole Medcolcanna Second Private Placement Warrant acquired in the Medcolcanna Second Private Placement shall be converted into an IES Share and a whole IES Unit Warrant on the Closing Date, resulting in 2,000,000 IES Shares and 1,000,000 IES Unit Warrants being issued to subscribers to the Medcolcanna Second Private Placement;
- (vii) immediately prior to the Closing Date, each whole Medcolcanna \$0.25 Warrant shall be converted into one IES \$0.25 Warrant on the Closing Date, resulting in 7,362,659 IES Shares and 3,681,330 IES \$0.25 Warrants being issued to holders of the Medcolcanna \$0.09 Units; and
- (viii) IES will change its name to Medcolcanna Organics Inc. or such other name as may be determined in the sole discretion of the Resulting Issuer Board.

Upon completion of the Share Exchange Agreement and the change in name of IES, all IES securities shall become Resulting Issuer securities.

The following table summarizes the distribution of securities that will be issued on completion of the Share Exchange, under the assumption that no IES Stock Options or Medcolcanna Unit Warrants are exercised prior to the Effective Date and that no additional securities are issued by IES and Medcolcanna other than in connection with the Concurrent Financing and the Medcolcanna Second Private Placement.

	To IES Security holders ⁽¹⁾	To Medcolcanna Shareholders ⁽⁵⁾	To Subscribers of Concurrent Financing ⁽²⁾	To Subscribers of Medcolcanna \$0.09 Unit Private Placement	To Agents	Total Resulting Issuer
Resulting Issuer Shares	12,900,000	34,400,000	30,986,800	7,362,659	-	85,649,459
Resulting Issuer Warrants ⁽³⁾	6,450,000 ⁽⁶⁾	1,000,000	15,493,400	3,681,330	-	26,624,730
Resulting Issuer Options	-	-	-	-	-	- ⁽⁴⁾
Compensation Options	-	-	-	-	2,102,028	2,102,028

Notes:

- (1) Assumes the completion of the Consolidation.
- (2) Gives effect to the Concurrent Financing offering of 30,986,800 units over four tranches from December 2018 through March 2019 of Unit Subscription Receipts at \$0.25 per Unit Subscription Receipt. Upon closing of the Share Exchange transaction each Unit Subscription Receipt shall be exchanged for one (1) IES Share and one-half of one (0.5) IES Unit Warrant exercisable at \$0.40 for two years.
- (3) Resulting Issuer Warrants consist of IES Unit Warrants, IES \$0.25 Warrants and IES Payment Warrants; each whole IES Unit Warrant issued will be exercisable into one (1) IES Share at a price of \$0.40 per share for a period of two years from the Closing Date, and each whole IES \$0.25 Warrant issued will be exercisable into one (1) IES Share at a price of \$0.25 per share until September 24, 2019.
- (4) Pursuant to the Share Exchange Agreement, holders of IES Options have agreed to the termination and cancellation of such options.
- (5) Includes 2,000,000 Medcolcanna Shares and 1,000,000 Medcolcanna Private Placement Warrants issued pursuant to the Medcolcanna Second Private Placement.
- (6) Represents the IES Payment Warrants, exercisable at a price of \$0.40 per share for a period of two years from the Closing Date.

For a description of the fully-diluted share capital of the Resulting Issuer, please refer to “*The Resulting Issuer – Pro Forma Consolidated Capitalization.*”

The Share Exchange Agreement contains customary representations and warranties for transactions of this nature, including representations and warranties that IES and Medcolcanna are in compliance with all applicable laws and are otherwise legally capable of entering into the Share Exchange Agreement and completing the Share Exchange. The Share Exchange Agreement also sets out a number of conditions. See “*Part II - The Share Exchange Agreement - Conditions to the Share Exchange*” of this Filing Statement.

Board of Directors and Management

If the Share Exchange and Concurrent Financing are successfully completed, the parties hereto intend that the Resulting Issuer Board and management shall consist of:

Name of Interested Party	Position with IES	Position with the Resulting Issuer	Number and Percentage of IES Shares	Number and Percentage of Medcolcanna Shares
Felipe de la Vega	N/A	President and CEO and Director	Nil	8,983,000 (21.5%)
Robert Metcalfe	N/A	Chairman of the Board	Nil	Nil (0.0%)
Thor Borresen	N/A	Director	Nil	431,748 (1.0%)
Chris Reid ⁽¹⁾	N/A	Chief Financial Officer	22,046 (0.2%)	4,800,000 (11.5%)
Pablo Vieira	N/A	Director	Nil	Nil (0.0%)
Peter Yates	N/A	Corporate Secretary	Nil	Nil (0.0%)
Nicolas Rodriguez	N/A	COO	Nil	1,000,000 (2.4%)
Total:			22,046 (0.2%)	15,214,748 (38.0%)

(1) Consisting of 4,800,000 Medcolcanna Shares held through BB Enterprises Ltd, a company owned and controlled by Mr. Reid. 22,046 Resulting Issuer shares are derived from 200,000 IES Shares held prior to the Consolidation.

(2) Includes 320,000 Medcolcanna Shares held directly by Mr. de la Vega, as well as 8,663,000 Medcolcanna Shares held by various companies affiliated with Mr. de la Vega, including a company owned by Mr. de la Vega’s mother and sister, a company owned by Mr. de la Vega’s mother and half-brother (who also separately holds Medcolcanna Shares directly), and Medcolcanna Shares held by Mr. de la Vega’s common law spouse.

If the Share Exchange is successfully completed, the parties intend that the officers of the Resulting Issuer will consist of Felipe de la Vega (President and CEO), Chris Reid (CFO), Peter Yates (Corporate Secretary) and Nicolas Rodriguez (COO).

Selected Pro Forma Financial Information

The unaudited *pro forma* consolidated statement of financial position of the Resulting Issuer is attached as Schedule “E” to this Filing Statement. The unaudited *pro forma* consolidated statement of financial position of the Resulting Issuer as at December 31, 2018 has been prepared from the financial statements of IES (see Schedule “C”) and the audited financial statements of Medcolcanna (see Schedule “D”). The unaudited *pro forma* consolidated statement of financial position of the Resulting Issuer gives effect to the proposed Share Exchange and to the Concurrent Financing, as described below and in the notes to the unaudited *pro forma* statement of financial position of the Resulting Issuer. The unaudited *pro forma* consolidated statement of financial position and the notes thereto should be read in conjunction with the financial statements of IES and Medcolcanna, including the notes thereto, included at Schedules “C” and “D” hereto, respectively.

Pro Forma Consolidated Statement of Financial Position

	As at December 31, 2018 after giving effect to the Share Exchange and the Concurrent Financing (unaudited) (\$)
Total Assets	8,664,929
Total Liabilities	286,973

The following table represents the share and loan capital of the Resulting Issuer following completion of the Share Exchange and the Concurrent Financing:

Description of Security	Amount anticipated or to be Authorized	Amount to be outstanding in the Resulting Issuer upon completion of the Share Exchange and completion of the Concurrent Financing
Loans outstanding	Nil	Nil
Resulting Issuer Shares	Unlimited	85,649,459

Exchange Acceptance

The Exchange has conditionally accepted the listing application of the Resulting Issuer Shares upon completion of the Share Exchange Agreement, subject to IES fulfilling all of the requirements of the Exchange.

Market Price

The IES Shares do not trade on the facilities of any stock exchange and no public market exists for either of the Medcolcanna Shares or the IES Shares.

Interest of Insiders, Promoters or Control Persons

The following table contains the list of all of the Insiders and Non-Arm’s Length Parties pursuant to the Share Exchange.

No Insider, promoter or Control Person of IES and Medcolcanna or their Associates and Affiliates (before giving effect to the Consolidation and the Share Exchange) have any interest in the Share Exchange other than that which arises from their holding of IES Shares and Medcolcanna Shares, as appears in the following table:

Name of Interested Party	Position with IES	Position with the Resulting Issuer	Number and Percentage of IES Shares ⁽¹⁾	Number and Percentage of Medcolcanna Shares
Christopher Hopkins	Director	Nil	Nil	Nil
Brian Murray	Director	Nil	Nil	Nil
Brian Stecyk	CEO & Director	Nil	100,553 (0.8%)	Nil
Felipe de la Vega	Nil	President, CEO & Director	Nil	8,983,000 (21.5%)
Robert Metcalfe	Nil	Chairman of the Board of Directors	Nil	Nil (0%)
Thor Borresen	Nil	Director	Nil	431,748 ⁽³⁾ (1.0%)
Pablo Vieira	N/A	Director	Nil	Nil (0.0%)
Peter Yates	N/A	Corporate Secretary	Nil	Nil (0.0%)
Chris Reid	Nil	Chief Financial Officer	22,046 (0.2%)	4,800,000 ⁽²⁾ (11.6%)
Nicolas Rodriguez	Nil	COO	Nil	1,000,000 (2.4%)

Notes:

- (1) Represents shares of IES on a post-Consolidation basis.
- (2) All of these Medcolcanna Shares are held through BB Enterprises Ltd, a company owned and controlled by Mr. Reid. The 22,046 Resulting Issuer shares result from the conversion of Mr. Reid's holdings of 200,000 IES shares upon Consolidation.
- (3) Shares held through Freyr SAS, a company owned and controlled by Mr. Borresen.
- (4) Includes 320,000 Medcolcanna Shares held directly by Mr. de la Vega, as well as 8,663,000 Medcolcanna Shares held by various companies affiliated with Mr. de la Vega, including a company owned by Mr. de la Vega's mother and sister, a company owned by Mr. de la Vega's mother and half-brother (who also separately holds Medcolcanna Shares directly), and Medcolcanna Shares held by Mr. de la Vega's common law spouse.

Arm's Length Party Transaction

The Share Exchange constitutes a Reverse Takeover and is not a Non-Arm's Length Party Transaction within the meaning of the TSXV Corporate Finance Manual.

Available Funds and Principal Purposes

Upon completion of the Share Exchange, the Resulting Issuer will have estimated funds of approximately \$7,753,353 available. The Resulting Issuer expects that the principal purpose of such funds will be used for the construction of facilities and greenhouses for the cultivation, production and distribution of cannabis. Specifically, the Resulting Issuer intends to use the funds available for the following purposes (the following estimates based on 12-month breakdown):

Available Funds		
Approximate working capital of IES and Medcolcanna as of April 30, 2019		\$705,455 ⁽¹⁾
Gross Proceeds of the Concurrent Financing		\$7,746,700
Gross Proceeds of the Non-Brokered Private Placement		\$36,000
Agent's Fees on Concurrent Financing not previously paid ⁽²⁾		(\$434,802)
Costs associated with regulatory approval of reverse takeover		(\$300,000)
	Total Available Funds	\$7,753,353
Anticipated Use of Funds		
For Construction of facilities and greenhouses		(\$1,698,413)
Commercial distribution		(\$2,840,404)
Security		(\$123,377)
Product lab development		(\$60,000)
Research and development		(\$50,000)
Salaries & Wages		(\$994,808)
General and Administration Costs for 12 Months following completion of the Share Exchange		
Investor relations/advisory fees	\$70,000	(\$70,000)
Transfer agent/filing fees	\$31,300	(\$31,300)
Legal/audit	\$117,727	(\$117,727)
Insurance	\$65,000	(\$65,000)
Other	\$341,475	(\$341,475)
	\$625,502	(\$6,392,504)
	Less: Anticipated Cash revenue receipts during last 3 months of year	\$2,083,361
	Total Anticipated Use of Funds	(\$4,309,143)
	Total Unallocated Funds	<u>\$3,444,210</u>

Notes:

- (1) Includes \$580,000 in cash plus other working capital of \$25,455 from IES as seen in the pro forma estimated by the Closing Date and the working capital of \$100,000 (excluding restricted cash) of Medcolcanna as at April 30, 2019 following loans to Medcolcanna from IES pursuant to the terms of the Share Exchange Agreement.
- (2) Total commissions are \$507,042. Of this amount, \$72,240 was paid by December 31, 2018.

It is currently anticipated that the Resulting Issuer's unallocated working capital will be used for such purposes as determined by management, from time to time.

The Resulting Issuer will spend the funds available to it upon completion of the Share Exchange for the principal purposes indicated above. Notwithstanding the foregoing, there may also be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Resulting Issuer to achieve its objectives. The Resulting Issuer may require additional funds in order to fulfill all of the Resulting Issuer's expenditure requirements to meet its objectives, in which case the Resulting Issuer expects to either issue additional shares or incur indebtedness. There can be no assurance that additional funding required by the Resulting Issuer will be available, if required. However, it is anticipated that the available funds will be sufficient to satisfy the Resulting Issuer's objectives over the next 12 months.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Resulting Issuer will be subject in connection with the operations of the Resulting Issuer. Some of the directors and officers have been and will continue to be engaged in the identification and evaluation, with a view to potential acquisition of interests in businesses and corporations on their own behalf and on behalf of other corporations, and situations may arise where

the directors and officers will be in direct competition with the Resulting Issuer. Conflicts, if any, will be subject to the procedures and remedies under the BCBCA, as the case may be.

Interest of Experts and Consultants

No person or company who is named as having prepared or certified a part of the Filing Statement or prepared or certified a report or valuation described or included in the Filing Statement has, or will have upon completion of the Share Exchange, any direct or indirect interest in the Resulting Issuer.

Risk Factors

If the Share Exchange and Concurrent Financing are completed, the Resulting Issuer will be engaged in the cultivation, production, distribution and export of cannabis in Colombia. There are a variety of risks associated with the cannabis industry and additional risks associated with cannabis activities in foreign countries. Such risk factors are more particularly described in this Filing Statement under the heading “*Part II - Information Concerning Medcolcanna - Risk Factors Relating to Medcolcanna and the Resulting Issuer*” and may be summarized as follows:

- limited operating history
- Managing growth
- Attraction and retention of skilled personnel
- Legal proceedings
- Regulatory risks (including changes in cannabis laws and regulations or taxation) in jurisdictions in which the Resulting Issuer plans to operate
- Reliance on one facility
- Fluctuation in the demand for cannabis and derivatives
- Liability, enforcement and complaints
- Product liability
- Ability to obtain adequate insurance
- Ability to establish and maintain bank accounts
- Quality control, product recalls
- Risks inherent in the agriculture business
- Risks inherent in rural real estate.
- Fluctuations in energy prices and supply
- Adequate supply of cannabis seeds
- Change in corporate structure
- Emerging market risks
- Global economy
- TSXV restrictions
- Risks related to investment in Colombian companies
- Financial and accounting risks
- Risks related to resulting issuer shares and the completion of the transaction

Resale of Resulting Issuer Shares

If the Share Exchange is completed, holders of Medcolcanna Shares resident in each of the provinces and territories of Canada will receive IES Shares pursuant to the Share Exchange, which may be subject to prospectus requirements and statutory hold periods in certain circumstances. See below.

Resale of IES Shares

The IES /Resulting Issuer Shares to be issued pursuant to the Share Exchange will be issued in reliance on exemptions from prospectus and registration requirements of applicable securities laws, and such Shares will be “freely tradable” (other than any trading restrictions which may apply to the holdings of a Control Person and those subject to escrow as described under “*Part III - Information Concerning the Resulting Issuer - Escrowed Securities*”) under such applicable securities laws.

Proposed Directors and Management of the Resulting Issuer.

It is proposed that Felipe de la Vega be appointed President, CEO and Director of the Resulting Issuer, Robert Metcalfe will be appointed the Chairman of the Board, Thor Borresen and Pablo Vieira will be appointed Directors, Chris Reid will be appointed the Chief Financial Officer, Peter Yates will be appointed Corporate Secretary, and Nicolas Rodriguez will be appointed Chief Operating. Medcolcanna currently has 3 directors, Felipe de la Vega, Chris Reid and Santiago Flores; however, upon approval of the Share Exchange and completion of the transactions contemplated by the Share Exchange Agreement, Robert Metcalfe will be appointed the Chairman of the Board, and Felipe de la Vega, Thor Borresen and Pablo Vieira will become directors of the Resulting Issuer to hold office until the next annual meeting of the Shareholders or until their successors are duly elected or appointed, unless such office is earlier vacated in accordance with the by-laws of the Resulting Issuer. For a complete description of these nominees, see “*Part III - Information Concerning the Resulting Issuer - Directors and Senior Officers of the Resulting Issuer*”.

Escrowed Shares

A total of 51,763,720 Resulting Issuer Shares issued to certain IES Shareholders and Medcolcanna Shareholders pursuant to the Share Exchange or various financings undertaken by each of IES and Medcolcanna prior to the Closing Date will be subject to escrow requirements under the Escrow Agreement, subject to hold periods under the applicable rules of the TSXV or subject to securities law hold periods. See “*Part III - Information Concerning the Resulting Issuer - Escrowed Securities*”.

Exchange of Share Certificates

If the Share Exchange becomes effective, as soon as practicable after the Effective Date, certificates or confirmations of “uncertificated” ownership representing Resulting Issuer Shares, as determined by IES and Medcolcanna, will be forwarded to the Medcolcanna Shareholders and the Shareholders.

Lost or Destroyed Share Certificates

Where a certificate representing IES Shares, Medcolcanna Shares or Resulting Issuer Shares has been lost or destroyed, the holder of such certificates should immediately contact TSX Trust Company., the registrar and transfer agent of the Resulting Issuer Shares, so that arrangements can be made to issue a replacement share certificate to such holder upon such holder satisfying such reasonable requirements as may be imposed by Resulting Issuer in connection with the issue of such replacement share certificate.

If the Share Exchange is completed, holders of IES Shares and Medcolcanna Shares resident in each of the provinces and territories of Canada will receive Resulting Issuer Shares pursuant to the Share Exchange which may be resold free of prospectus requirements and statutory hold periods of the securities laws of those provinces and territories, (subject to compliance with the provisions thereof governing resales of securities received pursuant to a business combination). Any person, company or a combination of persons or companies holding a sufficient number of Resulting Issuer Shares to affect materially the control of Resulting Issuer will nevertheless be restricted in reselling Resulting Issuer Shares received pursuant to the Share Exchange. The Shareholders and Medcolcanna Shareholders resident outside of these jurisdictions should consult with their own adviser with respect to any resale of Resulting Issuer Shares received pursuant to the completion of the Share Exchange Agreement.

Notwithstanding the foregoing, certain Resulting Issuer shareholders will be subject to the terms of an escrow agreement. See “*Part III - Information Concerning the Resulting Issuer - Escrowed Securities*”.

PART I - INFORMATION CONCERNING IES

CORPORATE STRUCTURE

IES was incorporated under the BCAA on May 31, 2010 under the name “1539460 Alberta Ltd”. It then changed its name to “Aileron Ventures Limited” on December 29, 2010. On December 2, 2016 a Certificate of Continuance was filed to change the name again to “Integrated Energy Storage Corp.” and for it be continued under the CBCA. IES’ head office is located at Suite 520, 65 Queen Street West, Toronto, Ontario, M5H 2M5. IES’ registered office is located at Suite 608, 1199 West Pender Street, Vancouver, BC, V6E 2R1.

INTER CORPORATE RELATIONSHIPS

IES does not have any subsidiaries. It therefore has no corporate relationships to report.

GENERAL DEVELOPMENT OF THE BUSINESS

IES became a reporting issuer in April 2011, in connection with an arrangement involving Immunall Science Inc. At the time, it was controlled by Mosaic Limited Partnership (“**Mosaic**”). IES did not have active operations at the time, and its business consisted largely of reviewing potential acquisitions and options for a public listing. All of the capital necessary to maintain IES, and ensure compliance with its disclosure obligations, was lent to IES by Mosaic during the time it had control. In August 2016, Mosaic disposed of the majority of its share capital in IES and a new management group was appointed. During this time, John Purdy became a significant shareholder of IES. Mr. Purdy then assumed responsibility for funding of IES, and arranged to complete a series of loans to IES.

New management of IES sought to position IES as a developer of technology for large-scale vanadium flow batteries. In the course of this change, a new name was adopted by IES. One of the company’s first initiatives was to undertake development of a relationship with Pacific Northwest National Laboratories of Richland, Washington. This government research facility undertook research into vanadium redox flow batteries and developed and patented several vanadium electrolyte formulations. IES became a licensee of the electrolyte formulations and over the next two years maintained the license and associated patents. Due to limited funds actual development of an electrolyte processing facility did not take place although the PNNL licenses were maintained. In early 2019, the PNNL licences were terminated.

IES has not carried on any active business to-date since then other than to: (i) make an investment in Altius Edge Ltd. to acquire 50% of the outstanding common shares thereof; (ii) undertake matters in connection with an amalgamation transaction involving Altius Edge Ltd. and Immunall Science Inc.; (iii) engage in activities to identify and evaluate businesses and assets with a view to completing an acquisition of a business or assets; and (iv) hold a licence with Pacific Northwest National Laboratories which provides for evaluation and testing of vanadium that could be used in the production of vanadium electrolyte and would enable IES to produce vanadium electrolyte that is currently patented by Pacific Northwest National Laboratories.

IES began seeking new projects and opportunities to enhance shareholder value. On December 5, 2018, IES and Medcolcanna entered into a Share Exchange Agreement setting forth a business combination subject to regulatory approval.

In connection with the Transaction and as a condition the Closing, IES has to complete a financing of IES Shares in an amount sufficient to ensure that it has the Cash Closing Amount. On January 3, 2019, IES issued a total of 222,000 IES Shares at a price of \$0.02 per IES Share for total gross proceeds of \$4,440. On January 31, 2019, IES issued a total of 40,470,000 IES Shares at a price of \$0.025 per IES Share for total gross proceeds of \$1,011,750. On March 26, 2019, IES issued a total of 6,433,253 IES Shares at a price of \$0.0218 for total gross proceeds of \$140,245. In addition, it is a condition of the Closing that IES have no outstanding debt. In order to extinguish its existing debt, John Purdy, a shareholder of IES as well as a subscriber to IES’s \$0.025 placement, acquired \$424,512.64 of IES’s debt from the holders thereof and agreed to settle that debt in consideration for the receipt of 6,500,000 Resulting Issuer Shares and 6,450,000 IES Payment Warrants, which he has subsequently agreed to assign to certain other individuals and entities pursuant to various commitments unrelated to IES that he had with such individuals and

entities. Mr. Purdy retained 400,000 of the Resulting Issuer Shares and 325,000 of the IES Payment Warrants to be issued pursuant to the IES debt settlement. Further, certain of the debt incurred in connection with the PNNL licence is being assumed by a numbered Alberta company, which is non-arm's length to IES, in that it is controlled by certain principals of IES.

THE SHARE EXCHANGE

Background to the Share Exchange

In 2018, given the delays and uncertainty of obtaining the required permits to advance IES's assets, the Board instructed management to explore potential acquisitions or opportunities, with a view to maximizing shareholder value. IES has reviewed a number of opportunities but was interested in opportunities in the growing marijuana sector.

Management of Medcolcanna sought to go public with a company that is recognized as a "reporting issuer" under Canadian securities laws in order to complete a going public transaction. IES is a "reporting issuer" under Canadian securities laws and in the Provinces of British Columbia, Alberta and Ontario. In addition, IES has capital market expertise. IES is not actively traded and, therefore, does not have a trading symbol.

On December 5, 2018, IES and Medcolcanna entered into a Share Exchange Agreement setting forth a business combination, subject to regulatory approval and announced the Transaction on the same day. The Share Exchange Agreement has a drop dead date to obtain regulatory approvals of May 21, 2019, at which point the agreement will terminate unless extended by the parties.

In connection with the Share Exchange and pursuant to the terms of the Share Exchange Agreement, IES lent a total of \$730,000 to Medcolcanna to cover the working capital requirements of Medcolcanna until the Closing Date. IES and Medcolcanna entered into a loan agreement dated February 22, 2019 with respect to \$330,000 of this amount. The loan is unsecured, has an interest rate of 8% per annum and has a term of 90 days starting from February 25, 2019. It can be extended an additional 30 days at the sole discretion of IES. IES and Medcolcanna entered into a second loan agreement dated March 31, 2019 with respect to an additional \$250,000. The loan is unsecured, has an interest rate of 8% per annum and has a term of 90 days starting from April 1, 2019. It can be extended an additional 30 days at the sole discretion of IES. IES and Medcolcanna entered into a further loan agreement dated May 6, 2019 with respect to an additional \$150,000. The loan is unsecured, has an interest rate of 8% per annum and has a term of 90 days starting from May 8, 2019. It can be extended an additional 30 days at the sole discretion of IES.

On May 16, 2019, the Board of Directors of IES approved this Filing Statement.

Summary of the Share Exchange

Pursuant to the Share Exchange Agreement, IES and Medcolcanna have agreed to complete a share exchange whereby IES will continue under the name Medcolcanna Organics Inc. or such other name as the Resulting Issuer Board may determine in its sole discretion. The Share Exchange will be effected in accordance with the terms of the Share Exchange Agreement. The number of IES Shares that each shareholder of Medcolcanna will receive upon completion of the Share Exchange and the Consolidation ratio have been negotiated and agreed to on an arm's-length basis and are specifically set out in the Share Exchange Agreement. As at the date of this Filing Statement, there were 51,628,148 IES Shares and 500,000 IES Stock Options issued and outstanding. Medcolcanna has 41,762,659 Medcolcanna Shares (which includes 7,362,659 shares issued pursuant to the Medcolcanna \$0.09 Unit Private Placement), 3,681,330 Medcolcanna \$0.25 Warrants, 1,000,000 Medcolcanna Private Placement Warrants and 30,986,800 Unit Subscription Receipts issued and outstanding. Pursuant to the terms of the Share Exchange Agreement:

- (i) immediately prior to completion of the Share Exchange, IES shall complete the IES Private Placement in order to meet the condition that it have the Closing Cash Amount and extinguish or otherwise settle all outstanding debt of IES such that at closing there are no current or long-term financial liabilities existing in IES;

- (ii) the outstanding IES Shares will be consolidated such that there will be 12,900,000 IES Shares issued and outstanding immediately prior to the Effective Time and IES will receive 6,450,000 IES Payment Warrants;
- (iii) the IES Options shall be terminated and cancelled;
- (iv) each Medcolcanna Shareholder will exchange their Medcolcanna Shares for IES Shares on a one-for-one (1:1) basis, resulting in, prior to giving effect to the Concurrent Financing, 41,762,659 IES Shares being issued to Medcolcanna Shareholders;
- (v) immediately prior to the Closing Date, each holder of a Unit Subscription Receipt will acquire one Medcolcanna Share and one-half of one Medcolcanna Private Placement Warrant, which shall then be converted into an IES Share and one-half of one IES Unit Warrant on the Closing Date, resulting in 30,986,800 IES Shares and 15,493,400 IES Unit Warrants being issued to holders of Unit Subscription Receipts and Medcolcanna Units;
- (vi) immediately prior to the Closing Date, each Medcolcanna Share and each whole Medcolcanna Second Private Placement Warrant acquired in the Medcolcanna Second Private Placement shall be converted into an IES Share and a whole IES Unit Warrant on the Closing Date, resulting in 2,000,000 IES Shares and 1,000,000 IES Unit Warrants being issued to subscribers to the Medcolcanna Second Private Placement;
- (vii) immediately prior to the Closing Date, each whole Medcolcanna \$0.25 Warrant shall be converted into one IES \$0.25 Warrant on the Closing Date, resulting in 7,362,659 IES Shares and 3,681,330 IES \$0.25 Warrants being issued to holders of the Medcolcanna \$0.09 Units; and
- (viii) IES will change its name to Medcolcanna Organics Inc. or such other name as may be determined in the sole discretion of the Resulting Issuer Board.

Upon completion of the Share Exchange Agreement and the change in name of IES, all IES securities shall become Resulting Issuer securities.

The following table summarizes the distribution of securities that will be issued on completion of the Share Exchange, under the assumption that no IES Stock Options or Medcolcanna Unit Warrants are exercised prior to the Effective Date, the Consolidation is completed and that no additional securities are issued by IES and Medcolcanna other than in connection with the Concurrent Financing and the Medcolcanna Second Private Placement.

	To IES Security holders ⁽¹⁾	To Medcolcanna Shareholders ⁽⁵⁾	To Subscribers of Concurrent Financing ⁽²⁾	To Subscribers of Medcolcanna \$0.09 Unit Private Placement	To Agents	Total Resulting Issuer
Resulting Issuer Shares	12,900,000	34,400,000	30,986,800	7,362,659	-	85,649,459
Resulting Issuer Warrants ⁽³⁾	6,450,000 ⁽⁶⁾	1,000,000	15,493,400	3,681,330	-	26,624,730
Resulting Issuer Options	-	-	-		-	- ⁽⁴⁾
Compensation Options	-	-	-		2,102,028	2,102,028

Notes:

- (1) Assumes the completion of the Consolidation.

- (2) Gives effect to the Concurrent Financing offering of 30,986,800 units over four tranches from December 2018 through March 2019 of Unit Subscription Receipts at \$0.25 per Unit Subscription Receipt. Upon closing of the Share Exchange transaction each Unit Subscription Receipt shall be exchanged for one (1) IES Share and one-half of one (0.5) IES Unit Warrant exercisable at \$0.40 for two years.
- (3) Resulting Issuer Warrants consist of IES Unit Warrants, IES \$0.25 Warrants and IES Payment Warrants; each whole IES Unit Warrant issued will be exercisable into one (1) IES Share at a price of \$0.40 per share for a period of two years from the Closing Date, and each whole IES \$0.25 Warrant issued will be exercisable into one (1) IES Share at a price of \$0.25 per share until September 24, 2019.
- (4) Pursuant to the Share Exchange Agreement, holders of IES Options have agreed to the termination and cancellation of such options.
- (5) Includes 2,000,000 Medcolcanna Shares and 1,000,000 Medcolcanna Private Placement Warrants issued pursuant to the Medcolcanna Second Private Placement.
- (6) Represents the IES Payment Warrants, which are exercisable at a price of \$0.40 per share for a period of two years from the Closing Date.

For a description of the fully-diluted share capital of the Resulting Issuer, please refer to “The Resulting Issuer – Pro forma Consolidated Capitalization”.

The Share Exchange Agreement contains customary representations and warranties for transactions of this nature, including representations and warranties that IES and Medcolcanna are in compliance with all applicable laws and are otherwise legally capable of entering into the Share Exchange Agreement and completing the Share Exchange. The Share Exchange Agreement also sets out a number of conditions. See “*Part II - The Share Exchange Agreement - Conditions to the Share Exchange*” of this Filing Statement.

The successful completion of the Share Exchange will constitute a “Reverse Takeover” of IES within the meaning of such term under applicable securities laws and Exchange policies.

Conditions to the Share Exchange

The following discussion of the Share Exchange Agreement is intended to provide a general review and summary only. For details, reference should be made to the Share Exchange Agreement in the form set out in Schedule “B”.

The Share Exchange Agreement contains customary representations and warranties for transactions of this nature, including representations and warranties that IES and Medcolcanna are, respectively, in compliance with all applicable laws and are otherwise legally capable of entering into the Share Exchange Agreement and completing the Share Exchange. The Share Exchange Agreement also provides that the Share Exchange is subject to a number of conditions in favour of both IES and Medcolcanna, including the following:

- (a) IES shall have performed in all material respects the obligations to be performed by it under the Share Exchange Agreement on or before the Effective Date, except to the extent any such failure results from a breach of the Share Exchange Agreement by Medcolcanna;
- (b) Medcolcanna shall have performed in all material respects the obligations to be performed by it under the Share Exchange Agreement on or before the Effective Date, except to the extent any such failure results from a breach of the Share Exchange Agreement by IES;
- (c) the Share Exchange and other transactions, as proposed or with any amendment, shall have been approved by the Shareholders at the Meeting and by the Medcolcanna Shareholders at the Medcolcanna Meeting, in each case in compliance with the legislation;
- (d) receipt of all required third party and regulatory approvals and consents and compliance with all applicable regulatory requirements and conditions;
- (e) since the date of the Share Exchange Agreement, there shall not have been any change, condition, event or occurrence that, individually or in the aggregate, has been, or could reasonably be expected to be, materially adverse to IES or Medcolcanna;

- (f) there shall have been no changes, amendments, or modifications to the Medcolcanna Licences or the Land Interests; and
- (g) Medcolcanna shall have completed the Concurrent Financing.

If any of the conditions precedent contained in the Share Exchange Agreement, other than the approval of the Shareholders, shall not be fulfilled or performed, the party entitled to the benefit of such conditions shall be entitled to terminate the Share Exchange or waive the condition.

Reasons for the Share Exchange

The board of directors of each of IES and Medcolcanna has concluded that the Share Exchange is fair and in the best interests of their respective shareholders.

In arriving at their conclusion, each member of the board of directors of IES and Medcolcanna considered information with respect to the financial condition, business and operations of each of IES and Medcolcanna, on both an historical and prospective basis, including information in respect of IES and Medcolcanna on a *pro forma* combined basis.

The board of directors of each of IES and Medcolcanna considered a number of factors that make the Share Exchange attractive to their respective shareholders, including the following:

- IES has no assets other than cash and the PNNL Licence.
- IES views the Share Exchange as an opportunity to increase shareholder value.
- Medcolcanna wishes to go public with a company that is recognized as a “reporting issuer” under the provisions of Canadian securities laws.
- Medcolcanna’s ownership of in the Medcolcanna Licences and Medcolcanna Land Interests.
- The Share Exchange presents an opportunity for the Shareholders to participate in a growing market sector with a management team with experience in doing business in Colombia.

The expectation that the Resulting Issuer will have increased market capitalization that is anticipated to receive greater market attention, resulting in improved liquidity for the Shareholders and an increased ability to secure financing.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT’S DISCUSSION AND ANALYSIS

Financial Statements and Management’s Discussion and Analysis for financial periods up to the date of this Filing Statement are available on SEDAR. No amounts or expenses were deferred from this financial period in connection with this pending transaction.

Selected Financial Information

Financial Information Comparison

The following tables present selected financial information for IES for the periods indicated. These tables should be read in conjunction with the audited financial statements of IES for the years ended December 31, 2018 and 2017 and the respective notes thereto set forth in Schedule “C” to this Filing Statement. This table contains financial information derived from financial statements that have been prepared in accordance with IFRS.

Statement of Loss and Comprehensive Loss

	Year ended December 31, 2018 (audited) (\$)	Year ended December 31, 2017 (audited) (\$)
Total Revenue (interest income)	Nil	\$0
Total Expenses	(\$165,778)	\$(178,629)
Loss and Comprehensive Loss	(\$168,209)	\$(181,047)
Basic and diluted Loss per IES Share	\$(0.02)	\$(0.02)

Statement of Financial Position

	December 31, 2018 (audited) (\$)	December 31, 2017 (audited) (\$)
Total Assets	\$33,617	\$27,680
Total Liabilities	\$512,252	\$368,196
Net Equity - Surplus (Deficit)	(\$478,635)	\$(340,516)

Management's Discussion and Analysis

For a copy of IES's management discussion and analysis for years ended December 31, 2018 and 2017, please refer IES's filings on www.sedar.com.

DESCRIPTION OF SECURITIES

IES is authorized to issue an unlimited number of IES Shares without nominal or par value. As of the date hereof, there are 51,628,148 IES Shares issued and outstanding, without taking into account the IES Shares to be issued pursuant to the IES Private Placement. The holders of the IES Shares are entitled to receive notice of and to attend any meeting of the IES Shareholders and have the right to one vote per IES Share thereat. The holders of IES Shares are entitled to receive any dividend declared by the Board, and have the right to receive a proportionate amount, on a per share basis, of the remaining property of IES on its dissolution, liquidation, winding up or other distribution of its assets or property among the Shareholders for the purpose of winding up its affairs.

Pursuant to the Consolidation, the outstanding shares of IES, including the IES Shares issued pursuant to the IES Private Placement, will be consolidated such that, immediately prior to the Closing Date, there will be 12,900,000 IES Shares issued and outstanding. In addition, on the Closing Date, IES (or as it shall direct) shall be issued a total of 6,450,000 IES Payment Warrants, provided that certain conditions as more particularly set forth in the Share Exchange Agreement have been met. A holder of an IES Payment Warrant will be entitled to exercise such warrant for one (1) IES Share at a price of \$0.40 per IES Share for a period of two (2) years from the Closing Date. There are also 500,000 IES Options outstanding, all of which are exercisable at a price of \$0.25 per share with an expiry date of September 5, 2020. It is a condition of the Share Exchange Agreement that all IES Options shall be cancelled or otherwise terminated.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director, executive officer or employee of IES or any former director, executive officer and employee of IES had any indebtedness outstanding to IES as at the date hereof. In addition, no indebtedness of these individuals to another entity has been the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding of IES.

STOCK OPTION PLAN

IES currently operates a rolling incentive stock option plan which provides that the Board may from time to time, in its discretion, grant to directors, officers, employees and consultants of IES, or any subsidiary of IES, options to purchase IES Shares, provided that the number of IES Shares reserved for issuance under the IES Stock Option Plan shall not exceed 15% of the number of outstanding IES Shares on a rolling basis. The IES Stock Option Plan (a copy of which is attached as Schedule "A" hereto) authorizes the board of directors to grant stock options to participants on the following terms:

- (a) IES Shares reserved for issuance will not exceed 15% of the issued and outstanding IES Shares at the date of granting the stock option. If any option expires or otherwise terminates for any reason without having been exercised in full, the number of shares in respect of which the option expired or terminated shall again be available for the purposes of the IES Stock Option Plan.
- (b) The exercise price per common IES Share for a stock option will be set by the Board, subject to any limitations which may be mandated by the rules of any applicable stock exchange;
- (c) IES Stock Options granted under the IES Stock Option Plan may be exercisable for a maximum period of time as determine by the Board in its discretion, provided that it shall not longer than the allowable limits of any stock exchange on which the IES Shares may trade and in no event will be exercisable for a period of longer than ten (10) years;
- (d) IES Stock Options granted to directors, officers and all employees and consultants employed or retained by IES will vest in the number and in the manner determined by the Board, notwithstanding options granted to consultants conducting investor relations activities will vest over a period of not less than 12 months as to 25% on the date that is three months from the date of grant and a further 25% on each successive date that is three months from the date of the previous vesting, or such longer vesting period as the Board of Directors may determine;
- (e) The number of IES Shares reserved for issuance under the IES Stock Option Plan to any individual director or officer in a 12 month period will not exceed five percent (5%) of the issued and outstanding IES Shares and the number of IES Shares reserved for issuance to all consultants and service providers conducting investor relations activities will not exceed two percent (2%) of the issued and outstanding IES Shares; and
- (f) IES Stock Options may be exercised no later than 90 days following cessation of the optionee's position with IES (30 days for optionee's conducting investor relations activities) and if the cessation of office, directorship, or consulting arrangement was by reason of death, the IES Stock Option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

PRIOR SALES

There have not been any sales of any IES securities within the twelve months prior to the date of this Filing Statement other than as set forth below. IES issued 1,500,000 IES Shares at a price of \$0.02 on October 12, 2018, in connection with a private placement. A total of 10,000 of these shares were issued to a holding company of Brian Stecyk, CEO and a Director. The remainder were to arms-length parties.

On January 3, 2019, IES issued a total of 222,000 IES Shares at a price of \$0.02 per IES Share for total gross proceeds of \$4,440.

On January 31, 2019, IES issued a total of 40,470,000 IES Shares at a price of \$0.025 per IES Share for total gross proceeds of \$1,011,750.

On March 26, 2019, IES issued a total of 6,433,253 IES Shares at a price of \$0.0218 for total gross proceeds of \$140,245.

All of the above referenced IES Shares are pre-Consolidation shares.

On April 25, 2019, IES agreed to issue a total of 6,500,000 Resulting Issuer Shares and 6,450,000 Resulting Issuer Warrants at a post-Consolidation price of \$0.065 per Resulting Issuer Share to settle a total of \$424,512.64 in outstanding debt.

PRICE RANGE AND TRADING VOLUME OF THE IES SHARES

The IES Shares do not currently, and have never, traded on the facilities of any stock exchange.

DIRECTOR AND NAMED EXECUTIVE OFFICER COMPENSATION

Compensation Discussion and Analysis

This compensation discussion and analysis provides the analysis made by the Board of compensation paid to the Named Executive Officers or NEOs (as such terms are defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) in the preceding table.

OVERSIGHT AND DESCRIPTION OF DIRECTOR AND NAMED EXECUTIVE OFFICER COMPENSATION

The general objectives of IES's compensation strategy are to: (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term shareholder value; (b) align management's interests with the long-term interests of shareholders; and (c) attract and retain highly qualified executive officers.

Elements of Compensation

Base Salary. Each Named Executive Officer (as such term is defined below) receives a base salary, which constitutes a significant portion of the Named Executive Officer's compensation package. Base salary is recognition for discharging day-to-day duties and responsibilities and reflects the Named Executive Officer's performance over time, as well as that individual's particular experience and qualifications. A Named Executive Officer's base salary is reviewed by the Board on an annual basis and may be adjusted to take into account performance contributions for the year and to reflect sustained performance contributions over a number of years.

Stock Options. IES' directors, officers, employees and consultants, if any, are eligible under the IES Stock Option Plan to receive grants of stock options. The IES Stock Option Plan is an important part of the IES's long-term incentive strategy for its officers and directors, permitting them to participate in appreciation of the market value of the IES Shares over a stated period of time. The IES Stock Option Plan is intended to reinforce commitment to long-term growth in profitability and shareholder value. The size of the stock option grants to officers and directors is dependent on each officer's and director's level of responsibility, authority and importance to the Corporation and to the degree to which such officer's or director's long term contribution to the IES will be key to its long term success.

The IES Stock Option Plan is designed to encourage share ownership and entrepreneurship on the part of the senior management and other employees. The Board believes that the IES Stock Option Plan aligns the interests of the Named Executive Officers and the Board with shareholders by linking a component of executive compensation to the longer term performance of the IES.

IES Stock Options are granted by the Board of IES. In monitoring or adjusting the option allotments, the Board takes into account its own observations on individual performance (where possible) and its assessment of individual contribution to shareholder value, previous option grants and the objectives set for the Named Executive Officers. The scale of options is generally commensurate to the appropriate level of base compensation for each level of responsibility. The Board will make these determinations subject to and in accordance with the provisions of the IES Stock Option Plan.

Compensation of Directors

The independent directors of the Board will recommend how much, if any, cash compensation will be paid to directors for services rendered by directors, in such capacity, to IES. The directors of IES may be paid cash compensation commensurate with the prevailing level of compensation for directors in the same industry in which IES operates. Despite this, the directors of IES did not receive cash compensation for their services during the financial years ended December 31, 2018 and 2017.

Named Executive Officers who also act as directors of IES will not receive any additional compensation for services rendered in such capacity, other than as paid by IES to such Named Executive Officers in their capacity as executive officers.

Executive Compensation-Related Fees

In the financial years ending December 31, 2018 and 2017, the Board did not retain a compensation consultant or advisor to assist the Board in determining the compensation for any of the Corporation's executive officers' or directors' compensation.

Summary Compensation Table

The following table sets forth detailed information on the compensation of the President and Chief Executive Officer, the Chief Financial Officer and each of IES's other most highly compensated executive officers (collectively, the "Named Executive Officers" or "NEOs") as prescribed by *National Instrument 51-102 Continuous Disclosure Obligations*, for services rendered in all capacities during the financial years ended December 31, 2018 and 2017.

Name and Principal Position	Year	Salary, Consulting Fees, retainer or commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of All Other Compensation (\$)	Total Compensation (\$)
Simon Clarke Chief Executive Officer and Director ⁽¹⁾	2018	-	-	-	-	-	-
	2017	-	-	-	-	-	-
	2016	-	-	-	-	-	-
Christopher Hopkins, Chief Financial Officer & Director ⁽²⁾	2018	-	-	-	-	-	-
	2017	-	-	-	-	-	-
	2016	-	-	-	-	-	-
Chris Reid, Chief Financial Officer & Director ⁽³⁾	2018	-	-	-	-	-	-
	2017	-	-	-	-	-	-
	2016	-	-	-	-	-	-
Michael Collins, Director ⁽⁴⁾	2018	-	-	-	-	-	-
	2017	-	-	-	-	-	-
	2016	-	-	-	-	-	-
Brian Stecyk, Chief Executive Officer & Director ⁽⁵⁾	2018	-	-	-	-	-	-
	2017	-	-	-	-	-	-
	2016	-	-	-	-	-	-

Notes:

- (1) Mr. Clarke was appointed CEO & Director on July 4, 2016. He resigned as CEO on December 21, 2016 on appointment of Mr. Stecyk in that role.
- (2) Mr. Hopkins was appointed CFO on October 17, 2018 on the resignation of Chris Reid.
- (3) Mr. Reid resigned on October 17, 2018 as both a Director and CFO. He was appointed to both roles on July 4, 2016.
- (4) Mr. Collins was appointed Director on July 4, 2016. He resigned as director on December 23, 2016.
- (5) Mr. Stecyk was appointed Director on July 4, 2016. He was appointed CEO on December 21, 2016 on the resignation of Mr. Clarke.

STOCK OPTIONS AND OTHER COMPENSATION SECURITIES

There are presently 500,000 IES Stock Options outstanding under the IES Stock Option Plan, none of which are held by officers or directors of IES.

EXERCISE OF COMPENSATION SECURITIES BY DIRECTORS AND NAMED EXECUTIVE OFFICERS

No Named Executive Officer or director of the Corporation exercised a compensation security during the periods ended September 30, 2018 and 2017.

EMPLOYMENT, CONSULTING AND MANAGEMENT AGREEMENTS

All the named Officers and Directors of IES as at the date of this filing statement are found below.

Brian Stecyk
Acting CEO & Director

Mr. Stecyk has an extensive background not only in corporate communications, but also in corporate and political networking and public relations. He operates a successful advertising and public relations firm that is now entering its thirty-sixth year in business. In addition to marketing and communications his strengths include strategic management and planning. For several years he was a member of the Canadian Association of Professional Speakers. He serves as a director on several publicly listed companies including, CellCube Energy Storage Systems Inc., Gold Rush Cariboo Corp., SBD Capital Corp and Pedro Resources Ltd. Brian Stecyk resides in Parkland County, Alberta.

Christopher Hopkins
Acting Chief Financial Officer & Director

Mr. Hopkins has over 30 years of financial management experience in the resources industry. He has spent most of his career in senior roles with public mining companies, including Kerr Mines Inc., U.S. Silver, Rio Algom, BHP Billiton, Suncor and several Canadian and international junior mining companies. He has broad junior resource experience in the areas of corporate finance, capital markets, mergers and acquisitions, investor relations, financial and management reporting. He has a bachelor of commerce from the University of Toronto, and a chartered accountant designation and MBA from the Schulich School of Business at York University. Chris Hopkins lives in Toronto, Ontario.

Brian Murray
Director

R. Brian Murray is a resident of Toronto, Ontario and has a B. Sc. from Univ. of Toronto, an MBA from York University (1975) and is a CPA (1973) having qualified with EY. From 1976 - 1990, Mr. Murray practiced public accounting as a partner in a chartered accountancy firm. Since 1990, he has been the President of Murcon Ltd. a consulting company specializing in raising capital and managing junior public companies in the resource sector and in other industries. Mr. Murray is currently a director of several publicly listed companies including Braveheart Resources Inc., Go Cobalt Mining Corp., Cobalt Power Group Inc. and Gold Rush Cariboo Corp.

CONFLICTS OF INTEREST

There are potential conflicts of interest to which directors and executive officers of IES may be subject in connection with the operations of IES. Some of the directors and executive officers of IES are, or may be, directors or executive officers of other corporations engaged in similar business ventures, and situations may arise where such directors and executive officers of such other corporations will be in direct conflict with IES. Conflicts, if any, will be subject to the procedures, requirements and remedies under the CBCA.

Other than as set out herein, to the best of their respective knowledge, the officers and directors of IES are not aware of the existence of any existing or potential material conflicts of interest between IES and any of the individuals proposed for appointment as directors or officers of the Resulting Issuer upon completion of the Share Exchange, as of the date of this Filing Statement.

ARM'S LENGTH PARTY TRANSACTIONS

The proposed Share Exchange is an arm's length transaction.

LEGAL PROCEEDINGS

Management of IES knows of no legal proceedings, contemplated or actual, material to IES to which IES is a party or of which any of its property is the subject matter.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of IES are Dale Matheson Carr-Hilton LLP, Chartered Accountants, 1500 - 1140 West Pender St., Vancouver, British Columbia, Canada, V6E 4G1, who have been auditors of IES since September 30, 2016.

The registrar and transfer agent of IES is Computershare Investor Services Inc. in Toronto, Ontario.

MATERIAL CONTRACTS

IES has not entered into any material contracts other than in the ordinary course of business within the previous two years prior to the date hereof, with the exception of the Share Exchange Agreement and the PNNL Licence. See "*Part II - Matters to be Acted Upon at the Meetings - The Share Exchange*".

Copies of the Share Exchange Agreement will be available for inspection at offices of IES's legal counsel at Cassels Brock & Blackwell LLP, attention: Sam Cole, 885 W Georgia St #2200, Vancouver, BC V6C 3E8, during ordinary business hours on any business day up to the closing of the Share Exchange and for a period of 30 days thereafter.

ADDITIONAL INFORMATION

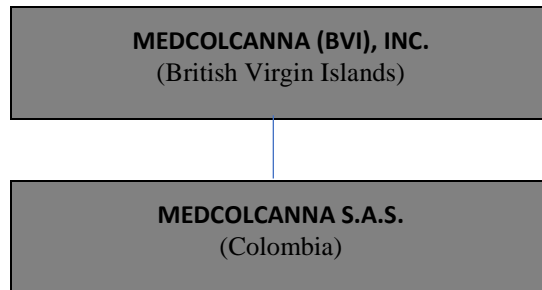
Additional information relating to IES is available on SEDAR at www.sedar.com. Shareholders may contact IES at Suite 520, 65 Queen Street West, Toronto, Ontario, M5H 2M5 to request copies of IES's financial statements and Management Discussion and Analysis thereon. Financial information is provided in IES's comparative financial statements and Management Discussion and Analysis thereon for IES's most recently completed financial year and interim periods.

PART II - INFORMATION CONCERNING MEDCOLCANNA

CORPORATE STRUCTURE

Medcolcanna was incorporated pursuant to the provisions of the *BVI Companies Act, 2004* on July 10, 2018 originally under the name Geberi, Ltd. and changed its name to Medcolcanna (BVI), Inc. on August 27, 2018. Medcolcanna is not a “reporting issuer” under applicable securities legislation and its securities are not listed for trading on any stock exchange. The principal and registered head office of Medcolcanna is located at 2nd floor, Wickham’s Cay II, Road Town, Tortola, British Virgin Islands.

INTERCORPORATE RELATIONSHIPS



Medcolcanna has one wholly-owned subsidiary, Medcolcanna SAS, which was incorporated on December 16, 2016 under the laws of Colombia as “Inversiones DLV S.A.S.” on March 7, 2018, it changed its name to “Medcolcanna S.A.S.” Medcolcanna SAS has its registered office address at Bogota, Colombia. Medcolcanna SAS is the operating entity of Medcolcanna and holds all of the assets of the business, including the Licences.

Pursuant to a share purchase agreement dated July 24, 2018 between Medcolcanna and Trallma S.A.S., Medcolcanna acquired all the issued and outstanding shares in the capital of Medcolcanna SAS from Trallma S.A.S. by issuing a total of 11,520,000 Medcolcanna Shares to the shareholders of Trallma S.A.S.

As of the date of the Filing Statement, information related to Medcolcanna’s and Medcolcanna SAS’ issued share capital is as follows. See “*Capitalization of Medcolcanna*” below for further details.

Entities	Outstanding Number of Shares
Medcolcanna	41,762,659
Medcolcanna SAS	150,000 common shares

DEVELOPMENT AND DESCRIPTION OF THE BUSINESS

History

Medcolcanna is an integrated medicinal cannabis company founded in July 2018 with its core operations in the Municipality of La Conejera, in the Department of Cundinamarca, Republic of Colombia. In July 2018, Medcolcanna acquired all of the outstanding shares of Medcolcanna SAS.

On June 21, 2018, the Ministry of Health granted the Production Licence authorizing the domestic and international distribution of High and Low THC Medicinal Cannabis extracts which allows Medcolcanna SAS to produce cannabis for domestic use and international export. Pursuant to the Production Licence, the Colombian government approved four hectares of land on which Medcolcanna SAS is permitted to commence cultivation and production of medicinal cannabis at its Cultivation Facility.

On June 22, 2018, the Ministry of Justice granted the Low THC Cultivation Licence (non-psychoactive, less than 1% THC content) allowing Medcolcanna SAS to cultivate and produce grain and seeds for planting, and for by-product production.

On June 29, 2018, the Ministry of Justice granted the High THC Cultivation Licence (psychoactive, more than 1% THC content) allowing Medcolcanna SAS to cultivate and produce grain and seeds for planting, and for by-products production.

With the Licences and authorizations, Medcolcanna SAS has the requisite approvals to cultivate, produce, distribute domestically and export internationally both THC and CBD medicinal cannabis.

On September 24, 2018, Medcolcanna completed the non-brokered Medcolcanna \$0.09 Unit Private Placement in which it issued 7,362,659 units at \$0.09 per unit for gross proceeds of \$662,639. Each unit consisted of one Medcolcanna Share and one-half of one Medcolcanna \$0.25 Warrant. Each whole Medcolcanna \$0.25 Warrant is exercisable into one Medcolcanna Share at a price of \$0.25 per share until September 24, 2019.

On December 5, 2018, Medcolcanna entered into the Share Exchange Agreement with IES, pursuant to which the parties intend to complete the Share Exchange.

In connection with the proposed Share Exchange, Medcolcanna agreed to complete two securities offerings, being the Medcolcanna Second Private Placement and the Concurrent Financing. The Medcolcanna Second Private Placement closed on December 20, 2018 and raised gross proceeds of \$500,000 and the Concurrent Financing closed on various dates between December 2018 and March 2019, raising gross proceeds of \$7,746,700. On closing of the Share Exchange transaction, each Unit Subscription Receipt unit will be converted into one IES Share and one-half of one IES Unit Warrant. Each full IES Unit Warrant will be exercisable at \$0.40 per IES Share for a period of two years. Medcolcanna has raised, before commissions and expenses, \$8,246,700 pursuant to the Medcolcanna Second Private Placement and the Concurrent Financing. See “*Summary of the Filing Statement – Concurrent Financing*”.

Significant Acquisitions and Dispositions

Pursuant to a share purchase agreement dated July 24, 2018 between Medcolcanna and Trallma S.A.S., Medcolcanna acquired all the issued and outstanding shares in the capital of Medcolcanna SAS from Trallma S.A.S. by issuing a total of 11,520,000 Medcolcanna Shares to the shareholders of Trallma S.A.S. Medcolcanna SAS is the entity that holds all the Company’s cannabis licenses.

As Medcolcanna was only incorporated on July 10, 2018 there are no dispositions to report since its inception.

Current Operations

Medcolcanna is currently in the process of growing a variety of approximately 30 cannabis strains for specific patient ailments. Medcolcanna has developed initial processing procedures for mature plants with the objective of distributing products through a variety of market channels in Colombia, and is currently in negotiations with international end users and distributors. Medcolcanna will utilize stringent quality assurance and quality control measures in its Cultivation Facility to ensure that its products are consistent with medicinal cannabis industry standards. Medcolcanna’s product lines will include a variety of THC and CBD offerings that are currently being developed.

The Government had issued a deadline date to register existing and in-possession genetics (seeds) of December 31, 2018. Medcolcanna initially applied for registration and submitted fifty (50) seeds for registration. Medcolcanna is currently awaiting for the ICAs visit in order to start agronomic trials. The result of those trials will allow Medcolcanna to select the varieties they are going to use in the commercial plantation.

On March 28, 2019, the ICA registered twenty (20) of the previous varieties for agronomical trials, consisting of ten (10) psychoactive and ten (10) non-psychoactive varieties. In April 2019, the Minister of Justice provide formal authority for Medcolcanna to grow psychoactive plants for agronomical trials. This process will start in May, 2019

and last one cycle of approximately four months. Once completed and proven stability, commercial cultivation from is expected to commence for non-psychoactive varieties. Medcolcanna expects to start CBD commercial cultivation of approximately 360 m² of land in August, 2019 and cultivating an additional 1,723 m² in September, 5,812 m² in October, 15,121 m² in November and 28,694 m² in December for total cultivated area of 51,450 m² by the end of 2019. Medcolcanna will start psychoactive commercial cultivation in January 2020 with an area of 2,000 m² and increasing its area of cultivation by 2,200 m². This will allow Medcolcanna to have continued harvesting and production.

Development Stage

Medcolcanna is developing specific formulations of THC and CBD compounds for patients, available by prescription only. Medcolcanna is permitted to sell these products to patients under the Licences. For that purpose Medcolcanna is looking to associate, and is in discussions, with a number of neurological facilities that treat patients for conditions that are treatable with cannabis products.

Medcolcanna is authorized to export THC and CBD compounds to international markets under the Licences, provided that (i) cannabis is legal in the destination jurisdiction; (ii) Medcolcanna has a licenced counterparty to receive the product; and (iii) it obtains the export permit in accordance with Article 2.8.11.4.3 of Decree 780 of 2016 and Resolution 1487 of 2006 of the Ministry of Health. Medcolcanna is already exploring the prospect of exporting compounds and cannabis products to legal markets in the coming months.

Medcolcanna is currently developing over-the-counter and prescription products. Prior to the products becoming available for public sale, Medcolcanna will be required to obtain the approval of INVIMA. The review process includes the testing of extracts, production of extracts using standardized cultivation and production methods, and final review by INVIMA of the efficacy of the product. It is anticipated that INVIMA approval for physician prepared compounds is expected to be obtained by the first quarter of 2019, and it is expected that the INVIMA approval process for branded mass market products will be completed within 18 months.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

Medcolcanna is an integrated medicinal cannabis company with its core operations in the Municipality of La Conejera, Cundinamarca, Colombia. Medcolcanna combines leading international scientific expertise, agricultural advantages, and branded product market entrance experience to address the medical needs of the Colombian market.

Medcolcanna operates through its wholly-owned subsidiary, Medcolcanna SAS. In June 2018, Medcolcanna SAS received all necessary approvals from applicable Colombian government regulatory bodies for the cultivation, production, domestic distribution, and international export of both THC and CBD medicinal cannabis extracts.

Industry Information

Medicinal cannabis applies the use of cannabis and its constituent cannabinoids that are the chemical compounds secreted by cannabis flowers that provide relief to an array of symptoms including pain, nausea, anxiety, and inflammation. Cannabinoid is a blanket term covering a family of complex chemicals, both natural and man-made, that bind with receptors (protein molecules on the surface of cells) to elicit a wide number of responses. Cannabinoid receptors in the human body are part of a system called the endocannabinoid system, a system that produces endocannabinoids that bind with cannabinoid receptors. Cannabinoid receptors are found in the brain and throughout the body. Scientists have found that cannabinoid receptors in the endocannabinoid system are involved in a vast array of functions in our bodies, including helping to modulate brain and nerve activity (including memory and pain), energy, metabolism, heart function, the immune system and reproduction.

While there are a large number of active cannabinoids found in cannabis, the two most commonly used for medical purposes are THC and CBD. Scientific studies have identified that THC and CBD, alone or in combination, have the potential to provide treatment benefits for a large number of medical conditions. For example, THC, a psychotropic cannabinoid, has been shown to activate the endocannabinoid system in the central nervous system. This blocks

neuronal signals and has shown the potential to treat patients with post-traumatic stress disorder (PTSD), as well as reduce nausea and vomiting, and improve the appetite of patients being treated with chemotherapy. In addition to the potential benefits of treatment with THC, CBD, a non-psychoactive cannabinoid, has been demonstrated to potentially reduce the frequency and severity of epileptic seizures¹ as well as many other benefits such as pain relief, combatting anxiety, fighting cancer, reducing the risk of diabetes, and treating sleep issues.

Market and Trends

Medcolcanna's primary focus is to sell medicinal cannabis products in the form of extracts to the domestic market in Colombia. This includes the major city centres of Bogota (9.0 million population), Medellin (2.5 million population), Cali (2.4 million population), and Barranquilla (1.2 million population). Colombia is a country with a population of 48.6 million people and in 2017 recorded a Gross Domestic Product ("GDP") of US\$309.19 billion and a GDP per capita of US\$7,600². The country has an average life expectancy of 74.1 years and has seen a dramatic reduction in poverty in recent years³. Despite the overall improvement in economic and social indicators in Colombia, the country still has challenges in maintaining and improving the quality of its health system. The objective of Medcolcanna is to ensure accessibility, quality, efficiency and sustainability within the health system, by providing affordable medicinal cannabis based products to patients.

Colombia is a recently legalized market for the commercial production and distribution of medicinal cannabis products. Medcolcanna is an early entrant and an emerging leader in developing the domestic market for its products. Medcolcanna is focused on addressing the unmet medicinal cannabis needs of prospective Colombian patients with conditions including: (i) epilepsy; (ii) chronic pain; (iii) chemotherapy-related nausea; (iv) post-traumatic stress disorder (PTSD); (v) anxiety; (vi) insomnia; (vii) multiple sclerosis; (viii) Parkinson's disease; (ix) depression and (x) anorexia.

For market qualification and quantification, Medcolcanna has worked with Neurocountry Ltd., a neurological institute and has used several sources⁴, and secondary public information, based on the qualifying conditions where medicinal cannabis can be an alternative treatment.

¹ McCormick et al, 2017. "*The Health Effects of Cannabis and Cannabinoids*". Available in the National Academies Press website: www.nap.edu

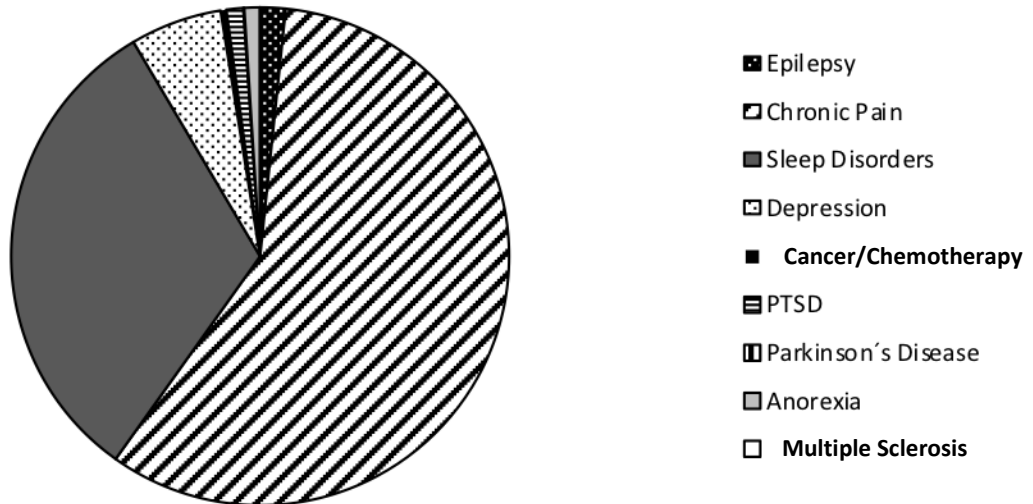
² Trading Economics, "Colombia – Economic Indicators" < <https://tradingeconomics.com/colombia/indicators>>

³ Ibid.

⁴ <https://www.minsalud.gov.co/Paginas/Epilepsia-mucho-mas-que-convulsiones.aspx>;
<https://www.minsalud.gov.co/sites/rid/Lists/BibliotecaDigital/RIDE/VS/PP/ENT/boletin-depresion-marzo-2017.pdf>;
http://www.consultorsalud.com/sites/consultorsalud/files/viii_estudio_prevalencia_dolor_cronico_en_colombia_publicacion_pagina_aced_2014.pdf;
<http://www.humanas.unal.edu.co/psicologia/files/7112/8351/3380/indag.%201.%20trastorno%20de%20la%20cond ucta.pdf>;
[https://www.minsalud.gov.co/sites/rid/Lists/BibliotecaDigital/RIDE/INEC/IETS/GPC_Comple_Depre%20\(1\).pdf](https://www.minsalud.gov.co/sites/rid/Lists/BibliotecaDigital/RIDE/INEC/IETS/GPC_Comple_Depre%20(1).pdf);
<https://www.minsalud.gov.co/Documentos%20y%20Publicaciones/ESTUDIO%20NACIONAL%20DE%20SALU D%20MENTAL%20EN%20COLOMBIA.pdf>;
http://www.cancer.gov.co/Situacion_del_Cancer_en_Colombia_2015.pdf;
<http://www.scielo.org.co/pdf/rfmun/v65s1/0120-0011-rfmun-65-s1-00017.pdf>; <https://www.acnweb.org/es/acta-neurologica/volumen-30-2014/156-volumen-30-no-3-1-suplemento-3-1-octubre-2014/1050-capitulo-1-generalidades-de-la-enfermedad-de-parkinson.html>; <http://www.scielo.org.co/pdf/anco/v31n4/v31n4a05.pdf>

The following table highlights the composition of the potential cannabis market by medical condition:

Total Population	48,600,000	
	#Patients (thousands)	% of population
Epilepsy	631	1.3%
Chronic Pain	22,350	46%
Sleep Disorders	12,150	25%
Depression	2,284	4.7%
Cancer/Chemotherapy	145	0.3%
PTSD	420	0.86%
Parkinson's Disease	22	0.05%
Anorexia	388	0.8%
Multiple Sclerosis	3	0.01%



Currently, Neurocountry Ltd. estimates that approximately 500,000 patients use opioid-based medication for treatment. These medications are often expensive and can lead to adverse health effects. Medcolcanna aims to displace this portion of the market, which aligns with the overall trend in Colombia to utilize medicinal cannabis as a potential solution to meet the unmet medical needs of the population. Medcolcanna and Neurocountry Ltd are sharing information with the medical community through continuing education courses, medical conferences, social media, web portals, informational training packages, and seminars.

Marketing Plans and Strategies

Medcolcanna seeks to position itself as the leading, most knowledgeable and trustworthy medicinal cannabis provider in Colombia. Key to the achievement of this objective is Medcolcanna's robust marketing plan focusing on being a patient-oriented company with strong brand loyalty and patient preference. Medcolcanna has defined essential competitive advantages across the value chain from plant to patient. These include:

- **Cultivation:** Developing standard operating procedures to increase yields and consistency, while implementing sustainable cultivation standards and leading international site security standards. Cultivation will be based on organic standards to guarantee international quality requirements for medications;
- **Strain Selection:** Obtaining medically-validated strains for the optimization of efficient production of cannabinoids and other phytochemicals;
- **Product:** Developing medically endorsed products based on scientific research and manufacturing these products in accordance with GMP Standards to ensure quality and consistency;
- **Doctor Engagement:** Engaging with the medical community to develop medications for specific conditions. Continuously working with healthcare professionals to provide the latest training and information on medicinal cannabis;
- **Medical and Scientific Research and Development:** Launching Colombian medical research studies with leading health organizations to understand and validate the benefits of medicinal cannabis within the market; and
- **Patient-Oriented:** Working with healthcare professionals to offer patients an alternative to existing medications. Developing meaningful relationships with patients by offering them information, support, and learning resources through outreach channels.

Medcolcanna intends to acquire and develop a series of medicinal cannabis clinics (IPS) across Colombia to attract and retain physicians and patients. These clinics will serve as sales points for the products and education centres for patients. Medcolcanna plans to begin clinic operations by Q2 2019. Medcolcanna will market the clinics through various conferences and marketing channels. Medcolcanna's clinics will allow for personalized treatment and direct engagement with patients, thus creating brand loyalty and preference. As set forth in the regulations for medicinal cannabis, Medcolcanna has the authority to treat patients through external physicians or a physician employed by Medcolcanna.

Medcolcanna also intends to use the access to the patients from the clinics to perform clinical trials and any other required procedures to receive the necessary permissions from authorities and INVIMA to market over-the-counter medical products.

Colombian Regulatory Framework

Highlights of Cannabis Legalization in Colombia

- Law 1787 of 2016 enacted by Colombian Congress, Decree 613 of 2017 and regulatory resolutions (577, 578 and 579 of August 8th of 2017 enacted by the Ministry of Justice and resolutions 2891 and 2892 of 2017 enacted by the Ministry of Health) formed a legal framework that regulates the actions of any company in Colombia working with cannabis for medical and scientific purposes, including the cultivation, production, and domestic and international distribution of cannabis, cannabis seeds, High THC Medicinal Cannabis and Low THC Medicinal Cannabis extracts.
- Colombia's regulatory framework focuses on extracts to generate a purely medical product market and provides for product quality and consistency through INVIMA.
- The aim of the Colombian regulatory framework is to enable access for patients to medications made in Colombia that are safe, are of high-quality and accessible, while concurrently promoting scientific research in the country.

Background – Drug Policies in Colombia prior to Cannabis Legalization

Prior to the legalization of medicinal cannabis in Colombia, drug policies were punitive in nature and heavily influenced by other international jurisdictions. While Colombia initially took a liberal approach to cannabis use in the early 20th century, its stance on prevention and prosecution became increasingly influenced by the stringent policies of the United States and the broader global community. During the second half of the 20th century, Colombia

implemented policies with severe sanctions targeting all aspects and actions relating to the production and distribution of narcotics.

In the 1970s, a more hardline approach to narcotics was reinforced in response to the growing influence of international treaties and the efforts of governments to coordinate their drug policies. The 1980s saw an emphasis on comprehensive regulation, leading to the adoption of Law 30 in 1986, focused on the control and enforcement of criminal drug consumption and trafficking. Following the introduction of Law 30, Colombia signed the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances on December 20, 1988 and later ratified it on June 10, 1994.

In 1994, the decriminalization of personal possession and consumption was mandated by Judgment C-221 of the Constitutional Court. While this represented a shift in approach by Colombian lawmakers, a constitutional amendment in 2009 reversed the effects of Judgment C-221 of 1994 and reinstated the prohibition on personal possession and consumption of narcotic or psychotropic substances, even on a personal dose basis, unless supported by a medical prescription.

Despite the constitutional amendment in 2009, in recent years Colombian legislation with respect to cannabis has trended towards a preventative and rehabilitative approach. The Citizen Security Law, enacted in 2011, reformed the Criminal Code and softened some of the punitive provisions relating to possession of personal amounts of narcotics. In ruling C-491 by the Constitutional Court in 2012, the right to legally possess a personal amount of narcotics was upheld and the Court noted that drug use should continue to be understood as an activity protected by the right to the free development of personality. The Constitutional Court, through rulings SU-642 of 1998 and C-336 of 2008, among others, has established that the right to the free development of personality, also known as the right to autonomy and personal identity, grants individuals the right to self-determination, that is the freedom and independence to govern his/her own existence and determine a lifestyle according to his/her own interests, provided that the rights of others and the constitutional order are respected. Notwithstanding, the foregoing, Mr. Ivan Duque, the newly elected president of Colombia, issued Decree No 18-44 (Dated October 1, 2018) which allows the police force to seize any amounts of narcotics that are being consumed in public places and impose fines on those who carry or are consuming narcotics. The procedure contemplates an immediate assessment by police officers pursuant to which they will determine whether the owner of the substance qualifies for medicinal consumption in which case the substance will be returned to the owner, otherwise the possession will be qualified as a violation of the citizen coexistence regulations and the seized substance will be destroyed.

In January 2013, the Advisory Commission on Drug Policy (the “**Drug Policy Commission**”) was established to provide recommendations on how legislation should treat criminal networks and citizen drug users, as well as the appropriate quantities to be considered as suitable personal amounts. In July 2014, the Drug Policy Commission issued an initial report submitted to the Ministry of Justice analyzing the conditions of drug use in Colombia and proposing guidelines to update the policy.

In May 2015, the Drug Policy Commission published its final report, which proposed a review of the drug policy in the country and made important recommendations, such as: (i) the creation of an agency for drug policy; (ii) measures to help reduce the risk to consumers; (iii) to rethink the fumigation involved with cultivation; (iv) regulation of medicinal cannabis; (v) alternative means to measure the success of policies against drugs; (vi) modernize the National Statute on Drugs and Psychoactive Substances; and (vii) to lead the global drug policy debate.

As a result of the Drug Policy Commission and the final report, the Colombian President approved and sanctioned Law 1787 of 2016 which was intended to regulate the use of cannabis for therapeutic purposes. The law, in an effort to legalize cannabis for medical and scientific purposes marked a new direction in the legislative approach to drugs. Law 1787 amended articles 375, 376 and 377 of the Colombian Criminal Code (the “**Criminal Code**”) to remove sanctions against the medical and scientific use of cannabis used under a licence duly granted by the relevant authorities according to Colombian laws. This amendment was required given that the Criminal Code expressly provided a general prohibition to the cultivation, conservation or financing of marijuana plantations, among other related activities.

In order to regulate the activities that had become legal by way of Law 1787, the Ministry of Health, Ministry of Justice, and Ministry of Agriculture issued Decree 613 of 2017 whereby they defined the different types of licences that may be granted in respect of permissible activities related to medicinal cannabis including: (i) production of cannabis derivatives; (ii) use of seeds for planting; (iii) planting of psychoactive cannabis plants; and (iv) planting of non-psychoactive cannabis plants. The Decree also sets out the requirements and criteria for the assignment of quotas for psychoactive cannabis plant cultivation, cannabis by-product production and other related activities.

Cannabis Legalization Framework and Oversight of the Colombian Cannabis Industry

The Colombian government’s increasingly pragmatic and liberal approach to cannabis culminated in the adoption of Law 1787. Throughout the 20th century, Colombia’s lawmakers followed a global agenda that imposed strict prohibitions and harsh sanctions on drug use and trafficking. While certain domestic social conditions hindered the prospect of permitting a specifically medicinal use of an illicit drug, Colombia has changed course and constructed an effective legal framework with appropriate mechanisms to introduce and regulate the use of cannabis for medicinal purposes. The following table sets out the current legal landscape relating to cannabis in Colombia and discusses the legislative developments that have shaped the current outlook.

General Legal Framework	
Colombia’s Political Constitution	Article 49 of the Political Constitution of Colombia regulates the use and consumption of cannabis, stating that “everyone is guaranteed access to services for the promotion, protection and recovery of health”. Subsequently, through Legislative Act 02 of 2009, Article 49 was modified, adding the provision that cannabis use is only legal with a medical prescription.
Colombian Criminal Code	Chapter II of Law 599 of 2000 of the Colombian Criminal Code (“ Trafficking in Narcotic Drugs and the Infractions ”) outlines penalties and sanctions related to narcotics trafficking and associated activities, such as the conservation or financing of marijuana plantations or any other plant from which cocaine, morphine and heroin can be produced without the permission of the competent authority, and the manufacture of narcotic drugs that exceeds the dose for personal use permitted in Colombia.
Laws, Legislative Acts, and Decrees	
Law 30 of 1986	This law established the National Narcotics Statute of Colombia, defining terms such as drug, narcotic, medication and psychotropic and setting the legal personal amount for consumption of cannabis at 20 grams.
Decree 677 of 1995	The Synthetic Drugs Regulation and Good Manufacturing Practices Regulation establishes the Regime of Registers and Licences, the Quality Control, as well as the Sanitary Surveillance Regimen (including the definition of Good Manufacturing Practices), for cosmetic medicines, pharmaceutical preparations based on natural resources and others.
Decree 2200 of 2005	The Prescription preparation and Production Conditions Regulation defines standard pharmaceutical services, including GEP Standards for Prescription preparations and conditions for production and storage.
Legislative Act of 2009	This constitutional amendment prohibits the possession and consumption of narcotic or psychotropic substances, unless supported by a medical prescription. This amendment is intended to have a rehabilitative purpose to prevent addiction, with additional measures and treatments of a pedagogical, prophylactic or therapeutic nature to be implemented as support mechanisms for people over-consuming such substances.
Decree 2467 of 2015	Decree 2467 of 2015 regulates the medical and scientific uses of cannabis by setting standards for the production, manufacturing, import/export, distribution, trade, use and possession of narcotics, as well as the cultivation of plants from which these are produced.

Law 1787 of 2016	Approved on July 6, 2016, Law 1787 creates a regulatory framework that allows for the safe and informed use of cannabis and its derivatives for medical and scientific purposes. It includes provisions outlining the regulation of production, manufacturing, acquisition, import/export, storage, transportation, marketing, distribution, use and possession of the seeds of the cannabis plant, its derivatives and related products for medicinal and scientific purposes.
Decree 613 of 2017	Decree 613 of 2017 supports Law 1787 of 2016 by elaborating on the concepts of informed access and safe production of cannabis for medical and scientific use and establishes a licensing regime to conduct related activities.

With Law 1787 of 2016 and Decree 613 of 2017, Colombia’s regulatory framework has developed five legal and administrative orders that control the operation of the cannabis sector, as follows:

1. Resolutions 577, 578 and 579 of August 8, 2017, enacted by the Ministry of Justice, regulate the cultivation of non-psychoactive and psychoactive cannabis.
2. Resolutions 2891 and 2892 of 2017, enacted by the Ministry of Health, regulate the production or manufacturing of cannabis derivatives (extracts). The Resolutions define whether the derivatives are to be used in the national market as raw material for final medical products or if they are to be exported to international markets.
3. If the derivative is going to be used in the national market, it can be used as a synthetic or prescription drug, or a final product regulated by Decree 677 of 1995, developed in Resolutions 3183 of 1995, 1087 of 2001, and 1124, and 1160 of 2016.
4. The final product sold to the public may be an herbal or branded mass market phytotherapeutic product, a category regulated by Decree 2266 of 2004. Per Decree 613, derivatives extracted from cannabis cannot be commercialized as final products without sanitary approval from INVIMA. A sanitary permit is required to commercialize derivatives as herbal or synthetic products. INVIMA is the regulatory body responsible for defining the final products that have access to the market. The regulatory framework (Decree 613 of 2017 and Decree 2200 of 2005) allows the introduction of Prescription preparations with cannabis. Prescription preparations are customized prescription products that do not require a sanitary permit, as they are not mass market phytotherapeutic products with standardized characteristics but must be prepared by a licence holder in a laboratory that meets GEP Standards.
5. If a product or extract will be exported, the licence holder must obtain a permit from the FNE allowing for the delivery of cannabis. The permit process is regulated in Resolution 1478 of 2006, an administrative order that also regulates the quotas that Colombia requests from the International Narcotic Control Board.

Licences and Authorizations

Decree 613 of 2017 is the most significant aspect of the cannabis regulatory framework concerning medical and scientific uses of cannabis, as it establishes a licensing regime for the evaluation, monitoring and control of import, export, cultivation, production, manufacturing, acquisition, storage, transport, marketing, distribution, and the use of seeds for planting cannabis, cannabis plants and their derivatives, as well as products containing it. Decree 613 granted oversight for the licensing program for the production of cannabis derivatives to the Ministry of Health, through the Division of Medications and Health Technologies. The Ministry of Justice, through the Division of Control and Supervision of Chemical and Narcotic Drugs, has jurisdiction over licences for the use of seeds for planting and cultivating cannabis plants, as well as administrative and operational control of activities related to the management of seeds for planting, cannabis cultivation and cannabis. The FNE was tasked with administrative and operational control of activities related to the management of cannabis and its derivatives. Once a licence is issued, INVIMA and the ICA are responsible for the control of finished products of psychoactive cannabis.

Decree 613 authorizes the granting of four types of licences permitting the following activities:

- Production of derivatives from cannabis: This licence authorizes activities related to the transformation of the psychoactive constituent elements of cannabis into oils, resins, and other forms for medical and scientific purposes. The licence may include an authorization by the Ministry of Health to carry out any of the following activities: manufacture, acquisition, import, export, storage, transport, trade, and distribution of psychoactive or non-psychoactive cannabis by-products.
- Use of seeds for sowing: This licence authorizes the management of seeds for planting which comprises their acquisition, import, storage, trade, distribution, possession, and final disposal, as well as their export and use for medical and scientific purposes.
- Cultivation of psychoactive cannabis plants: This licence authorizes the cultivation of High THC Medicinal Cannabis plants, which comprises planting, acquisition, and production of seeds, storage, trade, distribution, and final disposal, as well as export and use for medical and scientific purposes.
- Cultivation of non-psychoactive cannabis plants: This licence authorizes the cultivation of Low THC Medicinal Cannabis plants, and comprises the planting, acquisition, and production of seeds, storage, trade, distribution, and final disposal of plants, as well as export and use for medical and scientific purposes.

Self-cultivation activities, which refer to non-commercial cultivation of up to 20 cannabis plants for personal consumption, do not require a plant cultivation licence, nor will they be subject to the licensing and quota system referred to in the Decree 613.

Licences are not transferable, exchangeable or assignable and are valid for five years and may be renewed for an equal period as many times as requested by the licensee. Licences may not be granted to individuals or legal persons who intend to carry on licenced activities on lands that are in national parks or in protected areas established by the National System of Protected Areas.

Licence holders of manufacturing cannabis derivatives must, at a minimum, determine, by means of validated analytical methodologies, the content of THC, CBD and CBN in any cannabis crop they receive and in each lot of derivative that is produced.

Licencees are responsible for the electronic registration of basic information and movements of seeds for planting, plants, derivatives and cannabis products and must comply with established safety protocols.

Obligations and Restrictions Imposed on Licence Holders

Licencees are required to meet a number of conditions in the course of carrying on business, including:

- Compliance with the conditions established in the law, the decree, and the technical regulations issued by governmental authorities.
- Present the licence to third parties with whom it is intending to carry out transactions involving seeds for sowing, cannabis plants and cannabis, or their registration with the FNE in the case of transactions with cannabis derivatives.
- Inform governmental authorities of unusual or suspicious operations that licencees become aware of during the performance of activities authorized by the corresponding licence.
- Attend inspections carried out in the exercise of administrative and operational control.

- Maintain up to date records as required by the decree and its technical regulations including the monitoring and follow-up of the activities developed by the licence holders.
- Provide all information and documentation requested by governmental authorities within any prescribed time period.
- Rectify any administrative or operational failures identified by governmental authorities during the inspections, within the deadline established in any report issued.
- Begin the process of modification of the licence upon the occurrence of fundamental changes to the licensee.
- Authorized importers and exporters must submit to the Ministry of Justice and to the FNE, as applicable, within eight days of the completion of the customs clearance process, import and export declarations that indicate the dates and quantities of entry or exit from Colombia of seeds for planting, cannabis plants, cannabis, cannabis derivatives, and products containing them.
- Comply with the administrative requirements and requirements derived from on-site citations issued by the authorities.

The Ministry of Justice, the Ministry of Health and the Ministry of Agriculture issued Resolution 579 of 2017, stating that small and medium licenced growers are those who grow or cultivate cannabis in an area of 0.5 hectares or less. In an effort to ensure the sustainability of small-scale growers, holders of cannabis derivative production licences, except in the research modality, are required to, within 5 years following the commencement of their operations, process at least 10% of their assigned annual cannabis quota from a small or medium licenced grower. If market conditions prevent the satisfaction of this requirement, licensees must file a declaration supporting their inability to source cannabis from small or medium growers.

In the course of carrying on business, licensees are restricted from engaging in a number of activities, including:

- Promotion or publicity, through the media or social networks, or by means of flyers or by any other means, of seeds for planting, cannabis plants, cannabis, cannabis derivatives and products containing it. Medicines may only be advertised or promoted in scientific or technical publications, addressed to the medical or veterinary communities and must specify in the information or materials addressed to the medical or veterinary community, the actions, indications, therapeutic uses, contraindications, side effects, risks of administration, risks of drug addiction and other precautions and warnings, without omitting any found in scientific literature or known by the manufacturers.
- Marketing or transformation for sale, distributing, reception or delivery to third parties, under any licence, the cannabis plants from self-cultivation, as well as the derivatives and seeds for sowing obtained from them, except as momentarily provided as seed source.
- Allowing individuals under 18 years of age to access seeds for planting, cannabis plants, cannabis, cannabis derivatives and products containing them. Minors may access products containing cannabis if there is a medical prescription and the informed consent of the parents or guardians.
- Exporting cannabis plants, dried cannabis flower or unprocessed cannabis, except with authorization for scientific purposes.

Termination of Licences

Decree 613 of 2017 provides that the Ministry of Health or the Ministry of Justice, as applicable, may terminate a licence upon occurrence of any of the following conditions:

- Failure to correct the administrative and operational failures identified by the control authorities, within the deadlines provided.
- Failure to comply with the security protocol. See “Required Security Measures for Cannabis Activities under Colombian Law” below.
- Exceeding the maximum authorized quota for each term.
- Advertising seeds for sowing, cannabis plants, cannabis, cannabis derivatives or any product containing cannabis through media, social networks, flyers or any means, if such advertisements do not relate to academic or scientific purposes. Any advertisement must be addressed to medical or veterinary groups and must include the actions, indications, therapeutic uses, contraindications, collateral effects, risks of administration, the risks of drug dependence and any other precautions and warnings.
- Failure to initiate the activities authorized in the licence within a six month period from the date the corresponding quotas are granted or as of the granting of the licences for sowing seeds and cultivation of non-psychoactive cannabis plants.
- Failure to request the amendment of the licence within 30 calendar days following any changes in (i) legal representation; (ii) regarding the ownership or possession of the real estate properties in which the licenced activities are authorized to take place; and (iii) in the contractor(s) that provide services to the licensee related to activities authorized in the licence.
- Preventing the access to control authorities conducting administrative and operational control.
- Perform transactions involving seeds for sowing, cannabis plants, cannabis or cannabis derivatives with unlicensed third parties or parties not registered with the FNE when the transaction relates to cannabis derivatives.
- Use seeds for sowing, cannabis plants, cannabis, or cannabis derivatives for non-scientific or medical purposes or beyond the scope authorized by the corresponding Licence.
- The licensee is convicted (or its legal representative is in case of a Company), for crimes related to drug trafficking and related crimes, after the licence was issued.
- Any indication of, or actual forgery or fraudulent alteration of the documents supporting, the licence application.
- Failure to pay the monitoring fees to the applicable government entity.

Also, in accordance with Colombian regulations, licence holders must refrain from, among other things: (i) allowing individuals under 18 years of age to access seeds, plants and/or products containing cannabis; (ii) exporting the plants, dry cannabis flowers or non-transformed cannabis, except as authorized for scientific purposes; and (iii) commercialize or transform for sale, distribute, receive or deliver to third parties, cannabis plants, derivatives and seed for sowing resulting from self-cultivation, except as temporarily provided for seed sources.

Required Security Measures for Cannabis Activities under Colombian Law

The Ministry of Justice and the Ministry of Health regulate the security protocol requirements established in licences for sowing seeds, the cultivation of psychoactive cannabis plants, and the manufacturing of cannabis derivatives in Resolutions 577 and 2892 of 2017, respectively.

According to Resolution 577 of 2017, licence holders must prepare a security protocol and submit same to the Ministry of Justice and should include measures to ensure that areas and properties in which sowing seeds, psychoactive

cannabis plants and psychoactive cannabis are handled have the appropriate levels of protection, according to the particular environment and scale of the operation. The licence holders must comply with the following minimum security protocol specifications:

- Submit a comprehensive security plan and risk analysis that addresses physical security and operations, and security measures during transportation, which includes the following phases:
 - Diagnosis: including the vulnerability and probability variables of an event and all its consequences;
 - Design: including the risk control mechanisms, as well as the protection management system indicators that demonstrate the effectiveness and efficiency of the risk control mechanisms; and
 - Monitoring or evaluation: including a protection (internal and external) audit program and safety inspections of the risk control mechanisms.
- Have a protection system with risk control mechanisms for physical and operational safety that includes physical barriers and conduct control procedures to prevent access to unauthorized persons.
- Physical barriers must be built with materials that guarantee the integrity of the installations.
- Establish a single entrance and exit point, where employees, visitors and vehicles access the area, which must have access control for the entry and exit of vehicles, individuals, operational assets and raw materials, seeds for sowing, psychoactive cannabis plants and psychoactive cannabis, and in general all kinds of goods. This exit must be established without compromising the emergency exits and other industrial safety measures that the licensee must ensure in the facilities. Areas where activities related to the management of sowing seeds, psychoactive cannabis plants and psychoactive cannabis take place, must have restricted access and manual or systematized entry and exit control records are required.
- Establish a monitoring and surveillance service that generates evidence and traceability.
- Establish internal and external signaling indicating that unauthorized access is prohibited.
- Provide and ensure that the plant personnel and visitors carry visible identification at all times. Employees engaged in activities related to the management of sowing seeds, plants for psychoactive cannabis and non-psychoactive cannabis must be fully identified and carry appropriate employee identification.
- Ensure that it has the capacity to hold communications internally and with external agents in order to notify or report security incidents and request, in a timely manner, the intervention and support of the state's security forces, if necessary.
- Establish risk control mechanisms to deter and control risk situations in the facilities' perimeter, including protective perimeter lighting.
- For transportation purposes, the licence holder must establish control mechanisms that allow it to prove compliance with the protection of areas and facilities, using closed-type vehicles with elements that allow for seal verification control of the transported derivatives at all times.

In addition, the Ministry of Justice shall conduct a control visit during the assessment of the licence application for the cultivation of psychoactive and non-psychoactive cannabis plants at the premises where the cultivation activities take place. The Ministry of Justice will verify the following minimum standards:

- The location of the property and the facilities where the activities will take place, compared with the documentation and photographic record attached to the licence application.

- The internal procedures for the implementation of the security protocol.
- The cultivation area is free of pre-existing cannabis crops.
- The storage areas, if applicable, are free of cannabis crops.

Failure to allow the control visit will lead to the rejection of the corresponding licence application.

In addition to the security protocol guidelines set out by the Ministry of Justice, the Ministry of Health issued Schedule 1 to Resolution 2892 of 2017, which contains guidelines for the elaboration and implementation of the security protocol related specifically to the manufacturing of cannabis derivatives. The guidelines established by the Ministry of Health set out specific additional measures that are required as follows

- Safety:
 - Guarantee the integrity of the facilities and establish a physical barrier to prevent access of unauthorized individuals;
 - All doors and windows must be in adequate condition so as to allow for full closure of the areas and prevent access to unauthorized individuals;
 - All openings, ducts and mechanical/electrical passageways must be protected with safety material;
 - External and internal signals/signage indicating that unauthorized access is prohibited;
 - Establish personal profiles and responsibilities of company employees and third party contractors that provide security services in the facilities and monitor the fulfilment of the security protocol;
 - Establish a single entrance and exit point, where employees and visitors access the area, notwithstanding which provisions in terms of industrial safety (including emergency exits) must be made; and
 - The structures of buildings must be constructed using resistant materials to prevent forced entry and secured with locking devices. The harvest and production storage areas, as well as for the manufactured derivatives, shall provide for secure access with control and registration.
- Monitoring and Detection
 - The licensee must guarantee that licenced area complies with the following monitoring and detection parameters:
 - Installation of closed-circuit cameras that operate 24 hours per day and 7 days per week around the perimeter of the facilities. The video camera recordings must be saved for a minimum 30 calendar day period;
 - All managers, employees, contractors and visitors must be identified at all times. An employee inside the Cultivation Facility must accompany visitors at all times; and
 - Qualified security surveillance personnel who are prepared to react effectively to any detection of unauthorized access or security incidents. The security personnel must record each event, indicating the place, time, date, personnel present in the facilities, facts and measures adopted. The records of unusual events must be saved for a minimum 5 year period.

- Access control
 - Installation of appropriate access control technology and appropriate measures to restrict access and properly identify any individual entering or leaving the perimeter of manufacturing facilities are required;
 - Pre-established and appropriate controls for the issuance of locks, keys and access codes; and
 - Access to storage and production areas should be restricted to only those individuals requiring access.
- Electricity supply
 - Facilities for the manufacturing of cannabis derivatives require constant lighting;
 - The power system must have auxiliary sources to ensure it can be fully operational under any circumstance; and
 - A response plan in case of interruption of the electric power.
- Cooperation with authorities
 - Cooperate with public authorities in order to prevent the diversion or misuse of derivatives or products that contain it; and
 - Licencees shall immediately inform applicable authorities of suspicious or unusual activities. In case of unjustified loss or theft of psychoactive cannabis or its derivatives during the manufacturing process, the licensee must inform the applicable authorities and the Ministry of Health within 48 hours after the event took place. The notice sent by the licensee must include a complaint form, records describing the event, personnel involved, date and time, location, product type and amount lost. Records of theft or lost products and the subsequent investigation reports must be saved for a minimum five year period.

In addition to the foregoing, the FNE will conduct audit visits during the licence term to verify compliance with the operations plan, security protocol and other obligations the licensee must meet.

The implementation of security measures demands that licence holders work closely with local security forces aimed to ensure the fulfilment of security protocols, as seen in other key industries in Colombia. For example, oil and gas and mining contract holders in Colombia usually share and coordinate their safety and private security measures with police and military forces. While security protocols in the medical and scientific cannabis industries are mandatory, those security measures may be considered as common good practices in other industries. For example, security measures in other industries aim to ensure that access to unauthorized personnel is limited and operations are conducted by qualified personnel; strict monitoring over operations and related activities take place and are properly recorded; periodic information is provided and audit controls must be performed at all times, among others. In addition, connected services are subject to controls and contractors, in most cases, must be licensed or certified by different authorities to have good practice standards.

Licences and Authorizations

Medcolcanna's Licences

Medcolcanna SAS applied for the Production Licence on April 5, 2018, and applied for the Low THC Cultivation Licence, and the High THC Cultivation Licence on April 9, 2018. Medcolcanna received approval for all of the Licences in June 2018.

The High THC Cultivation Licence and Low THC Cultivation Licence allow Medcolcanna SAS to grow psychoactive and non-psychoactive medicinal cannabis for domestic consumption, production of seeds for cultivation, storage and disposal.

With the Production Licence, Medcolcanna SAS is authorized to produce High and Low THC Medicinal Cannabis extracts for the internal market, and to manufacture extracts for export.

Product Information and Distribution

Medcolcanna is currently in the process of cultivating ten (10) strains of medicinal cannabis on the Leased Land for a variety of medical conditions. Medcolcanna also intends to register twenty (20) additional strains before the end of the year. The development of the strains will enable Medcolcanna to select mother plants and identify the concentrations of cannabinoids required for the formulations which Medcolcanna intends to produce and distribute. The products will be produced utilizing stringent quality assurance and quality control measures as required by GMP Standards. Medcolcanna is committed to the development of final products that are consistent with medicinal cannabis industry standards and pharmaceutical procedures. The products will include a variety of THC and CBD compositions that will be designed to respond to specific medical conditions. The composition of strains will include a wide range of THC and CBD ratios. At this stage, the products have been formulated and the strains selected in order to achieve the technical requirements needed to fabricate the products. Medcolcanna is also currently evaluating various delivery methods. For research and development of these products Medcolcanna expects to spend approximately \$150,000. Medcolcanna intends to develop its products utilizing the specific expertise of various team members and consultants.

Medcolcanna is licensed to produce High and Low THC Medicinal Cannabis extracts and to sell those formulations as Magistral Preparations. However, Colombian regulations do not allow for the direct commercialization of extracts as final branded products for mass market distribution until separate approval of INVIMA is obtained. Therefore, Medcolcanna's management team has initiated the process of pharmacological evaluation with INVIMA to obtain the final sanitary permit for its branded mass market physiotherapeutic products. Based on input from experienced drug regulatory professionals operating in Colombia, and input from INVIMA, Medcolcanna has devised the following plan to obtain INVIMA approval for its branded mass market products over the next 24 months:

1. Approval of Medcolcanna's petition to include cannabis in the national list of herbal plants with medicinal applications. The petition is expected to be submitted before the end of 2018.
2. Medcolcanna plans to submit a product dossier to INVIMA presenting technical and legal product information. This information includes, but is not necessarily limited to, identification of lab and related protocols/procedures, the active ingredients within the products and their medical application, the composition of the product, the rationale for product dosages, the target market for the product by medical condition, and the potential benefits and side effects of the product.
3. A technical group at INVIMA will evaluate the formulations and concentrations submitted in Medcolcanna's product dossier using criteria that includes safety, effectiveness and stability for the medical condition. Their evaluation will consider:
 - a presentation by Medcolcanna of scientific evidence demonstrating the effectiveness of its formulations;
 - a presentation by Medcolcanna of the legal and technical aspects of the packaging to ensure the disclosure of product contents, container concealment, and appropriate warnings; and
 - the performance by Medcolcanna of a stability analysis to ensure the product maintains its characteristics under normal environmental conditions.
4. Enactment by INVIMA of a public resolution granting a permit authorizing the laboratory and distribution conditions for the approved products.

The total estimated cost for the submission fees and research documents is expected to be less than \$50,000.

Distribution Methods & Principal Markets

Medcolcanna intends to develop products primarily in two forms:

- Magistral Preparations: Direct-to-patient formulations prescribed by physicians to patients and developed by a certified pharmaceutical establishment using cannabis derivatives according to the needs and symptoms of patients requiring cannabis products. Magistral Preparations must be prepared according to an individual patient's medical prescription. Cannabis byproducts required as raw material for Magistral Preparations may only be provided by licensed manufacturers and must have been manufactured within the assigned quotas for High THC Medicinal Cannabis.
- Branded mass market phototherapeutic products: A mass marketed product available through pharmacies to patients on a prescription basis (for High THC Medicinal Cannabis) or over-the-counter (for Low THC Medicinal Cannabis). These products have active ingredients derived from natural extracts and the related medical properties generally accepted for traditional use.

Magistral Preparations

Magistral Preparations are doctor-prescribed customized products based on a patient's specific needs and symptoms. All Magistral Preparations must be individually prescribed to ensure proper dosage, quantity, and pharmaceutical form.

Magistral Preparations are subject to the following pharmaceutical rules:

- The Magistral Preparations can only be prepared by pharmacists and pharmaceutical services of health service institutions in accordance with Decree 2200 of 2005. Pharmaceutical establishments and services that produce of the Magistral Preparations must have or obtain the applicable certification from INVIMA.
- Preparation and distribution of cannabis Magistral Preparations requires prior registration in the FNE, in accordance with the requirements established in the technical regulations. Cannabis derivatives that are required as raw material for this type of preparation can only be provided by individuals or legal entities with a Licence to produce cannabis derivatives and that have been manufactured within the framework of the quotas granted.
- A finished product is the Magistral Preparation obtained from a cannabis derivative, which is to be marketed or distributed as a product for human or veterinary consumption. Finished products with psychoactive cannabis can only be used for medical purposes, while non-psychoactive products do not carry any restrictions on use. Finished products must have received the appropriate approval from INVIMA to guarantee quality, safety and efficacy.
- To market a finished product with psychoactive cannabis, the licensee must be enrolled in the FNE and permitted to produce and sell finished products at the national level. When the derivative is delivered to a third party at any national level, it must be registered with the FNE. Likewise, the finished product must have the requisite INVIMA authorization.
- Finished products made from psychoactive cannabis must be sold as a medical formula.
- The Ministry of Health will publish a list of finished products to be classified as special control substances, as well as guidelines and protocols to care for patients who need products containing cannabis. If INVIMA, according to the product category, determines that a product contains narcotic drugs, these must also be sold under the condition of a medical formula, including homeopathic drugs. Depending on the pharmaceutical method, level of THC, as well as the risk of abuse, INVIMA may recommend the declassification of certain products as narcotic drugs and enable their free sale.

- Different conditions of purchase and sale will be established for psychoactive and non-psychoactive finished cannabis products, following the instructions provided by the Ministry of Health.
- Finished products derived from non-psychoactive derivatives of cannabis, provided they contain a THC concentration within the legal limit, shall originate from a non-psychoactive production licensee or non-psychoactive cultivation licensee. The manufacture and sale of these derivatives must comply with applicable regulations but are not required to register with the FNE.

Distribution

Magistral Preparations can be delivered to patients through pharmacies registered with INVIMA. Suppliers of Magistral Preparations must meet GEP Standards for pharmaceutical laboratories. GEP Standards for the preparation of Magistral Preparations include requirements relating to the elaboration, transformation, preparation, mixing, adaptation and adjustment of dosages, as well as the re-packaging, distribution and storage of preparations.

Medcolcanna's manufacturing process follows GMP Standards that regulate principles and practices of hygiene in the handling, preparation, processing, packaging, storage, transportation, and distribution of food and medicines for human consumption. In accordance with these requirements, Medcolcanna intends to distribute its Magistral Preparation products in two ways:

- By INVIMA-authorized health product retailers that will ensure Medcolcanna products are prescribed by a registered physician under a prescription specific to each patient. Medcolcanna is in the process of negotiating with Colombian retailers to incorporate Medcolcanna's Magistral Preparations in their product offerings.
- Medcolcanna will develop its own health service centres or clinics where patients can access holistic treatment alternatives. As at the date of this Filing Statement, Medcolcanna is in the process of structuring a business plan for its health service centres and is in discussions with a number of potential partners.

Upon completion of development and construction, Medcolcanna's accredited laboratory will be responsible for obtaining and preparing each patient's prescription. Magistral Preparations will then be shipped to the patient or to the authorized seller.

Currently, there are over 500 entities registered to sell non-cannabis Magistral Preparations in Colombia⁵. Despite the growth in usage of Magistral Preparations in Colombia, reliable financial information regarding pharmacies that manufacture and distribute these products is unavailable. However, Medcolcanna has identified, through market research, a number of pharmacies that account for significant industry sales.

Branded Mass Market Phytotherapeutic Products

Under the Colombian regulatory regime, cannabis-based products may be sold through traditional distribution channels once permits have been obtained from INVIMA. Branded products can be sold to patients with a prescription (for High THC Medicinal Cannabis) or over-the-counter through INVIMA-authorized sellers (for Low THC Medicinal Cannabis).

Medcolcanna will focus its distribution strategy on selling products through major authorized retailers, as well as developing its own health service centres.

Pharmacies and drugstores are anticipated distribution channels for Medcolcanna's products. These channels are well-established methods for the distribution of health products given their widespread presence throughout Colombia. These outlets offer prescription and over-the-counter products, and increasingly emphasize the sale of herbal and traditional medicinal products. There is rising demand in Colombia for vitamins and dietary supplements, as well as

⁵ <https://www.invima.gov.co/images/pdf/informate/BoletnOpininJurdicaNo35Noviembre.pdf>

herbal and traditional medicinal products. This demand has benefited outlets like natural food stores and modern retailers like supermarkets and hypermarkets, which have been increasing their stock of such products.

Branded mass products will be delivered with information, including batch-to-batch identification and product identification labels in the primary and secondary packaging materials. These labeling practices enable Medcolcanna to trace a product from the patient to the manufacturing process and to the components used to prepare the product. All labels will be easily readable and will be made of weather-resistant and tamper-resistant materials, and will be conspicuously placed on the package.

Access to Medicinal Cannabis in Colombia

In Colombia, patients will be able to access medicinal cannabis with a prescription after a medical evaluation. For Magistral Preparations, the prescription must identify the THC and CBD dosages required based on the patient's physical condition. Subject to Colombian regulations and Medcolcanna's internal timeline, it is anticipated that the development of Magistral Preparations will commence as soon as practicable following closing of the Transaction.

Timing and Stage of Research & Development Programs

Medcolcanna's research and development programs are in their initial stages. Medcolcanna has hired an experienced team in the cannabis industry to develop the cultivation process, extraction methods, purification systems, and laboratory for analysis.

Specific research and development objectives will be identified by Medcolcanna's management team, in conjunction with national and international research centres and universities with expertise in cultivation, pharmacology, and the extraction of natural compounds from plants with pharmaceutical properties.

Additional Steps Required to Reach Commercial Production

Key milestones to reach commercial production are as follows:

1. **Development of upstream facilities, including greenhouse set up and cultivation for initial hectare**
 - (a) Targeted completion date: first quarter of 2019.
 - (b) Estimated Cost: \$1.1 million.
 - (c) Status:
 - (i) Suitability of site confirmed through soil and water testing, as well as analysis of regional climate and local regulations.
 - (ii) Facilities currently under construction based on detailed site development and security plan.
 - (iii) Fencing, greenhouses, irrigation systems, water and power sources, and initial security measures are under construction.
 - (d) Additional Requirements:
 - (i) Completion of site construction plan, including additional irrigation systems, ventilation system, water treatment plant and installation of plant beds and lighting systems.
2. **Development of downstream facilities, including post-harvest, extraction and analysis labs**
 - (a) Targeted completion date: second quarter of 2019.

- (b) Estimated Cost: \$2.1 million.
- (c) Status:
 - (i) Detailed operational plan established for extraction, formulation, testing and filling processes in accordance with GEP Standards.
 - (ii) Downstream activities implemented in development plan for the site, in proximity to the cultivation function.
- (d) Additional Requirements:
 - (i) Complete construction of onsite drying, extraction, formulation and testing facilities.

3. **Commercial distribution**

- (a) Targeted completion date: second quarter of 2019.
- (b) Estimated Cost: \$0.4 million.
- (c) Status:
 - (i) Licence fully secured to implement initial distribution strategy (Magistral Preparations).
 - (ii) Addressable market and distribution strategy defined, including product positioning, branding, packaging and labelling, logistical channels and security controls.
 - (iii) Development of patient outreach strategy defined including the development plans for Medcolcanna's clinics.
- (d) Additional Requirements:
 - (i) Negotiate final terms of exclusivity with the clinics and right of first refusal to acquire them, subject to financing.
 - (ii) Complete first commercial cultivation and extraction cycle.

Medcolcanna has created a detailed staffing plan to meet the human resource needs to achieve the above milestones. Medcolcanna has hired a human resource professional to manage all recruitment, development, and retention of the required skillsets.

Future Research and Development

Medcolcanna's research goals will focus on entry points in the Colombian market. The Medcolcanna Licences will enable it to implement research and development strategies through a research plan that is directed towards achieving the following objectives:

Psychoactive and Non-Psychoactive Cannabis Research Objectives:

- General objective: Standardize processes for obtaining seeds, cultivation, harvesting, post-harvesting, and extraction of cannabinoid and non-cannabinoid derivatives of cannabis plants in order to establish cultivation protocols providing a high degree of assurance relating to the quality, safety and reproducibility of resins and natural compounds for medical applications.
 - Specific objectives:

- (i) Identify the type and concentration of cannabinoid and non-cannabinoid compounds of cannabis plants cultivated in Colombia.
- (ii) Evaluate the effect of nutrient solutions of fertigation and type of substrates on the quality and quantity of cannabinoid and non-cannabinoid compounds produced by cannabis strains sown in Colombia.
- (iii) Determine the optimum stage and the methods for determining the harvest point of the plant in which the presence of cannabis derivatives with therapeutic application is maximized.
- (iv) Evaluate different drying methods and their effect on the quality of cannabinoid and non-cannabinoid compounds obtained from different varieties of cannabis.
- (v) Identify and quantify cannabinoids and non-cannabinoids obtained in extracts made from fresh plant material.

Manufacturing Research Objectives

- General objective: Research will focus on identifying derived compounds (cannabinoids, non-cannabinoids, and others such as terpenes and flavonoids) of cannabis strains with medicinal applications, sown in Colombia, in order to establish the biochemical profile of existing derivatives. Once identified, specific studies will be carried out to determine possible applications of the identified derivatives.
 - Specific objectives:
 - (i) Study the antimicrobial effect of biochemical derivatives obtained from cannabis plants planted in Colombia.
 - (ii) Determine the cosmetic potential of derivatives obtained from cannabis plants planted in Colombia.

Operations

Medcolcanna's proposed production method consists of cultivating High and Low THC Medicinal Cannabis varieties on the Leased Lands in the Municipality of La Conejera. By harvesting four times per year, Medcolcanna intends to obtain fresh flowers for curing, followed by extraction utilizing supercritical fluid extraction with CO₂. The raw material obtained will be whole-plant extracts with THC and/or CBD content, which will enable the creation of different formulations to address specific medical needs. Raw material will be mixed as the active pharmaceutical ingredient with excipients and carrier agents to ensure proper release into the body. Medcolcanna intends to initially deliver extracts in the form of oral drops.

For Magistral Preparations, Medcolcanna intends to provide delivery services through pharmacies and clinics with whom distribution agreements are being negotiated.

Land Development

The cultivation and production of extractions will take place on the Leased Lands. Medcolcanna Colombia entered into a 5 year lease for an area of 3 hectares in the Municipality of La Conejera, in the Department of Cundinamarca, 10 minutes away from Bogota, with monthly rent of approximately \$5,000. This lease contains options to lease additional land and any expansions thereof up to a total of 18 hectares on the same conditions as the lease agreement.

Medcolcanna's Cultivation Facility will be developed on the Leased Lands, which will be surrounded by physical and natural barriers for security and control purposes.

Medcolcanna has enlisted a team to set up optimal work flow processes for cultivation and post-harvest processing, comprised of a senior master grower and a field director with experience under local conditions.

Based on local conditions, Medcolcanna estimates that it can harvest four crops per year, growing approximately 256,000 plants per year with an estimated yield of 175 grams of dry flower per plant for a total of 63 tons of dry flower per year. This production would be generated from an initial greenhouse cultivation area of 16,000 m².

The cultivation technology Medcolcanna intends to implement will allow for replication of the areas and the systems of production to reach its goals in a cost-effective manner. As such, Medcolcanna's technology will also allow for economic scalability as additional lands are developed.

The cultivation site will be designed with separate areas for psychoactive and non-psychoactive cannabis production. However, production procedures and processes for Magistral Preparations and phytotherapeutic products are the same.

As per the licence requirements, Medcolcanna is required to register vegetative material. There is some uncertainty as to whether Medcolcanna will be able to ensure consistency and quality of all of this material. Over time, management is of the view that this uncertainty will be corrected, because any strain not being stable during the first cycle of registration, will be re-cultivated using the plants with better results to improve the genetics.

Facilities

Medcolcanna has commenced construction of the Cultivation Facilities on the Leased Land. Medicinal cannabis will initially be grown in semi-enclosed greenhouses. The greenhouses will be climate controlled, thereby isolating the plants from the changing conditions of the environment. The greenhouses provide stable microclimate and growing conditions. The construction and development plans for Medcolcanna's greenhouse facility is divided into three phases. In the already completed Phase 1, Medcolcanna designed and implemented the main operational requirements for cultivation on the Leased Land; in Phase 2 Medcolcanna will commence construction of the Cultivation Facility and its first productive area consisting of an initial hectare. Phase 3 is for development.

During Phase 1, Medcolcanna developed and constructed the elements of the production system and greenhouse (water, soil, energy, security). Medcolcanna constructed a deep water well and a reservoir to gather and store water, and established a water treatment plant. Medcolcanna will conduct regular water quality analysis (testing for heavy metals, microorganisms, and LRMs of the main water source and the water treatment plant). Medcolcanna has also built the first 1,000 m² of greenhouse to perform tests and registration of the seeds. During this phase Medcolcanna will build additional greenhouses to reach one (1) hectare of growing facilities. Construction of the additional hectare will start in early 2019 with 2,500 m² every month, and starting cultivation of each unit right after construction.

During Phase 2, expected to last approximately four months, Medcolcanna intends to construct greenhouses on an additional hectare of the Leased Land. The greenhouse design and structure has been implemented based on the climate characteristics of the Municipality of La Conejera. The structure of the greenhouse allows for ventilation, humidity and temperature control, as well as the protection of the plants from wind and rain. During this phase, the main operational facilities will also be constructed. Construction is expected to be completed in the second quarter of 2019.

During Phase 3 (development), Medcolcanna will explore the potential of expanding its cultivation site based on market needs.

Raw Materials

Medcolcanna's raw materials include water, soil, fertilizers, and electricity. Utilization and sources of these raw materials include:

- Seeds: Medcolcanna has begun the registration in accordance with Colombian regulations for all seeds necessary to execute the cultivation process.

- Water: Medcolcanna has drilled a well into an underground water reservoir that produces the inputs necessary to hydrate the plants. Medcolcanna has also built a water treatment plant.
- Soil: Medcolcanna secures soil for its cultivation from local providers. Colombia has an abundance of suitable soil. Quality controls will be established to guarantee that soil is organic (free of any chemical compound and pesticides).
- Fertilizers: Medcolcanna secures fertilizers from local providers. This includes the nitrogen/phosphorous/potassium formulations needed by cannabis plants. Colombia has an abundance of fertilizers for cultivation due to its history of cultivating.
- Electricity: Medcolcanna utilizes electricity to augment natural sunlight in the cultivation of cannabis plants. Although Colombia typically averages approximately 12 hours of sunlight per day, the vegetative stage of cultivation requires several hours of supplemental lighting to prevent the plants from flowering prematurely. Due to the proximity of the Leased Land to Bogota (the main commercial centre in Colombia and the largest city) access to electricity and infrastructure is virtually assured. Medcolcanna will also have a backup power generation plant in case of any possible disruption.

Quality Assurance and Control Measures

Medcolcanna's quality control measures will be implemented throughout all aspects of the cultivation, extraction, and production processes. At the cultivation stage, Medcolcanna will use vegetative material that is free from pathogens and chemical residues which would be confirmed by internal testing and third-party testing. Agricultural best practices will be implemented on site. Vegetative material and water will be tested for any pesticide residues, heavy metals, plant growth regulators and pathogenic microorganisms, adhering to the limits established for medicinal cannabis by the Commonwealth of Massachusetts. Further, a water treatment plant was built at the cultivation site in order to provide clean potable water to the site.

Medcolcanna will implement a pest management program in order to control possible pests and diseases during the cultivation process. A nutrient monitoring regime will also be implemented at cultivation to detect any deficiency symptoms and pathogen incidences. The cultivation manager (agronomist) will provide weekly reports on the quality of the plants during cultivation. Following harvest, Medcolcanna will implement microbiological and chemical tests from random batches. Any product that does not meet quality standards will be rejected. Only approved material will be processed for extraction.

Cultivation will be performed under strict sanitary guidelines. Only authorized personnel will enter designated areas. The post-harvest and drying facilities, as well as all the equipment and material that will be in contact with the plant product will be continuously treated with biocidal agents to maintain sanitary standards. The cultivation manager will ensure that production guidelines are followed according to agricultural best practices. The senior master grower will oversee processing of raw materials into dry flowers.

Security Protocol

Medcolcanna has a scalable and comprehensive security plan that identifies and mitigates risks relating to Medcolcanna's assets and covering the production, distribution, logistics and operations chain. Medcolcanna's security protocol features range from electronic controlled access to ultra-high definition video surveillance and intrusion detection devices, among others. Medcolcanna's security protocol was prepared by a security company after an assessment performed at the Leased Land location, and was presented to the authorities at the time of the licence applications. Furthermore, a meeting was held with the police at the locality Cuadrante 47, who are in charge of the security of the area. They also reviewed the security protocol and approved it.

Cultivation Area

Medcolcanna's cultivation area will be protected by an electric fence with a controlled access door and electronic security system. A closed-circuit surveillance system will monitor the premises 24 hours per day, 7 days per week,

storing recorded images for month-long periods. A third-party security company will be contracted to monitor the cultivation area, control access and verify personnel on site.

Door and window contacts will be connected to the primary security panel on all perimeter doors and windows of the Cultivation Facility, which will notify Medcolcanna of any unauthorized entries. The siren/strobe will provide an audible alert, as well as a visual alert for the hearing impaired, if the primary security panel is compromised. Motion sensors will notify the primary security panel of movement around the perimeter of the Cultivation Facility during restricted hours.

The following security measures will be enacted to control access to the Cultivation Facility:

- Currently, two permanent security guards patrol the Cultivation Facility with radio and other communication equipment. An off-site service supervisor is available to provide additional support according to protocol and in case of emergency.
- At the local and regional level, the police and the military are aware of the project and ready to respond in the event of an emergency situation.
- Medcolcanna will complete background investigations of all personnel.
- Medcolcanna will have a product storage vault. A vault has been designed with access controls that are intended for the storage of dried flower, extracts and seeds.

Controlled Access

Medcolcanna will install network access control at every entry point. Each entry point to the Cultivation Facility will be equipped with an encrypted reader to grant or deny access to a given entrance or exit. Each employee and authorized occupant of the Cultivation Facility will be given a fob or clamshell access card, granting him or her individualized access privileges within the Cultivation Facility. Each employee or authorized occupant will only have access to zones pertaining to his or her responsibilities.

Every entrance and exit will have a contact device connected to the ethernet network controller, reporting each time a door is opened and monitoring the status of each door in the Cultivation Facility. The network access control will log every authenticated user, as well as unauthorized entrance and exit attempts. The ethernet network controller will also be notified if a door is forced or left open by sounding an internal buzzer. Open-door notifications will be sent from the network controller to the server, key personnel, and the primary security provider.

Transport Security

Transportation services will be provided in accordance with Medcolcanna's security protocols and local legislation. Medcolcanna will hire a security company to oversee the transport of any seed, plant, or processed product to and from all facilities that Medcolcanna runs, owns, or operates. The selected company will provide point-to-point transportation capability with armed security personnel. Medcolcanna's vehicles will be tracked and monitored with video and GPS technology by security personnel.

Seasonality

Medcolcanna's cultivation site is located in a region with a fairly consistent average daily temperature of 20°C, average annual humidity of 68%, with a bimodal rain regime with a dry season from December to March and in July and August, and rainy seasons from April to June and August to November.

Special Skills and Knowledge

Medcolcanna's management and advisory team has experience working in the Colombian agricultural industry, the international commodity markets, Canadian capital and financial markets, the Colombian and US medical industry and with Colombian governmental institutions.

The loss of any member of Medcolcanna's management team could have a negative impact on its business and results of operations. In addition, an inability to hire, or the increased costs of new personnel, including members of executive management, could have a material adverse effect on the Medcolcanna's business and operating results. At present and for the near future, Medcolcanna will depend upon certain employees to develop, market, sell, grow and support its products. These risks are mitigated by the fact that members of the management team and certain employees have aligned interests with shares in the Medcolcanna. The expansion, marketing and sales of its products will require Medcolcanna to find, hire and retain additional capable employees who can understand, explain, market and sell its products. For non-management staff at Medcolcanna's operating companies, specialized knowledge is generally not required, however customary training will be required. Please see "*Part II – Information Concerning Medcolcanna – Risk Factors Relating to Medcolcanna and the Resulting Issuer*"

Employees

As at the date of this Filing Statement, Medcolcanna has six full-time employees. Medcolcanna is in material compliance with all applicable labour laws. Upon completion of the build out of the Cultivation Facility, it is anticipated that 19 employees will work for Medcolcanna.

Competitive Conditions

The market for medicinal cannabis in Colombia is characterized by a structural shortage of supply, with few authorized producers. Although competition in the market is growing, management believes that Medcolcanna is competitively positioned to satisfy a significant portion of the market's demand for medicinal cannabis.

Medcolcanna will initially serve the Colombian cannabis market by selling Magistral Preparations. In doing so, Medcolcanna will aim to develop brand recognition and establish its customer base.

Medcolcanna's Principal Competitors

The global cannabis industry is experiencing significant change as governments embrace regulatory reform, liberalizing the production and consumption of cannabis. It is possible that foreign corporations may enter the Colombian market as a result of Colombia's regulatory regime, creating the prospect of Colombia becoming a hub for future industry development.

In addition, climate conditions and low cost labor are positive factors that may result in Colombia becoming a leader in cannabis production in the world.

Medcolcanna may face new competition for its Magistral Preparations from local laboratories with experience developing Magistral Preparations that partner with a licenced cannabis provider to offer products similar to Medcolcanna's anticipated product line. Medcolcanna is aware of at least one other company that is pursuing a similar strategy of acquiring medical facilities in order to approach the local market.

Similarly, new competition for branded mass market phototherapeutic products may arise from local laboratories that have previously developed natural phototherapeutic products with natural ingredients. Alternatively, foreign corporations may choose to undertake the Colombian licensing process in order to register products and develop further opportunities in other Latin American jurisdictions.

Intellectual Property

Medcolcanna has recognized the importance of its intangible assets such as brand names, circulation lists, copyrights, franchises, licences, patents, software, subscription lists and trademarks. With this in mind, Medcolcanna has an external advisory team to coordinate the filing, prosecution and protection of intellectual property rights (IPRs) in Colombia.

The duration of IPR protections in Colombia are in line with the international conventions, with 20 year protection for patents; 10 year protection for utility models; 10 year protection for trademarks (with optional renewal); and 80 year protection for copyrights.

Medcolcanna's policy is to require all employees and third-party contractors to sign non-disclosure agreements and intellectual property assignments to protect sensitive information regarding Medcolcanna's core business products and services.

Legal and Administrative Proceedings

In the ordinary course of business, Medcolcanna may be subject to certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving tax, social security, labour lawsuits and other matters. Medcolcanna will accrue liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. There are no material proceedings currently pending against Medcolcanna.

Environmental and Social Programs

Environmental protection requirements in Colombia are governed mainly by legislation and regulations for environmental components (soil, water, air and biodiversity) that will be impacted in positive or negative contexts. The relevant environmental laws are summarized below.

After a detailed consultation, Medcolcanna concluded that the Cultivation Facility has not previously been used for any intensive agricultural projects. The local environmental authority has not published any restriction on the site being used for agricultural purposes. Moreover, the land surrounding the cultivation site has been used to cultivate flowers and therefore the area is cleared for agricultural production according with its use-of-soil registry.

Medcolcanna is in the process of developing its health and safety programs. The health, safety, environment, and quality ("**HSEQ**") outsourcing team is working on the identification, definition and measures for occupational health and safety. Medcolcanna will have a HSEQ management manual that includes all potential situations and measures.

As part of its environmental, social and sustainability strategy, Medcolcanna intends to implement a strict environmental and social management system, which allows Medcolcanna to systematically manage its environmental, social, health and safety matters. This integrated management system addresses:

- The identification and assessment of environmental, social and labour risks and impacts through a specific methodology that allows Medcolcanna to prioritize significant impacts and risk.
- Identification and assessment of applicable environmental, social and labour law requirements.
- Improving the management of agrochemicals, chemical products and fuels through programs which allows tracking of improvements.
- Monitoring water and soil quality in accordance with internal procedures and legal requirements.
- Monitoring of water, fuels and electricity consumption.
- Waste management according to Decree 1076 of 2015.

- The control of safety and health of workers and the community.
- The management and control of contractors' HSEQ practices.
- The establishment of performance indicators for monitoring HSEQ processes.
- The preparation and response to possible emergencies and contingencies.
- Communication with all stakeholders.
- Management of complaints, non-conformities, actions and evaluating their effectiveness.

Doing Business In Colombia⁶

Economic Growth

From January through December 2017, the growth of Colombian economy was 1.8%. This growth rate was less than the growth rate of 2016, of 2.0%, which continued the economic slowdown that started in 2015. Even if this rate is low with respect to the estimates set at the beginning of the year, it is worth noting that by September 2017 six of the nine industries had shown positive growth, with three of these showing average growth rates above the general economic growth rate. The three sectors that had grown above 1.8% by September 2017 were the following: agriculture, cattle raising, forestry, hunting and fishing (6.28%); financial institutions, insurance companies, real estate investments and corporate services (3.9%); and social and community services (2.97%). The sectors in which growth rates were below the average growth rates were the following: power, water and gas (0.88%); commerce, repairs, restaurants and hotels (0.68%); transportation, storage and communications (0.04%). The sectors which contracted included: construction (-0.9%); manufacturing industry (-1.21%) and mines and quarries production (-5.64%).

Inflation

In 2017 the inflation rate was 4.09%. This was a drop of 1.66% from the prior year, and was close to the target range set by the Colombian Central Bank – Bank of the Republic (between 2% and 4%). This drop is explained by an increase in the supply of food products which resulted in restrained price increases and a reduction in the prices of commodities as indicated by Fedesarrollo (a government institution in charge of economic policy).

Interest rates

2018 started with a Central Bank interest rate set at 4.75%. Still furthering the course to hit the objective of reducing interest rates that the Board of Directors of the Bank of the Republic had set, 2017 started with a 7.5% rate, and showing a continuing reduction throughout the year, reaching 7% in the first quarter, 6.25% in the second quarter, and 5.25% in the third quarter, and closing the year at 4.75%. These reductions generated a stimulus for the economic activity. The average 90 day fixed term deposit rate closed at 5.21% compared with 6.86% in 2016, whereas the average placement rates dropped from 14.40% in December 2016 to 11.59% in December 2017.

Foreign exchange (FX) rate

In 2017 the Colombian peso appreciated with respect to the US dollar by 0.56%, however this was less than the 2016 appreciation of 4.72%. The exchange rate fluctuations were mainly influenced by variations in oil prices and changes in international expectations. In January 2017, the US dollar was priced at 3001 COP. Its lowest rate during 2017 was 2838 COP in April 2017 and its peak was 3092 COP in July 2017. At the end of 2017, the US dollar closed at 2984 COP.

⁶ https://www.pwc.com/co/es/doing-business/assets/doing%20business_english_v3.pdf

Trade Balance

From January through December, 2017 export sales increased by 19% from 2016 levels. Export sales went from US\$31.8 billion FOB (“free on board”) to US\$37.8 billion FOB. This increase is explained mainly by an increase of 32.4% in fuel exports and exports of mining products, an increase of 7.2% in farming, food and beverage products, an increase of 2.4% in manufacture products, and an increase of 15.7% in other sectors. During 2017, the main export destinations which accounted for the above-noted increase were China, Panama and Turkey. Generally, exports to Andean community countries increased by 14% with respect to the same period of the prior year (January through December) and exports to the European Community increased by 9.4%. In 2017 Colombian imports increased by 2.6% with the largest increase attributable to the import of manufactured products. In 2017, the trade balance showed a deficit in the amount of US\$6.2 billion FOB. This deficit was an improvement over the 2016 deficit of US\$11.1 billion FOB.

Direct Foreign Investment

Between January and September, 2017 direct foreign investment to Colombia was US\$10.2 billion which represents a 3.1% drop relative to the same period in 2016. The amount of direct foreign investment in the third quarter in 2017 was US\$4.9 billion, which is the highest quarterly amount recorded for the last two years. The sectors which have had the greatest impact with respect to the receipt of foreign direct investment flows during the period of January through September 2017 are the following: oil industry (20.7% in 2017 vs. 16.7% in 2016); transportation, storage and communications (28.6% in 2017 vs. 9.3% in 2016) and manufacturing companies (17.3% in 2017 vs. 12.7% in 2016); corporate and financial services (8.3% in 2017 vs. 13.37% in 2016) and commerce, restaurants and hotels (7.4% in 2017 vs. 5.6% in 2016).

There were changes with respect to the countries that made direct investments in Colombia between 2016 and 2017. During the first three quarters of 2016, the main countries that invested in Colombia were Canada (20.5%), United States (14.6%), Bermuda (13.8%), Spain (10.2%) and Panama (7.1%). In 2017, Spain (21.7%), the United States (13.8%) and Panama (9.9%) continued to invest but Mexico (13.2%) and England (8.82%) began to invest as well.

Employment

According to a report by the National Department of Statistics (DANE for the Spanish initials) for January through December, 2017 the unemployment rate was 9.4%, which is a slight increase over the 9.2% rate in the same period in the prior year. Of 23 cities surveyed, nine reduced their unemployment rates, two held their rates and seven showed a single digit rate. The cities showing the highest unemployment rates were the following: Quibdó (16.1%), Cucuta (15.9%) and Armenia (14.3%), whereas the cities showing the lowest unemployment rates were the following: Santa Marta (8%), Barranquilla (8.2%) and Bucaramanga (8.5%). Upon analysis of the fourth quarter of 2017, the fields of activity that employed the most people were the following: commerce, restaurants and hotels of (27.2%); community, social and personal services (18.6%); agriculture, cattle raising, hunting, fish cultures and fishing (17.1%); and manufacturing industry (12.2%). These 4 sectors held 75.1% of the total employee population of the country. For 2019, the minimum wage was set at 826,116 COP (US\$ at an exchange rate of COP to the dollar), which represents an increase of 6% compared to 2018. Transportation allowance also increased 10%, from 88,211 COP (US\$) in 2017 to 97,032 COP (US\$) in 2019.

Public Finance

The total 2017 projected fiscal deficit of the national government is 3.6%, which is below the 2016 rate of 4%. Notwithstanding, Standards & Poor reduced the foreign-currency sovereign credit rating for Colombia from BBB to BBB - considering that the objectives of the fiscal rule have been partially based upon extraordinary resources to compensate for the behavior of the 2016 tax reform – which has been lower than expected. For 2018, the Ministry of Finance established a target rate of 3.1%, a feature that goes hand-in-hand with the expected growth for Colombia of 2.7% (according to the same Ministry) and the internal revenue collection rate expected by DIAN (the Directorate of National Taxes and Customs Duties) which is 135 billion COP for this year.

2018 – An Outlook

Despite the slow growth in 2017, various economic players are predicting that the growth in Colombia in 2018 will exceed 2%. The national government expects growth of 2.7%, Fedesarrollo expects 2.4% whereas the World Bank expects a growth rate of 2.9% in the country. These growth expectations would place Colombia's growth in fourth place in South America trailing Paraguay (4%), Peru (3.8%) and Bolivia (3.8%). The control of inflation, the reduction of central-bank interest rates, increased oil prices, the strengthening of exports and the carrying out of the so-called 4G infrastructure program are some of the factors that will drive growth in 2018. The Colombian Central Bank - Bank of the Republic has cut interest rates, and has done so thanks to controlled inflation. This will foster private consumption and investment, and will thus maintain the growth monetary policy of the government. It is expected that next year's inflation will continue its favorable trend and that Colombia will be able to reach the target 3% inflation rate. The recovery of oil prices and coal prices will also aid in improving foreign trade and fiscal accounts, as it is expected that the price of crude oil will hold above US\$55 per barrel. In line with these all prices, it is expected that the average exchange rate of the US dollar to the Colombian peso will stay around 3000 which will benefit exporters especially. On the other hand, the fiscal environment brings uncertainties also given the possible austerity policy in public spending taking into account the challenges that the reduction of the corporate income tax will bring for the government, considering that it would come into force in 2019. That rate will drop from 40% to 33%.

Finally, foreign trade and international relations also generate expectations in the market. US proposed tax reform may have an impact on the Colombian economy as the US is Colombia's main trade partner. The consequences of the crisis of Venezuela may also impact the market given the labor and fiscal challenges that this crisis causes for Colombia. Immigration has grown considerably and exports have gone to other countries.

Foreign Exchange Market

Foreign investment comprises (i) foreign capital investment made in the country (direct foreign investment and portfolio investment) and (ii) Colombian capital investment made abroad (Colombian investments abroad).

1. Foreign investment in Colombia

Types of foreign investment in Colombia

- Direct foreign investment This is any investment made in any of the following assets, as long as a nonresident has acquired them in any manner under a lawful act, contract or transaction:
 - Equity investments made in the capital of a Colombian resident company. They can be made in shares or other types of equity interests, corporate capital shares, or convertible bonds as long as these are not registered under the National Securities and Issuers Register (acronym in Spanish RNVE) or in any foreign securities quoting system.
 - Any of the above equity investments made in a Colombian resident company, which shares, are registered under the National Securities and Issuers Register, when the foreign investor makes the statement that shares have been acquired with the intention of a permanent investment.
 - Interests or shares in trusts under agreements made with trust companies subject to surveillance by the Office of the Superintendent of Finance of Colombia, whose purpose does not constitute a portfolio investment.
 - Any pieces of real property located in the country and acquired in any manner, either directly or through trust agreements or as a result of the securitization of any piece of real property or of any construction projects, as long as the securities are not registered with the National Securities and Issuers Register (RNVE is the Spanish acronym).

- Any interests or shares or economic rights deriving from any acts or contracts such as collaboration, concession, management services, licences or joint venture agreements (consortiums or temporary unions) or other agreement is entailing technology transfer, when these does not represent a corporate equity interests and that the incomes derived from the investment depend on the profits made by the venture.
- Any shares in the assigned capital and any supplementary investments made in a branch established in the country of a foreign company (head office).
- Any shares or interests in private equity funds.
- Any intangible property acquired to be used to obtained economic gains in the country.
- Portfolio investment These are investments made over securities registered under the RNVE or any securities listed in any foreign securities quoting system; investments made as interest in collective investment funds or as shares in negotiable depository certificates that represent securities.

Registering foreign investment in Colombia

All foreign investments must be registered directly with the Central Bank (Banco de la República) or through a foreign-exchange market intermediary or through a so-called compensation account. Registration is a necessary condition for any foreign investor to be entitled to exercise his foreign-exchange rights under the local law. This registration must be done by the foreign investor, his agent or attorney or whoever represents his interests.

- Registration of direct investment made in cash, i.e. in currencies. These investments are registered automatically upon the submission of the minimum requisite of foreign investment data (through filing of the foreign-exchange declaration), which is done at the time the currencies are channeled into the foreign exchange market (through a compensation account or a local bank).
- Registration of other instances of direct investment: Any other investments made through a lawful act, contract or transaction (other than those involving currencies) must be registered at any time by filing Form 11 – Foreign Investment Registration Declaration.

Where the investment is sold to Colombian residents or the investment is liquidated, partially or totally or where there is a capital reduction or the reacquisition of shares or equity interests, or real state selling, the investor of record must cancel the corresponding foreign investment registration within the six months following the date of the transaction. To cancel any investment derived from the change of the owner or holder of a fixed asset, the seller/transferring party must file the document that proves that the tax accruing on the transaction has been reported on a tax return, computed and paid. Likewise, were there is a change of the initial investor for another foreign investor or the investment destination changes on other Colombia resident company, this fact must be reported to the Central Bank by the procedure of substitution of investor of record. This procedure must be carried out within the six months following the transaction date. The registration of foreign investment in Colombia must be updated every year, on and before the deadlines set by the Central Bank following the procedures set by that institution.

Foreign-exchange rights

Once the investment has been registered, the investor of record has the following foreign-exchange rights:

- To remit abroad any proven net profits generated by his investment periodically.
- To reinvest any net profits or to retain as part of surplus or equity any profits or gains that have not been distributed and can be remitted abroad.

- To capitalize any amounts that can be remitted abroad and that are derived from any obligations originated from the investment.
- To remit abroad (in freely convertible currency) any proceeds from the sale of investment within the country or from liquidation of Medcolcanna or the investment portfolio or from any capital reductions.

Foreign Exchange Market

The foreign exchange market is made of the entire foreign currencies that must be channeled through regular foreign-exchange market intermediaries or through compensation accounts. Additionally, those currencies that any person voluntarily channels through the regular foreign-exchange market are also part of the foreign-exchange market.

1. Transactions that belong to the regulated foreign-exchange market

The following transactions must be monetized through the foreign exchange market:

- Imports and exports of goods.
- Foreign debt transactions carried out by Colombian residents as well as the related financial costs.
- Foreign capital investments made in the country, as well as the gains or yields that relate to them.
- Investments of Colombian capital made abroad, as well as the gains or yields that relate to them.
- Financial investments made in foreign securities or in assets located abroad, as well as the gains or yields that relate to them, except for the investment is made with currencies that originate in transactions that are not required to be channel through the foreign-exchange market.
- Foreign-currency denominated guarantees.
- Derivative transactions.

All those other transactions which have not been classified as transactions that must be channeled through the regular foreign-exchange market belong in the so-called free market. Accordingly, they can be carried out without the parties being required to resort to any foreign-exchange market intermediary or to use a compensation account to carry them out (e.g. payments in foreign-currency for the provision of services).

2. Foreign-exchange market intermediaries (local banks and financial entities authorized)

Foreign-exchange market intermediaries are those entities authorized to channel any currencies required or generated by transactions made through regulated foreign exchange market, either mandatorily or voluntarily. They do so by purchasing or selling the currencies. The foreign-exchange rates that apply for the purchase and sale of currencies will be the rates that the parties to the transaction agree upon freely; and the intermediaries cannot charge any type of commission on these transactions. As a general rule, the intermediaries in charge of channeling foreign-exchange market transactions are the banks.

3. Compensation Accounts

Compensation accounts are bank accounts held in foreign-currency with a foreign financial institution where the account holder is a Colombian resident. These accounts must be registered as such (as compensation accounts) with the Central Bank.

The revenues and the expenditures transacted through compensation accounts may originate in the payment of foreign-exchange transactions that must or must not be channeled through the foreign exchange market, as well as in the payment of domestic (between residents) transaction obligations. In any event, please note that it is only the account holder who can carry out foreign-exchange transactions through a compensation account. The opening, handling (movements) and closure of compensation accounts must be reported to the Central Bank (through monthly reports) and to the Customs and Tax Authorities (the DIAN, through quarterly reports).

4. Foreign-Exchange (FX) Declaration

The minimum requisite data FX declaration is a formal requirement that a person needs to meet to document a FX transaction entailing the purchase or sale of foreign-currency through duly authorized intermediaries. This minimum requisite data declaration is made by filing a form that each intermediary designs; in the form, the interested party enters the basic data of the transaction made. No minimum requisite data FX declaration is required for transactions made through compensation accounts. There are other forms that must be filed although they are not considered FX declarations. They had been provided by the Central Bank to report on FX transactions to do any of the following, among other transactions or events. Updating the foreign investment of companies that belong in the general FX regime (Form No. 15). Registering and updating foreign investment in the hydrocarbons and mining sector (Form No. 13). Registering and reporting any movements or the cancellation of compensation accounts (Form No. 10). These forms must be filed in a timely manner with the Central Bank, either in hard copy form or electronically (online).

5. Regulation of Foreign-Exchange Market Transactions

All imports or exports made by Colombian residents must be paid using foreign-exchange market currencies. The required currencies must be obtained through the intermediaries or from compensation accounts.

- Imports of goods

The minimum requisite data FX declaration for imports and the related attachments will depend upon the type of payment made by the importer of record. In point of imports, the importer of record is not allowed to offset obligations; instead, as a general rule, the Colombian importer must remit abroad the currencies that correspond to the relevant importation of goods, otherwise he will be subject to a penalty equal to 100% of the transfer amount.

- Exports of goods

Colombian exporters may also receive payment for exports in Colombian pesos for a foreign-exchange market intermediaries, or in foreign-currency channel through the foreign-exchange market, or in Colombian pesos through international credit cards. In point of exports, the exporter is also not allowed to offset obligations; instead, as a general rule, the Colombian exporter must receive the currencies from his foreign customer, otherwise he will be subject to a penalty equal to 100% of the transfer amount.

- Foreign-currency credits and debts

All inflows and outflows of currencies for foreign-currency credit transactions where Colombian residents borrow or lend money must be channel through the foreign-exchange market.

Colombian residents and foreign-exchange market intermediaries may obtain foreign-currency denominated loans from intermediaries (local banks) and from nonresident lenders duly registered with the Central Bank, either directly or with the funds been disbursed by local public discount lending institutions; they can also obtain foreign credits by the placement of securities in international capital markets (borrowing transaction).

All foreign indebtedness (via lending or borrowing) acquired or incurred by local residents must be channel through the foreign-exchange market, and these transactions must be reported to the Central Bank before the underlying funds are disbursed, by filing the applicable FX form with a foreign-exchange market intermediary.

International Investment Agreements

Colombia has launched a strategy to improve its foreign trade relations. This strategy includes negotiating and signing Agreements for the Reciprocal Promotion and Protection of Investments (APPRI is the Spanish acronym) and Foreign Trade Agreements (“FTA”) that include chapters on foreign investments. The main purpose of both the APPRI and the foreign investment chapters of the FTA is to set clear and stable game rules for the investments made by nationals of each party in the territory of the counterparty. These rules are based upon principles of justice and transparency and on international standards. Additionally, they contain obligations of treatment and protection that must be afforded to the investments, and conflict resolution mechanisms for any conflicts that arise in relation to them, including the possibility of resorting to arbitration to settle any disputes between the foreign investors and the states that involve a violation of the relevant treaty.

Currently, Colombia has international FTAs with the Andean Community, AELC (Switzerland, Liechtenstein, Norway and Iceland), Canada, Chile, United States, Mexico, the Northern Triangle (Guatemala, El Salvador, and Honduras), the European Union, the Pacific Trade Alliance, South Korea, Costa Rica, CARICOM, Panama, Cuba, Mercosur: ACE 59 and ACE 72, Nicaragua, Venezuela.

FTAs with investment chapters have been signed with Israel and Panama, and negotiations are underway for the signing of treaties with Japan, Australia, New Zealand and Singapore.

Additionally, Colombia has signed APPRIs with Canada, Chile, United States, India, Mexico, the Northern Triangle, the Pacific Trade Alliance, South Korea, Costa Rica, China, Spain, Switzerland, Japan, Peru, and the United Kingdom.

Additionally, Medcolcanna has signed APPRIs with Brazil, France, Israel, Panama, Singapore, Turkey, United Arab Emirates, in respect of which the internal legislative enactments and approvals are still pending.

Finally, negotiations for the entering into APPRIs with Qatar and Kuwait are underway.

Taxes

Tax regulation is complex and subject to frequent amendments. Recent amendments have implemented base erosion and profit sharing measures as well as emphasized the enforcement of the value-added tax (“VAT”). The most recent tax reform was introduced on December 28, 2018 (the “2018 Tax Reform”). Colombia has signed several international treaties following the OECD model to reduce the potential for double taxation. The Colombian tax system is comprised of national, departmental and municipal taxes.

The following is a general summary of material Colombian tax regulations impacting Medcolcanna and are current as at the date of this Filing Statement. The information below is subject to legislative, judicial or administrative change or interpretation, and any such change or interpretation could result in tax consequences, potentially on a retroactive basis, material to Medcolcanna’s financial position.

Income Tax on Economic Activities

Colombian companies, and individuals deemed residents for taxation purposes, are taxed on their worldwide income. Non-resident corporations and individuals are taxed on their Colombian source income. Entities engaged in business cooperation agreements, including joint ventures, are taxed as separate taxpayers.

For tax year 2018, companies are subject to income tax at a rate of 33% and companies with a tax base of COP\$800,000,000 (approximately US\$266,000) or greater are subject to an additional tax surcharge of 4%. The 2018 Tax Reform established the following corporate income tax rates 33% for 2019, 32% for 2020 and 31% for 2021. The 2018 Tax Reform included a surcharge applicable only to financial companies of 4% for 2019 and 3% for 2020 and 2021.

Colombia's income tax regime presumed that a corporation's net income for 2018 for tax purposes will, at a minimum, equal 3.5% of the corporation's net equity as calculated at December 31 of the prior year. The 2018 Tax Reform reduced this tax to 1.5% for 2019 and 2020 and to 0% 2021 onwards. The corporate tax rate is applied to the presumptive income. Corporations will be subject to the presumptive income whenever the net income of the current taxable year is lower than the presumptive income.

Capital gains are those profits arising from the disposition of assets which have been part of the fixed assets of the taxpayer for a period of at least two calendar years and are taxed at a rate of 10%. Capital losses may only be offset with capital gains over the following 12 taxation years.

Non-Resident Income Tax

For 2018, non-resident corporations will be taxed on their Colombian source income at different rates depending on the type of income.

For 2018, payments to non-residents are generally subject to withholding tax at rate of 15%, with several exceptions including payments by way of dividends or other special payments. The tax and withholding tax rate may be reduced if Colombia is a signatory to a tax treaty with the non-resident's home jurisdiction. Canada and Colombia have entered into a convention for the avoidance of double taxation. Colombia and British Virgin Islands have no tax treaties currently in place. Pursuant to the 2018 Tax reform, some income withholding tax rates applicable to payments abroad are increased from 15% to 20%, including those on interest, royalties, leasing, and technical, consulting and technical assistance services. However, the 15% withholding tax rate continues to apply to interest payable on a loan of at least one year. Fees for management and related services paid directly or indirectly to a foreign parent company continue to be subject to a withholding tax rate of 33% on the gross amount of the payment.

Under Colombian regulation, foreign companies are subject to local tax obligations which in most cases is a withholding income tax. However, when withholding tax does not apply or when the withholding tax applicable is different to the ones established in articles 407, 408, 409, 410 and 411 of the Colombian tax code (these articles include, but are not limited to, the payments of interests, dividends and royalties), Medcolcanna will have to file the tax return and pay any amount of tax that exceeds the withholding tax rate applied by the payer.

Taxation of Dividend Distributions – 2019 Onwards

The distribution of dividends and shares in profits to Colombian residents and their corporate entities qualify as nontaxable income provided they correspond to earnings that were reported and taxed at corporate level. If that is not the case, the following withholding taxes will apply on any dividend or profit distributions that are paid from earnings realized as from taxable year 2019 (without detriment to the application of any double taxation treaty subscribed by Colombia):

1. Non-resident foreign companies
 - Profits already taxed in the hands of the distributing company – 7.5%.
 - Profits that were not taxed in the hands of distributing company - at the applicable corporate tax rate onwards (i.e. 33% for 2019). In this case, the withholding tax applies after deduction of this tax.
2. National Companies
 - Profits already taxed in the hands of the distributing company – 7.5%.
 - Profits that were not taxed in the hands of distributing company - at the applicable corporate tax rate onwards (i.e. 33% for 2019). In this case, the withholding tax applies after deduction of this tax

3. Resident Natural Persons

- Profits already taxed in the hands of the distributing company – 0 or 15% depending on the amount of the dividend.
- Profits that were not taxed in the hands of distributing company - at the applicable corporate tax rate onwards (i.e. 33% for 2019). In this case, the withholding tax applies after deduction of this tax.

Equity Tax

The extraordinary equity tax originally proposed to be introduced for taxable years 2019 and 2020 is extended to 2021. The tax applies at 1% on net equity exceeding COP 5,000 million (approximately USD 930,000) on 1 January 2019.

Double Taxation Treaties and Decision 578 of the Andean Community of Nations

Colombia has been negotiating double taxation treaties to avoid double taxation and prevent tax evasion in point of income taxes in patrimony taxes, particularly with respect to cross-border transactions. At the level of the Andean Community of Nations, Colombia adopted Decision 578 which corresponds to the new Andean community regulation to avoid double taxation and prevent tax evasion between the member countries of the CAN (Colombia, Peru and Ecuador). In regulating the taxing power of the member states, this decision favors the criterion of source-based taxation above residence-based taxation.

The double taxation treaties signed by Colombia to date seek to avoid international double taxation and prevent tax evasion; and in addition to that, they seek to eliminate barriers to the flow of capitals, goods, technologies and persons between the signatory countries.

Additionally, these treaties help the countries to better implement transfer pricing regulations; they recognize the principles of nondiscrimination of nationals and nonresidents which carry out activities in any of the other counterparty countries; they implement procedures of reciprocal cooperation between taxing authorities for the resolution of conflicts, the making of consultations, the exchange of information, and assistance in tax collection efforts.

As of this date of this Filing Statement, double taxation treaties are in force with the following countries: Spain, Chile, Portugal, Korea, India, Mexico, Czech Republic, Canada and Switzerland. Double taxation treaties were also signed with the United Kingdom and France, and the related, internal approving legislation is expected to be promulgated soon.

The Financial Transactions Tax – GMF (for the Spanish acronym)

The financial transactions tax is an instantaneous event tax. Among others, the taxable event is making financial transactions by which the taxpayer disposes of resources held in savings or checking accounts as well as in special deposit accounts with the Bank of the Republic, and the drawing of cashier's checks. Because it is an instantaneous event tax, the tax accrues at the time the resources are disposed by the financial transaction.

The tax rate is four per thousand (4 x 1000) of the total value of the financial transaction by which the taxpayers disposal of their resources. 50% of the GMF paid is deductible for income tax purposes regardless of whether the tax relates to the income-producing activity of the taxpayer.

This tax is collected and paid by withholding tax collection carried out by the Bank of the Republic and the rest of financial institutions in which the respective checking or savings account is held for the other types of account were accounting movements are made entailing the transfer or disposal of resources. Under the law, there are a number of transactions that are exempt from this tax.

Value-Added Tax

The VAT is a 19% indirect national tax applied on: (i) services rendered in Colombia for any individual or corporation, regardless of its place of incorporation or tax residency; (ii) services rendered from abroad which are intended to

benefit Colombian individuals or companies; (iii) the sale or import of goods; (iv) the first sale of residential units with a price exceeding approximately US\$285,000; and (v) the sale or transfer of intangible assets related to industrial property.

In most cases, VAT does not apply to the sale of fixed assets or export of goods and services. VAT does not apply to expressly excluded goods or services, including: most groceries, energy, pharmaceuticals, medical services, certain transportation services, residential tenancies, education services, tickets (i.e. cultural events, sporting events, movies), and certain services related to agricultural activities. Various other products and services are exempt from the application of VAT, including the export of services (provided that certain conditions are complied with) and tourism services.

Generally, VAT paid by a corporation may be treated as an input tax credit if the good or service acquired is related to a VAT-taxable activity and can be characterized as an expense for tax purposes. Accordingly, the VAT payments that are generated by Medcolcanna SAS are creditable against any VAT paid by Medcolcanna SAS to third parties. Exporters and producers of exempt goods and services are refunded surplus input VAT.

Medicinal Cannabis Consumption Tax

Law 1819 of 2016 created a Medicinal Cannabis Consumption Tax (“**MCCT**”) levied on the sale of any manufactured products that contains psychoactive or non-psychoactive cannabis. The MCCT is assessed at a rate of 16%.

MCCT cannot be used as input tax credits for VAT purposes. In other words, the MCCT cannot be creditable for VAT purposes but can be treated as a deductible expense for income tax purposes. The taxpayer is the buyer or producer of cannabis that submits cannabis to a transformation process. According to Colombian tax law, transformation is understood as (i) any process that implies changing the form of cannabis; (ii) any transmutation of flowering tops or with fruit, in any other product; or (iii) obtaining a derivative through any mechanical, physical, chemical or biological process from psychoactive or non-psychoactive cannabis. These derivatives include, among others, oils, resins, tinctures, extracts, or plant materials from cannabis plants.

Employment Matters

Colombian law permits parties to enter into employment relationships for the duration of a specific project, for a fixed period or indefinitely. Fixed term employment must be evidenced by a written employment agreement and the initial term may not exceed three years. Employment contracts may be renewed by the parties. Fixed term contracts are automatically renewed for an additional term in the event the relationship extends 30 days beyond the initial term and no party notifies the other of its intention not to extend the agreement. Unless expressly agreed otherwise, employment agreements are presumed to be indefinite in nature.

Termination of Employment Agreements

An employment agreement may be terminated unilaterally, with or without cause, or by mutual consent. In case of unilateral termination by the employer without cause, the employee is entitled to damages payable by the employer. Damages vary depending on the salary level of the employee and the duration of the employment agreement.

Prior authorization from the Ministry of Labour is required for unilateral terminations involving defined classes of protected employees (i.e. those on maternity or sick leave, disabled employees, etc.) The authorization to unilaterally terminate an employment contract for a protected or unionized employee must be granted by the courts. The amount of the compensation required upon termination varies based on the salary level of the employee and the duration of the employment agreement.

For agreements entered into for an indefinite term, severance rules apply as follows:

- For employees with a salary equivalent to less than 10 minimum monthly legal wages: 30 days’ salary for the first year of services plus 20 additional days’ salary for each subsequent year of service on a pro rata basis.

- For employees with a salary equivalent to 10 minimum monthly legal wages or more: 20 days' salary for the first year of services plus 15 additional days' salary for each subsequent year of service on a pro rata basis.

For fixed term agreements or agreements in which the term is subject to the performance of a specific job, upon termination, the employer must pay the employee the greater of the compensation for the remaining term of the contract or 15 days' salary.

Salaries

Under Colombian law, salary includes fixed or variable remuneration as well as any other amount that the employee receives, in money or in kind, as direct compensation for services performed, regardless of the form or name given to it. By way of example, the following concepts, in principle (subject to the exclusions mentioned below), constitute salary: premiums, contractual bonuses, overtime pay for work on compulsory rest days, sales commissions, meals, housing or clothing benefits and permanent travel expenses for dining and lodging.

The following amounts are excluded from the definition of salary:

- Amounts granted to the employee occasionally as discretionary premiums, bonuses and gratuities.
- Amounts granted (in money or in kind) to properly perform an employee's functions, such as relocation and transportation allowances or stipends for work tools.
- Business development expenses incurred in the course of representing an employer at industry or entertainment-related events.
- Payments in respect of mandatory social benefits programs.
- Any customary or occasional extralegal benefit paid (in money or in kind) when the parties have expressly agreed in writing that these are not part of the salary and which by nature do not compensate the work or services provided.

Legal Guidelines for Establishing Salary Level

There is no legal provision for establishing special salary levels, except for the minimum monthly legal wage. The minimum monthly legal wage in Colombia for 2018 is COP 826,116 (approximately US\$266⁷) per month. Employees earning less than twice the minimum wage also receive a transportation allowance of COP 97,032 (approximately US\$31⁸) per month and are entitled to receive uniforms from their employer.

In practice, and subject to the minimum monthly legal wage, salary levels depend on the criterion of the employer, the qualifications of the employee and, in general terms, on the specific characteristics of the activity performed (i.e. average salary levels applicable in the region for similar services).

Article 132 of the Labour Code establishes a term called "integral salary", which refers to a salary that compensates the ordinary services rendered by an employee and incorporates all social benefits (including semester bonuses, severance pay and interest on severance pay), allowances, work performed on Sundays and holidays, and, in general, any other payment or benefit expressly identified in the agreement as part of the employee's salary. Vacation time is the only benefit that is provided by an employer in addition to the lump sum integral salary.

Integral salary is applicable only if agreed to in writing with employees who have a monthly salary greater than 13 times minimum legal wages. For 2019, the minimum monthly integral salary is COP 10,765,508 (approximately, US\$3,462), which is adjusted annually based on increases to the minimum legal wage.⁹

Social Benefits

⁷ Exchange rate equivalent to USD 1 = COP 3109.45 as of February 22, 2019.

⁸ Exchange rate equivalent to USD 1 = COP 3109.45 as of February 22, 2019.

⁹ Exchange rate equivalent to USD 1 = COP 3109.45 as of February 22, 2019.

Colombian labour law requires the employer to pay the employee certain mandatory social benefits. Social benefits are the minimum benefits payable to employees and are included in the monthly salary for those employees who have agreed to receive an integral salary. The following social benefits are established under Colombian law:

1. Severance Pay and Interest on Severance Pay

As of December 31 of each year, employers must calculate the severance pay accrued for each employee during the corresponding calendar year, based on 1 months' salary if the employee worked a full calendar year or on a pro rata basis if the employee worked less than 1 year.

Employers must deposit the accrued severance pay into an account designated by each employee and held by a financial institution authorized by the government to receive and administer said funds by no later than February 15 of the following year.

Employees also receive direct interest payments equal to 12% interest per annum calculated on the accrued severance pay existing as of December 31 of each year, or on the date of termination of the employment, before January 30 of the following year.

2. Half-Yearly Bonus

This benefit is equivalent to 30 days of salary payable to employees and is paid in two tranches with 50% being paid on the last business day of June and the remaining 50% being paid within the first 20 business days of December. Both payments are made based on the time worked during the previous six-month period.

3. Dress and Shoes for Labour

Employees having a monthly salary not exceeding an amount equal to twice the minimum monthly legal wage are entitled to receive uniforms and shoes appropriate for work from the employer every four months.

Working Hours and Overtime

On average, employees work eight hours per day to a maximum of 48 hours per week. Regulations governing hours of work and overtime pay do not apply to employees that perform managerial functions or handle funds or property. However, these employees are entitled to receive overtime surcharges for work completed on Sundays or holidays, unless otherwise provided for in an integral salary.

In exceptional circumstances, Colombian law permits overtime work up to two hours per day and 12 hours per week. The employer must apply to the Ministry of Labour and receive approval for a segment of non-managerial employees to accrue overtime hours.

If authorized by the Ministry of Labour, employees are entitled to the payment of a premium hourly wage equal to 125% of the employee's hourly wage for day shifts and 135% for night shifts. The Ministry of Labour can impose discretionary penalties on the employer for the non-compliance with overtime obligations in the form of fines of up to 5,000 minimum legal monthly wages.

From a legal point of view, employers must have received the required authorization for overtime from the Ministry of Labour in advance of employing employee(s) to work overtime, regardless if the overtime work is required urgently or not.

Colombian law does not establish categories of employees eligible for overtime work. To request overtime authorization, an employer must file an application before the Ministry of Labour that includes: the position and

services provided by the required employees, the needs and activities of the company and any other information which support the overtime work.

Employees who perform supervisory functions, hold positions of trust or handle funds or property are considered exempt employees and are excluded from the legal maximum workday provisions requiring overtime pay. Exempt employees are only entitled to overtime for overnight shifts and shifts on Sundays and holidays. Exempt employees earning integral salary do not receive any additional payment.

Vacation

Pursuant to Colombian Decree-Law 2663 of 1970 and its modification to Law 50 of 1990, all employees are entitled to 15 paid vacation days per year. Upon termination, employees are entitled to receive compensation for the accrued vacation days not used during the course of the employment.

Employees must use at least six vacation days per year. Subject to exceptions, unused vacation days may be carried over to subsequent years. Pursuant to a request from an employee, employers and employees may agree in writing to pay employees for up to 50% of accrued vacation days.

Annual Bonus

Employees and employers can agree on non-salaried benefits or payments that do not directly remunerate the employee's services. These benefits are not included for the purposes of calculating social benefits, vacation, contributions to the social security system and payroll taxes.

Social Security Contributions

Law 100 of 1993 requires all employees in Colombia to participate in the integral social security system, which includes mandatory health, worker compensation and pension programs.

Two mandatory pension programs exist in Colombia: (i) a fixed contribution scheme administered by Colpensiones, which is a public entity; and (ii) individual savings schemes through private pension funds regulated by the government.

Both pension schemes cover retirement, disability and death risks. The pension schemes are differentiated by the requirements for each program.

In the fixed contribution scheme, an individual has the right to receive a retirement pension upon reaching the legal retirement age (which is 57 years of age for women and 62 years of age for men) and if they have contributed to the pension plan for a minimum of 1,300 weeks. In the individual savings scheme, an individual may receive the retirement pension whenever the capital accrued in the individual account via contributions is enough to finance the pension. In addition to the mandatory pension programs, employees may voluntarily contribute to private pension funds.

All employees must be affiliated with a health service provider (an "EPS" or *Empresa Prestadora de Salud*), which provides coverage and reimbursement to individuals and their families for health services and medical coverage authorized by the Health Superintendence. An EPS does not provide health services directly and can be either private or government-owned.

Employers are required to engage their employees with a workplace accident insurance provider duly authorized to provide general medical care in the event an accident or illness occurs during the course of employment.

Employee Contributions

On a monthly basis, 16% of an employee's salary is contributed to pension programs. The employers are responsible for contributing 12% of this, and the employees are responsible for the remaining 4%. Employees COP 3,124,242 (approximately US\$1,123) are required to contribute up to an additional 2% towards their pension plan.

Contributions of 12.5% of employees' salaries are made to the EPS, with employers being responsible for contributing 8.5% of this amount and employees being responsible for the remaining 4%.

The quantum of contributions to labour risk entities is dependent on the corporation's unique risk factors. Contributions range from 0.348% to 8.7% of an employee's salary.

Employers are required to contribute 9% of their total payroll costs to family subsidy institutions as follows:

- 2% is allocated to the National Learning Service, which is a Colombian public institution focused on the provision of technical and higher education services;
- 3% is allocated to the Colombia Institute of Family Welfare, which is a Colombian public institution focused on early childhood care and protection services; and
- 4% is allocated to Family Welfare Funds, which are private entities focused on the improvement of the quality of life of employees.

Employees earning less than 10 times the minimum legal wages are exempt from paying the National Learning Service and Colombia Institute of Family Welfare contributions. In lieu of the above, employers contribute a total of 4% of payroll costs for employees earning less than 10 times the minimum legal wages.

If an employer pays integral salaries, the above-noted percentages will be applied to 70% of the employee's integral salary.

Accident and Health Insurance

There is no legal provision requiring employers to provide employees with occupational accident and health insurance. Insurance coverage is provided by social security entities. Extended coverage for accidents occurring during work activities is included in the integral social security system.

Time Limits for Claims

Labour law claims are subject to a three-year statute of limitations period commencing on the date of the claim's enforceability. However, in accordance with the Colombian Constitution, the right to bring claims related to pension rights have no statute of limitations period.

SELECTED FINANCIAL INFORMATION

The consolidated financial statements of Medcolcanna are prepared in accordance with IFRS. The following table sets out selected financial data of Medcolcanna derived from its audited financial statements for the period ended December 31, 2018. This summary of financial data should be read together with "Part IV - Information Concerning Medcolcanna - Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited financial statements of Medcolcanna and notes thereto set forth in Schedule "D" to this Filing Statement. For a discussion of factors affecting variation in the following data from period to period, see "Part IV - Information Concerning Medcolcanna - Management's Discussion and Analysis of Financial Condition and Results of Operations".

	As at December 31, 2018 (audited) (\$)
Total Operating Revenues	\$0
Current Assets*	\$3,850,824
Total Assets*	\$4,050,076
Current Liabilities	\$(286,973)
Total Liabilities	\$(286,973)
Loss	\$(538,482)
Comprehensive Loss	\$(539,766)
Basic and Diluted Loss per Medcolcanna Share	\$(0.02)

*Includes \$3,178,260 of Subscription Receipts presented as restricted cash as at December 31, 2018 that is part of the total \$7,746,700 raised in the Concurrent Financing.

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

Attached as Schedule "D" is the management discussion and analysis of the financial position and results of operations of Medcolcanna and related audited consolidated financial results for the year ended December 31, 2018. This management discussion and analysis should be read in conjunction with the audited financial statements of Medcolcanna for such period, together with the accompanying notes, set forth in Schedule "D" of this Filing Statement which have been prepared in accordance with IFRS in Canada. This discussion contains forward looking statements that involve risks and uncertainties. See "Special Note Regarding Forward Looking Information".

Management's Responsibility for Financial Statements

The information provided in this Filing Statement, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements. Management maintains a system of internal controls to provide reasonable assurance that Medcolcanna's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Risks and Uncertainties

Medcolcanna is subject to a number of risks and uncertainties that could significantly affect its financial condition and performance. As Medcolcanna grows and enters into new markets, these risks can increase. These risk factors are not a definitive list of all risk factors associated with an investment in Medcolcanna or in connection with Medcolcanna's operations. Such risk factors are more particularly described in this Filing Statement under the heading "*Part II - Information Concerning Medcolcanna - Risk Factors Relating to Medcolcanna and the Resulting Issuer*".

SHARE CAPITAL

Medcolcanna has an authorized share capital of an unlimited number of Medcolcanna Shares with no par value, of which 41,762,659 are issued and outstanding as fully paid and non-assessable as of the date hereof. See "*Part II - Information Concerning Medcolcanna - Capitalization*".

DESCRIPTION OF SECURITIES

Share Capital

Medcolcanna Shareholders are entitled to receive notice of any meetings of shareholders of Medcolcanna, and to attend and to cast one vote per Medcolcanna Share at all such meetings. Medcolcanna Shareholders do not have cumulative voting rights with respect to the election of directors and, accordingly, a majority of the Medcolcanna Shareholders entitled to vote in any election of directors may elect all directors standing for election. Medcolcanna Shareholders are entitled to receive on a *pro rata* basis such dividends, if any, as and when declared by Medcolcanna's board of directors at its discretion from funds legally available therefor, and upon the liquidation, dissolution or winding up of Medcolcanna are entitled to receive on a *pro rata* basis the net assets of Medcolcanna after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a *pro rata* basis with the holders of Medcolcanna Shares with respect to dividends or liquidation. The Medcolcanna Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of Medcolcanna as at December 31, 2018 and April 30, 2019

Designation of Security	Amount Authorized	Outstanding as at December 31, 2018	Outstanding as at April 30, 2019
Medcolcanna Shares	Unlimited	41,362,659	41,762,659
Medcolcanna \$0.25 and Private Placement Warrants	N/A	4,681,330	4,681,330

There are no options outstanding as of December 31, 2018 or as at April 30, 2019. As at December 30, 2018 the retained earnings (deficit): is (\$538,482).

PRIOR SALES

The following table contains details of the prior sales of securities by Medcolcanna from incorporation to the date hereof:

Date Issued	Number of Shares	Class of Share	Issue Price per Share	Aggregate Issue Price	Nature of Consideration
August 28, 2018 ⁽²⁾	32,000,000	Common	\$0.001	\$32,000	Cash in kind
September 24, 2018 ⁽²⁾	7,362,659 ⁽¹⁾	Units	\$0.09	\$662,639	Cash
December 20, 2018 ⁽²⁾	11,632,000	Subscription Receipts	\$0.25	\$2,908,000	Cash
December 20, 2018 ⁽²⁾	2,000,000	Units	\$0.25	\$500,000	Cash
February 14, 2019	9,166,800	Subscription Receipts	\$0.25	\$2,291,700	Cash
March 5, 2019	9,628,000	Subscription Receipts	\$0.25	\$2,407,000	Cash

Date Issued	Number of Shares	Class of Share	Issue Price per Share	Aggregate Issue Price	Nature of Consideration
March 12, 2019	560,000	Subscription Receipts	\$0.25	\$140,000	Cash
March 15, 2019	400,000	Common Shares	\$0.09	\$36,000	Cash

Note:

- (1) 7,362,659 Medcolcanna \$0.09 Units (consisting of Medcolcanna Shares and Medcolcanna \$0.25 Warrants) were issued. Each unit consists of one Medcolcanna Share and one-half of a Medcolcanna \$0.25 Warrant. Each whole warrant is exercisable at \$0.25 until September 24, 2019.
- (2) A number of subscribers were Non-Arm's Length parties in that they are Principals or affiliates of Principals, particulars of which are detailed elsewhere in this Filing Statement.

There is currently no public market for the Medcolcanna Shares. See "Part II - Information Concerning Medcolcanna - Risk Factors Relating to Medcolcanna and the Resulting Issuer".

The following table shows, as of the date of this Filing Statement, each person who is known to Medcolcanna, or its directors and officers, to beneficially own, directly or indirectly, or to exercise control or direction over securities carrying more than 10% of the voting rights attached to any class of outstanding voting securities of Medcolcanna entitled to be voted at the Medcolcanna meeting of Shareholders.

Name of Shareholder & Municipality of Residence	Number of Shares Owned (Percentage of Class and Type of Ownership)	
	Medcolcanna Shares	Percentage of Voting Rights ⁽¹⁾
Brockville International Holdings Ltd.	5,881,110	14.1%
BB Enterprises Ltd. ⁽²⁾	4,800,000	11.5%
Sanford Global Assets Inc. ⁽³⁾	4,160,000	10.0%

Note:

- (1) Based on 41,762,659 issued and outstanding Medcolcanna Shares.
- (2) Chris Reid is the beneficial owner of BB Enterprises Ltd.
- (3) Close family of Felipe De La Vega is the beneficial owner of Sanford Global Assets Inc. As seen elsewhere in filing Statement Mr. De La Vega is affiliated with 8,983,000 total shares, this includes the 4,160,000 shares held by Sanford Global Assets Inc.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The general objectives of Medcolcanna's compensation strategy are to: (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term shareholder value; (b) align management's interests with the long-term interests of shareholders; and (c) attract and retain highly qualified executive officers.

Elements of Compensation

Base Salary

Each Medcolcanna Named Executive Officer (as such term is defined below) receives a base salary, which constitutes a significant portion of the Medcolcanna Named Executive Officer's compensation package. Base salary is recognition for discharging day to day duties and responsibilities and reflects the Named Executive Officer's performance over time, as well as that individual's particular experience and qualifications. A Named Executive Officer's base salary is reviewed by the board of directors of the Medcolcanna (the "**Medcolcanna Board**") on an annual basis and may be adjusted to take into account performance contributions for the year and to reflect sustained performance contributions over a number of years.

Stock Options

Medcolcanna currently does have a stock option plan and no options are currently outstanding. The Resulting Issuer intends to adopt the IES Option Plan on closing. The Option Plan is attached as Schedule "A" of this Filing Statement.

Compensation of Directors

No cash compensation has been paid to the directors of Medcolcanna in their capacity as directors since Medcolcanna's incorporation.

Compensation Governance

As a private start-up company, Medcolcanna has not established a compensation governance policy. However, following the Closing Date, the Resulting Issuer intends to adopt a compensation governance policy.

Executive Compensation-Related Fees

From the time of incorporation to the date of this Filing Statement, neither the Medcolcanna Board nor the Medcolcanna senior officers retained a compensation consultant or advisor to assist the Medcolcanna Board in determining the compensation for any of Medcolcanna's executive officers' or directors' compensation.

Summary Compensation Table – Medcolcanna Named Executive Officers

The following table sets forth the compensation paid or awarded to the following officers of Medcolcanna: (i) the President and Chief Executive Officer; and (ii) the Chief Financial Officer (collectively, the "**Medcolcanna Named Executive Officers**") for the year ended December 31, 2018. The Corporation has three (3) "executive officers" as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations* ("**NI 51-102**") whose compensation must be disclosed for such period.

Name and Principal Position	Year	Salary, Consulting Fees, retainer or commission (\$) ⁽¹⁾	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of All Other Compensation (\$)	Total Compensation (\$)
Felipe de la Vega, President, CEO and Director	2018	US\$150,000 ⁽²⁾	-	-	-	-	US\$150,000
Chris Reid,	2018	US\$60,000 ⁽²⁾	-	-	-	-	US\$60,000

Name and Principal Position	Year	Salary, Consulting Fees, retainer or commission (\$) ⁽¹⁾	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of All Other Compensation (\$)	Total Compensation (\$)
Chief Financial Officer							
Nicolas Rodriguez, COO	2018	US\$66,000 ⁽²⁾	-	-	-	-	US\$66,000

Notes:

- (1) Salaries began to accrue on August 1, 2018 and the amounts shown are the annual salaries.
- (2) Annual salaries are US\$150,000 for Mr. de la Vega, US\$60,000 for Mr. Reid, and US\$66,000 for Mr. Rodriguez (which will change to US\$132,000 upon completion of the Transaction).

Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards

There have been no share-based or option-based awards granted since Medcolcanna's inception.

Termination and Change of Control Benefits

On November 26, 2019, Medcolcanna entered into a contract with Felipe de la Vega in which Mr. de la Vega agreed to provide the services of Chief Executive Officer for Medcolcanna. His annual salary is US\$150,000 and the contract has an indefinite term, but may be terminated by Mr. de la Vega upon 60 days' notice. If the contract is terminated without cause or upon a change of control, severance in the amount of 24 months of salary is to be paid. If termination without cause happens before 24 full months of service have occurred, then the severance is paid pro-rata up to amount earned at that time.

On November 26, 2019, Medcolcanna entered into a contract with Chris Reid in which Mr. Reid agreed to provide the services of Chief Financial Officer for Medcolcanna. His annual salary is US\$60,000 and the contract has an indefinite term, but may be terminated by Mr. Reid upon 60 days' notice. If the contract is terminated without cause or upon a change of control, severance in the amount of 24 months of salary is to be paid. If termination without cause happens before 24 full months of service have occurred, then the severance is paid *pro-rata* up to amount earned at that time.

On November 26, 2019, Medcolcanna entered into a contract with Nicolas Rodriguez in which Mr. Rodriguez agreed to provide the services of Chief Financial Officer for Medcolcanna. His annual salary is US\$132,000 commencing on the day the RTO closes and the contract has an indefinite term, but may be terminated by Mr. Rodriguez upon 60 days' notice. If the contract is terminated without cause or upon a change of control, severance in the amount of 24 months of salary is to be paid. If termination without cause happens before 24 full months of service have occurred, then the severance is paid *pro-rata* up to amount earned at that time.

NON-ARM'S LENGTH PARTY TRANSACTIONS

In September, 2018 Felipe de la Vega and some of his family members were paid US\$50,000 in consideration of Medcolcanna acquiring the shares of Medcolcanna SAS held by Mr. de la Vega and his family.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Medcolcanna is not a party to and none of its property is the subject of any legal proceedings as at the date of this Filing Statement or from the date of incorporation, and Medcolcanna knows of no such legal proceedings currently contemplated.

Medcolcanna is not the subject of any penalties or sanctions imposed against it by a court relating to provincial and territorial securities legislation or by a securities regulatory authority as at the date of this Filing Statement or from the date of incorporation. Medcolcanna is not the subject of any other penalties or sanctions imposed by a court or regulatory body against it necessary for the Filing Statement to contain full, true and plain disclosure of all material facts relating to the securities to be distributed. Medcolcanna has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority as at the date of this Filing Statement or from the date of incorporation.

RISK FACTORS RELATING TO MEDCOLCANNA AND THE RESULTING ISSUER

Where used in this “Risk Factors” section, “Medcolcanna” refers to either Medcolcanna, Medcolcanna SAS or the Resulting Issuer as the context may require. The current business of Medcolcanna will be the business of the Resulting Issuer upon completion of the Share Exchange. Accordingly, risk factors relating to Medcolcanna’s current business will be risk factors relating to the Resulting Issuer’s business and references to Medcolcanna in these risk factors should, where the context requires, be read to include the risks of the Resulting Issuer. Due to the nature of Medcolcanna’s business, the legal and economic climate in which it operates and its present stage of development, Medcolcanna is subject to significant risks. The risks presented below should not be considered to be exhaustive and may not be all of the risks that the Resulting Issuer and Medcolcanna may face. Medcolcanna’s future development and operating results may be very different from those expected as at the date of this Filing Statement. Additional risks and uncertainties not presently known to Medcolcanna or that Medcolcanna currently considers immaterial may also impair the business and operations of the Resulting Issuer and cause the trading price of the Resulting Issuer to decline. If any of the following or other risks occur, the Resulting Issuer’s business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event, the trading price of the Resulting Issuer could decline and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks. Readers should carefully consider all such risks and other information elsewhere in this Filing Statement before making an investment in Medcolcanna or the Resulting Issuer and should not rely upon forward-looking statements as a prediction of future results. Risk factors relating to Medcolcanna include, but are not limited to, the factors set out below.

Business Risks

Limited Operating History

Medcolcanna is an early stage company having been founded in 2018 and, as a result, it has a limited operating history upon which its business and future prospects may be evaluated. Medcolcanna will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for Medcolcanna to meet future operating and debt service requirements, Medcolcanna will need to be successful in its growing, marketing and sales efforts. Additionally, where Medcolcanna experiences increased sales, Medcolcanna’s current operational infrastructure may require changes to scale Medcolcanna’s business efficiently and effectively to keep pace with demand, and achieve long-term profitability. If Medcolcanna’s products and services are not accepted by new customers, Medcolcanna’s operating results may be materially and adversely affected.

Going Concern

Medcolcanna’s ability to continue as a going concern will be dependent upon its ability in the future to grow its revenue and achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of Medcolcanna; however, there can be no certainty that such funds will be available at terms acceptable to Medcolcanna, or at all. These conditions indicate the existence of material uncertainties that may cast significant doubt about Medcolcanna’s ability to continue as a going concern.

Managing Growth

In order to manage growth and change in strategy effectively, the Resulting Issuer must (i) maintain adequate systems to meet customer demand; (ii) expand sales and marketing, distribution capabilities and administrative functions; (iii)

expand the skills and capabilities of its current management team; and (iv) attract and retain qualified employees. While it intends to focus on managing its costs and expenses over the long term, Medcolcanna expects to invest to support its growth and may have additional unexpected costs. It may not be able to expand quickly enough to exploit potential market opportunities.

Retention and Acquisition of Skilled Personnel

The loss of any member of the Resulting Issuer's management team, could have a material adverse effect on its business and results of operations. In addition, an inability to hire, or the increased costs of new personnel, including members of executive management, could have a material adverse effect on the Resulting Issuer's business and operating results. At present and for the near future, Medcolcanna will depend upon a relatively small number of employees to develop, market, sell and support its products. The expansion of marketing and sales of its products will require Medcolcanna to find, hire and retain additional capable employees who can understand, explain, market and sell its products. There is intense competition for capable personnel in all of these areas and Medcolcanna may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take significant time before they achieve full productivity. As a result, the Resulting Issuer may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as the Resulting Issuer moves into new jurisdictions, it will need to attract and recruit skilled employees in those areas.

Legal Proceedings

From time to time, Medcolcanna may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. Medcolcanna will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on Medcolcanna's financial results.

Regulatory Compliance Risks

Achievement of Medcolcanna's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. Medcolcanna may not be able to obtain or maintain the necessary licences, permits, quotas, authorizations or accreditations, or may only be able to do so at great cost, to operate its business. Medcolcanna cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by local governmental authorities. To date, Medcolcanna has received the Licences to cultivate Low THC Medicinal Cannabis and to cultivate and produce High THC medicinal cannabis from the Colombian government. The impact of the compliance regime, any delays in obtaining, or failure to obtain or keep the regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of Medcolcanna.

The officers and directors of Medcolcanna must rely, to a great extent, on Medcolcanna's Colombian legal counsel and local consultants retained by Medcolcanna in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect Medcolcanna's business operations, and to assist Medcolcanna with its governmental relations. Medcolcanna must rely, to some extent, on those members of management and the board who have previous experience working and conducting business in Colombia in order to enhance its understanding of and appreciation for the local business culture and practices in Colombia.

Medcolcanna also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of banking, financing and tax matters in Colombia. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices in Colombia are beyond the control of Medcolcanna and may adversely affect its business.

Medcolcanna will incur ongoing costs and obligations related to regulatory compliance. 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. Medcolcanna 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. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Medcolcanna'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 Medcolcanna.

Canadian Regulatory and Civil Proceedings

The sale and distribution of cannabis products for medicinal use by licensed producers is legal in certain Canadian provinces. The Canadian federal government legalized the recreational use of marijuana effective October 17, 2018, the use of medical cannabis having previously been approved. As such, both recreational and medicinal uses of cannabis is legal in Canada.

Medcolcanna operates in Colombia pursuant to the Licences and authorizations granted by the *Ministry of Justice and the Ministry of Health*. Consequently, certain activities conducted by Medcolcanna are permissible under one regulatory regime while not under another. In the past, Canadian courts and regulatory authorities have taken the view that it is not contrary to Canadian federal or provincial law for a person to be engaged in, or for an entity to hold interests in affiliates that are engaged in, certain regulated activities where such activities may be regulated differently than in the home jurisdictions and have enforced extra-territorial laws even where such laws (or regulatory regimes applicable to certain activities or industries) differs from those in the Canadian jurisdiction. There is a risk however that the Canadian courts or applicable Canadian or other governmental authorities may take a contrary view with respect to the business of Medcolcanna and view Medcolcanna as having violated their local laws, despite Medcolcanna having obtained all applicable Colombian licences or authorizations and despite that Medcolcanna does not carry on business in Canada. Therefore, there is a risk that civil and criminal proceedings, including class actions, could be initiated against Medcolcanna. Such potential proceedings could involve substantial litigation expense, penalties, fines, seizure of assets, injunctions or other restrictions being imposed upon Medcolcanna or its business partners, while diverting the attention of key executives. Such proceedings could have a material adverse effect on Medcolcanna's business, revenues, operating results and financial condition as well as impact upon Medcolcanna's reputation.

Change of Cannabis Laws, Regulations and Guidelines

Cannabis laws and regulations are dynamic and subject to evolving interpretations which could require Medcolcanna to incur substantial costs associated with compliance or alter certain aspects of its business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of Medcolcanna's businesses. Medcolcanna cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on Medcolcanna's business. Management expects that the legislative and regulatory environment in the cannabis industry in Colombia and internationally will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this nascent industry for the foreseeable future. Compliance with any such legislation may have a material adverse effect on Medcolcanna's business, financial condition and results of operations.

Public opinion can also exert a significant influence over the regulation of the cannabis industry. A negative shift in the public's perception of the cannabis industry could affect future legislation or regulation in different jurisdictions.

Reliance on Medcolcanna Licences and Authorizations

Medcolcanna's ability to grow, store and sell cannabis in Colombia is dependent on Medcolcanna's ability to sustain and/or obtain the necessary licences and authorizations by certain authorities in Colombia.

The licences and authorizations are subject to ongoing compliance and reporting requirements and the ability of Medcolcanna to obtain, sustain or renew any such licences and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. Failure to comply with the requirements of the licences or authorizations or any failure to maintain the licences or authorizations would have a material adverse impact on the business, financial condition and operating results of Medcolcanna.

Although Medcolcanna believes that it will meet the requirements to obtain, sustain or renew the necessary licences and authorizations, there can be no guarantee that the applicable authorities will issue these licences or authorizations. Should the authorities fail to issue the necessary licences or authorizations, Medcolcanna may be curtailed or prohibited from the production and/or distribution of cannabis or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of Medcolcanna may be materially adversely affected.

Reliance on One Facility

The Cultivation Facility is currently Medcolcanna's only Licenced facility under the Licences. The Licences held by Medcolcanna are specific to the Cultivation Facility. Adverse changes or developments affecting the Cultivation Facility, including but not limited to a breach of security, could have a material and adverse effect on Medcolcanna's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Colombian regulatory authorities, could have an impact on Medcolcanna's ability to continue operating under the Licences or the prospect of renewing the Licences.

Certain contemplated capital expenditures of Medcolcanna may require approval of Colombian regulatory authorities. There is no guarantee that Colombian Regulatory Authorities will approve any contemplated expansion and/or renovation, which could adversely affect the business, financial condition and results of Medcolcanna's operations.

Unexpected disruptions affecting operations, whether due to labor disruptions, supply disruptions, power disruptions, damage to equipment or otherwise

Medcolcanna's operations may be disrupted by a variety of risks and hazards that are beyond its control, including, but not limited to, fires, power outages, labour disruptions, supply disruptions, flooding, and the inability to obtain suitable or adequate machinery, equipment or labour as well as other risks involved in the cultivation and production of medicinal cannabis.

Demand for Cannabis and Derivative Products

The legal cannabis industry in Colombia is at an early stage of its development. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of medicinal cannabis are mixed and evolving and can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medicinal 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 medicinal 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 medicinal cannabis and on the business, results of operations, financial condition and cash flows of Medcolcanna. Further, adverse publicity reports or other media attention regarding cannabis in general, or associating the consumption of medicinal cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medicinal cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medicinal cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization. Medcolcanna's ability to gain and increase market acceptance of its business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure may have an adverse effect on Medcolcanna.

Liability, Enforcement, Complaints, etc.

Medcolcanna's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by third parties, other companies and/or various governmental authorities against Medcolcanna. Litigation, complaints, and enforcement actions involving Medcolcanna could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on Medcolcanna's future cash flows, earnings, results of operations and financial condition.

Breaches of security

Given the nature of Medcolcanna's product, despite meeting or exceeding all legislative security requirements, there remains a risk of shrinkage, as well as theft. A security breach at one of Medcolcanna's facilities could expose Medcolcanna to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential consumers from choosing Medcolcanna's products. In addition, Medcolcanna collects and stores personal information about its consumers and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly consumer lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through a deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on Medcolcanna's business, financial condition and results of operations.

Product Liability

As a distributor of products designed to be ingested by humans, Medcolcanna faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused damages, loss or injury. In addition, the sale of Medcolcanna's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from human consumption of Medcolcanna's products alone or in combination with other medications or substances could occur. Medcolcanna may be subject to various product liability claims, including, among others, that Medcolcanna's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances. A product liability claim or regulatory action against Medcolcanna could result in increased costs, could adversely affect Medcolcanna's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of Medcolcanna. There can be no assurances that Medcolcanna 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 Medcolcanna's potential products.

Negative results from clinical trials

From time to time, studies or clinical trials on cannabis products may be conducted by academics or others, including government agencies. The publication of negative results of studies or clinical trials related to Medcolcanna's proposed products or the therapeutic areas in which the Resulting Issuer's proposed products will compete could have a material adverse effect on Medcolcanna's sales.

Insurance Coverage

Medcolcanna's production is, in general, subject to different risks and hazards, including adverse weather conditions, fires, plant diseases and pest infestations, other natural phenomena, industrial accidents, labour disputes, changes in the legal and regulatory framework applicable to Medcolcanna and environmental contingencies.

Medcolcanna is in the process of obtaining insurance coverage over Medcolcanna's production and facilities. Medcolcanna is seeking insurance against a variety of risks, including losses and damages relating to its plants, equipment and buildings. Any insurance that Medcolcanna is successful in obtaining may only cover part of the losses

it may incur and may not cover losses on crops due to drought or floods. Furthermore, certain types of risks may not be covered by the future policies. There is a risk that any claims to be paid by an insurer due to the occurrence of a casualty covered may not be sufficient to compensate Medcolcanna for all of the damages suffered. Medcolcanna may not be able to maintain or obtain insurance of the type and amount desired at a reasonable cost. If Medcolcanna were to incur significant liability for which it were not fully insured, it could have a materially adverse effect on Medcolcanna's business, financial condition and results of operations.

Ability to Establish and Maintain Bank Accounts

While Medcolcanna does not anticipate dealing with banking restrictions, there is a risk that banking institutions in countries where Medcolcanna operates will not accept payments related to the cannabis industry. Such risks could increase costs for Medcolcanna. In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that Medcolcanna may be required to seek alternative payment solutions, including but not limited to cryptocurrencies such as Bitcoin. There are risks inherent in cryptocurrencies, most notably its volatility and security issues. If the industry was to move towards alternative payment solutions and accept payments in cryptocurrency Medcolcanna would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. Medcolcanna's inability to manage such risks may adversely affect Medcolcanna's operations and financial performance. Medcolcanna is working thru the *Sistema de Administración del Riesgo de Lavado de Activos y de la Financiación del Terrorismo* ("SARLAFT") onboarding protocols on money laundering with a Colombian bank and fully intends on having a Colombian bank account open very shortly. This bank has already opened bank accounts for competitors in the Cannabis industry. Cash is being managed through the Canadian bank account in the interim, such account being opened in November of 2018.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of Medcolcanna's products are recalled due to an alleged product defect or for any other reason, Medcolcanna could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Medcolcanna 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 Medcolcanna 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 Medcolcanna is subject to recall, the image of Medcolcanna could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for Medcolcanna's products and could have a material adverse effect on the results of operations and financial condition of Medcolcanna. Additionally, product recalls may lead to increased scrutiny of Medcolcanna's operations by regulatory agencies, requiring further management attention, potential loss of applicable licences and potential legal fees and other expenses.

Risks Inherent in an Agricultural Business

Medcolcanna's business involves the growing of cannabis, which is an agricultural product. Medicinal cannabis will be grown outdoors. The occurrence of severe adverse weather conditions, especially droughts, hail, floods or frost, is unpredictable and may have a potentially devastating impact on agricultural production, and may otherwise adversely affect the supply of cannabis. Adverse weather conditions may be exacerbated by the effects of climate change and may result in the introduction and increased frequency of pests and diseases. The effects of severe adverse weather conditions may reduce Medcolcanna's yields or require Medcolcanna to increase its level of investment to maintain yields. Additionally, higher than average temperatures and rainfall can contribute to an increased presence of insects and pests, which could negatively affect cannabis crops. Future droughts could reduce the yield and quality of Medcolcanna's cannabis production, which could materially and adversely affect Medcolcanna's business, financial condition and results of operations.

The occurrence and effects of plant disease, insects and pests can be unpredictable and devastating to agricultural, potentially rendering all or a substantial portion of the affected harvests unsuitable for sale. Even when only a portion of the production is damaged, Medcolcanna's results of operations could be adversely affected because all or a

substantial portion of the production costs may have been incurred. Although some plant diseases are treatable, the cost of treatment can be high and such events could adversely affect Medcolcanna's operating results and financial condition. Furthermore, if Medcolcanna fails to control a given plant disease and the production is threatened, Medcolcanna may be unable to supply its customers, which could adversely affect its business, financial condition and results of operations. There can be no assurance that natural elements will not have a material adverse effect on any such production.

As per the licence requirements, Medcolcanna is required to register vegetative material. There is some uncertainty as to whether Medcolcanna will be able to ensure consistency and quality of all of this material. Over time, management is of the view that this uncertainty will be corrected, because any strain not being stable during the first cycle of registration, will be re-cultivated using the plants with better results to improve the genetics.

Risks Inherent in Rural Real Estate

The Colombian Constitution protects the right to own private property and related rights acquired in compliance with civil regulations. According to Colombian Constitution, legally acquired private property ownership rights cannot be affected if the owner is in compliance with applicable laws.

Except in the case of public necessity or social interest, subject to due process and the payment of an indemnification, expropriations without just cause or on a discriminatory basis are restricted. Although, there is currently no specific expropriation regime for cannabis-related activities, the National Land Agency (*ANT or Agencia Nacional de Tierras*) is entitled to expropriate rural land in the following events: (i) in favor of indigenous, afro-Colombian people and other ethnical people provided the land where they inhabit is insufficient; (ii) in favor of farmers of regions affected by public catastrophes; and (iii) in favor of farmers or other people beneficiaries of special governmental programs for provision of land or areas over which there is an ecological interest of the national government. Every act or transaction affecting rights associated with real property must be registered with the Office of Public Registry. The property's ownership history and any encumbrances or liens is recorded on a certificate maintained by the Office of Public Registry.

In August 2011, Colombia and Canada entered into a Free Trade Agreement (“**CCOFTA**”), which outlines the issue of expropriations in Article 811 as well as dispute settlements in Chapter 21. The Free Trade Agreement provides that Canadian investments in Colombia will be granted fair and equitable treatment with full protection and security and will be accorded no less favourable treatment than Colombia grants to its own investors or investors of any other country. It also provides that an investment will not be expropriated except in a nondiscriminatory manner in accordance with due process of law with prompt and adequate compensation. The expropriation provisions cover both traditional “direct” takings and so-called “indirect” or “creeping” expropriation, which results from a measure or a series of measures by a government that have an effect equivalent to direct expropriation without a formal transfer of title or outright seizure of the investment. An investor-state dispute resolution process is provided for in the event that the investment is not provided the protections set out in the CCOFTA. Through this process, a Canadian investor can challenge a Colombian measure through binding international arbitration instead of relying on the Colombian local courts.

Energy Prices and Supply

Medcolcanna requires substantial amounts of electric energy and other resources for its harvest activities and transport of cannabis. Medcolcanna relies upon third parties for its supply of energy resources used in its operations. The prices for and availability of energy resources may be subject to change or curtailment, respectively, due to, among other things, new laws or regulations, imposition of new taxes or tariffs, interruptions in production by suppliers, imposition of restrictions on energy supply by government, worldwide price levels and market conditions. If energy supply is cut for an extended period of time and Medcolcanna is unable to find replacement sources at comparable prices, or at all, Medcolcanna's business, financial condition and results of operations would be materially and adversely affected.

Supply of Cannabis Seeds

If for any reason the supply of cannabis seeds is ceased or delayed, Medcolcanna would have to seek alternate suppliers and obtain all necessary authorization for the new seeds. If replacement seeds cannot be obtained at comparable prices, or at all, or if the necessary authorizations are not obtained, Medcolcanna's business, financial condition and results of operations would be materially and adversely affected.

Changes in Corporate Structure

Colombian cannabis licences are granted on a non-transferable, non-exchangeable and non-assignable basis. Any breach of this restriction may give rise to unilateral termination of the licence by the governmental authority.

Notwithstanding the above, Colombian laws do not provide for specific regulations or restrictions regarding the effects of a change in control, modification of the corporate structure, issuance of shares, or any changes in holders or final beneficiaries of cannabis licences.

Colombian legislation gives special attention to the identification and background of the legal representatives of licencees. Licencees must file a declaration of the legality of the proceeds of the legal representatives. Furthermore, Decree 613 of 2017 provides a set of resolutive conditions, which enable the Ministry of Health or the Ministry of Justice, as applicable, to terminate a licence if the licensee fails to request the amendment of the licence within 30 calendar days following any changes in (i) the legal representation of the licensee; or (ii) the declaration that a legal representative is criminally liable for drug trafficking or related crimes, after having issued the respective licence.

Emerging Market Risks

Emerging market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.

All of Medcolcanna's operations are in Colombia. Colombia has a history of economic instability or crises (such as inflation or recession). While there is no current political instability, and historically there has been no change in laws and regulations, this is subject to change in the future and could adversely affect Medcolcanna's business, financial condition and results of operations.

In particular, fluctuations in the Colombian economy and actions adopted by the Government of Colombia have had and may continue to have a significant impact on companies operating in Colombia, including Medcolcanna. Specifically, Medcolcanna may be affected by inflation, foreign currency fluctuations, regulatory policies, business and tax regulations and in general, by the political, social and economic scenarios in Colombia and in other countries that may affect Colombia.

Global economic crises could negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Colombia. Such events could materially and adversely affect Medcolcanna's business, financial condition and results of operations.

Global Economy

Financial and securities markets in Colombia are influenced by the economic and market conditions in other countries, including other South American and emerging market countries and other global markets. Although economic conditions in these countries may differ significantly from economic conditions in Colombia, investors' reactions to developments in these other countries, such as the recent developments in the global financial markets, may substantially affect the capital flows into, and the market value of securities of issuers with operations in Colombia.

An economic downturn or volatility could have a material adverse effect on Medcolcanna's business, financial condition and results of operations. The economy of the Colombia, where Medcolcanna's operations are located, has

experienced significant economic uncertainty and volatility during recent years. A weakening of economic conditions could lead to reductions in demand for Medcolcanna's products. For example, its revenues can be adversely affected by high unemployment and other economic factors. Further, weakened economic conditions or a recession could reduce the amount of income customers are able to spend on Medcolcanna's products. In addition, as a result of volatile or uncertain economic conditions, Medcolcanna may experience the negative effects of increased financial pressures on its clients. For instance, Medcolcanna's business, financial condition and results of operations could be negatively impacted by increased competitive pricing pressure, which could result in Medcolcanna incurring increased bad debt expense. If Medcolcanna is not able to timely and appropriately adapt to changes resulting from a weak economic environment, its business, results of operations and financial condition may be materially and adversely affected.

A crisis in other emerging market countries could dampen investor enthusiasm for securities of issuers with South American operations. Financial conditions in Argentina, Brazil or other emerging market countries could negatively impact Colombia's economy in the future. If such fluctuations were to occur, Medcolcanna's business, financial condition and results of operations could be materially and adversely affected.

Risks Related to Investment in a Colombian Company

Operational Risks

Operations in Colombia are subject to risk due to the potential for social, political, economic, legal and fiscal instability. After peace negotiations in Cuba, the Colombian government of President Juan Manuel Santos and guerrilla of FARC-EP announced a final agreement to end the conflict. However, a referendum to ratify the deal was unsuccessful. Afterward, the Colombian government and the FARC signed a revised peace deal in November 2016, which the Colombian congress approved. In 2016, President Santos was awarded the Nobel Peace Prize. Colombia is Latin America's oldest and most stable democracy. For more than a century, the country has experienced peaceful changes of government every four years as citizens have elected government representatives in free and fair elections in a political environment that proudly supports full freedom of the press.

The government in Colombia faces ongoing problems including but not limited to inflation, unemployment and inequitable income distribution. Notwithstanding the peace deal of 2016, Colombia is also home to South America's largest and longest running insurgency and large swaths of the countryside are still under the influence of certain guerrilla factions, such as the ELN. In addition, Colombia experiences narcotics-related violence, a prevalence of kidnapping and extortionist activities and civil unrest in certain areas of the country. Such instability may require Medcolcanna to suspend operations on its properties. Although Medcolcanna is not presently aware of any circumstances or facts which may cause the following to occur, other risks may involve matters arising out of the evolving laws and policies in Colombia, any future imposition of special taxes or similar charges, as well as foreign exchange fluctuations and currency convertibility and controls, the unenforceability of contractual rights or the taking or nationalization of property without fair compensation, restrictions on the use of expatriates in Medcolcanna's operations, or other matters. Medcolcanna also bears the risk that changes can occur in the government of Colombia and a new government may void or change the laws and regulations that Medcolcanna is relying upon.

Currently there are no restrictions on the repatriation from Colombia of earnings to foreign entities and Colombia has never imposed such restrictions. However, there can be no assurance that restrictions on repatriation of earnings from Colombia will not be imposed in the future. Exchange control regulations require that any proceeds in foreign currency originated on exports of goods from Colombia (including minerals) be repatriated to Colombia. However, purchase of foreign currency is allowed through any Colombian authorized financial entities for purposes of payments to foreign suppliers, repayment of foreign debt, payment of dividends to foreign stockholders and other foreign expenses.

Inflation in Colombia

Colombia has in the past experienced double digit rates of inflation. If Colombia experiences substantial inflation in the future, Medcolcanna's costs in Colombian peso terms will increase significantly, subject to movements in applicable exchange rates. Inflationary pressures may also curtail Medcolcanna's ability to access global financial markets in the longer term and its ability to fund planned capital expenditures, and could materially adversely affect

Medcolcanna's business, financial condition and results of operations. The Colombian government's response to inflation or other significant macro-economic pressures may include the introduction of policies or other measures that could increase Medcolcanna's costs, reduce operating margins and materially adversely affect its business, financial condition and results of operations.

Operations in Spanish

As a result of Medcolcanna conducting its operations in Colombia, the books and records of Medcolcanna, including key documents such as material contracts and financial documentation are principally negotiated and entered into in the Spanish language and English translations may not exist or be readily available.

Enforcement of Judgments

The Resulting Issuer is incorporated under the laws of Canada, however, following the Share Exchange, all of its assets will be located outside Canada. Furthermore, the Resulting Issuer's Medcolcanna's directors and officers reside outside Canada. As a result, investors may not be able to effect service of process within Canada upon Medcolcanna's directors or officers or enforce against them in Canadian courts judgments predicated on Canadian securities laws. Likewise, it may also be difficult for an investor to enforce in Canadian courts judgments obtained against these persons in courts located in jurisdictions outside Canada.

As a result of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board or controlling shareholders than they would as public shareholders of a Canadian company.

Financial and Accounting Risks

Access to Capital

In executing its business plan, Medcolcanna makes, and will continue to make, substantial investments and other expenditures related to acquisitions, research and development and marketing initiatives. Since its incorporation, Medcolcanna has financed these expenditures through offerings of its equity securities. Medcolcanna will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. Medcolcanna may incur major unanticipated liabilities or expenses. Medcolcanna can provide no assurance that it will be able to obtain financing to meet the growth needs of Medcolcanna.

Foreign Sales

Medcolcanna's functional currency is denominated in Canadian dollars. Medcolcanna currently expects that sales will be denominated in Colombian pesos and may, in the future, have sales denominated in the currencies of additional countries in which it establishes sales offices. In addition, Medcolcanna incurs the majority of its operating expenses in Colombian Pesos. In the future, the proportion of Medcolcanna's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Resulting Issuer's business, financial condition and results of operations. Medcolcanna has not previously engaged in foreign currency hedging. If the Resulting Issuer decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide the Resulting Issuer from foreign currency fluctuations and can themselves result in losses.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with International Financial Reporting Standards, or IFRS, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Medcolcanna bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the notes to the Medcolcanna Financial

Statements set forth in Schedule “D”, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Medcolcanna’s operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause Medcolcanna’s operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Resulting Issuer. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

Tax Risks

The Resulting Issuer will operate and will be subject to income tax and other forms of taxation (which are not based upon income) in multiple tax jurisdictions. Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates is also subject to change. Therefore, the Resulting Issuer’s earnings may be impacted by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. The Resulting Issuer may have exposure to greater than anticipated tax liabilities or expenses. The Resulting Issuer will be subject to income taxes and non-income taxes in a variety of jurisdictions and its tax structure is subject to review by both domestic and foreign taxation authorities and the determination of the Resulting Issuer’s provision for income taxes and other tax liabilities will require significant judgment.

The Resulting Issuer will be subject to different taxes imposed by the Colombian government and any changes within such tax legal and regulatory framework may have an adverse effect on our financial results. All current tax legislation is a matter of public record and the Resulting Issuer will be unable to predict which additional legislation or amendments may be enacted.

Risks Related to the Resulting Issuer Shares and Completion of the Transaction

Market for the Resulting Issuer Shares

There can be no assurance that an active trading market for the Resulting Issuer Shares will develop or, if developed, that any market will be sustained. Medcolcanna cannot predict the prices at which the Resulting Issuer Shares will trade. The price of the Unit Subscription Receipts was determined by negotiations with the Lead Agent in connection with the financing and might not bear any relationship to the market price at which the Resulting Issuer Shares will trade or to any other established criteria of the value of Medcolcanna’s business. Fluctuations in the market price of the Resulting Issuer Shares could cause an investor to lose all or part of its investment in Resulting Issuer Shares. Factors that could cause fluctuations in the trading price of the Resulting Issuer Shares include: (i) announcements of new offerings, products, services or technologies; commercial relationships, acquisitions or other events by the Resulting Issuer or its competitors; (ii) price and volume fluctuations in the overall stock market from time to time; (iii) significant volatility in the market price and trading volume of agriculture companies; (iv) fluctuations in the trading volume of the Resulting Issuer Shares or the size of the Resulting Issuer’s public float; (v) actual or anticipated changes or fluctuations in the Resulting Issuer’s results of operations; (vi) whether Medcolcanna’s results of operations meet the expectations of securities analysts or investors; (vii) actual or anticipated changes in the expectations of investors or securities analysts; (viii) litigation involving the Resulting Issuer, its industry, or both; (ix) regulatory developments in the Canada, Colombia and foreign countries; (x) general economic conditions and trends; (xi) major catastrophic events; (xii) escrow releases, sales of large blocks of the Resulting Issuer Shares; (xiii) departures of key employees or members of management; or (xiv) an adverse impact on Medcolcanna from any of the other risks cited herein.

No History of Payment of Cash Dividends

Medcolcanna has never declared or paid cash dividends on the Medcolcanna Shares. Upon Completion of the Qualifying Transaction, Medcolcanna intends to retain future earnings to finance the operation, development and expansion of the business. Medcolcanna does not anticipate paying cash dividends on the Resulting Issuer Shares in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of the Board and will depend on the Resulting Issuer’s financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that the Board considers relevant.

Reporting Issuer Status

From the date of incorporation to the date of this Circular, Medcolcanna has not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of the TSXV. As a reporting issuer, the Resulting Issuer will be subject to reporting requirements under applicable securities law and stock exchange policies. Medcolcanna is working with its legal, accounting and financial advisors to identify those areas in which changes should be made to Medcolcanna's financial management control systems to manage its obligations as a subsidiary of a public company. Compliance with these requirements will increase legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on existing systems and resources. Among other things, the Resulting Issuer will be required to file annual, quarterly and current reports with respect to its business and results of operations and maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and, if required, improve disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm the Resulting Issuer's business and results of operations. The Resulting Issuer may need to hire additional employees to comply with these requirements in the future, which would increase its costs and expenses. Management of Medcolcanna expects that being a reporting issuer will make it more expensive to maintain director and officer liability insurance. This factor could also make it more difficult for the Resulting Issuer to retain qualified directors and executive officers.

Tax Issues

There may be income tax consequences in relation to the Resulting Issuer Shares, which will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers.

Completion of the Share Exchange Transaction is Subject to Conditions Precedent

The Completion of the Share Exchange is subject to a number of conditions precedent, including the approval by the TSXV and the approval of the IES Shareholders to the Name Change, Consolidation and Board Resolution. Certain of such conditions precedent are outside the control of either or both of IES and Medcolcanna, and there can be no assurance that these conditions will be satisfied.

Termination of the Share Exchange Agreement

The Share Exchange Agreement specifies that the parties' obligation to effect the Share Exchange is conditional upon the satisfaction of a number of conditions, including receipt of all required regulatory approvals. If any of these conditions are not satisfied or waived, the Share Exchange may not be completed. Each of IES and Medcolcanna has the right, in certain circumstances, in addition to termination rights relating to the failure to satisfy the conditions of Closing, to terminate the Share Exchange Agreement. Accordingly, IES or Medcolcanna cannot provide any assurance that the Share Exchange Agreement will not be terminated by either of IES or Medcolcanna prior to the completion of the Share Exchange Agreement.

Potential Undisclosed Liabilities Associated with the Share Exchange

Upon completion of the Share Exchange, Medcolcanna will be a direct and indirect wholly-owned subsidiary of the Resulting Issuer and will continue to have the liabilities that existed prior to completion of the Share Exchange. There may be liabilities of Medcolcanna that IES failed to discover or was unable to accurately assess or quantify in its due diligence.

CONFLICTS OF INTEREST

Certain directors and officers of Medcolcanna may serve from time to time as directors, officers, promoters and members of management of other public companies and therefore it is possible that a conflict may arise between their

duties as a director or officer of Medcolcanna and their duties as a director, officer, promoter or member of management of such other companies.

MATERIAL CONTRACTS

The only material contracts entered into by Medcolcanna, other than in the ordinary course of business, since the date of incorporation are as follows:

- (a) the Share Exchange Agreement;
- (b) the Property Lease Agreement;
- (c) the Renmark Investor Relations Agreement; and
- (d) the Storyboard Investor Relations Agreement.

Copies of all material contracts may be inspected at the office of the legal counsel of Medcolcanna at c/o EnerNext Counsel, Suite 800, 400 – 5th Avenue SW, Calgary, Alberta T2P 0L6, attention: Peter Yates during normal business hours and for 30 days after the closing of the transaction contemplated herein.

PART III - INFORMATION CONCERNING THE RESULTING ISSUER

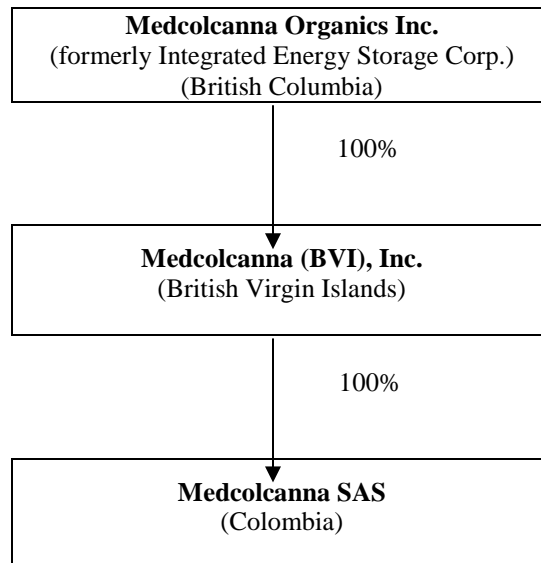
CORPORATE STRUCTURE OF THE RESULTING ISSUER

Name and Incorporation

The Resulting Issuer will be the entity resulting from the Share Exchange of IES and Medcolcanna and will be named “Medcolcanna Organics Inc.” IES was initially formed pursuant to the CBCA but is expected to be continued under the *Business Corporations Act* (British Columbia) on or about the Closing Date. The registered and records office of the Resulting Issuer will be located at Suite 800, 400 – 5th Avenue SW, Calgary, AB T2P 0L6. The head office will be located at Cra 49b, #93-62, Bogota, Colombia.

Intercorporate Relationships

Upon completion of the Share Exchange, the Resulting Issuer will have two subsidiaries, Medcolcanna and Medcolcanna SAS. The following chart sets forth the inter-corporate relationships of the Resulting Issuer.



NARRATIVE DESCRIPTION OF THE BUSINESS

Stated Business Objectives and Milestones

The business of the Resulting Issuer will be the business of Medcolcanna as currently conducted by Medcolcanna and as conducted by Medcolcanna prior to the date hereof. For a full description of the business of Medcolcanna, including its stated business objectives and significant milestones, see above under the heading “*Part II – Information Concerning Medcolcanna – Narrative Description of the Business*”.

DESCRIPTION OF SECURITIES

The authorized capital of Resulting Issuer will consist of an unlimited number of Resulting Issuer Shares of which, following completion of the Share Exchange, there are expected to be 85,649,459 issued and outstanding.

Resulting Issuer Shares

The Resulting Issuer will be authorized to issue an unlimited number of common shares with no par value. The holders of Resulting Issuer Shares will be entitled to receive notice of and attend all meetings of the shareholders of Resulting Issuer and will be entitled to one vote in respect of each Resulting Issuer Share held at such meetings. Upon any liquidation, dissolution or winding-up of Resulting Issuer, the holders of Resulting Issuer Shares will be entitled to share rateably in the remaining assets of Resulting Issuer.

DIVIDEND RECORD AND POLICY

It is not contemplated that any dividends will be paid in the immediate or foreseeable future following completion of the Share Exchange transaction.

PRO FORMA CONSOLIDATED CAPITALIZATION

Pro Forma Consolidated Capitalization

The following table sets forth the *pro forma* capitalization of the Resulting Issuer based on the *pro forma* unaudited statement of financial position of the Resulting Issuer set forth in Schedule “E” to this Filing Statement and should be read in conjunction with such *pro forma* unaudited statement of financial position and the notes thereto:

	Amount Authorized or to be Authorized	Amount Outstanding as at December 31, 2018 after Giving Effect to the Share Exchange and Concurrent Financing	Amount Outstanding as at April 30, 2019 after Giving Effect to the Share Exchange and Concurrent Financing
Designation of Security			
Resulting Issuer Shares ⁽¹⁾	Unlimited	85,649,459	85,649,459
Resulting Issuer Options ⁽²⁾	10% of the issued and outstanding common shares at the Completion of the Qualifying Transaction, being 8,564,946	Nil	Nil
Resulting Issuer Warrants ⁽³⁾	N/A	26,624,730	26,624,730
Compensation Options	N/A	2,102,028	2,102,028

Notes:

(1) Includes 12,900,000 shares held by predecessor IES Shareholders, 30,986,800 issued on completion of the Concurrent Financing, and 41,762,659 shares from the predecessor Medcolcanna shareholders. See “*Information Concerning Medcolcanna – Prior Sales*”.

(2) There are currently issued and outstanding a total of 500,000 IES Stock Options exercisable at \$0.25 and expiring on September 5, 2020. It is a condition of the Share Exchange Agreement that all of the IES Stock Options be cancelled and terminated.

(3) Includes 6,450,000 warrants issued to IES or as directed by IES, 15,493,400 warrants issued on completion of the Concurrent Financing and the Medcolcanna Second Private Placement and 4,681,330 warrants held by the current Medcolcanna Shareholders. See “*Information Concerning Medcolcanna – Prior Sales*”.

(4) As per the attached pro forma financial statements, there is a deficit amount of \$2,567,994.

Fully-Diluted Share Capital

In addition to the information set out in the capitalization table above, the following table sets out the fully diluted share capital of the Resulting Issuer immediately following completion of all of the transactions contemplated herein.

	Number of Resulting Issuer Shares	Percentage of Total Diluted Resulting Issuer Shares After Giving Effect to the Share Exchange
Resulting Issuer Shares issuable to IES Shareholders in connection with the Share Exchange	12,900,000	10.4%

	Number of Resulting Issuer Shares	Percentage of Total Diluted Resulting Issuer Shares After Giving Effect to the Share Exchange
Resulting Issuer Shares issuable to Medcolcanna Shareholders in connection with the Share Exchange	41,762,659	33.7%
Resulting Issuer Shares issuable to subscribers of the Concurrent Financing and the Medcolcanna Second Private Placement	30,986,800 ⁽¹⁾	25.0%
TOTAL Undiluted	85,649,459	69.1%
Resulting Issuer Shares issuable to the holders of IES Unit Warrants in connection with the Transaction	6,450,000	5.2%
Resulting Issuer Shares issuable to holders of Medcolcanna Private Placement Warrants as part of the Concurrent Financing	15,493,400	12.5%
Resulting Issuer Shares issuable to holders of Medcolcanna \$0.25 Warrants and Medcolcanna Private Placement Warrants issued pursuant to the Medcolcanna Second Private Placement	4,681,330	3.77%
Reserved for issuance pursuant to the Resulting Issuer Stock Option Plan	8,564,946	6.9%
Resulting Issuer Shares issuable pursuant to the Compensation Options	2,102,028	1.7%
Resulting Issuer Shares issuable pursuant to the Resulting Issuer Warrants comprising the Compensation Options	1,051,014	0.8%
TOTAL Diluted	38,342,718	30.9%
TOTAL Number of Fully Diluted Resulting Issuer Shares	123,992,177	100%

Notes:

- (1) Upon closing of the Share Exchange transaction each Unit Subscription Receipt shall be exchanged for one IES Share and one half of one IES Subscription Receipt Warrant.

SELECTED PRO FORMA FINANCIAL INFORMATION

The unaudited *pro forma* statement of financial position of the Resulting Issuer is attached as Schedule “E” to this Filing Statement. The unaudited *pro forma* consolidated statement of financial position of the Resulting Issuer as at December 31, 2018 has been prepared from the financial statements of IES (see Schedule “C”) and the audited financial statements of Medcolcanna (see Schedule “D”). The unaudited *pro forma* consolidated statement of financial position of the Resulting Issuer gives effect to the proposed Share Exchange and to the Concurrent Financing and the Medcolcanna Second Private Placement, as described below and in the notes to the unaudited *pro forma* statement of financial position of the Resulting Issuer. The unaudited *pro forma* consolidated statement of financial position and

the notes thereto should be read in conjunction with the financial statements of IES and Medcolcanna, including the notes thereto, included at Schedules “C” and “D”, respectively.

Pro Forma Consolidated Statement of Financial Position

	As at December 31, 2018 after giving effect to the Share Exchange and the Concurrent Financing (unaudited) (\$)
Total Assets	\$8,664,929
Total Liabilities	\$286,973

ESTIMATED AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Estimated Available Funds and Principal Purposes

Upon completion of the Share Exchange, the Resulting Issuer will have estimated funds of approximately \$7,753,353 available (assuming completion of the Concurrent Financing and the Medcolcanna Second Private Placement). The Resulting Issuer expects that the principal purpose of such funds will be used to effect Medcolcanna’s business plan. Specifically, the Resulting Issuer intends to use the funds available for the following purposes (the following estimates based on 12 month breakdown):

Available Funds	
Approximate working capital of IES and Medcolcanna as of April 30, 2019	\$705,455 ⁽¹⁾
Gross Proceeds of the Concurrent Financing	\$7,746,700
Gross Proceeds of the Non-Brokered Private Placement	\$36,000
Agent’s Fees on Concurrent Financing not previously paid ⁽²⁾	(\$434,802)
Costs associated with regulatory approval of reverse takeover	(\$300,000)
Total Available Funds	\$7,753,353

Anticipated Use of Funds		
For Construction of facilities and greenhouses		(\$1,698,413)
Commercial distribution		(\$2,840,404)
Security		(\$123,377)
Product lab development		(\$60,000)
Research and development		(\$50,000)
Salaries & Wages		(\$994,808)
General and Administration Costs for 12 Months following completion of the Share Exchange		
Investor relations/advisory fees	\$70,000	(\$70,000)
Transfer agent/filing fees	\$31,300	(\$31,300)
Legal/audit	\$117,727	(\$117,727)
Insurance	\$65,000	(\$65,000)
Other	\$341,475	(\$341,475)
	\$625,502	(\$6,392,504)
Less: Anticipated Cash revenue receipts during last 3 months of year		\$2,083,361
Total Anticipated Use of Funds		(\$4,309,143)
Total Unallocated Funds		<u>\$3,444,210</u>

Notes:

- (1) Includes \$580,000 in cash plus other working capital of \$25,455 from IES as seen in the pro forma estimated by the Closing Date and the working capital of \$100,000 (excluding restricted cash) of Medcolcanna as at April 30, 2019.
- (2) Total commissions are \$507,042. Of this amount, \$72,240 was paid by December 31, 2018.

It is currently anticipated that the Resulting Issuer's unallocated working capital will be used for such purposes as determined by management from time to time.

The Resulting Issuer will utilize the funds available to it upon completion of the Share Exchange for the principal purposes indicated above. Notwithstanding the foregoing, there may also be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Resulting Issuer to achieve its objectives. The Resulting Issuer may require additional funds in order to fulfill all of the Resulting Issuer's expenditure requirements to meet its objectives, in which case the Resulting Issuer expects to either issue additional shares or incur indebtedness. There can be no assurance that additional funding required by the Resulting Issuer will be available if required. However, it is anticipated that the available funds will be sufficient to satisfy the Resulting Issuer's objectives over the next 12 months.

Dividends

There will be no restrictions on the Resulting Issuer's ability to pay dividends on the Resulting Issuer Shares other than the Resulting Issuer's financial position. It is expected that Resulting Issuer will retain future profits to finance further growth and that Resulting Issuer will not pay dividends in the near future. However, the Resulting Issuer may consider paying dividends on the Resulting Issuer Shares in the future when circumstances permit, having regard to, among other things, its earnings, cash flow and financial requirements, as well as relevant legal and business considerations. All of the Resulting Issuer Shares are entitled to an equal share in any dividends declared and paid.

PRINCIPAL SECURITYHOLDERS

To the knowledge of the directors and senior officers of Medcolcanna and IES, no shareholder who will own, of record or beneficially, directly or indirectly, or exercise control or direction over, shares carrying more than 10% of the voting rights attached to all of the outstanding Resulting Issuer Shares following completion of the Transaction.

DIRECTORS, OFFICERS AND PROMOTERS

Summary Information on Proposed Directors and Officers

The following are the names, age and municipalities of residence of those individuals who will serve as directors and officers of the Resulting Issuer, their positions and offices with the Resulting Issuer, their principal occupations during the last five years, the number of Resulting Issuer Shares that each will hold upon completion of the Share Exchange and the percentage of the class that such holdings represent. The information concerning the initial directors of Resulting Issuer is as furnished by such directors.

Name & Municipality of Residence	Proposed Position with Resulting Issuer	Principal Occupations for the Last Five Years	Number and Percentage of Issued Shares	Number and Percentage of Issued Warrants and Options
Felipe de la Vega ⁽¹⁾ , 40 Bogota, Colombia	President CEO & Director	Mr. De La Vega was the founder of Trenaco Holdings Group, a major Latin American commodity trading company with revenues of US\$800 million in 2014. He acted in the capacity of CEO for 10 years. In that role, he developed strong relationships with domestic and global commodities companies and created vertical integration for the value chain through the acquisition of profitable assets such as coal mines, metcoke ovens, quality labs, stockyards, and transportation infrastructure. Mr. De la Vega led the company to be the second largest exporter of coking coal in Colombia. Trenaco was ranked 17th largest Colombian exporter, 76th largest Colombian company, and #1 in growth prospects for 2013-2014.	8,983,000 ⁽⁵⁾ (10.5%)	Nil
Chris Reid ⁽¹⁾ , 40 Bogota, Colombia	CFO	Mr. Reid is a CPA with 12 years of experience in industry and international business. Mr. Reid is currently Chief Executive Officer and President of Petrodorado, a petroleum company with operations in Colombia. He served as Executive Officer, Chief Financial Officer and Interim President of Petrodorado from February 2012 to January 2016. Currently is serves a director of several publicly listed companies. In his current role Mr. Reid is responsible to provide strategic direction, financial leadership on capital markets and Provide insight and recommendations to both short-term and long-term growth plans of the company.	4,822,046 ⁽⁶⁾ (5.6%)	Nil

<p>Nicolas Rodriguez, 38 Bogota, Colombia</p>	<p>COO</p>	<p>Mr. Rodriguez is an agricultural engineer with more than 13 years of experience leading innovation and business development in the agro industry. He has strong leadership skills and technological knowledge in agricultural production. Mr. Rodriguez previously held the position of General Manager at Clinton Giustra Enterprise Partnership, a social business builder that brings entrepreneurial solutions to agribusinesses, farmers and fishermen. In his current position he is responsible for designing, implementing and overseeing business operations.</p>	<p>1,000,000 (1.2%)</p>	<p>Nil</p>
<p>Robert Metcalfe⁽¹⁾ (3), 78 Toronto, Ontario</p>	<p>Chairman of the Board of Directors</p>	<p>Mr. Metcalfe, a lawyer, was senior partner with the law firm Lang Michener, LLP for 20 years. He is the former President and Chief Executive Officer of Armadale Properties and Counsel to all of the Armadale Group of Companies, with significant holdings across numerous industries including finance, construction of office buildings, airport ownership, management and refurbishing, land development, automotive dealerships as well as newspaper, radio and television stations. Mr. Metcalfe has served as President, CEO, Lead Director, Chairman and Committee member on numerous publicly listed natural resource and industry company corporate boards in Canada, the USA, England, South America and Africa. As director and shareholder, Mr. Metcalfe has been engaged in numerous acquisitions, divestitures, corporate reorganizations, financings and corporate improvements, as well as serving on numerous special committees across many sectors. He is a member of the Institute of Corporate Directors and a member in good standing of the Law Society of Ontario.</p>	<p>Nil</p>	<p>Nil</p>

<p>Thor Borresen⁽³⁾⁽²⁾, 37 Bogota, Colombia</p>	<p>Director</p>	<p>Mr. Borresen is an Industrial Engineer from the Javeriana University in Cali, Colombia and is currently the Marketing Vice-president of Bavaria, the Colombian operation of AB-InBev, the world's leading brewer. In his current position, he is responsible for leading the development of a complete portfolio of local and international beer brands, boosting category growth and building the equity of the brands. His main challenge is to keep the category alive and relevant among young adults, through a strategy of brand renovation, innovation and digital connection with consumers and stakeholders. His professional career spans over 14 years in different commercial roles. Before joining Bavaria, he was part of the marketing team in Kraft Foods Colombia and Venezuela, overseeing local and regional markets. Recently, he led the development and launch of a new business unit: The High End Company, integrating the roles of Sales, Marketing, Finance and Logistics for a group of Global and Craft brands.</p>	<p>431,748⁽⁴⁾ (0.5%)</p>	<p>Nil</p>
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<p>Pablo Vieira, 45 Washington DC, USA</p>	<p>Director</p>	<p>Mr. Vieira is the Global Director of the NDC Partnership Support Unit. In this role, Mr. Vieira leads efforts that build momentum for ambitious climate and development actions, in collaboration with governments and international stakeholders around the world. Mr. Vieira develops and executes activities that help countries advance climate goals by facilitating access to analysis, tools, expertise, financing, and other resources. Mr. Vieira is a leading figure in the environmental, green growth, and sustainable rural development sectors in Colombia. Before joining the NDC Partnership, he served as an Advisor to President Juan Manuel Santos, managing Colombia's accession to the Organization for Economic Cooperation and Development (OECD) and supporting the coordination and implementation of national and international commitments on the environment and climate change. In 2013, Mr. Vieira was appointed as Deputy Minister of Environment and Sustainable Development, responsible for the formulation, adoption, and implementation of all environmental and sustainable development strategies, policies, and regulations, with a special emphasis on climate change, water management, biodiversity, and ecosystem services. Mr. Vieira also has wide experience working for the private sector in the fields of innovation and technology development for the petrochemical industry. Mr. Vieira is a Chemical Engineer from Colombia's National University and holds a Ph.D. from the Department of Chemical and Biomolecular Engineering at Tulane University in New Orleans.</p>	<p>Nil (0.0%)</p>	<p>Nil</p>
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Peter Yates, 46 Calgary, Alberta	Corporate Secretary	Consultant/Lawyer with EnerNext Counsel since August 2017. Associate at Field LLP in the corporate/securities department from November, 2015 until August, 2017. Prior thereto, Partner in the securities/corporate finance group at Dentons Canada LLP (formerly Fraser Milner Casgrain LLP) from May 2012 to October 2015. Formerly an Associate in the securities, corporate finance and mergers and acquisitions group with Heenan Blaikie LLP from March, 2004 to May, 2012. Mr. Yates has a Bachelor of Arts degree from McGill University ('96) and a Bachelor of Law degree from Dalhousie University ('00). Mr. Yates is a graduate of the Canadian Securities Course offered by the Canadian Securities Institute.	Nil (0.0%)	Nil
	Total		15,236,794 (17.8%)	Nil

Notes:

- (1) Proposed member of the audit committee.
- (2) Proposed chairman of the audit committee.
- (3) Proposed member of the compensation and governance committee.
- (4) Held by Freyr SAS, a company controlled by Mr. Borresen.
- (5) Includes 320,000 Medcolcanna Shares held directly by Mr. de la Vega, as well as 8,663,000 Medcolcanna Shares held by various companies affiliated with Mr. de la Vega, including a company owned by Mr. de la Vega's mother and sister, a company owned by Mr. de la Vega's mother and half-brother (who also separately holds Medcolcanna Shares directly), and Medcolcanna Shares held by Mr. de la Vega's common law spouse.
- (6) 4,800,000 shares held through BB Enterprises Ltd, a wholly owned subsidiary. 22,046 shares held directly.

If the Share Exchange is completed the proposed directors, officers and promoters of the Resulting Issuer as a group, will control, directly or indirectly, 15,236,794 Resulting Issuer Shares, representing 17.8% of the outstanding Resulting Issuer Shares.

The affairs of the Corporation are managed by a Board who are elected annually for a one (1) year term at each annual meeting of Shareholders and who hold office until the next annual meeting, or until their successors are duly elected or appointed or until a director vacates his office or is replaced in accordance with the by-laws of the Corporation.

Currently, the Board of Directors of Medcolcanna consists of Felipe de la Vega, Chris Reid and Santiago Suarez Florez, such directors holding office until the next annual meeting of shareholders. All such directors were appointed upon the incorporation of Medcolcanna.

Audit Committee

Assuming completion of the Share Exchange, it is proposed that the Resulting Issuer will have an Audit Committee comprised of Robert Metcalfe, Thor Borresen, and Pablo Vieira, all of whom will be considered "independent" as that term is defined in Multilateral Instrument 52-110 - *Audit Committees*. Also, all of the Audit Committee members are expected to be "financially literate" as defined in Multilateral Instrument 52-110 - *Audit Committees*. The Resulting Issuer will adopt a Charter of the Audit Committee in the form set out at Schedule "G".

Biographical Information

Biographical information for the Resulting Issuer directors and officers is summarized below:

Felipe De La Vega, 40 – President, CEO and Director

Mr. De La Vega was the founder of Trenaco Holdings Group, a major Latin American commodity trading company with revenues of US\$800 million in 2014. He acted in the capacity of CEO for 10 years. In that role, he developed strong relationships with domestic and global commodities companies and created vertical integration for the value chain through the acquisition of profitable assets such as coal mines, metcoke ovens, quality labs, stockyards, and transportation infrastructure. Mr. De la Vega led the company to be the second largest exporter of coking coal in Colombia. Trenaco was ranked 17th largest Colombian exporter, 76th largest Colombian company, and #1 in growth prospects for 2013-2014.

Chris Reid, 40 - Chief Financial Officer

Mr. Reid is a CPA with 12 years of experience in industry and international business. Mr. Reid is currently Chief Executive Officer, President and a Director of Petrodorado, a petroleum company with operations in Colombia. He served as Executive Officer, Chief Financial Officer and Interim President of Petrodorado from February 2012 to January 2016. Currently is serves a director of several publicly listed companies. In his current role Mr. Reid is responsible to provide strategic direction, financial leadership on capital markets and provide insight and recommendations to both short-term and long-term growth plans of the company.

Mr. Reid works and resides in Bogota, Colombia but is a Canadian Citizen with a Canadian Accounting Designation. He understands the business practises, corporate law requirements and culture of Colombia quite well. He has a plethora of experience helping Colombian companies get listed on stock exchanges in Canada. He mitigates risk by ensuring consistent governance and disclosure standards in all his appointments.

Nicolas Rodriguez, 38 – Chief Operating Officer

Mr. Rodriguez is an agricultural engineer with more than 13 years of experience leading innovation and business development in the agro industry. He has strong leadership skills and technological knowledge in agricultural production. Mr. Rodriguez previously held the position of General Manager at Clinton Giustra Enterprise Partnership, a social business builder that brings entrepreneurial solutions to agribusinesses, farmers and fishermen. In his current position he is responsible for designing, implementing and overseeing business operations.

Robert James Metcalfe, 78 - Director

Mr. Metcalfe, a lawyer, was senior partner with the law firm Lang Michener, LLP for 20 years. He is the former President and Chief Executive Officer of Armadale Properties and Counsel to all of the Armadale Group of Companies, with significant holdings across numerous industries including finance, construction of office buildings, airport ownership, management and refurbishing, land development, automotive dealerships as well as newspaper, radio and television stations. Mr. Metcalfe has served as President, CEO, Lead Director, Chairman and Committee member on numerous publicly listed natural resource and industry company corporate boards in Canada, the USA, England, South America and Africa. As director and shareholder, Mr. Metcalfe has been engaged in numerous acquisitions, divestitures, corporate reorganizations, financings and corporate improvements, as well as serving on numerous special committees across many sectors. He is a member of the Institute of Corporate Directors and a member in good standing of the Law Society of Canada.

Mr. Metcalfe has mean years of experience with reporting issuers based in Colombia. He has been a Director of Gran Colombia Gold Corp since 2011. Gran Colombia Gold Corp is listed on the TSX big board with Disclosure Controls and Procedures and Internal Control Over financial Reporting firmly in place. Mr. Metcalfe also previously a Director of Petromagdalena Energy Corp., a Colombian Oil company previously listed on the TSXV previously.

Thor Borresen, 37 - Director

Mr. Borresen is an Industrial Engineer from the Javeriana University in Cali, Colombia and is currently the Marketing Vice-president of Bavaria, the Colombian operation of AB-InBev, the world's leading brewer. In his current position, he is responsible for leading the development of a complete portfolio of local and international beer brands, boosting category growth and building the equity of the brands. His main challenge is to keep the category alive and relevant among young adults, through a strategy of brand renovation, innovation and digital connection with consumers and stakeholders. His professional career spans over 14 years in different commercial roles. Before joining Bavaria, he was part of the marketing team in Kraft Foods Colombia and Venezuela, overseeing local and regional markets. Recently, he led the development and launch of a new business unit: The High End Company, integrating the roles of Sales, Marketing, Finance and Logistics for a group of Global and Craft brands.

Pablo Vieira, 45 - Director

Mr. Vieira is the Global Director of the NDC Partnership Support Unit. In this role, Mr. Vieira leads efforts that build momentum for ambitious climate and development actions, in collaboration with governments and international stakeholders around the world. Pablo develops and executes activities that help countries advance climate goals by facilitating access to analysis, tools, expertise, financing, and other resources. Mr. Vieira is a leading figure in the environmental, green growth, and sustainable rural development sectors in Colombia. Before joining the NDC Partnership, he served as an Advisor to President Juan Manuel Santos, managing Colombia's accession to the Organization for Economic Cooperation and Development (OECD) and supporting the coordination and implementation of national and international commitments on the environment and climate change. In 2013, Mr. Vieira was appointed as Deputy Minister of Environment and Sustainable Development, responsible for the formulation, adoption, and implementation of all environmental and sustainable development strategies, policies, and regulations, with a special emphasis on climate change, water management, biodiversity, and ecosystem services. Mr. Vieira also has wide experience working for the private sector in the fields of innovation and technology development for the petrochemical industry. Mr. Vieira is a Chemical Engineer from Colombia's National University and holds a Ph.D. from the Department of Chemical and Biomolecular Engineering at Tulane University in New Orleans.

Peter Yates, 46 – Corporate Secretary

Consultant/Lawyer with EnerNext Counsel since August 2017. Associate at Field LLP in the corporate/securities department from November, 2015 until August, 2017. Prior thereto, Partner in the securities/corporate finance group at Dentons Canada LLP (formerly Fraser Milner Casgrain LLP) from May 2012 to October 2015. Formerly an Associate in the securities, corporate finance and mergers and acquisitions group with Heenan Blaikie LLP from March, 2004 to May, 2012. Mr. Yates has a Bachelor of Arts degree from McGill University ('96) and a Bachelor of Law degree from Dalhousie University ('00). Mr. Yates is a graduate of the Canadian Securities Course offered by the Canadian Securities Institute.

Non-Compliance or Non-Disclosure Agreements

None of the proposed directors or officers of Resulting Issuer have entered into any non-compliance or non-disclosure agreements with Medcolcanna, nor do any of the proposed directors or officers of Resulting Issuer propose to do so with Resulting Issuer.

Corporate Cease Trade Orders or Bankruptcies

Except as disclosed elsewhere herein (see below, "*Penalties or Sanctions*") to the best of the Medcolcanna's knowledge, no director, proposed director or executive officer of Resulting Issuer is at the date hereof, or within the ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including Medcolcanna) that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or

- (b) was subject to a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the best of IES's and Medcolcanna 's knowledge, no proposed director of Resulting Issuer is at the date hereof, or within the ten years prior to the date hereof has been, a director or executive officer of any company (including Medcolcanna) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Individual Bankruptcies

No proposed director, officer, promoter or principal shareholder of Resulting Issuer is or has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Penalties or Sanctions

No proposed director or officer of Resulting Issuer has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely to be considered important to a reasonable investor making a decision about the Share Exchange.

Conflicts of Interest

Certain directors and officers of Resulting Issuer currently, or may in the future, act as directors or officers of other companies and, consequently, it is possible that a conflict may arise between their duties as a director or officer of Resulting Issuer and their duties as a director or officer of any other such company. There is no guarantee that while performing their duties for Resulting Issuer, the directors or officers of Resulting Issuer will not be in situations that could give rise to conflicts of interest. There is no guarantee that these conflicts will be resolved in favour of Resulting Issuer. The proposed directors and officers of Resulting Issuer are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors and officers of conflicts of interest and the fact that Resulting Issuer will rely upon such laws in respect of any director's or officer's conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts must be disclosed by such directors or officers in accordance with the BCBCA, and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

Other Reporting Issuer Experience

The following table sets out the proposed directors and officers of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

Name	Name of Reporting Issuer	Exchange	Position	From	To
Chris Reid	Cruzsor Energy Corp.	TSXV	Chief Financial Officer	April 4, 2017	Present
	Integrated Energy Storage Corp.		Chief Financial Officer	July 4, 2016	October 17, 2018

Name	Name of Reporting Issuer	Exchange	Position	From	To
	SOPerior Fertilizer Corp.	TSXV	Director	June 1, 2016	November 7, 2018
	Petrodorado Energy Ltd.	TSXV	Chairman, President & Chief Executive Officer	January 27, 2016	Present
	Petrodorado Energy Ltd.	TSXV	Chief Financial Officer	February 1, 2012	January 27, 2016
	Rebel Capital Inc.	TSXV	Director	September 7, 2017	Present
	Rebel Capital 2.0 Corp.	TSXV	Director	November 11, 2018	Present
	Blueberries Medical Corp.	CSE	Interim Chief Financial Officer	February 5, 2019	Present
	First Cobalt Corp.	TSXV	Director	January 6, 2017	May 18, 2017
Robert Metcalfe	Blue Star Gold Corp	TSXV	Director	May 5, 2015	Present
	Xinergy Ltd.	Ceased Reporting	Director	December 21, 2009	Present
	LeadFX Inc.	TSX	Director	June 10, 2014	August 18, 2017
	LSC Lithium Corporation	TSXV	Director	February 22, 2017	Present
	Gran Colombia Gold Corp.	TSX	Director	June 10, 2011	Present
	Prairie Provident Resources Canada Ltd.	Ceased Reporting	Director	July 2, 2012	December 6, 2016
	Agility Health, Inc.	TSXV	Director	October 7, 2013	Present
Peter Yates	Petrodorado Energy Ltd.	TSXV	Director	February 6, 2015	Present

PROPOSED EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This section provides information regarding the proposed compensation program for Named Executive Officers of the Resulting Issuer. The Resulting Issuer will adopt the compensation practices of Medcolcanna as discussed under “Part III - Information Concerning the Medcolcanna - Executive Compensation”.

Named Executive Officers

The Resulting Issuer’s “Named Executive Officers” include its Chief Executive Officer, Chief Financial Officer (or an individual that served in a similar capacity) and the other three most highly compensated executive officers provided that disclosure is not required for those executive officers, other than the Chief Executive Officer and Chief Financial Officer, whose total compensation did not exceed \$150,000. There are no proposed officers or directors of the Resulting Issuer whose compensation is expected to exceed \$150,000, except as set forth below.

Summary compensation table

The following table sets forth the proposed compensation to be earned by the Named Executive Officers of the Resulting Issuer during the first 12 months following the Effective Date.

Name & Principal Position	Annual Compensation			Long-Term Compensation			
	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
				Securities Under Stock Option, SARs to be Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	All other Compensation (\$)
Felipe de la Vega, President & CEO	US\$150,000	-	-	-	-	-	US\$150,000
Chris Reid, CFO	US\$60,000	-	-	-	-	-	US\$60,000
Peter Yates, Corporate Secretary	Nil	-	-	-	-	-	Nil
Nicolas Rodriguez, COO	US\$132,000 ⁽¹⁾	-	-	-	-	-	US\$132,000 ⁽¹⁾

(1) Mr. Rodriguez’s salary will be US\$66,000 until completion of the Transaction.

Employment Agreements

On November 26, 2019, Medcolcanna entered into a contract with Felipe de la Vega in which Mr. de la Vega agreed to provide the services of Chief Executive Officer for Medcolcanna. His annual salary is US\$150,000 and the contract has an indefinite term, but may be terminated by Mr. de la Vega upon 60 days’ notice. If the contract is terminated without cause or upon a change of control, severance in the amount of 24 months of salary is to be paid. If termination without cause happens before 24 full months of service have occurred, then the severance is paid pro-rata up to amount earned at that time.

On November 26, 2019, Medcolcanna entered into a contract with Chris Reid in which Mr. Reid agreed to provide the services of Chief Financial Officer for Medcolcanna. His annual salary is US\$60,000 and the contract has an indefinite term, but may be terminated by Mr. Reid upon 60 days’ notice. If the contract is terminated without cause or upon a change of control, severance in the amount of 24 months of salary is to be paid. If termination without cause happens before 24 full months of service have occurred, then the severance is paid *pro-rata* up to amount earned at that time.

On November 26, 2019, Medcolcanna entered into a contract with Nicolas Rodriguez in which Mr. Rodriguez agreed to provide the services of Chief Financial Officer for Medcolcanna. His annual salary is US\$132,000 commencing on the day the RTO closes and the contract has an indefinite term, but may be terminated by Mr. Rodriguez upon 60 days' notice. If the contract is terminated without cause or upon a change of control, severance in the amount of 24 months of salary is to be paid. If termination without cause happens before 24 full months of service have occurred, then the severance is paid *pro-rata* up to amount earned at that time.

Proposed Compensation of Directors

Following the completion of the Share Exchange, it is anticipated that the Resulting Issuer's independent directors will recommend how much, if any, cash compensation will be paid to directors for services rendered by directors, in such capacity, to the Resulting Issuer. Following the completion of the Share Exchange, the directors of the Resulting Issuer may be paid cash compensation commensurate with the prevailing level of compensation for directors in the same industry in which the Resulting Issuer operates. Notwithstanding the foregoing, it is anticipated that all directors will be primarily compensated for their services as directors through the granting of stock options in such amounts and upon such terms as may be recommended by the independent directors from time to time. Resulting Issuer will also reimburse directors for out-of-pocket expenses related to their attendance to meetings. Non-executive directors will also be entitled to participate in the Stock Option Plan.

Proposed executive officers of the Resulting Issuer who also act as directors of the Resulting Issuer will not receive any additional compensation for services rendered in such capacity, other than as paid by the Resulting Issuer to such executive officers in their capacity as executive officers.

Medcolcanna does not anticipate paying director fees for the foreseeable future.

PROMOTER CONSIDERATION

The only persons who may be considered to be a promoters of the Resulting Issuer would be Chris Reid and Felipe de la Vega, the details of amounts paid to such individuals being as set forth herein. Such individuals would be considered promoters solely by virtue of the fact that they took the initiative to incorporate Medcolcanna.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No director or officer, member of management, nominee for elections as director of the Resulting Issuer, nor any of their Associates or Affiliates, is or has been indebted to Medcolcanna or IES or is expected to be indebted to the Resulting Issuer following the closing of the Share Exchange.

INVESTOR RELATIONS ARRANGEMENTS

Medcolcanna entered into the Renmark Investor Relations Agreement on February 22, 2019 with Renmark Financial Communications Inc. ("**Renmark**") for a period of six months starting March 1, 2019 and ending on August 31, 2019. Renmark will be providing the services from its principal offices in Toronto, Ontario. Renmark will receive consideration of \$6,000 per month for the provision of such services. It is not anticipated that Renmark will own any securities of the Resulting Issuer. Renmark will be providing investor relations services to the Resulting Issuer, including communications with potential investors and ensuring timely disclosure of important information to existing shareholders.

Medcolcanna entered into the Storyboard Investor Relations Agreement on February 26, 2019 with Storyboard Communications Corp. ("**Storyboard**") for a period of six months starting March 1, 2019 and ending on August 31, 2019. Storyboard will be providing the services from its principal offices in Toronto, Ontario. Storyboard will receive consideration of \$9,000 per month for the provision of such services. It is not anticipated that Storyboard will own any securities of the Resulting Issuer. Storyboard will be providing investor relations services to the Resulting Issuer, including communications with potential investors and ensuring timely disclosure of important information to existing shareholders.

OPTIONS TO PURCHASE SECURITIES

There are presently 500,000 IES Stock Options outstanding under the IES Stock Option Plan, none of which are held by officers or directors of IES. It is a condition of the Share Exchange Agreement that the holders of IES Stock Options agree to the termination and cancellation of such options. It is anticipated that the IES Stock Option Plan (a copy of which is attached hereto as Schedule "A") will be replaced by the Resulting Issuer Stock Option Plan (a copy of which is attached hereto as Schedule "F") following the completion of the Transaction.

The Resulting Issuer Stock Options will be subject to the terms of the Resulting Issuer Stock Option Plan.

The Resulting Issuer Stock Option Plan provides for the acquisition of Resulting Issuer Shares by directors, officers, employees or Consultants (as defined in the Resulting Issuer Stock Option Plan) of the Resulting Issuer, or any affiliated entity of the Resulting Issuer, for the purpose of advancing the interests of the Resulting Issuer through the motivation, attraction and retention of key employees and directors and to secure for the Resulting Issuer and the shareholders of the Resulting Issuer the benefits inherent in the ownership of Resulting Issuer Shares by key employees and directors, it being generally recognized that stock option plans can aid in attracting, retaining and encouraging employees and directors due to the opportunity offered to them to acquire a proprietary interest in such company.

The following information is intended to be a brief description of the Resulting Issuer Stock Option Plan and is qualified in its entirety by the full text of the Resulting Issuer Stock Option Plan as set out in Schedule "F", subject to any revisions or amendments deemed necessary by the board of directors of the Resulting Issuer:

- (a) The aggregate number of Resulting Issuer Shares which may be issued under the Resulting Issuer Stock Option Plan shall not exceed 10% (the "**Plan Maximum**") of the aggregate number of the Resulting Issuer Shares then issued and outstanding (calculated on a non-diluted basis).
- (b) The maximum number of Resulting Issuer Shares which may be reserved for issuance to insiders of Resulting Issuer pursuant to the Resulting Issuer Stock Option Plan at any given time shall not exceed 10% of the total number of the Resulting Issuer Shares then outstanding.
- (c) The maximum number of Resulting Issuer Shares which may be issued to any one person or entity pursuant to the Resulting Issuer Stock Option Plan, within any one-year period shall not exceed 10% of the total number of Resulting Issuer Shares then outstanding.
- (d) Any Resulting Issuer Share subject to an option which has been granted under the Resulting Issuer Stock Option Plan and which has been cancelled, repurchased, expired or terminated in accordance with the terms of the Resulting Issuer Stock Option Plan without having been exercised will again be available under the Resulting Issuer Stock Option Plan. No fractional Resulting Issuer Shares shall be issued, and the board of directors of the Resulting Issuer may determine the manner in which fractional share value shall be treated.
- (e) The option price of any Resulting Issuer Shares in respect of which an option may be granted shall be fixed by the board of directors of the Resulting Issuer but shall be in accordance with the rules and policies of the TSXV. In no event shall the Option Price be less than the Discounted Market Price (as defined in the policies of the TSXV).
- (f) Options granted under the Resulting Issuer Stock Option Plan may be exercisable over a period not exceeding ten (10) years.
- (g) In the event of a termination with cause of an employee optionee, each option held by such optionee will cease to be exercisable on the earlier of the day on which the optionee ceases to be an employee and the day on which the employee is given a notice of termination, notice of dismissal or other similar notice by the Resulting Issuer. In the event of the termination without cause, or the retirement

of an optionee, each option held by such optionee will cease to be exercisable within a period of 90 days after the date of the termination or retirement date, as the case may be.

- (h) If, before the expiry of an option in accordance with the terms thereof, the provision of services by a non-employee optionee terminates for any reason other than termination by the Resulting Issuer in connection with any breach or default by the non-employee optionee of the terms and conditions upon which the non-employee optionee was providing services to the Resulting Issuer, but including the termination of the provision of the death of the non-employee optionee, the options held by the non-employee optionee may be exercised at any time during the 30 day period following the effective date of the termination of the provision of services to the Resulting Issuer by such non-employee optionee.
- (i) In the event of death of an optionee, the legal representative of the optionee may exercise the option at any time during the 90-day period following the death of the optionee.
- (j) Options are non-assignable.
- (k) The Resulting Issuer Stock Option Plan does not provide for any financial assistance upon the exercise of options.
- (l) The approval of the board of directors of the Resulting Issuer and the requisite approval from the Exchange and the shareholders of the Resulting Issuer shall be required for any of the following amendments to be made to the Resulting Issuer Stock Option Plan:
 - (i) an increase to the fixed maximum percentage of Shares issuable under the Resulting Issuer Stock Option Plan;
 - (ii) a reduction in the exercise price or purchase price of an option (other than for standard anti-dilution purposes) held by or benefiting an Insider;
 - (iii) an increase in the maximum number of Shares that may be issued to Insiders within any one-year period or that are issuable to Insiders at any time;
 - (iv) an extension of the term of an option held by or benefiting an Insider;
 - (v) any change to the definition of “eligible Person” which would have the potential of broadening or increasing Insider participation;
 - (vi) the addition of any form of financial assistance;
 - (vii) any amendment to a financial assistance provision which is more favourable to Participants;
 - (viii) the addition of a deferred or restricted share unit or any other provision which results in Eligible Persons receiving securities while no cash consideration is received by Resulting Issuer; and
 - (ix) any other amendments that may lead to significant or unreasonable dilution in Resulting Issuer’s outstanding securities or may provide additional benefits to Resulting Issuer’s, especially Insiders, at the expense of Resulting Issuer and its existing shareholders.
- (m) The board of Resulting Issuer may, without shareholder approval but subject to receipt of requisite approval as required by the Exchange, in its sole discretion make all other amendments to the Resulting Issuer Stock Option Plan that are not of the type contemplated above including, without limitation:
 - (i) amendments of a housekeeping nature;

- (ii) a change to the vesting provisions of an option or the Resulting Issuer Stock Option Plan; and
- (iii) a change to the termination provisions of an Option or the Resulting Issuer Stock Option Plan which does not entail an extension beyond the original expiry date.

ESCROWED SECURITIES

To the best knowledge of the management of IES and Medcolcanna, as of the date of the Filing Statement, the following table discloses the names and municipalities of residence of the securityholders, the number of securities currently held in escrow and the number of securities of the Resulting Issuer anticipated to be held in escrow upon completion of the Share Exchange Agreement, and the percentage that those numbers represent of the outstanding securities.

Terms of Escrow for the Value Escrow Shares

An aggregate of 32,000,000 Resulting Issuer Shares to be issued under the Share Exchange Agreement are considered “Value Escrow Shares” in accordance with TSXV Policy 5.4 and will be subject to the release schedule applicable under a Tier 2 Value Security Escrow Agreement in accordance with the following timeline:

Tier 2 Issuer % of Resulting Issuer Shares Released from Escrow	Release Date
10%	Date of Final Exchange Bulletin
15%	6 months from Final Exchange Bulletin
15%	12 months from Final Exchange Bulletin
15%	18 months from Final Exchange Bulletin
15%	24 months from Final Exchange Bulletin
15%	30 months from Final Exchange Bulletin
15%	36 months from Final Exchange Bulletin

In addition, an aggregate of 1,040,128 Resulting Issuer Shares issued to the founders of IES and certain shareholders on the spin-out transaction of IES described above will likewise be considered “Value Escrow Shares” in accordance with TSXV Policy 5.4 and will be subject to the release schedule applicable under a Tier 2 Value Security Escrow Agreement in accordance with the foregoing timeline. A further 4,460,933 Resulting Issuer Shares are subject to a four month hold pursuant to applicable securities laws, such hold period expiring on June 1, 2019. An additional 709,125 Resulting Issuer Shares are subject to a four month hold pursuant to applicable securities laws, such period expiring on July 27, 2019.

Lastly, a total of 7,762,659 Resulting Issuer Shares will be subject to either (a) lock-up provisions restricting the resale of the Medcolcanna Shares for a period of eighteen months, as agreed to by IES and Medcolcanna with the Agents as a condition of closing the Concurrent Financing, or (b) the hold periods pursuant to the “Seed Share Resale Matrix” in accordance the policies of the TSXV (Seed Share Resale Restrictions under Exchange Policy 5.4) upon completion of the Share Exchange, which vary from three years to four (4) months, depending on the initial price at which the IES Shares and Medcolcanna Shares, as the case may be, were purchased and for how long they have been held by the applicable shareholder. Lastly, a total of 6,500,000 Resulting Issuer Shares and 6,450,000 Resulting Issuer Warrants are subject to a three year hold period pursuant to a Tier 2 Value Security Escrow under the “Seed Share Resale Matrix” pursuant to certain debt settlement transactions undertaken by IES in advance of closing (see “*Information Concerning IES – General Development of the Business*”).

The following table sets out, as of the date hereof and to the knowledge of IES and Medcolcanna, the name and municipality of residence of the security holders who are Principals as defined in TSXV Policy 1.1 and whose

Resulting Issuer Shares will be held in escrow pursuant to the terms of the Escrow Agreement and according to the release schedule set out above.

Prior to Giving Effect to the Share Exchange				After Giving Effect to the Share Exchange and the Concurrent Financing	
Name and Municipality of Residence of Shareholder	Designation of Class	Number of Securities held in Escrow	% of Class	Number of Securities to be held in Escrow	% of Class ⁽¹⁾⁽²⁾
Felipe de la Vega Bogota, Colombia	Common Shares	Nil	0.0%	8,983,000	10.49%
Chris Reid Bogota, Colombia	Common Shares	Nil	0.0%	4,822,046	5.60%
Nicolas Rodriguez Bogota, Colombia	Common Shares	Nil	0.0%	1,000,000	1.17%
Thor Borresen Bogota, Colombia	Common Shares	Nil	0.0%	431,748	0.50%
Robert Metcalfe Toronto, Ontario	Common Shares	Nil	0.0%	Nil	0.0%
Pablo Vieira Washington, DC	Common Shares	Nil	0.0%	Nil	0.0%
Peter Yates Calgary, Alberta	Common Shares	Nil	0.0%	Nil	0.0%
Felipe de la Vega Bogota, Colombia	Warrants	Nil	0.0%	Nil	0.0%
Chris Reid Bogota, Colombia	Warrants	Nil	0.0%	Nil	0.0%
Nicolas Rodriguez Bogota, Colombia	Warrants	Nil	0.0%	Nil	0.0%
Thor Borresen Bogota, Colombia	Warrants	Nil	0.0%	215,874	0.8%
Robert Metcalfe Toronto, Ontario	Warrants	Nil	0.0%	Nil	0.0%
Pablo Vieira Washington, DC	Warrants	Nil	0.0%	Nil	0.0%
Peter Yates Calgary, Alberta	Warrants	Nil	0.0%	Nil	0.0%

Notes:

- (1) Based on total issued and outstanding Resulting Issuer Shares following closing of the Share Exchange of 85,649,459.
- (2) Based on total issued and outstanding Resulting Issuer Warrants following closing of the Share Exchange of 26,624,730.

MATERIAL CONTRACTS

The material contracts of the Resulting Issuer are the material contracts of IES as described under “*Part II - Information Concerning IES - Material Contracts*” and Medcolcanna as described under “*Part III - Information Concerning Medcolcanna - Material Contracts*”.

STOCK EXCHANGE LISTING

IES is a “reporting issuer” under the securities laws of the Provinces of Alberta, British Columbia and Ontario and the Resulting Issuer will continue to be a reporting issuer in those jurisdictions following the closing of the Transactions. IES is not actively traded and therefore does not have a trading symbol. The TSXV has conditionally accepted the listing of the Resulting Issuer Shares subject to IES and Medcolcanna fulfilling all of the requirements of the TSXV.

AUDITORS

It is proposed that MNP LLP, Chartered Accountants, of Toronto, Ontario, will be appointed as the auditors of the Resulting Issuer.

TRANSFER AGENT AND REGISTRAR

It is proposed that TSX Trust Company, Suite 301, 100 Adelaide Street West, Toronto, Ontario M5H4H1 will be the transfer agent and registrar for the Resulting Issuer Shares.

LISTED ISSUER WITH FOREIGN ASSETS

Upon completion of the Share Exchange, substantially all of the assets of Resulting Issuer will be located outside of Canada in Colombia. It may not be possible for investors to effect service of process within Canada on the operations of Resulting Issuer in Colombia. It may also not be possible to enforce against Resulting Issuer judgments which are obtained in Canadian courts predicated upon Canadian laws, including the civil liability provisions of applicable securities laws in Canada.

SPONSORSHIP AND AGENT RELATIONSHIP

IES has applied for an exemption from the sponsorship requirements of the Exchange on the basis that it meets the criteria for such an exemption due to the Concurrent Financing and the diligence being conducted on Medcolcanna as by the Lead Agent.

EXPERTS

Certain legal matters pertaining to IES have been performed by Cassels, Brock & Blackwell LLP. Certain legal matters pertaining to Medcolcanna have been performed by EnerNext Counsel.

RISK FACTORS

Following the completion of the Share Exchange, Resulting Issuer will carry on the same activities as those carried on by Medcolcanna as described in this Filing Statement. For a description of certain risk factors affecting Medcolcanna and, assuming completion of the Share Exchange, Resulting Issuer, see “*Part II - Information Concerning Medcolcanna - Risk Factors Concerning Medcolcanna and the Resulting Issuer*”.

OTHER MATERIAL FACTS

Neither IES nor Medcolcanna is aware of any other material facts to IES, Medcolcanna or the Transaction, except as otherwise set forth herein.

CERTIFICATE OF IES

The foregoing document constitutes full, true and plain disclosure of all material facts relating to the securities of Integrated Energy Storage Corp. assuming completion of the Transaction.

“Brian Stecyk”

Chief Executive Officer

“Christopher Hopkins”

Chief Financial Officer

“Christopher Hopkins”

Director

“Brian Murray”

Director

CERTIFICATE OF MEDCOLCANNA

The foregoing document constitutes full, true and plain disclosure of all material facts relating to the securities of Medcolcanna (BVI), Inc. assuming completion of the Transaction.

“Felipe de la Vega”

Chief Executive Officer

“Chris Reid”

Chief Financial Officer

“Santiago Florez Suarez”

Director

SCHEDULE A
IES STOCK OPTION PLAN

AILERON VENTURES LIMITED

STOCK OPTION PLAN

1. Purpose

The purpose of the stock option plan (the "**Plan**") of **Aileron Ventures Limited**, a corporation existing under the *Business Corporations Act* (Alberta) (the "**Company**") is to advance the interests of the Company by encouraging the directors, officers, employees and consultants of the Company, and of its subsidiaries and affiliates, if any, to acquire common shares of the Company ("**Shares**"), thereby increasing their proprietary interest in the Company, encouraging them to remain associated with the Company and furnishing them with additional incentive in their efforts on behalf of the Company in the conduct of its affairs.

2. Administration

The Plan shall be administered by the Board of Directors of the Company or by a special committee of the directors appointed from time to time by the Board of Directors of the Company pursuant to rules of procedure fixed by the Board of Directors (such committee or, if no such committee is appointed, the Board of Directors of the Company, is hereinafter referred to as the "**Board**"). A majority of the Board shall constitute a quorum, and the acts of a majority of the directors present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the directors.

Subject to the provisions of the Plan, the Board shall have authority to construe and interpret the Plan and all option agreements entered into thereunder, to define the terms used in the Plan and in all option agreements entered into thereunder, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations necessary or advisable for the administration of the Plan. All determinations and interpretations made by the Board shall be binding and conclusive on all participants in the Plan and on their legal personal representatives and beneficiaries.

Each option granted hereunder may be evidenced by an agreement in writing, signed on behalf of the Company and by the optionee, in such form as the Board shall approve. Each such agreement shall recite that it is subject to the provisions of this Plan.

3. Stock Exchange Rules

All options granted pursuant to this Plan shall be subject to the rules and policies of any stock exchange or exchanges on which the Shares are then listed and any other regulatory body having jurisdiction hereinafter (hereinafter collectively referred to as, the "**Exchange**").

4. Shares Subject to Plan

Subject to adjustment as provided in Section 16 hereof, the shares to be offered under the Plan shall consist of Shares of the Company's authorized but unissued common shares. The aggregate number of Shares issuable upon the exercise of all options granted under the Plan shall not exceed fifteen (15%) percent of the issued and outstanding Shares at any given time. If any option granted hereunder shall expire or terminate for any reason in accordance with the terms of the Plan without being exercised, the unpurchased Shares subject thereto shall again be available for the purpose of this Plan.

5. Maintenance of Sufficient Capital

The Company shall at all times during the term of the Plan reserve and keep available such numbers of Shares as will be sufficient to satisfy the requirements of the Plan.

6. Eligibility and Participation

Directors, officers, consultants, and employees of the Company or its subsidiaries, and employees of a person or company which provides management services to the Company or its subsidiaries ("**Management Company Employees**") shall be eligible for selection to participate in the Plan (such persons hereinafter collectively referred to as "**Participants**"). Subject to compliance with applicable requirements of the Exchange, Participants may elect to hold options granted to them in an incorporated entity wholly owned by them and such entity shall be bound by the Plan in the same manner as if the options were held by the Participant.

Subject to the terms hereof, the Board shall determine to whom options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted and vested, and the number of Shares to be subject to each option. In the case of employees or consultants of the Company or Management Company Employees, the option agreements to which they are party must contain a representation of the Company that such employee, consultant or Management Company Employee, as the case may be, is a bona fide employee, consultant or Management Company Employee of the Company or its subsidiaries. A Participant who has been granted an option may, if such Participant is otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional option or options if the Board shall so determine.

7. Withholding Taxes

The Company shall have the authority to take steps for the deduction and withholding, or for the advance payment or reimbursement by the Participant to the Company, of any taxes or other required source deductions which the Company is required by law or regulation of any governmental authority whatsoever to remit in connection with this Plan, or any issuance of Shares. Without limiting the generality of the foregoing, the Company may, in its sole discretion:

- (a) deduct and withhold additional amounts from other amounts payable to a Participant;
- (b) require, as a condition of the issuance of Shares to a Participant that the Participant make a cash payment to the Company equal to the amount, in the Company's opinion, required to be withheld and remitted by the Company for the account of the Participant to the appropriate governmental authority and the Company, in its discretion, may withhold the issuance or delivery of Shares until the Participant makes such payment; or
- (c) sell, on behalf of the Participant, all or any portion of Shares otherwise deliverable to the Participant until the net proceeds of sale equal or exceed the amount which, in the Company's opinion, would satisfy any and all withholding taxes and other source deductions for the account of the Participant.

8. Exercise Price

- (a) The exercise price of the Shares subject to each option shall be determined by the Board, subject to applicable Exchange approval, at the time any option is granted. In no event shall such exercise price be lower than the exercise price permitted by the Exchange.
- (b) Once the exercise price has been determined by the Board, accepted by the Exchange, if necessary, and the option has been granted, the exercise price of an option may be reduced upon receipt of Board approval, subject to any requirements of the Exchange.

9. Number of Optioned Shares

- (a) The aggregate number of Shares that may be issued pursuant to the exercise of Options awarded under the Plan and all other security based compensation arrangements of the Company shall not exceed fifteen (15%) percent of the issued and outstanding Shares at any given time, subject to the following additional limitations:

- (i) the aggregate number of options granted to any one person under the Plan within a 12 month period, together with all other security based compensation arrangements of the Company, must not exceed 5% of the then outstanding number of Shares, in the aggregate (on a non-diluted basis); and
 - (ii) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Shares, in the aggregate, in any 12 month period to persons employed to provide investor relations activities. Options granted to Consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than $\frac{1}{4}$ of the options vesting in any 3 month period.
- (b) The number of Shares subject to an option granted to any one Participant shall be determined by the Board, but no one Participant shall be granted an option which exceeds the maximum number permitted by the Exchange.

10. Duration of Option

Each option and all rights thereunder shall be expressed to expire on the date set out in the option agreement and shall be subject to earlier termination as provided in Sections 12 and 13, provided that in no circumstances shall the duration of an option exceed the maximum term permitted by the Exchange. For greater certainty, in no circumstances shall the maximum term exceed ten (10) years.

Should the expiry date of an Option fall within a Black Out Period or within nine business days following the expiration of a Black Out Period, such expiry date of the Option shall be automatically extended without any further act or formality to that date which is the tenth business day after the end of the Black Out Period, such tenth business day to be considered the expiry date for such Option for all purposes under the Plan. The ten business day period referred to in this paragraph may not be extended by the Board.

"**Black Out Period**" means the period during which the relevant Participant is prohibited from exercising an Option due to trading restrictions imposed by the Company pursuant to any policy of the Company respecting restrictions on trading that is in effect at that time.

11. Option Period, Consideration and Payment

- (a) The option period shall be a period of time fixed by the Board not to exceed the maximum term permitted by the Exchange, provided that the option period shall be reduced with respect to any option as provided in Sections 12 and 13 covering cessation as a director, officer, consultant, employee or Management Company Employee of the Company or its subsidiaries, or death of the Participant.
- (b) Subject to any vesting restrictions imposed by the Exchange, the Board may, in its sole discretion, determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist.
- (c) Subject to any vesting restrictions imposed by the Board, options may be exercised in whole or in part at any time and from time to time during the option period. To the extent required by the Exchange, no options may be exercised under this Plan until this Plan has been approved by a resolution duly passed by the shareholders of the Company.
- (d) Except as set forth in Sections 12 and 13, no option may be exercised unless the Participant is at the time of such exercise a director, officer, consultant, or employee of the Company or any of its subsidiaries, or a Management Company Employee of the Company or any of its subsidiaries.
- (e) Subject to Section 7, the exercise of any option will be contingent upon receipt by the Company at its head office of a written notice of exercise, specifying the number of Shares with respect to which the option is being exercised, accompanied by cash payment, certified

cheque or bank draft for the full purchase price of such Shares with respect to which the option is exercised. No Participant or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any Shares of the Company unless and until the certificates for Shares issuable pursuant to options under the Plan are issued to him or them under the terms of the Plan.

12. Ceasing To Be a Director, Officer, Consultant or Employee

If a Participant shall cease to be a director, officer, consultant, employee of the Company, or its subsidiaries, or ceases to be a Management Company Employee, for any reason (other than death), such Participant may exercise his option to the extent that the Participant was entitled to exercise it at the date of such cessation, provided that such exercise must occur within 90 days, subject to adjustment at the discretion of the Board, after the Participant ceases to be a director, officer, consultant, employee or a Management Company Employee, unless such Participant was engaged in investor relations activities, in which case such exercise must occur within 30 days after the cessation of the Participant's services to the Company.

Nothing contained in the Plan, nor in any option granted pursuant to the Plan, shall as such confer upon any Participant any right with respect to continuance as a director, officer, consultant, employee or Management Company Employee of the Company or of any of its subsidiaries or affiliates.

13. Death of Participant

Notwithstanding section 12, in the event of the death of a Participant, the option previously granted to him shall be exercisable only within the one (1) year after such death and then only:

- (a) by the person or persons to whom the Participant's rights under the option shall pass by the Participant's will or the laws of descent and distribution; and
- (b) if and to the extent that such Participant was entitled to exercise the Option at the date of his death.

14. Rights of Optionee

No person entitled to exercise any option granted under the Plan shall have any of the rights or privileges of a shareholder of the Company in respect of any Shares issuable upon exercise of such option until certificates representing such Shares shall have been issued and delivered.

15. Proceeds from Sale of Shares

The proceeds from the sale of Shares issued upon the exercise of options shall be added to the general funds of the Company and shall thereafter be used from time to time for such corporate purposes as the Board may determine.

16. Adjustments

If the outstanding shares of the Company are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Company or another corporation or entity through a reorganization, amalgamation, arrangement, merger, re-capitalization, re-classification, stock dividend, subdivision, consolidation or similar transaction, or in case of any transfer of all or substantially all of the assets or undertaking of the Company to another entity (any of which being, a "**Reorganization**") any adjustments relating to the Shares subject to Options or issued on exercise of Options and the exercise price per Share shall be adjusted by the Board, in its sole and absolute discretion, under this Section, provided that a Participant shall be thereafter entitled to receive the amount of securities or property (including cash) to which such Participant would have been entitled to receive as a result of such Reorganization if, on the effective date thereof, he had been the holder of the number of Shares to which he was entitled upon exercise of his Option(s).

Adjustments under this Section shall be made by the Board whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional Share shall be required to be issued under the Plan on any such adjustment.

17. Transferability

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein or the extent, if any, permitted by the Exchange. During the lifetime of a Participant any benefits, rights and options may only be exercised by the Participant.

18. Amendment and Termination of Plan

The Board may terminate or discontinue the Plan at any time without the consent of the Participants provided that such termination or discontinuance shall not alter or impair any Option previously granted under the Plan.

The Board may by resolution amend this Plan and any Options granted under it without shareholder approval, however, the Board will not be entitled, in the absence of shareholder and Exchange approval, to:

- (a) amend the persons eligible to be granted options under the plan;
- (b) amend the method for determining the exercise price of options;
- (c) reduce the exercise price of an Option held by an Insider of the Company;
- (d) extend the expiry date of an Option held by an Insider of the Company (subject to such date being extended by virtue of paragraph 10 above);
- (e) amend the limitations on the maximum number of Shares reserved or issued to Insiders under paragraphs 9(a)(ii) and 9(a)(iii) hereof;
- (f) increase the maximum number of Shares issuable pursuant to this Plan; or
- (g) amend the expiry, termination or amendment provisions of this Plan or applicable Options under this Article 18.

19. Necessary Approvals

The ability of a Participant to exercise options and the obligation of the Company to issue and deliver Shares in accordance with the Plan is subject to any approvals which may be required from shareholders of the Company and any regulatory authority or stock exchange having jurisdiction over the securities of the Company. If any Shares cannot be issued to any Participant for whatever reason, the obligation of the Company to issue such Shares shall terminate and any option exercise price paid to the Company will be returned to the Participant.

20. Effective Date of Plan

The Plan shall effective immediately upon adoption by the Board of the Company subject to the approval of the Exchange, if applicable.

21. Interpretation

The Plan will be governed by and construed in accordance with the laws of the Province of British Columbia.

SCHEDULE B
SHARE EXCHANGE AGREEMENT

SHARE EXCHANGE AGREEMENT

THIS SHARE EXCHANGE AGREEMENT made as of the 5th day of December, 2018.

BETWEEN:

INTEGRATED ENERGY STORAGE CORP., a corporation
incorporated under the laws of Canada

(hereinafter referred to as “**IES**”)

- and -

**THE SECURITYHOLDERS OF MEDCOLCANN (BVI), INC.
(FORMERLY GEBERI, LTD.) SET FORTH IN EXHIBIT “A”
ATTACHED HERETO**

(hereinafter referred to as the “**Vendors**”)

- and -

CHRISTOPHER DONALD REID, an individual residing in the City of
Bogota, in the Country of Colombia

(hereinafter referred to as the “**Vendors’ Representative**”).

WHEREAS IES is a reporting issuer pursuant to Securities Laws;

AND WHEREAS the Vendors are the registered holders of all of the issued and outstanding shares (the “**Medcolcanna Shares**”) in the capital of Medcolcanna (BVI), Inc. (“**Medcolcanna**”) and the Medcolcanna Existing Warrants (as defined herein) in the amounts set forth opposite their respective names in the attached Exhibit “A”;

AND WHEREAS on the terms and subject to the conditions hereinafter set forth, IES proposes to acquire the Medcolcanna Shares and Medcolcanna Existing Warrants and each of the Vendors proposes to transfer their Medcolcanna Shares and Medcolcanna Existing Warrants held by such Vendor to IES in exchange for common shares in the capital of IES or warrants to purchase common shares in the capital of IES, as applicable;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the respective covenants herein contained (the receipt and sufficiency of which is hereby acknowledged), the parties hereto agrees as follows:

**ARTICLE 1
DEFINITIONS**

- 1.1 In addition to the words and phrases defined in the recitals or elsewhere in this Agreement, as used in this Agreement, in any exhibit hereto, in any amendment hereof, in any documents to be executed and delivered pursuant to this Agreement and in any documents executed and delivered in connection with the completion of the transactions contemplated herein, the following words and phrases shall have the following meanings, respectively:
- (a) **“Agreement”** means this share exchange agreement as the same may be supplemented or amended from time to time;
 - (b) **“Applicable Law”** means:
 - (i) any applicable domestic or foreign law including any statute, subordinate legislation or treaty, and
 - (ii) any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority whether or not having the force of law;
 - (c) **“Broker Warrants”** means the broker warrants issuable to certain brokers in connection with the Private Placement;
 - (d) **“Business Day”** means a day other than a Saturday, Sunday or day on which the chartered banks are closed in the City of Toronto or Vancouver;
 - (e) **“CBCA”** means the *Canada Business Corporations Act*, as the same may be amended, from time to time, and includes any regulations thereto;
 - (f) **“Closing”** means the completion of the Transaction pursuant to and in accordance with this Agreement at the Time of Closing;
 - (g) **“Closing Date”** means the date of the Closing, which shall be within four Business Days following the later of (i) the date the parties receive conditional approval of the Transaction from the Exchange; (ii) the date of approval of the IES Resolutions by the IES Shareholders; and (iii) such other date as the Vendors’ Representative and IES may mutually agree, acting reasonably; but in any event not later February 28, 2019;
 - (h) **“Consolidation”** means the consolidation of the issued and outstanding IES Common Shares pursuant to which the total number of post-consolidation IES

Common Shares issued and outstanding as of the date of such consolidation shall not exceed 12,900,000, and the corresponding consolidation and adjustment of the IES Payment Warrants, provided that the total number of post-Consolidation IES Payment Warrants issued and outstanding as of the Closing Date shall not exceed 6,450,000;

- (i) **“Director”** means the Director appointed under Section 260 of the CBCA;
- (j) **“Drop Dead Date”** means February 28, 2019 or such other date as the parties may mutually agree;
- (k) **“Environmental Law”** means any Applicable Law relating to the environment including, but not limited to, those pertaining to:
 - (i) reporting, licensing, permitting, investigating, remediating and cleaning up in connection with any presence or Release, or the threat of the same, of Hazardous Substances, and
 - (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling and the like of Hazardous Substances, including those pertaining to occupational health and safety;
- (l) **“Exchange”** means the stock exchange upon which the IES Common Shares shall be listed on the Closing Date, such exchange to be the TSX Venture Exchange Inc.;
- (m) **“Exchange Policies”** means the applicable rules, regulations, policies and forms of the Exchange;
- (n) **“Governmental Authority”** means any government, parliament, legislature, regulatory authority (including any securities commission or stock exchange), governmental department, agency, commission, board, tribunal, crown corporation, court or other law, rule or regulation-making entity having jurisdiction or exercising executive, legislative, judicial, regulatory or administrative powers on behalf of any federation or nation, or any province, territory, state or other subdivision thereof or any municipality, district or other subdivision thereof;
- (o) **“Hazardous Substance”** means any substance or material that is prohibited, controlled or regulated by any Governmental Authority pursuant to Environmental Laws;
- (p) **“IES Common Shares”** mean the common shares in the capital of IES;
- (q) **“IES Debt”** means all current and long-term liabilities of IES existing as of the date hereof, such debt currently consisting of \$52,140 in accounts payable and accrued liabilities and a demand loan in the amount of \$312,446;

- (r) **“IES Escrow Agreement”** means the escrow agreement to be dated as of the Closing Date among IES, Computershare Investor Services Inc. and certain securityholders of Medcolcanna in compliance with the requirements of the Exchange, with the securities subject to such agreement to be released as determined by the Exchange;
- (s) **“IES Escrowed Shares”** means the IES Common Shares held subject to the IES Escrow Agreement;
- (t) **“IES Financial Statements”** means, collectively, (a) the audited financial statements of IES for the fiscal year ended December 31, 2017, (b) the condensed interim unaudited financial statements for the period ended September 30, 2018, and (c) such additional financial statements as may be required to be prepared by the Exchange;
- (u) **“IES Licence”** means the licence held by IES with Pacific Northwest National Laboratories which provides for evaluation and testing of vanadium that will be used in the production of vanadium electrolyte and enables IES to produce vanadium electrolyte that is currently patented by Pacific Northwest National Laboratories, the specifics of which are described in Exhibit “D” hereto;
- (v) **“IES Loans”** means money lent to Medcolcanna by IES from the proceeds of the IES Private Placement at any date prior to the Closing Date;
- (w) **“IES Meeting”** means the special meeting of the IES Shareholders to approve the IES Resolutions and certain other matters;
- (x) **“IES New Warrants”** means, on a post-Consolidation basis, 3,681,330 common share purchase warrants of IES to be issued to holders of Medcolcanna Existing Warrants, with each warrant entitling the holder to purchase one IES Common Share at a price of \$0.25 per share until September 24, 2019;
- (y) **“IES Options”** means, on a pre-Consolidation basis, an aggregate of 500,000 options to purchase IES Common Shares outstanding as of the date hereof, at an exercise price of \$0.25 per share and expiring on September 5, 2020;
- (z) **“IES Private Placement”** means the private placement of IES Common Shares expected to occur prior to the Closing Date raising gross proceeds of not less than \$1,000,000;
- (aa) **“IES Registrar and Transfer Agent”** means Computershare Investor Services Inc., and any other Person which may be appointed as registrar and transfer agent of IES from time to time;
- (bb) **“IES Resolutions”** means the special resolutions of the IES Shareholders to be approved at the IES Meeting approving the Name Change and Consolidation, and the ordinary resolutions approving the election of the Resulting Directors

(conditional upon completion of the Transaction), all as more particularly set out in the Management Information Circular;

- (cc) **“IES Second Private Placement Warrant”** means a common share purchase warrant of IES which shall be issued on the exchange of each of the Medcolcanna Second Private Placement Warrant, with each whole IES Second Private Placement Warrant entitling the holder thereof to acquire one IES Common Share at a price of \$0.40 per share until the date that is two years from the date of issuance;
- (dd) **“IES Shareholder”** means a holder of outstanding IES Common Shares;
- (ee) **“IES Stock Option Plan”** means the current incentive stock option plan of IES governing the terms of the IES Options;
- (ff) **“IES Unit Warrant”** means a common share purchase warrant of IES, one-half of which shall be issued on the exchange of each of the Unit Subscription Receipts, with each whole IES Unit Warrant entitling the holder thereof to acquire one IES Common Share at price of \$0.40 per IES Common Share until the date that is two (2) years from the Closing Date;
- (gg) **“Land Interests”** means the interests in certain lands in Colombia held by the Medcolcanna Subsidiary as described fully in Exhibit “B” hereto;
- (hh) **“Licences”** means the licences held by the Medcolcanna Subsidiary as described fully in Exhibit “C” hereto;
- (ii) **“Management Information Circular”** means the management information circular of IES to be prepared in accordance with Applicable Laws, to be forwarded by IES to the IES Shareholders, in connection with the IES Meeting;
- (jj) **“Medcolcanna Existing Warrants”** means the warrants to purchase up to an aggregate of 3,681,330 Medcolcanna Shares at a price of \$0.25 for a period of one year from September 24, 2018;
- (kk) **“Medcolcanna Financial Statements”** means collectively, (a) the audited consolidated financial statements of Medcolcanna for the period ended September 30, 2018, and (b) such additional financial statements as may be required to be prepared and included in the Management Information Circular;
- (ll) **“Medcolcanna Private Placement Warrants”** means the warrants to purchase approximately 10,000,000 Medcolcanna Shares at a price of \$0.40 for a period of two (2) years from the Closing Date, such warrants to be exchanged for IES Unit Warrants on the Closing Date;
- (mm) **“Medcolcanna Second Private Placement Purchasers”** means the subscribers to the Medcolcanna Second Private Placement and, where applicable, the Medcolcanna Second Private Placement Purchasers shall be included in the

definition of “**Vendors**” to the extent that the Medcolcanna Second Private Placement closes prior to the Closing Date;

- (nn) “**Medcolcanna Second Private Placement**” means the private placement of Medcolcanna Units representing up to \$500,000 in gross proceeds to be completed on or before the Closing Date;
- (oo) “**Medcolcanna Second Private Placement Warrants**” means the warrants to purchase approximately 1,000,000 Medcolcanna Shares at a price of \$0.40 until the date that it two (2) years from the date of issuance, such warrants to be exchanged for IES Second Private Placement Warrants on the Closing Date;
- (pp) “**Medcolcanna Subsidiary**” means Medcolcanna S.A.S., a corporation organized pursuant to the laws of Colombia and a wholly-owned subsidiary of Medcolcanna;
- (qq) “**Medcolcanna Units**” means the units to be issued pursuant to the Medcolcanna Second Private Placement, at a price of \$0.25 per Medcolcanna Unit with each Medcolcanna Unit comprising one Medcolcanna Share and one-half of one Medcolcanna Second Private Placement Warrant, and which shall be converted into IES Common Shares and IES Unit Warrants on the Closing Date;
- (rr) “**Name Change**” means the change of the name of IES to “Medcolcanna Organics Inc.” or such other name as may be determined in the sole discretion of the Vendors’ Representative, subject to Applicable Laws and Exchange Policies;
- (ss) “**Payment Shares**” has the meaning set forth in Section 2.4 hereof;
- (tt) “**Payment Warrants**” has the meaning set forth in Section 2.4 hereof;
- (uu) “**Person**” means a natural person, firm, corporation, trust, partnership, joint venture, governmental body or agency or association;
- (vv) “**Principal Shareholders**” means Christopher Donald Reid and Felipe De La Vega Vargara;
- (ww) “**Private Placement**” means the brokered private placement of Unit Subscription Receipts representing approximately \$5,000,000 in gross proceeds to be completed on or before the Closing Date;
- (xx) “**Promissory Note**” means the unsecured USD\$100,000 promissory note of Medcolcanna dated as of August 22, 2018, in favour of Ramius Equity Corp.;
- (yy) “**Property**” has the meaning ascribed thereto in Section 3.1(c);

- (zz) **“Purchase Price”** has the meaning set forth in Section 2.4 hereof;
- (aaa) **“Release”** means any release or discharge of any Hazardous Substance including any discharge, spray, injection, inoculation, abandonment, deposit, spillage, leakage, seepage, pouring, emission, emptying, throwing, dumping, placing, exhausting, escape, leach, migration, dispersal, dispensing or disposal;
- (bbb) **“Resulting Directors”** means the board of directors of IES to be appointed upon completion of the Transaction, to consist of five (5) members, all of whom shall be nominees of the Vendors’ Representative;
- (ccc) **“Securities Commissions”** means, collectively, the Ontario Securities Commission, the Alberta Securities Commission and the British Columbia Securities Commission;
- (ddd) **“Securities Laws”** means, collectively, the securities laws of the Provinces of Ontario, British Columbia and Alberta and the regulations and rules made and forms prescribed thereunder, together with all applicable multilateral or national instruments, published policy statements, blanket orders, rulings and notices of the Securities Commissions, and together with all policies, rules and regulations of the Exchange;
- (eee) **“Tax Returns”** means all returns, declarations, reports, information returns and statements filed or required to be filed with any taxing authority relating to Taxes;
- (fff) **“Taxes”** means all taxes, duties, assessments, imposts and levies however denominated, including any interest, penalties, fines, successor liabilities or other additions that may become payable in respect thereof, imposed by any Governmental Authority in Canada, including those levied on, measured by, or referred to as, income, capital, gross receipts, profits (including, but not limited to, federal income taxes and provincial income taxes), payroll and employee withholding, unemployment insurance, social insurance taxes, sales and use taxes, ad valorem taxes, excise taxes, franchise taxes, business licence taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, workers compensation and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing, which a party is required to pay, withhold, remit or collect;
- (ggg) **“Tax Act”** means the *Income Tax Act* (Canada), as the same may be amended from time to time, and includes any regulations thereto;
- (hhh) **“Time of Closing”** means the time on the Closing Date as may be agreed to by IES and the Vendors’ Representative;
- (iii) **“to the knowledge”** or similar expressions when referring to IES means the actual knowledge of the directors and executive officers of IES, as the case may be, and, when referring to an individual, the actual knowledge of such individual,

and in either case, the actual knowledge that any such person should have acquired upon reasonable inquiry;

- (jjj) **“Transaction”** means the purchase and sale of Medcolcanna Shares contemplated herein; and
- (kkk) **“Unit Subscription Receipts”** means the subscription receipts to be issued pursuant to the Private Placement, at a price of \$0.25 per Unit Subscription Receipt with each Unit Subscription Receipt entitling the holder thereof to acquire one Medcolcanna Share and one-half of one Medcolcanna Private Placement Warrant upon certain terms and conditions being satisfied, including but not limited to the completion of the Transaction, and which shall be converted into IES Common Shares and IES Unit Warrants on the Closing Date.

ARTICLE 2 PURCHASE AND SALE OF MEDCOLCANNA SHARES

- 2.1 Agreement of Purchase and Sale. Subject to the terms and conditions hereof, IES hereby offers and agrees to purchase the Medcolcanna Shares and Medcolcanna Existing Warrants owned by the Vendors, and the Vendors accept such offer and agree to sell, assign and transfer to IES such Medcolcanna Shares and Medcolcanna Existing Warrants.
- 2.2 Medcolcanna Second Private Placement. IES acknowledges that after the date hereof and prior to the Closing Date, Medcolcanna shall complete the Medcolcanna Second Private Placement, pursuant to which 2,000,000 Medcolcanna Shares and 1,000,000 Medcolcanna Second Private Placement Warrants will be issued to the Medcolcanna Second Private Placement Purchasers, and IES agrees to purchase the Medcolcanna Shares and Medcolcanna Second Private Placement Warrants owned by the Medcolcanna Second Private Placement Purchasers, and Medcolcanna agrees to cause the Medcolcanna Second Private Placement Purchasers to accept such offer and agree to sell, assign and transfer to IES such Medcolcanna Shares and Medcolcanna Second Private Placement Warrants. IES and the Medcolcanna Second Private Placement Purchasers shall sign such documents as are necessary as to give each party the full rights, obligations and benefits of this Agreement. IES further agrees to assist Medcolcanna in finding the Medcolcanna Second Private Placement Purchasers and arranging for their subscriptions for Medcolcanna Units.
- 2.3 IES Private Placement. Medcolcanna acknowledges that after the date hereof and prior to the Closing Date, IES shall complete the IES Private Placement, pursuant to which IES Common Shares will be issued to the certain Persons who shall become IES Shareholders prior to the Closing Date.
- 2.4 Payment of Purchase Price. Subject to the terms and conditions hereof and the adjustment provisions of Section 2.5 below, the purchase price (the **“Purchase Price”**) payable by IES to the Vendors and the Medcolcanna Second Private Placement Purchasers for their respective Medcolcanna Shares and Medcolcanna Existing Warrants or Medcolcanna Second Private Placement Warrants, as the case may be, shall be

satisfied by the issuance to the Vendors and the Medcolcanna Second Private Placement Purchasers at the Time of Closing of such number of IES Common Shares (the “**Payment Shares**”) and IES New Warrants or IES Second Private Placement Warrants, as the case may be (collectively, the “**Payment Warrants**”) as set forth next to each of the Vendors’ names in Exhibit “A” attached hereto, and as may be amended upon completion of the Medcolcanna Second Private Placement. Further, IES hereby agrees to issue additional IES Common Shares and IES Units Warrants to the holders of Unit Subscription Receipts on the Closing Date on the basis of one IES Common Share for each Medcolcanna Share comprising part of a Unit Subscription Receipt and one IES Unit Warrant per Medcolcanna Private Placement Warrant comprising part of a Unit Subscription Receipt.

- 2.5 Adjustment to Number of Payment Shares and Payment Warrants. It is contemplated that prior to the Closing Date IES shall, subject to approval of the Exchange and of the IES Shareholders at the IES Meeting, complete the Consolidation. For greater certainty, the number of Payment Shares and Payment Warrants issuable to each of the Vendors as set forth in Exhibit “A” assumes the completion of the Consolidation prior to the Closing Date. In the event that the Consolidation does not occur prior to the Closing Date or such Consolidation ratio is amended, the number of Payment Shares and Payment Warrants to be issued to the Vendors and the Medcolcanna Second Private Placement Purchaser shall be adjusted accordingly.
- 2.6 Escrow and Resale Requirements. Each of the Vendors acknowledges that the Exchange may require certain of the Payment Shares and/or IES Common Shares issued on the exercise of the Payment Warrants issuable pursuant to this Agreement (i) to be held in escrow pursuant to Exchange Policies and, as contemplated in Subsection 5.3(f) hereof, each Vendor whose Payment Shares or IES Common Shares issued on the exchange of the Payment Warrants are subject to such escrow will execute and deliver the IES Escrow Agreement in the form required by the Exchange; or (ii) to be subject to certain “Seed Share Resale Restrictions” as contemplated in the Exchange Policies and the certificate(s) representing such Vendor’s Payment Shares or IES Common Shares issued on the exercise of the Payment Warrants shall include a legend setting forth any such restrictions.
- 2.7 Consideration for IES Shareholders. In consideration for the issuance of the Payment Shares and Payment Warrants, Medcolcanna shall issue one half of one (0.5) common share purchase warrant in the capital of IES for every IES Common Share issued and outstanding immediately prior to the Closing Date but after giving effect to the Consolidation, each such whole warrant having the same terms and conditions as the IES Unit Warrants (the “**IES Payment Warrants**”). Notwithstanding the foregoing, in the event that by January 4, 2019 the IES Debt is not completely extinguished to the satisfaction of Medcolcanna, and/or the IES Private Placement has not closed, the IES Payment Warrants shall not be issued.
- 2.8 Cessation of Shareholder Rights. Each of the Vendors acknowledges and confirms that, upon the completion of the purchase and sale of each of their respective Medcolcanna Shares and Medcolcanna Existing Warrants pursuant to the terms of this Agreement, (i)

each Vendor shall have assigned all of its rights as a securityholder of Medcolcanna; and (ii) all rights with respect to the Vendor's Medcolcanna Shares and Medcolcanna Warrants, including, without limitation, any rights to dividends, distributions, receipt of notices and voting, whether pursuant to the Articles of Association of Medcolcanna, the certificates representing the Medcolcanna Existing Warrants or any shareholders agreement to which the Vendor is a party in relation to Medcolcanna, shall immediately cease and terminate on the Closing Date, except only the right of the Vendors to receive the Payment Shares and Payment Warrants in exchange therefor as contemplated in this Agreement.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties related to Medcolcanna and the Medcolcanna Subsidiary. The Principal Shareholders represent and warrant to and in favour of IES as follows and acknowledge that IES is relying upon the same in connection with the Transaction:

- (a) Medcolcanna is a corporation duly organized, validly existing and in good standing under the laws of the British Virgin Islands, has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted, to execute and deliver this Agreement and to perform its obligations hereunder.
- (b) The Medcolcanna Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of Colombia, has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted including with respect to the Licences and the Land Interests, and to execute and deliver this Agreement and to perform its obligations hereunder.
- (c) Schedule "B" lists all of the Land Interests and sets out, with respect to each property (each, a "**Property**"), a description of the Property and the interest therein.
- (d) Each Lease is valid and subsisting, in full force and effect, unamended by oral or written agreement, and Medcolcanna or the Medcolcanna Subsidiary, as the case may be, is entitled to the full benefit and advantage of each Lease in accordance with its terms. Each Lease is in good standing and there has not been any default by any party under any Lease nor is there any dispute between Medcolcanna or the Medcolcanna Subsidiary, as the case may be, and any lessee or landlord under any Lease.
- (e) None of the Leases has been assigned by Medcolcanna or the Medcolcanna Subsidiary.
- (f) This Agreement has been, and each additional agreement or instrument to be delivered pursuant to this Agreement will be, duly authorized, executed and delivered by the Principal Shareholders or Medcolcanna, as the case may be, and

each is or will be, a legal, valid and binding obligation of the Principal Shareholders or Medcolcanna, as the case may be, enforceable against the Principal Shareholders or Medcolcanna, as the case may be, in accordance with its terms, subject to (i) bankruptcy, insolvency, moratorium, reorganization and other laws relating to or affecting the enforcement of creditors' rights generally, and (ii) the fact that equitable remedies, including the remedies of specific performance and injunction, may only be granted in the discretion of a court.

- (g) The execution and delivery of this Agreement does not and the consummation of the Transaction will not: (i) result in a breach or violation of the constating documents of Medcolcanna or the Medcolcanna Subsidiary; (ii) conflict with, result in a breach of, constitute a default under or accelerate the performance required by or result in the suspension, cancellation, material alteration or creation of an encumbrance upon any material agreement, licence, permit or authority to which Medcolcanna or the Medcolcanna Subsidiary is a party or by which Medcolcanna or the Medcolcanna Subsidiary is bound or to which any material assets or property of Medcolcanna or the Medcolcanna Subsidiary are subject; or (iii) violate any provision of law or regulation or any judicial or administrative order, award, judgment or decree applicable to Medcolcanna or the Medcolcanna Subsidiary.
- (h) As of the date hereof, and as of the Closing Date, other than as contemplated in this Agreement, no person will have any agreement, option, right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, for the purchase of the Medcolcanna Shares or any securities of the Medcolcanna Subsidiary.
- (i) No consent, approval, notice or report to, filing with, order or authorization of, or registration or declaration with, any applicable Governmental Authority with jurisdiction over Medcolcanna or the Medcolcanna Subsidiary is required to be obtained by Medcolcanna or the Medcolcanna Subsidiary in connection with the execution and delivery of this Agreement or the consummation of the Transaction, except for those consents, orders, authorizations, declarations, registrations or approvals which are contemplated by this Agreement or those consents, orders, authorizations, declarations, registrations or approvals that, if not obtained, would not prevent or materially delay the consummation of the Transaction or otherwise prevent Medcolcanna, the Medcolcanna Subsidiary or any Vendor from performing its obligations under this Agreement.
- (j) There is no suit, action or proceeding pending, or to the knowledge of the Principal Shareholders, threatened against Medcolcanna or the Medcolcanna Subsidiary that, individually or in the aggregate, could reasonably be expected to have a material adverse effect upon Medcolcanna or the Medcolcanna Subsidiary or refrain or prevent completion of the purchase by IES of the Medcolcanna Shares, and there is no judgment, decree, injunction, rule or order of any Governmental Authority with jurisdiction over Medcolcanna or the Medcolcanna Subsidiary outstanding against Medcolcanna or the Medcolcanna Subsidiary,

respectively, causing, or which insofar as can reasonably be foreseen, in the future would cause, a material adverse effect on Medcolcanna or the Medcolcanna Subsidiary.

- (k) The authorized capital of Medcolcanna consists of up to 60,000,000 Medcolcanna Shares, with 39,362,659 Medcolcanna Shares being issued and outstanding as of the date hereof.
- (l) Other than pursuant to the Medcolcanna Existing Warrants or any securities issued pursuant to the Private Placement and the Medcolcanna Second Private Placement, no Person has any agreement, option or right to acquire or capable of becoming an agreement for the purchase or acquisition of any of the unissued Medcolcanna Shares or any other securities of Medcolcanna, and there are no other outstanding securities or instruments which are convertible into or exchangeable for Medcolcanna Shares.
- (m) All of the currently issued and outstanding Medcolcanna Shares are free and clear of all liens, charges and encumbrances.
- (n) The authorized capital of the Medcolcanna Subsidiary consists of 200,000 common shares with 150,000 common shares being issued and outstanding as of the date hereof.
- (o) All of the currently issued and outstanding securities of the Medcolcanna Subsidiary are free and clear of all liens, charges and encumbrances.
- (p) Medcolcanna has no subsidiaries except for the Medcolcanna Subsidiary.
- (q) Medcolcanna owns all of the issued and outstanding shares in the capital of the Medcolcanna Subsidiary.
- (r) Medcolcanna, through the Medcolcanna Subsidiary, holds the Licences and the Land Interests in connection with the development of a project in Colombia for the growth of cannabis and manufacture of cannabis derivative products (the “**Project**”).
- (s) The Medcolcanna Subsidiary is the sole owner of the Licences free and clear of all liens, charges and encumbrances.
- (t) To the knowledge of the Principal Shareholders after due inquiry, each of the Licences are valid, in good standing and in full force and effect, and no violations thereof have been experienced, noted or recorded and no proceedings of any kind are pending or, to the knowledge of the Principal Shareholders after due inquiry, threatened to revoke, limit, rescind or modify any of the Licences.
- (u) Medcolcanna has not applied for any other licences or permits in respect of the Project with the exception of the Licences.

- (v) True and complete copies of the Licences have been provided to IES in the Spanish language, and to the knowledge of the Principal Shareholders, the versions of such Licences translated into English provided by Medcolcanna to IES accurately reflect all provisions and terms of such Licences.
- (w) Other than as described herein, there is no agreement, option or any other right or obligation binding upon, or which at any time in the future may become binding upon, Medcolcanna or the Medcolcanna Subsidiary requiring it to: (a) sell, transfer, assign, pledge, charge, mortgage or in any other way dispose of or encumber any of the Licences, the Land Interests, the Medcolcanna Shares or other securities or assets of Medcolcanna or the Medcolcanna Subsidiary; or (b) to allot or issue Medcolcanna Shares or to create any additional class of equity or debt securities of Medcolcanna or the Medcolcanna Subsidiary.
- (x) The Medcolcanna Subsidiary is the sole owner of the Land Interests free and clear of all liens, charges and encumbrances.
- (y) Each of the documents, agreements or understandings representing the Land Interests is in good standing and in full force and effect and have not been amended, rescinded or modified since the issuance thereof.
- (z) Except for the approvals contemplated herein, no consent, authorization or approval of any Person is required in order for the Vendors, Medcolcanna or the Medcolcanna Subsidiary to effect the Transaction.
- (aa) Except for the Promissory Note, there are no loans, guarantees, pledges, mortgages, charges, liens, debentures, encumbrances or liabilities given, made or incurred by or on behalf of Medcolcanna or the Medcolcanna Subsidiary and no person has given any guarantee of or security for any overdraft loan or loan facility granted to Medcolcanna or the Medcolcanna Subsidiary, respectively.
- (bb) There is no public or private litigation, arbitration, proceeding or governmental investigation pending or threatened involving Medcolcanna or the Medcolcanna Subsidiary which may, if adversely determined, materially and adversely affect Medcolcanna or the Medcolcanna Subsidiary or which restrains or prohibits any of the transactions contemplated herein.
- (cc) Medcolcanna does not have an interest in any properties, other than those described herein, such interest being due to the ownership of all of the issued and outstanding shares of the Medcolcanna Subsidiary.
- (dd) The Medcolcanna Subsidiary does not have any interest in any properties other than the Licences and the Land Interests.
- (ee) No other classes of shares in the capital of Medcolcanna have been authorized other than the Medcolcanna Shares. The only issued and outstanding shares in the capital of Medcolcanna are as set forth in Exhibit "A" hereto, and all of such shares were validly issued and are fully paid and non-assessable. There are no

securities, rights, options or other contractual arrangements for the issuance of any additional shares or other securities in the capital of Medcolcanna and there is no outstanding debt, whether convertible or otherwise, owing by Medcolcanna, other than as contemplated in this Agreement. Upon completion of the Transaction, IES shall be the sole shareholder of Medcolcanna.

- (ff) The business of Medcolcanna and Medcolcanna Subsidiary are being conducted in all material respects in compliance with all Applicable Laws, regulations and ordinances of all authorities having jurisdiction, except where the failure to comply would not be reasonably likely, individually or in the aggregate, to have a material adverse effect on Medcolcanna or Medcolcanna Subsidiary, as applicable.
- (gg) Neither Medcolcanna nor the Medcolcanna Subsidiary have been notified by any Governmental Authority of any investigation with respect to it that is pending or threatened, nor has any Governmental Authority notified Medcolcanna or the Medcolcanna Subsidiary of such Governmental Authority's intention to commence or to conduct any investigation that would be reasonably likely to have a material adverse effect on Medcolcanna or the Medcolcanna Subsidiary.
- (hh) Neither Medcolcanna nor the Medcolcanna Subsidiary is insolvent, have committed any acts of bankruptcy or had a receiver appointed on any of its respective assets.
- (ii) To the knowledge of the Principal Shareholders, none of the directors or officers of Medcolcanna or the Medcolcanna Subsidiary is or has ever been subject to prior regulatory, criminal or bankruptcy proceedings in Canada or elsewhere.
- (jj) Neither Medcolcanna nor the Medcolcanna Subsidiary have engaged any broker or other agent in connection with the Transaction and, accordingly, there is no commission, fee or other remuneration payable to any broker or agent who purports or may purport to act or have acted for Medcolcanna or the Medcolcanna Subsidiary, except pursuant to the Private Placement, the Medcolcanna Second Private Placement or the Promissory Note.
- (kk) As of the date hereof:
 - (i) Neither Medcolcanna nor Medcolcanna Subsidiary is in violation of any applicable Environmental Laws;
 - (ii) Medcolcanna and Medcolcanna Subsidiary have all permits, authorizations and approvals required under any applicable Environmental Laws and are in material compliance with their requirements;
 - (iii) to the knowledge of the Principal Shareholders, there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigation or proceedings relating to any Environmental Laws against

Medcolcanna or Medcolcanna Subsidiary or claim involving a demand for damages or other potential liability with respect to violations of applicable Environmental Laws; and

- (iv) to the knowledge of the Principal Shareholders, there are no events or circumstances that would reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting Medcolcanna or Medcolcanna Subsidiary relating to Hazardous Substances or any Environmental Laws.
- (ll) No Person has any written or oral agreement, option, understanding or commitment or any right or privilege capable of becoming an agreement for the purchase, exchange, transfer or other disposition from Medcolcanna or the Medcolcanna Subsidiary of any of its respective assets.
- (mm) There does not exist any state of facts which after notice or lapse of time, or both, will constitute a material default or breach on the part of Medcolcanna or the Medcolcanna Subsidiary under any of the provisions contained in any of the material contracts, commitments or agreements of Medcolcanna or the Medcolcanna Subsidiary, respectively.
- (nn) The corporate records and minute books of Medcolcanna and the Medcolcanna Subsidiary contain, in all material respects, complete and accurate minutes of all meetings of the directors and shareholders since its date of incorporation, together with the full text of all resolutions of directors and shareholders passed in lieu of such meetings, duly signed.
- (a) The Medcolcanna Financial Statements and the notes thereto, have been prepared in accordance with Canadian generally accepted accounting principles or international financial reporting standards, as applicable, are true and correct and present fairly, in all material respects, the financial position of Medcolcanna and the Medcolcanna Subsidiary as at such dates and the results of its operations and changes in financial position for the period indicated in the said statements.
- (b) Neither Medcolcanna nor the Medcolcanna Subsidiary have any material liabilities, contingent or otherwise, except those set out in the Medcolcanna Financial Statements.

3.2 Representations and Warranties of Vendors. Each Vendor, severally with respect to itself only and not in respect of any other Vendor and not jointly or jointly and severally with any other Vendor, represents and warrants to and in favour of IES as follows and acknowledges that IES is relying upon the same in connection with the Transaction:

- (a) This Agreement has been, and each additional agreement or instrument to be delivered pursuant to this Agreement will be, duly authorized, executed and delivered by such Vendor, enforceable against such Vendor in accordance with its terms, subject to (i) bankruptcy, insolvency, moratorium, reorganization and other

laws relating to or affecting the enforcement of creditors' rights generally, and (ii) the fact that equitable remedies, including the remedies of specific performance and injunction, may only be granted in the discretion of a court.

- (b) The execution and delivery of this Agreement does not and the consummation of the Transaction will not: (i) result in a breach or violation of the constating documents of such Vendor that is an entity; (ii) conflict with, result in a breach of, constitute a default under or accelerate the performance required by or result in the suspension, cancellation, material alteration or creation of an encumbrance upon any material agreement, licence, permit or authority to which such Vendor is a party or by which it is bound; or (iii) violate any provision of law or regulation or any judicial or administrative order, award, judgment or decree applicable to such Vendor.
- (c) As of the Closing Date, no person will have any agreement, option, right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, for the purchase of such Vendor's Medcolcanna Shares and Medcolcanna Existing Warrants, as applicable, other than as contemplated in Medcolcanna's constating documents or otherwise contemplated in this Agreement.
- (d) Such Vendor has good and marketable title to its Medcolcanna Shares and Medcolcanna Existing Warrants and at Closing, such Vendor's Medcolcanna Shares and Medcolcanna Existing Warrants will be transferred to IES free and clear of all liens, charges and encumbrances. There is not pending any suit, action or other legal proceeding of any sort to in any manner restrain or prevent such Vendor from effectually and legally transferring its Medcolcanna Shares or Medcolcanna Existing Warrants to IES, free and clear of all liens, or any action or proceeding, the effect of which would be to cause a lien to attach to any of its Medcolcanna Shares or Medcolcanna Existing Warrants or to divest title to or ownership of any of its Medcolcanna Shares or Medcolcanna Existing Warrants in any manner whatsoever, or to make IES or Medcolcanna liable for damages as a result of the execution and delivery of this Agreement by such Vendor or the completion by such Vendor of the transactions contemplated herein and such Vendor does not know of any such claim in connection with any of the foregoing.
- (e) Such Vendor has sufficient experience in business, financial and investment matters to understand the merits and risks of acquiring and holding securities of IES and has had full access to all of the information it considers necessary or appropriate to make an informed investment decision with respect to the IES Common Shares.
- (f) Such Vendor shall be responsible to pay and remit to competent authorities, and hereby agrees to indemnify IES and Medcolcanna for, all taxes of any kind that may be payable in connection with the sale of the Medcolcanna Shares and Medcolcanna Existing Warrants by such Vendor.

- (g) Such Vendor is not insolvent, has not committed an act of bankruptcy, proposed a compromise or arrangement to its creditors generally, had any petition for a receiving order in bankruptcy filed against it, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to have it declared bankrupt or wound-up, taken any proceeding to have a receiver appointed for any part of its assets, had an encumbrancer take possession of any of its property, or had any execution or distress become enforceable or become levied upon any of its property.

3.3 Representations and Warranties of IES. IES represents and warrants to and in favour of each of the other parties hereto as follows and acknowledges that such parties are relying upon the same in connection with the Transaction:

- (a) IES is a corporation duly incorporated, organized and validly subsisting and in good standing under the laws of Canada, and has all the requisite corporate power, capacity and authority to enter into this Agreement and to perform its obligations hereunder and to carry on its business and to own, lease and operate its assets.
- (b) IES is a reporting issuer in British Columbia, Ontario and Alberta and is in compliance in all material respects with all of its obligations under Securities Laws. IES is not the subject of any investigation by any stock exchange or any other securities regulatory authority or body, is current with all filings required to be made by it under applicable Securities Law and corporate legislation and is not aware of any material deficiencies in the filing of any documents or reports with any stock exchange or securities regulatory authority or body.
- (c) The IES Common Shares are not currently listed or approved for trading on any stock exchange in Canada or elsewhere.
- (d) IES has not conducted any active business since incorporation, other than in accordance with the Securities Laws and as disclosed under its profile on www.sedar.com.
- (e) The execution and delivery of this Agreement and the completion of the transactions contemplated herein have been approved by the board of directors of IES and this Agreement constitutes a valid and binding obligation of IES enforceable against it in accordance with its terms, subject, however, to the approval of the Transaction by the Exchange and by IES Shareholders and the limitations imposed by law in connection with bankruptcy or similar proceedings and to the extent that equitable remedies such as specific performance or injunction are granted at the discretion of a court of competent jurisdiction.
- (f) IES has no subsidiaries.
- (g) The authorized capital of IES consists of an unlimited number of IES Common Shares, of which, as of the date hereof there are 10,936,148 IES Common Shares issued and outstanding.

- (h) Other than (i) the Unit Subscription Receipts and the securities issuable upon exchange thereof, (ii) the IES Options, and (iii) otherwise pursuant to this Agreement or in connection with the IES Private Placement or the settlement of the IES Debt, no Person has any agreement, option or right to acquire or capable of becoming an agreement for the purchase or acquisition of any of the unissued IES Common Shares or any other securities of IES, and there are no other outstanding securities or instruments which are convertible into or exchangeable for IES Common Shares.
- (i) The information concerning IES to be provided by and contained in the Management Information Circular will contain no untrue statement of a material fact and will not omit to state a material fact that is required to be stated or that is necessary to make a statement therein not misleading in light of the circumstances in which it will be made.
- (j) There is no suit, action, litigation, arbitration proceeding or governmental proceeding, including appeals and applications for review in progress or, to the knowledge of IES, pending or threatened against or relating to IES or affecting its properties or business which if determined adversely to IES might materially and adversely affect the properties, business, future prospects or the financial condition of IES, taken as a whole, or the right of IES to use, produce or sell its property or assets in whole or in part; and there is not presently outstanding against IES any judgment, decree, injunction, rule or order of any court, Governmental Authority, commission, agency or arbitrator.
- (k) IES is not in arrears or in default in respect of the filing of any required Taxes or Tax Returns; and (i) all Taxes due and payable or collectible from IES shall have been paid or collected prior to the Closing Date, (ii) no claim for additional Taxes due and payable or collectible from IES has been made which has not been collected, and (iii) to the best of the knowledge of IES, no such return contains any misstatement or conceals any statement that should have been included therein.
- (l) No notices, reports or other filings are required to be made by IES with, nor are any consents, approvals, registrations, permits, order or authorizations required to be obtained by IES from any third party or Governmental Authority in connection with the execution and delivery of this Agreement by IES, the performance of its obligations hereunder or the consummation by IES of the transactions contemplated hereby other than: (i) the approval of the IES Resolutions by the IES Shareholders; (ii) the approval of the Transaction by the Exchange; (iii) such registrations and other actions required under applicable securities laws as are contemplated by this Agreement and registrations and applications required as a result of the Name Change and Consolidation; (iv) any filings with the Director; and (v) any other consents, approvals, orders, authorizations, registrations, declarations or filings which, if not obtained or made, would not, individually or in the aggregate, have a material adverse effect on IES or prevent or materially impair IES's ability to perform its obligations hereunder.

- (m) IES is duly licensed, registered and qualified, in all material respects, and possesses all material certificates, authorizations, permits or licences issued by the appropriate regulatory authorities in the jurisdictions necessary to enable its business to be carried on as now conducted and to enable its property and assets to be owned, leased and operated as they are now, and all such licences, registrations and qualifications are in good standing, in all material respects.
- (n) IES has not experienced nor is it aware of any occurrence or event which has had, or might reasonably be expected to have, a materially adverse effect on its affairs or financial condition.
- (o) As of the date hereof:
 - (i) no party has any rights of first refusal, back-in rights or other rights in respect of the IES Licence;
 - (ii) there are no other outstanding agreements or options to acquire or purchase the IES Licence or any part thereof or interest therein, and no individual, corporation or other entity has any royalty or other interest whatsoever in production or profits from the IES Licence or any part thereof;
 - (iii) all payments, taxes, assessments, renewal fees and other governmental charges, owing in respect of the IES Licence or any part of the IES Licence, have been paid in full;
 - (iv) there is no adverse claim against, or challenge to, the ownership of or title to, the IES Licence;
 - (v) all activities on or in respect of the development of the IES Licence are in compliance with all Applicable Laws and licences;
 - (vi) IES is not in any violation of any applicable Environmental Laws;
 - (vii) IES has all permits, authorizations and approvals required under any applicable Environmental Laws and is in material compliance with their requirements;
 - (viii) to the knowledge of IES, there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigation or proceedings relating to any Environmental Laws against IES or claim involving a demand for damages or other potential liability with respect to violations of applicable Environmental Laws; and
 - (ix) to the knowledge of IES, there are no events or circumstances that would reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or

governmental body or agency, against or affecting IES relating to Hazardous Substances or any Environmental Laws.

- (p) All property, options, leases, concessions or claims in which IES has an interest or right have been validly located and recorded in accordance in all material respects with all Applicable Laws and are valid and subsisting.
- (q) The IES Licence represent all of the material rights owned or held by IES.
- (r) Any and all agreements pursuant to which IES holds the IES Licence or are entitled to the use of the IES Licence, including, without limitation, all such agreements (and all amendments thereto) relating to the IES Licence, are valid and subsisting agreements in full force and effect, enforceable in accordance with their respective terms and IES is not in material default of any of the provisions of any such agreements nor has any such default been alleged to have occurred, nor are there any disputes with respect thereto, and all applications, claims, options, leases, licences, and concessions pursuant to which IES derives its interests in such material assets are in good standing in all material respects and there has been no default under any such applications, leases, claims, licences, options or concessions and all Taxes, work fees and other amounts required to have been paid with respect to such properties and assets to the date hereof have been paid.
- (s) None of the IES Licence or any of the agreements referred to in the immediately preceding paragraph have been surrendered, waived, released, amended, assigned, encumbered or discounted by IES and IES has not granted any subleases, licences, options or other rights of interest in respect of the IES Licence.
- (t) As of the date hereof:
 - (i) IES is not in any violation of any applicable Environmental Laws;
 - (ii) IES has all permits, authorizations and approvals required under any applicable Environmental Laws and is in material compliance with their requirements;
 - (iii) to the knowledge of IES, there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigation or proceedings relating to any Environmental Laws against IES or claim involving a demand for damages or other potential liability with respect to violations of applicable Environmental Laws; and
 - (iv) to the knowledge of IES, there are no events or circumstances that would reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting IES relating to Hazardous Substances or any Environmental Laws.

- (u) IES has not incurred any obligation or liability, contingent or otherwise, for broker's or finder's fees or other similar fees in respect of the transactions contemplated herein.
- (v) Since September 30, 2018, there has not been any material adverse change in its condition or operation or in its assets, liabilities or financial condition.
- (w) The IES Financial Statements and the notes thereto, have been prepared in accordance with Canadian generally accepted accounting principles or international financial reporting standards, as applicable, are true and correct and present fairly, in all material respects, the financial position of IES as at such dates and the results of its operations and changes in financial position for the period indicated in the said statements. IES's accounts receivable as of the date hereof are nil.
- (x) IES has no material liabilities, contingent or otherwise, except those set out in the IES Financial Statements or in connection with the IES Debt.
- (y) Other than as disclosed in the IES Financial Statements, amounts owing to reimburse individuals for business expenses incurred and approved on behalf of IES, IES is not indebted to:
 - (i) any director, officer, employee or shareholder of IES;
 - (ii) any individual related to any of the foregoing by blood, marriage or adoption; or
 - (iii) any corporation controlled, directly or indirectly, by any one or more of those Persons referred to in subsections 3.3(y)(i) and (ii).
- (z) None of those Persons referred to in subsection 3.3(y) is indebted to IES.
- (aa) No Person has any written or oral agreement, option, understanding or commitment or any right or privilege capable of becoming an agreement for the purchase, exchange, transfer or other disposition from IES of any of its assets.
- (bb) There are no contracts, agreements or engagements of any director, officer or senior employee of IES, either written or verbal, providing for a fixed period of employment.
- (cc) There does not exist any state of facts which after notice or lapse of time, or both, will constitute a material default or breach on the part of IES under any of the provisions contained in any of the material contracts, commitments or agreements of IES.
- (dd) The corporate records and minute books of IES contain, in all material respects, complete and accurate minutes of all meetings of the directors and shareholders

since its date of incorporation, together with the full text of all resolutions of directors and shareholders passed in lieu of such meetings, duly signed.

- (ee) To the knowledge of IES, none of the directors or officers of IES is or has ever been subject to prior regulatory, criminal or bankruptcy proceedings in Canada or elsewhere.
- (ff) It is not a party to any material contract, agreement or understanding with any officer, director, employee, shareholder or any other Person not dealing at arm's length with IES.
- (gg) This Agreement has been, and each additional agreement or instrument to be delivered pursuant to this Agreement will be, duly authorized, executed and delivered by IES and each is or will be a legal, valid and binding obligation of IES, enforceable against IES in accordance with its terms, subject to (i) bankruptcy, insolvency, moratorium, reorganization and other laws relating to or affecting the enforcement of creditors' rights generally, and (ii) the fact that equitable remedies, including the remedies of specific performance and injunction, may only be granted in the discretion of a court.
- (hh) The execution and delivery of this Agreement does not and the consummation of the Transaction will not: (i) result in a breach or violation of the articles or by-laws of IES; (ii) conflict with, result in a breach of, constitute a default under or accelerate the performance required by or result in the suspension, cancellation, material alteration or creation of an encumbrance upon any material agreement, licence, permit or authority to which IES is a party or by which IES is bound or to which any material assets or property of IES is subject; or (iii) violate any provision of law or regulation or any judicial or administrative order, award, judgment or decree applicable to IES.
- (ii) IES has cash in the amount of approximately \$5,000 as of the date hereof, net of any liabilities and accruals for legal fees, salaries and remittances to any Governmental Authority, transfer agency fees or other fees and expenses (including, without limitation, travel and meals).

ARTICLE 4 COVENANTS

- 4.1 Positive Covenants in relation to Medcolcanna. Until the earlier of the completion of the Transaction on the Closing Date or the day upon which this Agreement is terminated in accordance with Section 7.2, the Principal Shareholders shall ensure that Medcolcanna shall:
- (a) use its commercially reasonably best efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder which are reasonably under its control and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws and regulations to complete the Transaction in accordance with the terms of

this Agreement. Without limiting the generality of the foregoing, in the event that any person seeks to prevent, delay or hinder implementation of all or any portion of the Transaction or seeks to invalidate all or any portion of this Agreement, the Principal Shareholders shall ensure that Medcolcanna shall use its commercially reasonable efforts to resist such proceedings and to lift or rescind any injunction or restraining order or other order or action seeking to stop or otherwise adversely affecting the ability of the parties to complete the Transaction;

- (b) subject to Applicable Laws, not take any action, refrain from taking any action, or permit any action to be taken or not taken inconsistent with this Agreement or which would reasonably be expected to significantly impede the consummation of the Transaction;
- (c) furnish promptly to IES a copy of each notice, report, schedule or other document or communication delivered, filed or received by Medcolcanna in connection with the Transaction, any filings under Applicable Laws and any dealings with regulatory or Governmental Authorities in connection with or in any way affecting the transactions contemplated herein;
- (d) conduct and operate its business and affairs only in the ordinary course consistent with past management practice and use commercially reasonable efforts to preserve its business organization, goodwill and material business relationships with other persons;
- (e) take all necessary corporate action and proceedings to approve and authorize the valid and effective transfer of the Medcolcanna Shares and Medcolcanna Existing Warrants to IES;
- (f) promptly notify each of the other parties if any of the representations and warranties made by it in this Agreement ceases to be true, accurate and complete in any material respect and of any failure to comply in any material respect with any of its obligations;
- (g) provide IES, on a timely basis, with all relevant information concerning it and its business, property, operations and financial statements for inclusion in the Management Information Circular;
- (h) promptly notify IES if at any time before the Closing Date it becomes aware that the Management Information Circular (with respect to information provided in relation to Medcolcanna or the Medcolcanna Subsidiary) contains any misrepresentation or any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made, or that otherwise requires an amendment or supplement to the Management Information Circular; and in any such event, shall cooperate in the preparation of a supplement or amendment to the Management Information Circular or such other document, as required and as the case may be; and

- (i) subject to the terms hereof, deliver and cause to be delivered all closing deliveries required to be delivered by it pursuant to this Agreement.

4.2 Positive Covenants of Vendors. Until the earlier of the completion of the Transaction on the Closing Date or the day upon which this Agreement is terminated in accordance with Section 7.2, each of the Vendors shall:

- (a) use its commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder which are reasonably under its control and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws and regulations to complete the Transaction in accordance with the terms of this Agreement. Without limiting the generality of the foregoing, in the event that any person seeks to prevent, delay or hinder implementation of all or any portion of the Transaction or seeks to invalidate all or any portion of this Agreement, each Vendor shall use its commercially reasonable efforts to resist such proceedings and to lift or rescind any injunction or restraining order or other order or action seeking to stop or otherwise adversely affecting the ability of the parties to complete the Transaction;
- (b) in a timely and expeditious manner, provide such information with respect to such Vendor as IES may reasonably require in connection with the preparation of the Management Information Circular and as may be required by the Exchange;
- (c) use its commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder which are reasonably under its control and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws and regulations to complete the Transaction in accordance with the terms of this Agreement. Without limiting the generality of the foregoing, in the event that any person seeks to prevent, delay or hinder implementation of all or any portion of the Transaction or seeks to invalidate all or any portion of this Agreement, such Vendor shall use its commercially reasonable efforts to resist such proceedings and to lift or rescind any injunction or restraining order or other order or action seeking to stop or otherwise adversely affecting the ability of the parties to complete the Transaction;
- (d) execute and deliver, as applicable, the IES Escrow Agreement, and any pooling or similar arrangements in respect of the Payment Shares to be received by such Vendor as the Exchange may require;
- (e) subject to Applicable Laws, not take any action, refrain from taking any action, or permit any action to be taken or not taken inconsistent with this Agreement or which would reasonably be expected to significantly impede the consummation of the Transaction;

- (f) promptly notify each of the other parties if any of the representations and warranties made by it in this Agreement ceases to be true, accurate and complete in any material respect and of any failure to comply in any material respect with any of its obligations; and
- (g) subject to the terms hereof, deliver and cause to be delivered all closing deliveries required to be delivered by it pursuant to this Agreement.

4.3 Restrictive Covenants of the Principal Shareholders with respect to Medcolcanna and the Medcolcanna Subsidiary

The Principal Shareholders covenant and agree that they shall ensure that Medcolcanna and the Medcolcanna Subsidiary will not, from the date hereof to and including the Closing Date, except as contemplated by this Agreement or with the prior written consent of IES (such consent not to be unreasonably withheld):

- (a) declare, pay or set aside any dividends or provide for any distribution of its properties or assets, or make any payment by way of return of capital, to its shareholders;
- (b) split, combine or reclassify any outstanding shares;
- (c) enter into any material contract;
- (d) redeem, purchase or offer to purchase any of its shares or other securities;
- (e) reorganize, amalgamate or merge with any other Person in any manner whatsoever;
- (f) acquire or agree to acquire (by merger, amalgamation, acquisition of securities or assets or otherwise) any Person or any assets or properties other than in the ordinary course of its business;
- (g) incur or commit to incur any indebtedness for borrowed money or issue any debt securities, other than pursuant to IES Loans;
- (h) issue or commit to issue any shares, rights, warrants or options to purchase such shares, or any securities convertible into such shares, warrants or options, except pursuant to the issuance of securities issuable pursuant to the terms of securities outstanding on the date hereof;
- (i) alter or amend in any way its constating documents or by-laws as the same exist at the date of this Agreement;
- (j) take any action which would be outside the ordinary course of business or which may result in a material adverse change in its affairs;

- (k) sell, pledge, lease, dispose of, grant any interest in, encumber or agree to sell, pledge, lease, dispose of, grant any interest in or encumber any of its assets;
- (l) engage in any business enterprise or other activity materially different from that carried on or intended to be carried on as at the date hereof;
- (m) enter into any transaction with or make payments to a party with which it does not deal at arm's length, other than in the ordinary course of business consistent with past practice;
- (n) except pursuant to an existing employment agreement, grant any director, officer or employee who has a policy-making function any increase in compensation or in severance or termination pay (whether or not such compensation or pay is payable in cash), or enter into any employment or consulting agreement with any such director, officer or employee, or hire or promote any such person; or
- (o) perform any act or enter into any transaction or negotiation which might materially adversely interfere or be materially inconsistent with the consummation of the transactions contemplated under this Agreement.

4.4 Positive Covenants of IES.

- (a) Until the earlier of the completion of the Transaction on the Closing Date or the day upon which this Agreement is terminated in accordance with Section 7.2, IES shall:
 - (i) use its commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder which are reasonably under its control and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws and regulations to complete the Transaction in accordance with the terms of this Agreement. Without limiting the generality of the foregoing, in the event that any person seeks to prevent, delay or hinder implementation of all or any portion of the Transaction or seeks to invalidate all or any portion of this Agreement, IES shall use its commercially reasonable best efforts to resist such proceedings and to lift or rescind any injunction or restraining order or other order or action seeking to stop or otherwise adversely affecting the ability of the parties to complete the Transaction;
 - (ii) make application to the Exchange and take such actions as are required to receive, in a timely manner, Exchange approval of the Transaction, including without limitation, the listing on the facilities of the Exchange of the IES Common Shares issued as of the date hereof, the Name Change, the Consolidation, and the issuance and listing of the Payment Shares;
 - (iii) subject to Applicable Laws, not take any action, refrain from taking any action, or permit any action to be taken or not taken inconsistent with this

Agreement or which would reasonably be expected to significantly impede the consummation of the Transaction;

- (iv) conduct and operate its business and affairs only in the ordinary course consistent with past management practice and use commercially reasonable efforts to preserve its business organization, goodwill and material business relationships with other persons, provided that it shall be permitted to arrange for the disposition of the IES Licence upon consummation of the Transaction;
- (v) loan money to Medcolcanna pursuant to the IES Loans, in such amounts as may be demanded by Medcolcanna, upon request thereof at any point prior to the Closing Date, such amount not to exceed \$1,000,000, to be secured by a general charge over all of the assets of Medcolcanna, and to be immediately due and payable upon the date on which this Agreement is terminated;
- (vi) shall arrange for subscribers of \$500,000 in the Medcolcanna Second Private Placement by no later than December 13, 2018;
- (vii) shall use its reasonable best efforts to arrange for subscribers for not less than \$1,000,000 worth of Unit Subscription Receipts pursuant to the Private Placement;
- (viii) promptly notify each of the other parties if any of the representations and warranties made by it in this Agreement ceases to be true, accurate and complete in any material respect and of any failure to comply in any material respect with any of its obligations;
- (ix) subject to the Principal Shareholders complying with subsection 4.1(g) ensure that the Management Information Circular complies with all Applicable Laws and, without limiting the generality of the foregoing, that the Management Information Circular does not contain any misrepresentation or any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made (other than with respect to any information relating to Medcolcanna or the Medcolcanna Subsidiary). Without limiting the generality of the foregoing, IES shall ensure that the Management Information Circular complies with the Exchange Policies (unless otherwise exempted from all or a portion of the Exchange Policies by the Exchange) and Applicable Laws as they relate to IES and shall ensure that the Management Information Circular provides the IES Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters to be placed before them at the IES Meeting;

- (x) on or before the Closing Date, use all commercially reasonable efforts to convene the IES Meeting for the purpose of approving the IES Resolutions;
- (xi) recommend to the IES Shareholders the approval of the IES Resolutions;
- (xii) mail to the IES Shareholders the Management Information Circular and other documentation required in connection with the IES Meeting in accordance with Applicable Laws as soon as reasonably practicable;
- (xiii) use commercially reasonable efforts to solicit from the IES Shareholders proxies in favour of approval of the IES Resolutions;
- (xiv) not adjourn, postpone or cancel (or propose adjournment, postponement or cancellation of) the IES Meeting without the prior written consent of the Vendors' Representative except as required by Applicable Laws or, in the case of adjournment, as may be required by the IES Shareholders as expressed by majority resolution;
- (xv) except for proxies and non-substantive communications with securityholders, furnish promptly to the Vendors' Representative a copy of each notice, report, schedule or other document delivered, filed or received by it in connection with: (i) the Transaction; (ii) any filings under Applicable Laws; and (iii) any dealings with regulatory agencies in connection with the transactions contemplated herein;
- (xvi) make other necessary filings and applications under applicable federal and provincial laws and regulations required on its part in connection with the transactions contemplated herein, and take all reasonable action necessary to be in compliance with such laws and regulations; and
- (xvii) subject to the terms hereof, deliver and cause to be delivered all closing deliveries required to be delivered by it pursuant to this Agreement.

4.5 Restrictive Covenants of IES

- (a) IES covenants and agrees that it will not, from the date hereof to and including the Effective Date, except as contemplated by this Agreement or with the prior written consent of the Vendors' Representative (such consent not to be unreasonably withheld):
 - (i) declare, pay or set aside any dividends or provide for any distribution of its properties or assets, or make any payment by way of return of capital, to its shareholders;
 - (ii) except in connection with the Consolidation, split, combine or reclassify any outstanding shares;

- (iii) enter into any material contract, except in connection with the IES Private Placement, the IES Loans or the settlement of the IES Debt, or with respect to the disposition of the IES Licence;
- (iv) redeem, purchase or offer to purchase any of its shares or other securities;
- (v) reorganize, amalgamate or merge with any other Person in any manner whatsoever;
- (vi) acquire or agree to acquire (by merger, amalgamation, acquisition of securities or assets or otherwise) any Person or any assets or properties other than in the ordinary course of its business;
- (vii) incur or commit to incur any indebtedness for borrowed money or issue any debt securities;
- (viii) except pursuant to the IES Private Placement, or in connection with the settlement of the IES Debt, issue or commit to issue any shares, rights, warrants or options to purchase such shares, or any securities convertible into such shares, warrants or options, except pursuant to the issuance of securities issuable pursuant to the terms of securities outstanding on the date hereof,
- (ix) alter or amend in any way its constating documents or by-laws as the same exist at the date of this Agreement;
- (x) take any action which would be outside the ordinary course of business or which may result in a material adverse change in its affairs, except in connection with the disposition of the IES Licence;
- (xi) sell, pledge, lease, dispose of, grant any interest in, encumber or agree to sell, pledge, lease, dispose of, grant any interest in or encumber any of its assets;
- (xii) engage in any business enterprise or other activity materially different from that carried on or intended to be carried on as at the date hereof,
- (xiii) enter into any transaction with or make payments to a party with which it does not deal at arm's length, other than in the ordinary course of business consistent with past practice or in connection with the settlement of the IES Debt or the disposition of the IES Licence;
- (xiv) grant any director, officer or employee who has a policy-making function any increase in compensation or in severance or termination pay (whether or not such compensation or pay is payable in cash), or enter into any employment or consulting agreement with any such director, officer or employee, or hire or promote any such person; or

- (xv) perform any act or enter into any transaction or negotiation which might materially adversely interfere or be materially inconsistent with the consummation of the transactions contemplated under this Agreement.

ARTICLE 5 CONDITIONS

- 5.1 Mutual Conditions Precedent. The respective obligations of the parties hereto to consummate the transactions contemplated herein are subject to the satisfaction, on or before the Closing Date, of the following conditions any of which may be waived by the mutual consent of IES and the Vendors' Representative without prejudice to their rights to rely on any other or others of such conditions:
- (a) all necessary regulatory approvals shall have been obtained for the consummation of the Transaction, including the Exchange's conditional approval to:
 - (i) the business combination of IES and Medcolcanna and the listing of the Payment Shares and the IES Common Shares issuable upon the exercise of the Payment Warrants issuable pursuant to the Transaction; and
 - (ii) the listing of the IES Common Shares issuable upon the exchange or exercise of any securities of Medcolcanna issued pursuant to the Private Placement;
 subject in each case to the customary conditions;
 - (b) there shall not exist any prohibition at law against, and there shall not be in force any order or decree restraining or enjoining, the completion of the Transaction;
 - (c) there shall have been no material changes, amendments, or modifications to the Licences or the Land Interests;
 - (d) Medcolcanna shall have completed the Private Placement for minimum gross proceeds of not less than \$4,000,000 and the Medcolcanna Second Private Placement for gross proceeds of \$500,000;
 - (e) the IES Resolutions shall have been approved by the IES Shareholders;
 - (f) all consents, orders and approvals, including, without limitation, regulatory approvals, required or necessary or desirable for the completion of the transactions provided for in this Agreement shall have been obtained or received from the Person having jurisdiction in the circumstances, all on terms satisfactory to each of the parties hereto, acting reasonably; and
 - (g) this Agreement shall not have been terminated in accordance with Section 7.2 hereof.

5.2 Conditions of the Vendors. The obligations of the Vendors to complete the Transaction are subject to the fulfilment of the following conditions on or before the Closing Date:

- (a) each of the acts and undertakings to be performed by IES on or before the Closing Date pursuant to the terms of this Agreement shall have been duly performed by IES;
- (b) the board of directors of IES shall have adopted all necessary resolutions, and all other necessary corporate action shall have been taken by IES to permit the completion of the Transaction;
- (c) all consents and approvals which are required or necessary to be obtained by IES for the completion of the transactions contemplated under this Agreement shall have been obtained, received or waived;
- (d) IES shall have cash in its bank account in an amount of not less than \$1,000,000, after netting out all current payables and liabilities incurred up to and including the Closing Date, but adding in any amounts lent to Medcolcanna pursuant to the IES Loans, provided that Medcolcanna shall have the option to require IES to reduce the Consolidation ratio on a pro rata basis if the amount in the IES bank account is less than \$1,000,000 on the Closing Date;
- (e) IES shall have cancelled all of the IES Options;
- (f) the IES Debt shall have been extinguished or otherwise dealt with to the satisfaction of Medcolcanna;
- (g) except as affected by the transactions contemplated herein, the representations and warranties of IES contained herein shall be true in all material respects (save and except for any representation or warranty already qualified by materiality, which shall be true and correct in all respects) as of the Closing Date with the same effect as though such representations and warranties had been made at and as of such time, and the Vendors' Representative shall have received a certificate to such effect, dated the Closing Date, of a senior officer of IES to the best of his knowledge having made reasonable inquiry;
- (h) the covenants of IES contained herein shall have been complied with, and the Vendors' Representative shall have received a certificate to such effect, dated the Closing Date, of a senior officer of IES with respect thereto;
- (i) no material adverse change in the business, affairs, assets financial condition or operations of IES shall have occurred between the date hereof and the Closing Date;
- (j) since the date of this Agreement, no action, suit or proceeding shall have been taken before or by any Person against IES (whether or not purportedly on behalf of IES) that would, if successful, have a material adverse effect on IES, in the sole discretion of the Vendors' Representative, acting reasonably;

- (k) all other necessary corporate action shall have been taken by IES to permit the consummation of the Transaction and the transactions contemplated herein, including the Private Placement;
- (l) the Resulting Directors shall have been appointed as the board of directors of IES and all existing directors of IES shall have tendered their resignations effective as of the Closing Date;
- (m) the management of IES shall have been reconstituted such that all members of the management team shall be nominees of the Vendors' Representative; and
- (n) IES shall have delivered to each Vendor or, to the extent required by the Exchange, to an escrow agent selected by Medcolcanna (the "**Escrow Agent**"), certificates duly registered in the name of such Vendor evidencing the number of Payment Shares to which such Vendor is entitled pursuant to this Agreement.

The foregoing conditions precedent are for the benefit of the Vendors and may be waived by the Vendors' Representative, in whole or in part, without prejudice to the Vendors' right to rely on any other condition in favour of the Vendors. If any of the said conditions shall not have been satisfied or waived by the Vendors' Representative on or before the date required for their performance and provided such non-compliance did not arise from acts or omissions of the Vendors, then the Vendors' obligations to complete the Transaction shall be at an end upon written notice to the other parties hereto.

5.3 Conditions of IES. The obligations of IES to complete the Transaction are subject to the fulfillment of the following conditions on or before the Closing Date:

- (a) each of the acts and undertakings to be performed by the Vendors or the Principal Shareholders on or before the Closing Date pursuant to the terms of this Agreement shall have been duly performed by the Vendors or the Principal Shareholders, as applicable;
- (b) the shareholders and/or board of directors of Medcolcanna shall have adopted all necessary resolutions, and all other necessary corporate action shall have been taken by Medcolcanna, the Vendors, and the Principal Shareholders to permit the completion of the Transaction;
- (c) all consents and approvals which are required or necessary to be obtained by the Vendors, the Principal Shareholders, Medcolcanna or the Medcolcanna Subsidiary for the completion of the transactions contemplated under this Agreement shall have been obtained, received or waived;
- (d) except as affected by the transactions contemplated herein, the representations and warranties of the Principal Shareholders and the Vendors contained herein shall be true in all material respects (save and except for any representation or warranty already qualified by materiality, which shall be true and correct in all respects) as of the Closing Date with the same effect as though such representations and warranties had been made at and as of such time, and IES

shall have received a certificate to such effect, dated the Closing Date, of each of the Principal Shareholders and the Vendors to the best of his, her or its knowledge having made reasonable inquiry;

- (e) the covenants of the Principal Shareholders and the Vendors contained herein shall have been complied with, and IES shall have received a certificate to such effect, dated the Closing Date, of each of the Vendors and the Principal Shareholders with respect thereto;
- (f) the Vendors shall have tendered all, but not less than all, of the Medcolcanna Shares and Medcolcanna Existing Warrants, accompanied by duly executed stock transfer forms and associated share or warrant certificates (if issued), such that IES shall, immediately after the Closing, be the sole shareholder of the entire issued capital of Medcolcanna;
- (g) no material adverse change in the business, affairs, assets financial condition or operations of Medcolcanna or the Medcolcanna Subsidiary shall have occurred between the date hereof and the Closing Date;
- (h) since the date of this Agreement, no action, suit or proceeding shall have been taken before or by any Person against Medcolcanna or the Medcolcanna Subsidiary (whether or not purportedly on behalf of Medcolcanna or the Medcolcanna Subsidiary) that would, if successful, have a material adverse effect on Medcolcanna or the Medcolcanna Subsidiary, in the sole discretion of IES, acting reasonably;
- (i) all other necessary corporate action shall have been taken by the Vendors, Medcolcanna or the Medcolcanna Subsidiary to permit the consummation of the Transaction and the transactions contemplated herein; and
- (j) the IES Escrow Agreement, pursuant to which the Payment Shares issued to certain Vendors under this Agreement will be held in escrow pursuant to the policies of the Exchange, shall have been executed and delivered by such Vendors as may be required by the Exchange.

The foregoing conditions precedent are for the benefit of IES and may be waived by IES, in whole or in part, without prejudice to IES' right to rely on any other condition in favour of IES. If any of the said conditions shall not have been satisfied or waived by IES on or before the date required for their performance and provided such non-compliance did not arise from acts or omissions of IES, then IES' obligation to complete the Transaction shall be at an end upon written notice to the other parties hereto.

- 5.4 Notice and Cure Provisions. Each party will give prompt notice to the other parties hereto of the occurrence, or failure to occur, at any time from the date hereof until the Closing Date, of any event or state of facts which occurrence or failure would or would be likely to:

- (a) cause any of the representations or warranties of any party contained herein to be untrue or inaccurate in any material respect on the date hereof or at the Closing Date; or
- (b) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any party hereunder prior to the Closing Date.

No party may elect not to complete the transactions contemplated hereby pursuant to the conditions precedent contained in Sections 5.1, 5.2, and 5.3 or any termination right under Section 7.2 unless the party intending to rely thereon has delivered forthwith a written notice to the other parties prior to the Time of Closing specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the party delivering such notice is asserting as the basis for the non-fulfillment of the applicable condition precedent or termination right, as the case may be. If any such notice is delivered, provided that a party is proceeding diligently to cure such matter and such matter is capable of being cured, no party may terminate this Agreement.

ARTICLE 6 SURVIVAL OF REPRESENTATIONS AND WARRANTIES

- 6.1 The representations and warranties of IES, the Principal Shareholders and the Vendors contained in this Agreement or any document or certificate given pursuant hereto shall survive the Closing of the Transaction until the second anniversary of Closing. No claim for breach of any representation, warranty or covenant shall be valid unless the party against whom such claim is made has been given written notice thereof before the expiry of such two (2) year period. Notwithstanding the foregoing: (i) any claim based upon any misrepresentation, or breach or inaccuracy, in any of the representations and warranties set out herein may be brought against a party to this Agreement at any time if such claim is based upon fraud in respect of or relating to such misrepresentation, breach or inaccuracy at the time such representation or warranty was made by such party; and (ii) any claim based upon the representations and warranties contained in Subsections 3.2(d) hereof shall survive indefinitely.

ARTICLE 7 AMENDMENT AND TERMINATION

- 7.1 Amendment. This Agreement may, at any time and from time to time, be amended by written agreement of the parties hereto, and any such amendment may, without limitation:
- (a) change the time for performance of any of the obligations or acts of the parties hereto;
 - (b) waive compliance with or modify any representations, warranties or covenants of the parties;

- (c) waive or modify performance of any of the obligations of any of the parties hereto; or
- (d) waive compliance with or modify any conditions precedent contained herein.

7.2 Termination. This Agreement may be terminated: (i) upon mutual agreement in writing by IES and the Vendors' Representative; (ii) subject to the provisions of Section 5.4, upon notice by either IES or the Vendors' Representative of termination of this Agreement due to a material breach of the terms of this Agreement by the Principal Shareholders or any of the Vendors, on the one hand, or IES, on the other hand; (iii) if the closing of the Transaction does not occur on or prior to the Drop Dead Date; or (iv) subject to the provisions of Section 5.4, upon written notice by IES or the Vendors' Representative that any of the conditions to the closing of the Transaction to which it has the benefit of have not been satisfied prior to the Time of Closing as required in accordance with the terms of this Agreement. In the event of the termination of this Agreement as permitted above, this Agreement shall become void and no party shall have any liability or further obligation to any other party, except that nothing contained in this Section 7.2 shall relieve or have the effect of resulting in relieving any party from liability for damages incurred or suffered by another party as a result of a breach of this Agreement by a party acting in bad faith intended and designed to prevent the conditions precedent set out in this Agreement from being satisfied. Notwithstanding the foregoing, the provisions in ARTICLE 6 and Sections 10.3, 10.4, 10.13 and 10.15 shall survive any termination of this Agreement.

7.3 Notice of Unfulfilled Conditions. If the Vendors' Representative or IES shall determine at any time prior to the Closing Date that it intends to refuse to consummate the Transaction or any of the other transactions contemplated hereby because of any unfulfilled or unperformed condition contained in this Agreement on the part of the other of them to be fulfilled or performed, the Vendors' Representative or IES, as the case may be, shall so notify the other of them forthwith upon making such determination in order that such other of them shall have the right and opportunity to take such steps, at its own expense, as may be necessary for the purpose of fulfilling or performing such condition within a reasonable period of time, but in no event later than the Drop Dead Date.

ARTICLE 8 CLOSING ARRANGEMENTS

8.1 Closing. The closing of the transaction contemplated herein shall take place at the Time of Closing, on the Closing Date, at the offices of EnerNext Counsel, Suite 800, 400 – 5th Avenue SW, Calgary, Alberta, or at such other place as may be agreed to in writing by the parties hereto.

8.2 Closing Deliveries. At the Time of Closing:

- (a) IES will deliver or cause to be delivered:
 - (i) certificates evidencing the Payment Shares and the Payment Warrants registered in the respective names of the Vendors as provided for in

Exhibit “A” attached hereto, provided however that any certificates evidencing Payment Shares or Payment Warrants that are required to be escrowed by the Exchange may be delivered to the Escrow Agent in accordance with the requirements of Exchange Policies;

- (ii) evidence of the conditional approval of the Exchange to the listing of the IES Common Shares and Payment Shares (including all IES Common Shares which may be issued on the exchange of any outstanding convertible securities), the completion of the Transaction and all matters incidental thereto as contemplated or permitted herein; and
 - (iii) mutual releases from all officers and directors of IES.
- (b) The Vendors’ Representative will deliver or cause to be delivered:
- (i) certified copies of the resolutions of the board of directors of Medcolcanna approving the Transaction and the transfer of the Medcolcanna Shares to IES;
 - (ii) if required by the Exchange, an opinion of legal counsel in Colombia with respect to the ownership and good standing of the Licences and the Land Interests, and the regulatory regime in Colombia for the cultivation and sale of cannabis and its derivatives, in a form to be agreed upon by IES and its counsel, acting reasonably;
 - (iii) a certificate of good standing (or its equivalent) of Medcolcanna from the applicable Governmental Authority in the British Virgin Islands;
 - (iv) a certificate of good standing (or its equivalent) of the Medcolcanna Subsidiary from the applicable Governmental Authority in Colombia;
 - (v) copies of the certificate(s) representing the common shares issued and outstanding in the capital of the Medcolcanna Subsidiary;
 - (vi) copies of the Licences; and
 - (vii) copies of each agreement, instrument, commitment or understanding evidencing the Land Interests.
- (c) Each of the Vendors will cause to be delivered:
- (i) duly executed stock transfer forms transferring the Medcolcanna Shares and Medcolcanna Existing Warrants owned by it to IES or its nominee and the applicable share and/or warrant certificate (if issued); and
 - (ii) if applicable, the IES Escrow Agreement duly executed and delivered by such Vendor as required by the Exchange.

ARTICLE 9
VENDORS' REPRESENTATIVE

9.1 Terms of Appointment.

- (a) Each Vendor hereby appoints (the “**Appointment**”) the Vendors’ Representative as of the Closing as the agent, proxy and attorney-in-fact for such Vendor for all purposes under this Agreement (except where otherwise provided herein), with full power and authority to act on behalf of the Vendors.
- (b) The Appointment, being coupled with an interest, is irrevocable and shall not be revoked by the insolvency, bankruptcy, death, incapacity, dissolution, liquidation or other termination of existence of any Vendor.
- (c) The Appointment shall survive the transfer by any of the Vendors, to the extent of the obligations of such Vendor, of the whole or any portion of such Vendor’s Medcolcanna Shares.
- (d) From and after Closing, the Appointment may not be assigned by the then-current Vendors’ Representative, and no Vendor may otherwise grant any subsequent authority, to another Person without the prior written consent of each of the Vendors and IES; provided that:
 - (i) IES shall not unreasonably withhold or delay such consent, and if IES does not provide its consent within ten (10) days of the date of the Vendor’s written request thereof, IES shall be deemed to have consented; and
 - (ii) this provision shall not prevent the Vendors’ Representative from resigning or from using its own representatives in connection with this Agreement.
- (e) The Vendors’ Representative accepts the Appointment and shall act as representative of the Vendors in accordance with this Agreement.
- (f) Each Vendor revokes any and all other authority, whether as agent, attorney-in-fact, proxy or otherwise, previously conferred or agreed to be conferred by him, her or it, as the case may be, at any time with respect to the Medcolcanna Shares held by such Vendor.
- (g) Each Vendor shall be bound by the actions taken by the Vendors’ Representative pursuant to the Appointment and hereby waives any and all defences which may be available to contest, negate or disaffirm the actions of the Vendors’ Representative taken under such Appointment. The Appointment shall survive the Closing and shall continue until the completion, termination or settlement of all obligations of the Vendors under or in respect of this Agreement. The Appointment may be exercised by the Vendors’ Representative on behalf of each

Vendor in executing any instrument by affixing the signature of the Vendors' Representative hereto.

- (h) IES shall be entitled to rely on any notice, demand, communication, declaration, receipt, waiver, consent or other document purporting to be delivered by the Vendors' Representative on behalf of any Vendor, and IES shall not have any obligation to enquire as to the veracity, accuracy or adequacy thereof, and IES shall be entitled to disregard any notice, demand or claim to the contrary not sent by the Vendors' Representative.

ARTICLE 10 GENERAL

- 10.1 Stand Still Agreement. As long as this Agreement is in effect and except as contemplated herein, neither the Vendors nor IES (including their respective directors, officers and agents) will solicit any discussions, expressions of interest, proposals or accept any offers from any Person relating to a possible merger, amalgamation, arrangement or relating to the sale of substantially all of the shares or assets, or any controlling equity interest of Medcolcanna, the Medcolcanna Subsidiary or IES (other than as contemplated under this Agreement), as applicable, provided however that the board of directors of Medcolcanna and IES, as applicable, may take action or refrain from taking action as is appropriate to satisfy applicable fiduciary duties.
- 10.2 Disclosure of Alternative Transaction. In the event either the Vendors, IES, Medcolcanna or the Medcolcanna Subsidiary shall receive an unsolicited proposal, offer or expression of interest in connection with any of those matters referred to in Section 10.1 on or before the Drop Dead Date, the recipient of such proposal, offer or expression of interest shall notify the other party within one (1) Business Day following receipt thereof and shall provide details of such proposal, offer or expression of interest to the other party.
- 10.3 Notices. All notices, requests, demands or other communications by the terms hereof required or permitted to be given by one party to another shall be given in writing by personal delivery, facsimile transmission or by registered mail, postage prepaid, addressed to such other party or delivered to such other party as follows:

- | | |
|----------------|--|
| (a) If to IES: | Suite 520, 65 Queen Street West
Toronto, Ontario
M5H 2M5 |
| | Attention: Brian Stecyk |
| | E-mail: bstecyk@rcadvertising.ca |

with a copy to: Cassels Brock & Blackwell LLP
Suite 2200, HSBC Building
885 West Georgia Street
Vancouver, BC, V6C 3E8

Attention: Sam Cole
Email: scole@casselsbrock.com

(c) If to the Vendors or the Vendors' Representative:

Medcolcanna
Calle 119, No. 5-42
Casa No. 7, Usaquen
Bogota, Colombia

Attention: Chris Reid
E-mail: reidch@hotmail.com

with a copy to: EnerNext Counsel
Suite 800, 400 – 5th Avenue SW
Calgary, AB T2P 0L6

Attention: Peter Yates
E-mail: peter.yates@enernext.ca

or at such other address as may be given by any of them to the others in writing from time to time and such notices, requests, demands or other communications shall be deemed to have been received, if sent by facsimile or electronic mail, on the first Business Day after sending or, if sent by registered mail, on the fifth Business Day after mailing or, if delivered, upon the date of delivery.

- 10.4 Confidentiality. Prior to Closing and, if the Transaction is not completed, at all times thereafter, each of the parties hereto will keep confidential and refrain from using all information obtained by it in connection with the transactions contemplated by this Agreement relating to any other party hereto, provided however that such obligation shall not apply to any information which was in the public domain at the time of its disclosure to a party or which subsequently comes into the public domain other than as a result of a breach of such party's obligations under this Section 10.4.
- 10.5 Assignment. No party may assign this Agreement or its rights or obligations hereunder without the prior written consent of the other parties hereto.
- 10.6 Binding Effect. This Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

- 10.7 Waiver. Any waiver or release of any provisions of this Agreement, to be effective, must be in writing executed by the party granting the same.
- 10.8 Further Assurances. The parties hereto covenant and agree to sign such other papers, cause such meetings to be held, resolutions passed and by-laws enacted, exercise their vote and influence, do and perform and cause to be done and performed such further and other acts and things as may be necessary or desirable in order to give full effect to this Agreement and every part thereof.
- 10.9 Governing Law; Choice of Forum. This Agreement shall be governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein. Each of the parties hereto hereby irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Alberta with respect to any matters arising out of this Agreement.
- 10.10 Currency. Except as otherwise stated herein, dollar amounts referred to in this Agreement shall be in Canadian funds.
- 10.11 Third Party Beneficiaries. Nothing in this Agreement, express or implied, shall be construed to create any third-party beneficiaries.
- 10.12 Interpretation. All words and personal pronouns relating thereto shall be read and construed as the number and gender of the party or parties referred to in each case require and the verb shall be construed and agreeing with the required word and/or pronoun. The division of this Agreement into articles, sections, subsections and exhibits are for convenience of reference only and shall not affect the interpretation or construction of this Agreement.
- 10.13 Expenses. Save and except as otherwise provided herein, each party shall be responsible for its own legal and accounting fees and other expenses incurred in connection with the completion of the transactions contemplated herein.
- 10.14 Time of the Essence. Time shall be of the essence of this Agreement and of every part hereof and no extension or variation of this Agreement shall operate as a waiver of this provision.
- 10.15 Public Announcements. Each of the parties hereto shall cooperate with the other parties in releasing information concerning this Agreement and the transactions contemplated herein, and shall furnish to and discuss with the other parties hereto drafts of all press and other releases prior to publication. No press release or other public announcement concerning the proposed transactions contemplated by this Agreement will be made by any party hereto without the prior consent of the other parties, such consent not to be unreasonably withheld or delayed; provided that nothing contained herein shall prevent any party hereto at any time from furnishing any information to any governmental agency or regulatory authority or to the public if so required by Applicable Law.
- 10.16 Entire Agreement. This Agreement and the documents and instruments and other agreements among the parties hereto as contemplated by or referred to herein constitute the entire agreement among the parties hereto with respect to the subject matter hereof

and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, including, without limiting the generality of the foregoing, the Letter of Intent. This Agreement shall not be amended except in writing signed by all of the parties hereto, and any amendment hereof shall be null and void and shall not be binding upon any party which has not given its consent as aforesaid.

- 10.17 Counterparts. This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.
- 10.18 Severability. In the event that any of the representations, warranties or covenants or any portion of them contained in this Agreement are unenforceable or are declared invalid for any reason whatsoever, such unenforceability or invalidity shall not affect the enforceability or the validity of the remaining terms or portions thereof of this Agreement, and such unenforceable or invalid representation, warranty or covenant or portion thereof shall be severable from the remainder of this Agreement.
- 10.19 Independent Legal Counsel. Each of the parties hereby acknowledges and declares that it has been advised to seek, and has sought, or has waived the right to seek, independent legal counsel in connection with the execution of this Agreement and is executing this Agreement of its own volition in a free and enlightened manner, and without fear, threats, compulsion, duress or influence by any person.

(the remainder of this page left intentionally blank)

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement as of the date first above written.

MEDCOLCANNA (BVI), INC.

INTEGRATED ENERGY STORAGE CORP.

By: (signed) "Felipe de la Vega"
Name:
Title:
Authorized Signing Officer

By: (signed) "Brian Stecyk"
Name:
Title:
Authorized Signing Officer

Principal Shareholders:

(signed) "Christopher Reid"
CHRISTOPHER DONALD REID

(signed) "Felipe de la Vega"
FELIPE DE LA VEGA VARGARA

Vendors' Representative:)
)
Signed, sealed and delivered in the)
presence of:)
)
)
_____)
Witness)
)

(signed) "Christopher Reid"
CHRISTOPHER DONALD REID

TO BE COMPLETED BY EACH VENDOR:

Name of Vendor:

Address of Vendor:

**Registration and Delivery Instructions for
IES Common Shares (NOTE: only to be
completed if different from the Name and
Address set forth above):**

SIGNATURE OF VENDOR (*sign here if the Vendor is an individual*):

SIGNED, SEALED AND DELIVERED)

in the presence of)

)

Witness)

Signature of Vendor

SIGNATURE OF VENDOR (*sign here if the Vendor is not an individual*):

Signature of Vendor

Print name of signatory

Title of signatory

EXHIBIT "A"

List of Medcolcanna Securityholders

[list of Medcolcanna shareholders and their shareholdings redacted]

EXHIBIT “B”**LAND INTERESTS**

Location	Real Estate Registration Number
Lote Guacachica (Suba – Callef 74 Chorrillos IC072 – la Conejera) Bogota, D.C.	50N-540484

Lease Details

El Candil.	<p>Leasing Agreement between the Subsidiary and Globo Inmobiliario SAS dated August 22, 2018.</p> <p>Located in La Conejera (Bogota), boundaries listed in public deed number 946 of Notary Public 73 of Bogota, DC dated March 8, 2011.</p> <p>Area leased 3 hectares</p> <p>Lease cost for the 3 hectares COP\$ 15,000,000 (approx. USD\$5,000) per month, (COP\$5.000.000 per hectare or approx. USD\$1,700 per month) plus 1% royalty of profits (sales - costs- administrative expenses). Grace period (no payments) until November 2018.</p> <p>Contract extension 5 years.</p> <p>Termination at any time by Medcolcanna only having to pay one additional month of lease</p> <p>Option on up to 18 hectares under same terms</p>
Mangavilla	<p>Land Purchase Option dated August 15, 2018 between the Subsidiary and Globo Inmobiliario SAS.</p> <p>Location Venecia Antioquia, identified with the Folio of real estate as registration number 010-17533.</p> <p>Purchase option 27,26 hectares</p> <p>Price: COP\$70.000.000 per hectare or approx. (USD\$23,300 per hectare)</p> <p>Validity of the option: until Feb 15 / 2019</p>
Las Brisas	<p>Land Rental Option Agreement between the Subsidiary and Globo Inmobiliario SAS (as representative for Mas Finca Produccion SAS</p> <p>Location Jerico Antioquia, identified with Real Estate Registration Nos. 014-3404, 014-3405, 014-4159, 014-3406, 014- 3407, with an extension of 156.3 hectares.</p> <p>Lease option up to 156 hectares. Option to be declared on a minimum of 10 hectares and additional area can be added at any time up to the 156 hectares</p> <p>Lease to be made for 5 years</p> <p>Price: COP\$500,000 per hectare per month (approx. USD\$165 per hectare per month)</p> <p>Validity of the option: until Feb 15 / 2019</p>

EXHIBIT “C”

LICENCES

1. Ministry of Health and Social Protection of the Republic of Colombia Resolution 002628 dated June 21, 2018 with respect to a licence to manufacture cannabis derivatives granted to Medcolcanna S.A.S.
2. Ministry of Justice and Law of the Republic of Colombia Resolution 0554 of 22 June 2018 with respect to a licence under which non-psychoactive cannabis plant cultivation has been granted to Medcolcanna S.A.S.
3. Ministry of Justice and Law of the Republic of Colombia Resolution 0586 of 29 June 2018 with respect to a licence for the cultivation of psychoactive cannabis plants for the modalities of (I) production of seed for sowing, and (II) manufacture of derivatives, granted to Medcolcanna S.A.S.

EXHIBIT “D”

IES LICENCE

License Agreement Number 528130 between IES and the Battelle Memorial Institute, dated October 13, 2016, under which IES is permitted to develop technology relying upon certain patented rights.

AMENDING AGREEMENT

THIS AMENDING AGREEMENT (the “**Amending Agreement**”) is made effective as of February 28, 2019 between **INTEGRATED ENERGY STORAGE CORP. (“IES”)** and **MEDCOLCANNA (BVI), INC. (“Medcolcanna”)**

WHEREAS the parties hereto are parties to a share exchange agreement dated December 5, 2018 (the “**Agreement**”);

AND WHEREAS the parties hereto wish to amend the terms of the Agreement in the manner set forth herein.

NOW THEREFORE in consideration of the foregoing and the mutual agreements contained herein (the receipt and adequacy of which are acknowledged), the parties agree as follows:

- (1) All capitalized terms not defined herein shall have the meaning given to such terms in the Agreement, unless the context otherwise requires.
- (2) Section 1.1(g) of the Agreement shall be deleted in its entirety and replaced with the following:

“**“Closing Date”** means the date of the Closing, which shall be within four Business Days following the later of (i) the date the parties receive conditional approval of the Transaction from the Exchange; (ii) the date of approval of the IES Resolutions by the IES Shareholders; and (iii) such other date as the Vendors’ Representative and IES may mutually agree, acting reasonably; but in any event not later May 21, 2019;”
- (3) Section 5.2(d) of the Agreement shall be deleted in its entirety and replaced with the following:

“IES shall have cash in its bank account in an amount of not less than \$940,000, after netting out all current payables and liabilities incurred up to and including the Closing Date, but adding in any amounts lent to Medcolcanna pursuant to the IES Loans, provided that Medcolcanna shall have the option to require IES to reduce the Consolidation ratio on a pro rata basis if the amount in the IES bank account is less than \$940,000 on the Closing Date;”
- (4) With the exception of the foregoing amendments, the Agreement shall continue in full force and effect unamended.
- (5) This Amending Agreement will be construed in all respects under and be subject to the laws of the Province of Alberta and the federal laws of Canada applicable therein.
- (6) This Amending Agreement may be executed in counterpart and evidenced by a facsimile or other electronic copy thereof and all such counterpart execution or facsimile copies shall constitute one document.

[The remainder of this page is intentionally left blank]

In witness whereof Broadway and Medcolcanna have executed this Amending Agreement effective as of the date first above written.

INTEGRATED ENERGY STORAGE CORP.

Per: (signed) "Brian Stecyk"
Name: Brian Stecyk
Title: Acting CEO

MEDCOLCANNNA (BVI), INC.

Per: (signed) "Christopher Reid"
Name: Christopher Reid
Title: Director

SCHEDULE C
IES AUDITED FINANCIAL STATEMENTS

as of December 31, 2017 and 2018

INTEGRATED ENERGY STORAGE CORP.
FINANCIAL STATEMENTS
DECEMBER 31, 2018

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Integrated Energy Storage Corp.

Opinion

We have audited the financial statements of Integrated Energy Storage Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive loss, changes in deficit and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 to the financial statements, which indicates that the Company had not advanced any of its projects to commercial production and is not able to finance day to day activities through current operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Otto Ehinger.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, Canada
April 26, 2019

INTEGRATED ENERGY STORAGE CORP.Statements of Financial Position
(Expressed in Canadian Dollars)

As at	December 31, 2018	December 31, 2017
Assets		
Current		
Cash	\$ 8,162	\$ 5,950
GST receivable	25,455	-
	33,617	5,950
License (Note 3)	-	21,730
Total Assets	\$ 33,617	\$ 27,680
Liabilities and Shareholders' Deficit		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 82,219	\$ 62,250
Demand loans (Note 4)	430,033	305,946
	512,252	368,196
Shareholders' Deficit		
Share capital (Note 6)	53,420	27,770
Subscriptions received (Note 6)	4,440	-
Stock option reserve (Note 6)	2,561	2,561
Deficit	(539,056)	(370,847)
	(478,635)	(340,516)
Total Liabilities and Shareholders' Deficit	\$ 33,617	\$ 27,680

Nature and continuance of operations (Note 1)
Subsequent events (Note 11)**Approved on behalf of the board****"Brian Stecyk"**

Brian Stecyk, Director

"R. Brian Murray"

R. Brian Murray, Director

The accompanying notes are an integral part of these financial statements

INTEGRATED ENERGY STORAGE CORP.

Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
Operating expenses		
General and administrative	\$ 7,411	\$ 5,668
Amortization (Note 3)	4,074	5,431
Consulting fees	55,000	97,469
Patent maintenance costs	31,363	42,331
Professional fees	67,930	27,730
	(165,778)	(178,629)
Other items:		
Recovery (write off) of GST receivable	15,225	(15,225)
Impairment of intangible asset (Note 3)	(17,656)	-
Realized gain on investment (Note 8)	-	12,807
Net and comprehensive loss	\$ (168,209)	\$ (181,047)
Loss per share – basic and diluted	(0.02)	(0.02)
Weighted average number of common shares outstanding – basic and diluted	9,764,915	9,436,148

The accompanying notes are an integral part of these financial statements

INTEGRATED ENERGY STORAGE CORP.Statement of Changes in Deficit
(Expressed in Canadian Dollars)

	Number of shares	Share capital	Subscriptions received	Stock option reserve	Deficit	Total
Balance, December 31, 2016	9,436,148	\$ 27,770	\$ -	\$ 2,561	\$ (189,800)	\$ (159,469)
Net loss for the year	-	-	-	-	(181,047)	(181,047)
Balance, December 31, 2017	9,436,148	27,770	-	2,561	(370,847)	(340,516)
Shares issued for private placement	1,500,000	30,000	-	-	-	30,000
Share issue costs	-	(4,350)	-	-	-	(4,350)
Subscriptions received	-	-	4,440	-	-	4,440
Net loss for the year	-	-	-	-	(168,209)	(168,209)
Balance, December 31, 2018	10,936,148	\$ 53,420	\$ 4,440	\$ 2,561	\$ (539,056)	\$ (478,635)

The accompanying notes are an integral part of these financial statements

INTEGRATED ENERGY STORAGE CORP.

Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (168,209)	\$ (181,047)
Items not affecting cash:		
Impairment of intangible asset	17,656	-
Amortization	4,074	5,431
(Recovery) write off of GST receivable	(15,225)	15,225
Realized gain on investment	-	(12,807)
Change in operating working capital:		
(Increase) in receivables	(10,230)	(13,518)
(Increase) decrease in prepaid expenses	-	5,000
Increase in accounts payable and accrued liabilities	53,076	19,740
Net cash flows used in operating activities	(118,858)	(161,976)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan	90,980	142,502
Shares issued for cash, net of issuance costs	25,650	-
Share subscriptions received (repaid)	4,440	(16,000)
Net cash flows provided by financing activities	121,070	126,502
CASH FLOWS USED IN INVESTING ACTIVITY		
Proceeds from sale of investment	-	12,807
Net cash flows provided by investing activities	-	12,807
Increase in cash	2,212	(22,667)
Cash, beginning of year	5,950	28,617
Cash, end of year	\$ 8,162	\$ 5,950

The accompanying notes are an integral part of these financial statements

INTEGRATED ENERGY STORAGE CORP.

Notes to Financial Statements

For the Year Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

1. Nature and continuance of operations

Integrated Energy Storage Corp. (the "Company"), was incorporated on May 31, 2010 under the *Business Corporations Act* (Alberta). The address, and principal place of business of the Company is Suite 608, 1199 West Pender Street, Vancouver, BC, Canada, V6E 2R1. The Company was pursuing the research and development of electrical energy storage systems primarily based upon the Vanadium Redox Battery Technology. The Company, on December 5, 2018, entered into a share exchange agreement with Medcolcanna (BVI) Inc. ("Medcolcanna") that will result in a reverse takeover of the Company by Medcolcanna shareholders. Pursuant to the proposed transaction, the holders of the issued and outstanding Medcolcanna shares shall receive one post-consolidation of the Company's common shares for each Medcolcanna share held. The Company has agreed to seek shareholder approval for, among other things, the consolidation of its outstanding shares and options at a ratio to result in there being approximately 12,900,000 common shares outstanding immediately prior to the closing of the transaction. Prior to completion of the transaction, the Company expects to arrange for the settlement of certain outstanding debts through the issuance of pre-consolidation common shares. In connection with completion of the transaction, the Company intends to issue approximately 6,450,000 resulting issuer warrants to the existing shareholders of the Company. If the reverse takeover completes, the Company will be in the process of establishing operations in Columbia as a producer of both THC and cannabidiol medical cannabis.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2018, the Company has not generated any revenue and has incurred a loss since inception. The Company's continuation as a going concern is dependent on its ability to generate future cash flows and/or obtain additional financing. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, loans from directors and companies controlled by directors and/or private placements of common stock. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

The financial statements were authorized for approval on April 26, 2019.

2. Significant accounting policies

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared on an accrual basis and are based on historical costs modified where applicable. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, and the recoverability and measurement of deferred tax assets.

(c) Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

INTEGRATED ENERGY STORAGE CORP.

Notes to Financial Statements

For the Year Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(d) License

Expenditures related to the acquisition of license rights are recorded at cost less accumulated amortization and accumulated impairment loss, if any. Directly attributable expenditures are capitalized as intangible assets when the product is technically and commercially feasible, the costs of generating the asset can be reliably measured, and there is an adequate plan to complete the project.

The costs of the license right is amortized over the estimated life once the license is ready for use. Amortization is calculated on a straight-line method over its estimated useful life. The amortization rate and method applicable to the license right is straight-line for a period of 5 years.

(e) Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(f) Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

Classification:

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	Amortized cost	FVTPL
Receivables	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

INTEGRATED ENERGY STORAGE CORP.

Notes to Financial Statements

For the Year Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(f) Financial instruments (continued)

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive loss on January 1, 2018.

Measurement:

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Impairment of financial assets at amortized cost:

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition:

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

(g) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(h) Loss per share

Basic loss per share is calculated by dividing net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is determined by adjusting the net loss attributable to common shares and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares.

INTEGRATED ENERGY STORAGE CORP.

Notes to Financial Statements

For the Year Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(i) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted, shall be based on the number of equity instruments that eventually vest.

(j) Accounting standards issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2018, and are either not applicable or are not expected to have a significant impact on the Company's financial statements. These include IFRS 16 – Leases.

3. License

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 \$27,163 (US\$20,000) paid over four tranches as outlined below:

October 18, 2016 ("effective date")	US\$5,000 (\$6,828 CDN paid)
Within 90 days of effective date	US\$5,000 (\$6,835 CDN paid)
Within 180 days of effective date	US\$5,000 (\$6,750 CDN paid)
Within 270 days of effective date	US\$5,000 (\$6,750 CDN paid)

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.

The Company wrote down the license to \$nil and recorded an impairment on the license of \$17,656 during the year ended December 31, 2018 as it is changing its business plan and no longer intends to use the license.

4. Demand Loans

	December 31, 2018	December 31, 2017
Balance, beginning	\$ 305,946	\$ 52,000
Advances	124,057	142,502
Transferred from accounts payable	-	103,444
Transferred from subscriptions received	-	8,000
Balance, ending	\$ 430,003	\$ 305,946

The demand loans are unsecured, non-interest bearing and have no fixed terms of repayment. Of the balance, \$10,000 is owing to a director (Note 7).

5. Accounts Payable

	December 31, 2018	December 31, 2017
Accounts payable	\$ 68,219	\$ 55,250
Accrued liabilities	14,000	7,000
Total	\$ 82,219	\$ 62,250

INTEGRATED ENERGY STORAGE CORP.

Notes to Financial Statements
For the Year Ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

6. Share Capital

Authorized Share Capital

Unlimited common voting shares; and
Unlimited preferred shares, issuable in series, with the rights, privileges, restrictions and conditions determined by the Board of Directors upon issuance.

Issued share capital

At December 31, 2018 and, there are 10,936,148 (2017 - 9,436,148) common shares and no preferred shares outstanding.

On October 12, 2018, the Company issued 1,500,000 shares at a price of \$0.02 per share for gross proceeds of \$30,000. Share issue costs of \$4,350 were paid in relation to this issuance.

Subscriptions Received

As of December 31, 2018, the Company has received \$4,440 (2017 - \$Nil) in relation to a future private placement which closed on March 5, 2019.

Stock Options

Changes in options during the years ended December 31, 2018 and 2017 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, as at December 31, 2018 and 2017	500,000	\$0.25

The weighted average remaining life of the outstanding options at December 31, 2018 is 1.68 years.

Details of stock options outstanding and exercisable as at December 31, 2018 are as follows:

Number of options outstanding	Exercise Price	Expiry
500,000	\$0.25	September 5, 2020

Stock Option reserve

The stock option reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

7. Related Party Transactions

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

8. Sale of Investment

During the year ended December 31, 2017, the Company sold 56,060 shares of Arev Nutrition Sciences Inc. for proceeds of \$12,807. The shares were written off in a prior year and had a carrying value of \$nil, resulting in a gain on sale of \$12,807.

INTEGRATED ENERGY STORAGE CORP.

Notes to Financial Statements
For the Year Ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

9. Income Taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	December 31, 2018	December 31, 2017
Net loss before income taxes	\$ 168,209	\$ 181,047
Statutory tax rate	27%	26%
Expected income tax recovery at the statutory tax rate	45,416	47,072
Non-deductible items	3,591	(1,434)
Deferred tax assets not recognized	(49,008)	(45,638)
Income tax recovery	\$ -	\$ -

Details of deferred tax assets and liabilities are as follows:

	December 31, 2018	December 31, 2017
Investment	\$ -	\$ -
Loss carry-forwards	142,379	93,725
Valuation allowance	(142,379)	(93,725)
Net deferred tax asset	\$ -	\$ -

Management has determined that there is insufficient likelihood of recovery to record a benefit arising from potential tax assets. Accordingly a 100% valuation allowance has been applied.

The Company has available the following estimated non-capital loss carryforwards for which a deferred tax asset has not been recognized in the financial statements:

2030	\$ 3,750
2031	13,731
2032	18,050
2033	16,968
2034	14,238
2035	15,013
2036	90,219
2037	146,092
2038	209,181
	<u>\$ 527,242</u>

10. Financial Risks and Capital Management

(a) Fair values

The fair values of cash, accounts payable, demand loans and share subscription received approximate their carrying values due to the short-term to maturities of these financial instruments.

(b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash. The risk in cash is managed through the use of a major financial institution which has a high credit quality as determined by rating agencies. Credit risk is assessed as low.

INTEGRATED ENERGY STORAGE CORP.

Notes to Financial Statements

For the Year Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

10. Financial Risks and Capital Management (continued)

(d) Foreign exchange rate risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company has no assets or liabilities denominated in foreign currencies; therefore, is not exposed to foreign exchange risk.

(e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company requires funds to finance its business activities. There is no assurance that financing will be available or, if available, that such financings will be on terms acceptable to the Company. Liquidity risk is assessed as high.

(f) Capital Management

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support acquisition and development of its license. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is dependent on external financing to fund its activities. In order to carry out its activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to externally imposed capital requirements.

11. Subsequent Events

On January 3, 2019 the Company issued 222,000 common shares at a price of \$0.02 for proceeds of \$4,440, which has been received at December 31, 2018 and recorded as subscriptions received.

On March 5, 2019 the Company completed a non-brokered offering of 40,470,000 common shares for gross proceeds of \$1,011,750. Proceeds of \$1,000,000 raised by the Company, less certain advisory fees of \$42,240 will be held in escrow pending completion of the reverse takeover transaction (see Note 1). The advisors will also be granted compensation options entitling the advisors to purchase that number of units of the resulting issuer equal to 6% of the aggregate number of common shares issued by the Company under the non-brokered offering with an exercise price per option that is equal to \$0.25 per resulting issuer share, subject to any necessary adjustments. The resulting issuer compensation options shall have a term of 24 months following the date of issuance.

The Company advanced loans to Medcolcanna in the amount of \$330,000 on Feb 25, 2019 and \$250,000 on April 1, 2019 for operating expenses.

SCHEDULE D
MEDCOLCANNA AUDITED FINANCIAL STATEMENTS
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

as of December 31, 2018

MEDCOLCANNA (BVI), INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the period from July 10, 2018 (Date of incorporation) to December 31, 2018

Independent Auditor's Report

To the Shareholders of Medcolcanna (BVI), Inc.:

Opinion

We have audited the consolidated financial statements of Medcolcanna (BVI), Inc. and its subsidiary (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the period from July 10, 2018 (date of incorporation) to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the period from July 10, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company has incurred a net loss of \$538,482 with no revenue-generating operations. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Ontario

May 7, 2019

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MEDCOLCANNA (BVI), INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

December 31, 2018

Assets

Current assets

Cash	\$ 628,618
Restricted Cash (Note 13)	3,178,260
Accounts receivable (Note 12)	18,000
Due from related parties (Note 15)	22,533
Prepaid expenses	3,413
	\$ 3,850,824

Non-current assets

Property Plant and Equipment (Note 8)	\$ 50,384
Intangibles (Note 10)	148,868
	\$ 4,050,076

Liabilities

Current liabilities

Accounts payable and accrued liabilities (Note 11)	\$ 238,163
Due to related parties (Note 15)	48,810
	\$ 286,973

Shareholders' Equity

Share capital (Note 12)	\$ 1,102,584
Subscription Receipts (Note 13)	3,093,786
Warrants	79,729
Compensation Options	26,770
Accumulated Other Comprehensive Income	(1,284)
Deficit	(538,482)
	\$ 3,763,103
	\$ 4,050,076

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors:

(signed) "Felipe de la Vega"
Director

(signed) "Robert Metcalfe"
Director

MEDCOLCANNA (BVI), INC.

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

For the period from July 10, 2018 (Date of Incorporation) to December 31, 2018

<i>(Expressed in Canadian Dollars)</i>	2018
Other Revenue:	
Exclusivity Fee	\$ 32,750
Interest and other revenue	600
	<hr/> 33,350
Expenses:	
Salaries & wages	162,974
Professional fees	345,549
General and administrative	48,378
Operating Expenses	27,666
Finance expense	310
Foreign exchange loss (gain)	(13,045)
	<hr/> 571,832
Net loss for the period	(538,482)
Other comprehensive income	(1,284)
Total Comprehensive Income (Loss)	(539,766)
	<hr/>
Loss per share – basic and diluted	\$ (0.02)
	<hr/>
Weighted average number of common shares outstanding	27,275,808
	<hr/>

See accompanying notes to the consolidated financial statements.

MEDCOLCANNA (BVI), INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from July 10, 2018 (Date of Incorporation) to December 31, 2018

(Unaudited, expressed in Canadian Dollars)

2018

Cash flows related to the following activities:

Operating activities

Total Comprehensive Income (Loss)	\$ (538,482)
Adjustment for:	
Change in non-cash working capital	
Accounts Receivable	77,355
Prepays	(3,413)
Foreign Currency Translation adjustment	(1,682)
Net cash from related parties	26,277
Accounts payable and accrued liabilities	231,775
	<u>(208,170)</u>

Investing activities

PPE Additions	(49,986)
	<u>(49,986)</u>

Financing activities

Payment of Promissory note (acquisition)	(195,945)
Issuance of Units, net of costs	1,140,423
Subscription Receipts, net of costs	3,120,556
	<u>4,065,034</u>

Net cash from operating, investing and financing activities 3,806,878

Cash, beginning of period -

Cash, end of period \$ 3,806,878

Less: Restricted Cash \$ (3,178,260)

Cash, as presented on Statement of Financial Position \$ 628,618

See accompanying notes to the consolidated financial statements.

MEDCOLCANNA (BVI), INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period from July 10, 2018 (Date of Incorporation) to December 31, 2018

<i>(Expressed in Canadian Dollars)</i>	Common Shares	Share Capital	Warrants	Subscription Receipts	Compensation Options	Deficit	Accumulated other Comprehensive	Total
							Income	
July 10, 2018 (incorporation date)	50,000	\$ -	\$ -			\$ -		\$ -
Shares cancelled	(50,000)	-						-
Share issued	32,000,000	32,000						32,000
Share issued for Sep 2018 subscription	7,362,659	643,883						643,883
Share issuance costs		(10,347)						(10,347)
Warrants issued for Sep 2018 subscription			18,758					18,758
Warrant issuance costs			(301)					(301)
Share issued for Dec 2018 subscription	2,000,000	438,276						438,276
Share issuance costs		(1,228)						(1,228)
Subscription Receipts				3,449,946				3,449,946
Subscription issuance costs				(356,160)				(356,160)
Warrants issued for Dec 2018 subscription			61,724					61,724
Warrant issuance costs			(452)					(452)
Compensation Options issued for Dec 2018 subscription					30,554			30,554
Option issuance costs					(3,784)			(3,784)
Net Loss for the period						(538,482)		(538,482)
Other comprehensive income							(1,284)	(1,284)
Balance at December 31, 2018	41,362,659	\$ 1,102,584	\$ 79,729	\$ 3,093,786	\$ 26,770	\$ (538,482)	\$ (1,284)	\$ 3,763,103

See accompanying notes to the consolidated financial statements.

Medcolcanna (BVI), Inc.

Notes to the consolidated financial statements

For the period from July 10 (Date of Incorporation) to December 31, 2018

1. NATURE OF OPERATIONS

Medcolcanna (BVI), Inc. (the “Company” or “MCC”) was incorporated July 10, 2018 as Geberi, Ltd. under the laws of the British Virgin Islands. The Company filed articles of amendment effective August 28, 2018, and changed its name to Medcolcanna (BVI), Inc.

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.

On July 24, 2018, the Company closed the acquisition of Medcolcanna S.A.S. The transaction was accounted for as an asset acquisition (Note 7(a)).

2. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future. Since incorporation, the Company has incurred a net loss with no revenue-generating operations, which were primarily financed from proceeds received through loans and issuance of share capital. As at December 31, 2018, the Company maintains a working capital surplus excluding restricted cash of only \$385,591.

As the Company has no assets currently generating cash flow, it will continue to exhaust its remaining financial resources to fund existing operations for the foreseeable future. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern as it will be contingent upon the Company’s ability to successfully identify and procure necessary capital, which may be by way of strategic transactions to obtain financing and/or generate profitable operations that are beneficial to the Company and its shareholders.

Management believes that the going concern assumption is appropriate for these consolidated financial statements and that the Company will be able to meet its budgeted administrative costs during the upcoming year and beyond when considering the Company’s current financial forecast. However, there is no certainty as to the timing and likelihood of realizing a strategic transaction that would provide additional financial resources beyond those currently retained by the Company. Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, these consolidated financial statements would require adjustments to the amounts and classifications of assets and liabilities.

3. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on May 7, 2019.

Basis of measurement

The Financial Statements have been prepared on the going concern basis, under the historical cost convention.

Medcolcanna (BVI), Inc.

Notes to the consolidated financial statements

For the period from July 10 (Date of Incorporation) to December 31, 2018

Functional and presentation currency

The Financial Statements are presented in Canadian dollars, unless otherwise denoted. Management selected the Canadian dollar as the presentation currency as it best facilitates comparability with industry peers.

The functional currency of the Company is Canadian dollars, and the functional currency of the Company's subsidiary, Medcolcanna S.A.S., is the Colombian peso.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the period end exchange rates, results of their operations are translated at average exchange rates for the period, and shareholders' equity is translated at the rate effective at the time of the transaction. The resulting translation adjustments are included in profit/loss in shareholders' equity.

Basis of consolidation

The Financial Statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. As of December 31 2018, the only subsidiary of MCC is Medcolcanna S.A.S., which is incorporated under the jurisdiction of Colombia and is wholly owned by MCC.

All transactions and balances between companies are eliminated on consolidation. Each entity within the consolidated group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using the functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less.

Property Plant & Equipment ("PPE")

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statement of loss and comprehensive loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial period end, and adjusted if appropriate. PPE is depreciated through profit and loss over their estimated useful lives. Assets under construction are not subject to depreciation as they are not ready for use. PPE is depreciated over their estimated useful lives using the following methods and rates:

	estimated useful lives/asset depreciation method
Agricultural Facilities	Straight-line over 5-10 years
Other Equipment	Straight-line up to 5 years

Intangible assets – licenses and authorizations costs

Intangible assets are recognized as such if it is probable that future economic benefits attributable to the asset will

Medcolcanna (BVI), Inc.

Notes to the consolidated financial statements

For the period from July 10 (Date of Incorporation) to December 31, 2018

flow to the Company and their cost can be reasonably measured.

Intangible assets that are acquired by the Company, which have definite useful lives, are measured at cost less accumulated amortization and impairment losses. These intangible assets are comprised of license costs and costs related to the retention of the licenses and authorizations for the recreational and cannabinoids extraction projects. These intangible assets are amortized through profit or loss on a straight-line basis over their estimated useful lives estimated to be five years for license costs and ten years for costs related to the retention of licenses, respectively, from the beginning of operations.

For licenses and permits that are classified as intangible assets with an indefinite life, no amortization is recognized but impairment tests on such licenses are carried out on an annual basis. This would apply to licenses and permits that do not expire and, as such, there is no foreseeable limit to the period over which these assets are expected to generate future cash inflows to the Company.

Impairment of non-financial assets

The Company reviews and evaluates impairment of its non-financial assets subject to depreciation and amortization whenever events or changes in circumstances occur that indicates that the carrying amount of the asset will not be recovered from its use or sale. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds the higher of its fair value and value in use. Fair value is the amount that can be obtained from the sale of an asset in an open market. The value in use corresponds to the present value of the estimated future cash flows expected to be obtained from the continuing use of the asset and from its sale at the end of its useful life. Impairment losses recognized in previous years are reversed if there is a change in the estimates used on the last time an impairment loss was recognized.

Provisions

Provisions are recognized when (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate of the amount of the obligation can be made. The Company bases its accruals on up-to-date developments, estimates of the outcomes of the matters and legal counsel experience in contesting, litigating and settling matters. As the scope of the liabilities becomes better defined or more information is available, the Company may be required to change its estimates of future costs, which could have a material effect on its results of operations and financial condition or liquidity.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations.

Financial instruments

Financial assets are classified into one of four categories:

- Fair value through profit or loss (“FVTPL”)
- Fair value through other comprehensive income (“FVTOCI”)
- Financial assets measured at cost
- loans and receivables

Financial assets measured at FVTPL

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. Financial assets classified as FVTPL are stated at fair value with any resulting gain or loss recognized in the consolidated statements of income and comprehensive income. Transaction costs are expensed as incurred.

Medcolcanna (BVI), Inc.

Notes to the consolidated financial statements

For the period from July 10 (Date of Incorporation) to December 31, 2018

Financial assets measured at FVTOCI

AFS financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories. Gains and losses arising from changes in fair value are recognized in other comprehensive income.

Financial assets measured at cost (loans and receivables)

Loans and receivables are financial assets having fixed or determinable payments that are not quoted in an active market. They are initially recognized at the transaction value and subsequently carried at amortized cost less, when material, a discount to reduce the loans and receivables to fair value.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated/ future cash flows of the investment have been impacted.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statements of income and comprehensive income. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through the consolidated statements of income and comprehensive income. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

Financial liabilities and other financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities at FVTPL are stated at fair value, with changes being recognized through the consolidated statements of income and comprehensive income. Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Classification of financial instruments

Cash and cash equivalents – FVTPL

Receivables from related parties – loans and receivables

Other receivables – loans and receivables

Accounts payable and other payables – other financial liabilities

Due to related parties – other financial liabilities

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Contingent liabilities and assets

Contingent liabilities are not recognized in the consolidated financial statements; they are only disclosed in a note to the financial statements. When the possibility of an outflow of resources to cover a contingent liability is remote, such disclosure is not required.

Medcolcanna (BVI), Inc.

Notes to the consolidated financial statements

For the period from July 10 (Date of Incorporation) to December 31, 2018

Contingent assets are not recognized in the consolidated financial statements, they are only disclosed in the notes to the financial statements when it is probable that an inflow of resources occurs.

Items previously treated as contingent liabilities will be recognized in the consolidated financial statements in the period in which a change of probabilities occurs, that is, when it is determined that it is probable that an outflow of resources will take place to cover such liabilities. The items treated as contingent assets will be recognized in the consolidated financial statements in the period in which it is determined that it is virtually certain that an inflow of resources will occur, respectively.

Segment reporting

According to IFRS 8, operating segments are identified based on the 'management approach'. This approach stipulates external segment reporting based on the Company's internal organizational and management structure and on internal financial reporting to the chief operating decision maker. Management of the Company is responsible for measuring and steering the business success of the segments and is considered the chief operating decision maker within the meaning of IFRS 8. The company operates in one segment being the operations of Cannabis cultivation facilities in Colombia

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss).

Current tax

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income (loss) or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

New standards and interpretations issued but not yet adopted

The IASB has issued several new standards and amendments that will be effective on various dates. The listing below is of standards, interpretation and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intended to adopt those standards when they become effective. The impact on the Company is currently being assessed.

IFRS 16 Leases ("IFRS 16")

IFRS 16 was issued by the IASB on January 13, 2016. The Company will be required to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset

Medcolcanna (BVI), Inc.

Notes to the consolidated financial statements

For the period from July 10 (Date of Incorporation) to December 31, 2018

representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 16 will have on the Company's financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Impairment testing

At the date of each statement of financial position, the Company reviews the carrying amounts of its finite-life intangible assets carried at cost to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Valuation of deferred income tax assets

The Company assesses the probability of taxable profits being available in the future based on its budget forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When a forecast shows a net profit, the Company considers that the use of deferred income taxes is probable and recognizes the benefit. When management believes that the benefits will not be realized, the deferred income tax asset is not recognized.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial instruments

The Company has classified cash and cash equivalents as fair value through the consolidated statements of loss and comprehensive income and promissory notes, and accounts payable and other payables as other financial liabilities.

The carrying values of other receivables, and accounts payable and other payables and promissory notes approximate their fair values due to their short periods to maturity.

Financial risk management

The Company's activities are exposed to a variety of financial risks in the normal course of business. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the Company's capital costs by using suitable means of financing and to manage and control the Company's financial risks effectively.

The principal financial risks arising from financial instruments are liquidity risk, credit risk, and capital risk.

Medcolcanna (BVI), Inc.

Notes to the consolidated financial statements

For the period from July 10 (Date of Incorporation) to December 31, 2018

Liquidity risk

As at December 31, 2018, the Company's financial liabilities consist of accounts payable and accrued liabilities, related party debts, which have contractual maturity dates within one year, and the Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's working capital position at December 31, 2018, management regards liquidity risk to be low.

Foreign Currency Risk

The Company's functional and reporting currency is the Canadian dollar but is exposed to foreign currency risk with respect to the expenditures incurred by its Colombian subsidiary, Medcolcanna S.A.S. For period from July 10 (Date of Incorporation) to December 31, 2018 the foreign currency risk exposure was not material.

Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposure to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties accepted. Counterparties in cash transactions are limited to first-rate financial credit institutions.

As of December 31, 2018, the Company's management considers that the Company's other receivables do not have non-collectable accounts because they do not have significant credit risk.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. The Company is exposed to interest rate risk on cash and cash equivalents. The Company is also exposed to interest rate risk on promissory notes that may be issued. Those promissory notes issued were interest-free loans. As such, fluctuations of interest rates for the period ending December 31, 2018 would not have had a significant impact on the consolidated financial statements.

7. CORPORATE FINANCIAL TRANSACTIONS

a) Medcolcanna S.A.S.

On July 24, 2018, the Company acquired from a related party (a Colombian Company controlled by shareholder) all of the issued and outstanding shares of Medcolcanna S.A.S. in exchange for a promissory note of \$65,785 (US\$50,000) to be paid within 2 months of the date of the sale agreement (the "Acquisition"). Furthermore, costs related to this transaction were comprised of success fees of \$130,160 (US\$100,000) owed to a third-party consultant of the Company. A promissory note was issued to the third-party consultant to be paid within 90 days of the issuance of the promissory note. The total consideration paid to both parties was \$195,945. (US\$150,000)

The transaction was accounted for using the asset acquisition method of accounting. The fair values assigned to the net assets and liabilities and consideration paid are as follows:

Licenses	\$ 148,868
Accounts receivable	53,465
Accounts payable and accrued liabilities	(6,388)
Total consideration	\$ 195,945

The results of the Acquisition have been included in the accounts of the Company commencing July 24, 2018.

Medcolcanna (BVI), Inc.

Notes to the consolidated financial statements

For the period from July 10 (Date of Incorporation) to December 31, 2018

b) Canada Coal Inc.

On July 24, 2018, the Company entered into a Letter of Intent with Canada Coal Inc. (“CCK”) whereby terms for the acquisition of 100% of the common share of MCC by CCK were outlined (the “Transaction”). The proposed Transaction will result in the shareholders of the Company receiving common shares in CCK as consideration, using a ratio of one CCK common share being issued for each existing MCC common share.

The completion of the Transaction is conditional upon the satisfaction of a number of conditions that are in the process of being fulfilled, and are as follows:

- Consent being received by all necessary parties
- CCK having completed satisfactory due diligence on the business and operations of the Company.
- Approval to the terms of the transaction by all pertinent regulatory authorities
- The finalization of the definitive agreement which incorporates the terms proposed within the Letter of Intent

In July 2018, in accordance with the Letter of Intent, CCK made payment of \$32,750 (US\$25,000) to the Company under the provisions of an exclusivity fee, providing 60 days of exclusivity to CCK after the signing of the Letter of Intent to complete a definitive agreement.

On October 12, 2018 Medcolcanna formally communicated to Canada Coal Inc. to terminate its proposed business combination given the Letter of Intent had already expired.

c) Integrated Energy Storage Corp.

On December 5, 2018, the Company entered into a definitive agreement with Integrated Energy Storage Corp (“IES”) whereby terms for the acquisition of 100% of the common share of MCC by IES were outlined (the “IES Transaction”). IES is a Canadian reporting issuer that has not had any active business to date. It is currently anticipated that the proposed Transaction will be effected by way of a share exchange. There are currently outstanding an aggregate of 12,900,000 common shares in the capital of IES (each, an “IES Common Share”).

Pursuant to the proposed Transaction, the holders of the issued and outstanding Medcolcanna Shares shall receive one post-Consolidation (as defined below) IES Common Share for each Medcolcanna Share held. As well, IES 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 IES Common Shares outstanding immediately prior to the closing of the Transaction. In connection with completion of Transaction, IES intends to issue approximately 6,450,000 Resulting Issuer Warrants to certain individuals as part of a debt settlement transaction.

Prior to the completion of the Transaction, it is anticipated that Medcolcanna and IES 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 IES. 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.
- IES 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 “IES Offering”). Pursuant to the Definitive Agreement, Medcolcanna has the ability to borrow funds raised in the IES Offering for general

Medcolcanna (BVI), Inc.

Notes to the consolidated financial statements

For the period from July 10 (Date of Incorporation) to December 31, 2018

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 IES (including purchasers in the IES 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 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. This is discussed in greater detail below in Note #12.

The proposed Transaction is subject to requisite regulatory approvals and standard closing conditions, including the listing of the IES 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.

d) Neurocountry Portuazual

On October 26, 2018 the Company entered into a Letter of Intent with Neurocountry Portuazual. ("Neuro") Neuro is a chain of specialty sleep and Epilepsy clinics in Colombia. The MCC would become the exclusive supplier of medicinal Cannabis for their clinics. MCC would also get a first right of refusal to outright buy the clinics.

The completion of the Transaction is conditional upon the satisfaction of a number of conditions that are in the process of being fulfilled, and are as follows:

- Consent being received by all necessary parties
- Both parties having completed satisfactory due diligence of the counterparty.
- The finalization of the definitive agreement which incorporates the terms proposed within the Letter of

Medcolcanna (BVI), Inc.

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Intent with valuations and pricing still to be determined.

The Letter of Intent will be terminated at the earlier of 120 days from the start of this exclusivity period to the date a Definitive Agreement is signed and March 15, 2019 should a Definitive Agreement not be closed by that time. As this day has now passed management is of the view this letter of Intent has now expired.

8. PROPERTY, PLANT & EQUIPMENT ("PPE")

During 2018 Medcolcanna started to incur PPE as it began the process of developing its Greenhouses. The continuity is presented as follows. No depreciation has been booked yet as the underlying assets are not yet available for use.

	Agricultural Facilities	Other equipment	Total
Opening Balance	\$ -	\$ -	\$ -
Additions	\$ 49,986	\$ -	\$ 49,986
Depreciation expense	\$ -	\$ -	\$ -
Effect of foreign currency	\$ 398	\$ -	\$ 398
Net assets as at December 31, 2018	<u>\$ 50,384</u>	<u>\$ -</u>	<u>\$ 50,384</u>

9. PROMISSORY NOTES PAYABLE

During the period ended December 31, 2018, the Company issued non-interest bearing promissory notes to certain parties in connection with the Acquisition of Medcolcanna S.A.S. (see Note 7(a)). The terms of the promissory notes and balances outstanding as of December 31, 2018 were as follows:

<i>Short Term</i>				
Unsecured promissory note	(a)	0%	Sept. 24, 2018	\$ -
Unsecured promissory note	(b)	0%	Nov. 22, 2018	-
				<u>\$ -</u>

- The promissory note for the principal amount of \$67,785 (US\$50,000) specified an interest-free period for two months from issuance of the note, payable upon maturity. The promissory note was paid in its entirety in September 2018.
- The promissory note for the principal amount of \$130,160 (US\$100,000) specified an interest-free period for three months from issuance of the note, payable upon maturity. The promissory note was paid in its entirety in December 2018 after the due date of November 22, 2018. The creditor gave a unilateral extension without charging interest.

10. LICENSES AND AUTHORIZATIONS COSTS

On June 22, 2018, Medcolcanna S.A.S. was granted a license to produce, manufacture, market and export cannabis derivatives and products using extracts in Colombia by the Ministry of Health, making it one of a small number of

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companies to have secured such a license.

A continuity of the intangible assets for the period ended December 31, 2018 is as follows:

Balance at July 10, 2018	Acquisitions & Additions	Amortization	Balance as at Dec 31, 2018
-	148,868		148,868
\$ -	\$ 148,868	\$ -	\$ 148,868

As of December 31, 2018, costs attributed to the aforementioned license were comprised of the fair value assessed to the license assets at the time of the Acquisition, with further additions including costs for technical advisory, procedures for license and authorizations costs related to the recreational cannabis and cannabinoids extraction projects. A carrying balance of \$148,868 was recognized as of December 31, 2018.

11. ACCOUNTS PAYABLE AND OTHER PAYABLES

Accounts payable balances as of December 31, 2018 were as follows.

Trades payable	\$ 223,935
Wages payable	1,173
Tax remittances payable	13,055
Balance, December 31, 2018	\$ 238,163

12. SHARE CAPITAL

Common shares

At December 31, 2018, the Company was authorized to issue up to 60,000,000 common shares with no par value, with holders of common shares entitled to one vote per share and to dividends, if declared. As of December 31, 2018, common shares issued and outstanding are as follows:

Balance at incorporation (July 10, 2018)	50,000	\$ -
Shares cancelled	(50,000)	-
Shares issued under shareholders agreement	32,000,000	32,000
Shares issued for subscription in September 2018	7,362,659	643,883
Share Issuance Costs		(10,347)
Shares issued for subscription in December 2018	2,000,000	438,276
Share Issuance Costs		(1,228)
Balance, December 31, 2018	41,362,659	\$ 1,102,584

- a) In August 2018, the Company formalized the shareholders agreement wherein 32,000,000 common shares of the company were issued. 8,100,000 of these shares were issued for \$0.001 per common share. The other 23,900,000 shares were issued to various founders for services rendered. The value of the shares issued for services have also been recorded at \$0.001 per common share. In accordance with the shareholders agreement, the 50,000 common shares issued at the incorporation of the Company were cancelled.

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- b) In September 2018, the Company closed a non-brokered private placement (the "Private Placement") raising gross proceeds of \$662,639 through the issuance of 7,362,659 units (each, a "Unit") at an issue price of \$0.09 per Unit. Each Unit was comprised of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price equal to \$0.25 per share, until September 2019. The Company has allocated the total proceeds of \$662,639 to share capital of \$643,883 and warrants of \$18,757. The warrant fair value was determined based on a Black-Scholes option pricing model (see below). The issue costs on the Private Placement totaling \$10,648 were also allocated to share capital of \$10,347 and warrants of \$301. As at December 31, 2018 there are subscriptions receivable of \$18,000 from this private placement. This \$18,000 was subsequently received on January 22, 2019.
- c) In December 2018, the Company closed a non-brokered private placement (the "Private Placement") raising gross proceeds of \$500,000 through the issuance of 2,000,000 units (each, a "Unit") at an issue price of \$0.25 per Unit. Each Unit was comprised of one common share of the Company and one half a share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price equal to \$0.40 per share, until December 2020. The Company has allocated the total proceeds of \$500,000 to share capital of \$438,276 and warrants of \$61,724. The warrant fair value was determined based on a Black-Scholes option pricing model (see below). The issue costs on the Private Placement totaling \$1680 were also allocated to share capital of \$1,228 and warrants of \$452. As at December 31, 2018 all cash from this subscription was received.

Warrants

- a) Pursuant to the September 2018 Private Placement discussed previously, the Company issued 3,681,330 share purchase warrants. The warrants are exercisable immediately at a price of \$0.25 per common share until September 2019.

The warrants were allocated a value using the Black-Scholes option pricing model to estimate the fair value with the following weighted average assumptions:

Risk-free interest rate	2.18%
Expected dividend yield	0%
Expected stock price volatility	89.7%
Expected warrant life	1 year
Fair value of warrants granted	\$0.0051

- b) Pursuant to the December 2018 Private Placement discussed previously, the Company issued 1,000,000 share purchase warrants. The warrants are exercisable immediately at a price of \$0.40 per common share until December 2020.

The warrants were allocated a value using the Black-Scholes option pricing model to estimate the fair value with the following weighted average assumptions:

Risk-free interest rate	1.90%
Expected dividend yield	0%
Expected stock price volatility	85.3%
Expected warrant life	2 year
Fair value of warrants granted	\$0.0876

Compensation Options

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Pursuant to the closing of Subscription Receipts in December 2018 Investment Bankers vested 50% of their Compensation Options as determined in their agency agreement. 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 subscriptions were received by December 31, 2018 348,960 Compensation Options are authorized at 50% vesting.

Each vested Compensation Option will entitle the holder thereof to acquire one Unit (a "Compensation Option Unit") at the offering price of \$0.25 for a period of 24 months following the Escrow Release Date, each Compensation Option Unit being comprised of one Common Share (a "Compensation Option Share") and one-half of one Warrant (each whole Warrant, a "Compensation Option Warrant"). Each Compensation Option Warrant shall entitle the holder thereof to purchase one Warrant Share (a "Compensation Option Warrant Share") at a price of \$0.40 on the date that is 24 months following the Escrow Release Date.

Given the Option is rooted in the offering Price of \$0.25 modelling to allocate its value is based upon that likelihood of it being executed in the 2 year life. The Compensation Units were allocated a value using the Black-Scholes option pricing model to estimate the fair value with the following weighted average assumptions:

Risk-free interest rate	1.90%
Expected dividend yield	0%
Expected stock price volatility	93.4%
Expected option life	2 year
Fair value of options granted	\$0.0960

On 348,960 Compensation Options the allocated value is \$30,554. Issue costs of \$3,784 were allocated to Compensation Options presenting net values of \$26,770.

13. Restricted Cash & Subscription Receipts

As seen in note #7 Medcolcanna anticipates completing a brokered private placement of approximately 30,986,800 Subscription Receipts at a price of C\$0.25 per Subscription Receipt for gross proceeds of approximately \$7,746,700. This subscription agreement is contingent on closing the RTO with IES. As at December 31, 2018 there was for \$2,908,000 of subscription Receipts plus another \$572,500 towards subscriptions dated February 14, 2019. Given \$30,554 was allocated to Compensation Options the value attributed to Receipts was \$3,449,946. The issue costs totaled \$359,944 were allocated to Subscription Receipts of \$356,160 and Compensation Options of \$3,784 presenting net values of \$3,093,786 and \$26,770, respectively.

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.

The \$3,178,260 cash in trust is conditioned on being able to close the RTO with IES on April 30, 2019. The corresponding cash is presented as restricted given management does not have access or authority to these underlying balances under escrow. Once the RTO closes Units will be issued and cash will be presented without restriction. The restricted cash of \$3,178,260 differs from the cash received on the Subscription Receipts of \$3,093,786 for transaction fees already accrued as at December 31, 2018 less value attributed to Compensation

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Options and issuance costs.

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. Also, 2,290,000 Subscription Receipts were issued for the \$572,500 received by December 31, 2018.

Subsequent to December 31, 2018 Medcolcanna completed a non-brokered private placement of 400,000 common shares at a price of C\$0.09 per share for gross proceeds of \$36,000.

14. INCOME TAX

Reconciliation of effective tax rate

Income tax expense varies from the amount that would be computed by applying the expected income tax rates for British Virgin Islands for the period ended December 31, 2018 of 0.00% to income before income taxes. A reconciliation of this difference is presented below.

	2018
Income (loss) before income taxes	(538,482)
Tax Rate	0.00%
Computed income taxes	\$ -
Increase (decrease) in taxes:	
Effect of tax rates in foreign jurisdictions	(71,739)
Non-Deductible expenses	285
Changes in tax rates	-
Change in Unrecognized Tax Assets and Other	71,453
Total tax expense (recovery)	-

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2018
Non-capital loss carryforwards	215,266
Other Taxable temporary differences net of Deductible temporary differences	2,124
	217,390

\$215,266 of the non-capital losses carryforwards as at December 31, 2018 are from Colombia. These tax losses may be carried forward for 12 years. The deductible temporary differences presented above do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the group can utilise the benefits therefrom.

The Company operates in multiple jurisdictions with complex tax laws and regulations, which are evolving over

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time. The Company has taken certain tax positions in its tax filings and these filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax impact may differ significantly from that estimated and recorded by management.

15. RELATED PARTIES

During the period ended December 31, 2018, there were separate related party transactions as follows:

- a) On account of the Acquisition of Medcolcanna S.A.S. in July 2018 as described in Note 7(a), a promissory note of US\$50,000 was issued to the selling party, (a Company controlled by Shareholders of MCC) which was subsequently paid in full in September 2018. The selling party with whom the transaction was paid in cash and to whom payment of US\$50,000 on the issued promissory note was a related party to the Company.
- b) During the period, certain expenses were paid by members of management. Periodically advances are made to management for reimbursing these amounts. From time to time, the amount may result in a net receivable position. As at December 31, 2018 \$22,533 was a net receivable as a result of these transactions. This was presented on the Statement of Financial Position as an asset. As at December 31, 2018 there are \$48,810 of net payables to members of key management related to accrued compensation.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and directors.

During the period ended December 31, 2018 compensation of \$132,253 in salaries were incurred for key management. As of December 31, 2018 the unpaid balance is \$99,331. \$52,316 of that liability is netted against the Due from Related account balance of \$74,849 to present as \$22,533 net. The remaining \$47,015 liability is presented in Due to related parties as part of a total \$48,810 liability.

16. CAPITAL MANAGEMENT

The Company's capital consists of loans in the form of promissory notes and shareholders equity. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete a transaction to further development of its operations.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are: (i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor and market confidence in order to sustain the future development of the business. The Company's share capital is not subject to external restrictions.

17. CONTINGENCIES AND COMMITMENTS

Contingencies

Management of MCC considers there to be no contingent liabilities that have to be recognized in the consolidated financial statements as of December 31, 2018.

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Commitments

In March 2018, Medcolcanna S.A.S. entered into a lease agreement for rural property in Colombia for utilization of its cultivation operations, which was subsequently amended in July 2018. The lease stipulates a term of five years. The term of the lease agreement may be extendable for equal periods unless mutually agreed by both parties. The monthly lease payment is affixed to \$15,000,000 COP (approximately \$6,321 CAD based on December 31, 2018 Exchange rates), and adjusted annually according to the Consumer Price Index. Lease payments began in November 2018. Furthermore, the Company will pay annually an amount equal to 1% of the profits obtained from the sale of the products made with the cannabis grown on the leased property, with profits being determined as earnings from sales less production costs, administrative expenses, sale expenses, commissions, as well as any other expenses incurred for the operations of the Company. The Company may terminate the lease agreement at any time as long as the property is returned in the same state in which it was received, except for natural deterioration caused by time and legitimate use. In the case of termination, the Company will only be obliged to pay as penalty the equivalent of one month lease fee after the Company has been allowed to extract all infrastructure from the property.

SUBSEQUENT EVENTS

a) Brokered Financing

As seen in note #7 Medcolcanna anticipates completing a brokered private placement of approximately 30,986,800 Subscription Receipts at a price of C\$0.25 per Subscription Receipt for gross proceeds of approximately \$7,746,700. This subscription agreement is contingent on closing the RTO with IES. As at December 31, 2018 there was for \$2,908,000 of subscription Receipts plus another \$572,500 towards subscriptions dated February 14, 2019. Given \$30,554 was allocated to Compensation Options the value attributed to Receipts was \$3,449,946. The issue costs totaled \$359,944 were allocated to Subscription Receipts of \$356,160 and Compensation Options of \$3,784 presenting net values of \$3,093,786 and \$26,770, respectively.

The \$3,178,260 cash in trust is conditioned on being able to close the RTO with IES. The corresponding cash is presented as restricted given management does not have access or authority to these underlying balances under escrow. Once the RTO closes Units will be issued and cash will be presented without restriction. The restricted cash of \$3,178,260 differs from the cash received on the Subscription Receipts of \$3,093,786 for transaction fees already accrued as at December 31, 2018 less value attributed to Compensation Options and issuance costs.

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. Also, 2,290,000 Subscription Receipts were issued for the \$572,500 received by December 31, 2018.

Subsequent to December 31, 2018 Medcolcanna completed a non-brokered private placement of 400,000 common shares at a price of C\$0.09 per share for gross proceeds of \$36,000.

b) IES Loan

Pursuant to the proposed Transaction, IES lent a total of \$580,000 to Medcolcanna to cover the working capital requirements of Medcolcanna subsequent to yearend and until the Closing Date. IES and Medcolcanna entered into a loan agreement dated February 22, 2019 with respect to \$330,000 of this amount. The loan is unsecured, has an interest rate of 8% per annum and has a term of 90 days starting from February 25, 2019. It can be extended an additional 30 days at the sole discretion of IES. IES and Medcolcanna entered into a loan agreement dated March 31, 2019 with respect to the remaining \$250,000. The loan is unsecured, has an interest rate of 8% per annum and has a term of 90 days starting from April 1, 2019. It can be extended an additional 30 days at the sole discretion of IES.

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Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Medcolcanna (BVI) Inc. (the "Company" or "MCC") constitutes management's review of the factors that affected the Company's financial and operating performance for the period from Incorporation (July 10, 2018) to December 31, 2018. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited consolidated financial statements of the Company for the period from Incorporation (July 10, 2018) to December 31, 2018, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Information contained herein is presented as of December 31, 2018, unless otherwise indicate.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Caution Regarding Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

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Forward Looking Statements	Assumptions	Risk Factors
The Company will be able to continue its business activities	The Company has anticipated all material costs and the operating activities of the Company, and such costs and activities will be consistent with the Company's current expectations; the Company will be able to obtain equity funding when required.	Unforeseen costs to the Company will arise; any particular operating cost increase or decrease from the date of the estimation; and capital markets not being favourable for funding resulting in the Company not being able to obtain financing when required or on acceptable terms.
The Company will be able to carry out anticipated business plans.	The operating activities of the Company for the twelve-month period ending December 31, 2019, will be consistent with the Company's current expectations; debt and equity markets, interest rates and other applicable economic conditions are favourable to the Company	Sufficient funds not being available; increases in costs, the Company may be unable to retain key personnel to develop or enhance its business, take advantage of future opportunity or respond to competitive pressures.
Management's outlook regarding future trends	Financing will be available for the Company's future business, continuing development, maintenance and operation of its information technology systems.	General economic conditions could adversely impact technology spending by the Company's clients, put downward pressure on prices which could adversely impact the business, financial condition or results of operations and the Company may be unable to retain key personnel

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

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Overview

Key developments

- MCC is a Canadian integrated medicinal cannabis company founded in July 2018 with its core operations in Colombia. While it was founded as Geberi Inc. it changed its legal name to Medcolcanna (BVI) Inc. on August 27, 2018.
- On July 24, 2018, the Company acquired all of the issued and outstanding shares of Medcolcanna SAS ("MCC Sub") a company incorporated under the laws of Colombia. Consideration for the acquisition was \$195,945 (150,000 USD.) As of the acquisition date, the Company owns 100% of the outstanding shares of MCC Sub. MCC Sub previously acquired land leases and Cannabis licences as follows:
 - On March 26, 2018 MCC Sub acquired a land lease for 3 hectares of farm land for a term of 5 years. This includes a leasee option to expand upwards to 18 total hectares. This land was subsequently approved for Cannabis production on July 29, 2018.
 - On June 21, 2018, the Ministry of Health granted the Production License authorizing the domestic and international distribution of High and Low THC Medicinal Cannabis extracts which allows Medcolcanna SAS to produce cannabis for domestic use and international export. Pursuant to the Production License, the Colombian government approved 4 hectares of land on which Mecolcanna is permitted to commence cultivation and production of medicinal cannabis at its Cultivation Facility.
 - On June 22, 2018, the Ministry of Justice granted a Low THC Cultivation License (non-psychoactive, less than 1% THC content) allowing Medcolcanna to cultivate in the following modalities: production of grain and seeds for planting, for by-products production.
 - On June 29, 2018, the Ministry of Justice granted a High THC Cultivation License (psychoactive, more than 1% THC content) allowing Medcolcanna to cultivate in the following modalities: production of grain and seeds for planting, for by-products production.
 - With the foregoing Licenses and authorizations, Medcolcanna SAS has all the requisite approvals to cultivate, produce, distribute domestically and export internationally both THC and CBD medicinal cannabis.
- On July 24, 2018, Broadway and Canada Coal Inc. entered into a Letter of Intent setting forth the terms of a proposed business combination. Each company was provided with a due diligence period during which the parties granted each other access to certain confidential information and the opportunity to conduct preliminary due diligence. The Letter of Intent expired in 60 days before the quarter ended.
- In July 2018, in accordance with the Letter of Intent, Canada Coal Inc. made payment of \$32,750 (US\$25,000) to the Company under the provisions of an exclusivity fee, providing 60 days of exclusivity

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to CKK after the signing of the Letter of Intent to complete a definitive agreement. As of December 31, 2018, a definitive agreement for the Transaction had not been finalized with the Letter of Intent lapsed.

• In August 2018, the Company formalized the shareholders agreement wherein 32,000,000 common shares were issued for \$0.001 per common share.

It is anticipated that Medcolcanna and IES will complete three securities offerings, as follows:

- 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 IES. 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 2018 as discussed further below.
- IES 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 “IES Offering”). Pursuant to the Definitive Agreement, Medcolcanna has the ability to borrow funds raised in the IES 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 three 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.
- Pursuant to the proposed Transaction, IES lent a total of \$580,000 to Medcolcanna to cover the working capital requirements of Medcolcanna subsequent to yearend and until the Closing Date. IES and Medcolcanna entered into a loan agreement dated February 22, 2019 with respect to \$330,000 of this amount. The loan is unsecured, has an interest rate of 8% per annum and has a term of 90 days starting from February 25, 2019. It can be extended an additional 30 days at the

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sole discretion of IES. IES and Medcolcanna entered into a loan agreement dated March 31, 2019 with respect to the remaining \$250,000. The loan is unsecured, has an interest rate of 8% per annum and has a term of 90 days starting from April 1, 2019. It can be extended an additional 30 days at the sole discretion of IES.

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 IES (including purchasers in the IES 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 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. This is discussed in greater detail below in Note #12.

The proposed Transaction is subject to requisite regulatory approvals and standard closing conditions, including the listing of the IES 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.

- As discussed above In December 2018, the Company closed a non-brokered private placement (the "Private Placement") raising gross proceeds of \$500,000 through the issuance of 2,000,000 units (each, a "Unit") at an issue price of \$0.25 per Unit. Each Unit was comprised of one common share of the Company and one share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price equal to \$0.40 per share, until December 2020. The Company has allocated the total proceeds of \$500,000 to share capital of \$438,276 and warrants of \$61,724. The warrant fair value was determined based on a Black-Scholes option pricing model. The issue costs on the Private Placement totaling \$1680 were also allocated to share capital of \$1,228 and warrants of \$452. As at December 31, 2018 all cash from this subscription was received.
- Pursuant to the closing of Subscription Receipts in December 2018 Investment Bankers vested 50% of their Compensation Options as determined in their agency agreement. 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 subscriptions were received by December 31, 2018 348,960 Compensation Options are authorized at 50% vesting.

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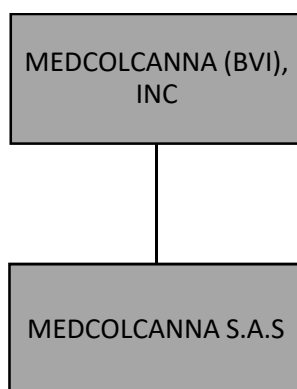
- Each vested Compensation Option will entitle the holder thereof to acquire one Unit (a “Compensation Option Unit”) at the offering price of \$0.25 for a period of 24 months following the Escrow Release Date, each Compensation Option Unit being comprised of one Common Share (a “Compensation Option Share”) and one-half of one Warrant (each whole Warrant, a “Compensation Option Warrant”). Each Compensation Option Warrant shall entitle the holder thereof to purchase one Warrant Share (a “Compensation Option Warrant Share”) at a price of \$0.40 on the date that is 24 months following the Escrow Release Date.

On 348,960 Compensation Options the allocated value is \$30,554. Issue costs of \$3,784 were allocated to Compensation Options presenting net values of \$26,770.

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Description of Business

MCC was incorporated pursuant to the provisions to federal laws of the British Virgin Islands on July 10, 2018. MCC is not a “reporting issuer” under applicable securities legislation and its securities are not listed for trading on any stock exchange. The Company’s principal and registered office is 2nd floor, O’Neal Marketing Associates Building, P.O. Box 4493, Road Town, Tortola, British Virgin Islands, VG1110.



MCC has one wholly-owned subsidiary, MCC Sub, which was incorporated on December 16, 2016 under the laws of Colombia as “Inversiones DLV S.A.S.”. On March 7, 2018, it changed its name to “Medcolcanna S.A.S.”. MCC Sub has its registered office address at Bogota, Colombia. Medcolcanna SAS is the operating entity holding all assets including the Licenses, in Colombia.

Pursuant to a share purchase agreement dated July 24, 2018 between MCC and Trallma SAS, MCC acquired all the issued and outstanding share capital of MCC SAS from Trallma SAS by issuing a total of 32,000,000 MCC Shares.

As of the date of the MD&A, information related to MCC and MCC Sub issued share capital is as follows.

Entities	Outstanding Number of Shares
Medcolcanna	41,362,659
Medcolcanna SAS	150,000 common shares

The company received the following licenses in 2018:

On June 21, 2018, the Ministry of Health granted the Production License authorizing the domestic and international distribution of High and Low THC Medicinal Cannabis extracts which allows MCC Sub to produce cannabis for domestic use and international export. Pursuant to the Production License, the

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Colombian government approved 4 hectares of land on which Mecolcanna is permitted to commence cultivation and production of medicinal cannabis at its Cultivation Facility.

On June 22, 2018, the Ministry of Justice granted a Low THC Cultivation License (non-psychoactive, less than 1% THC content) allowing MCC to cultivate in the following modalities: production of grain and seeds for planting, for by-products production.

On June 29, 2018, the Ministry of Justice granted a High THC Cultivation License (psychoactive, more than 1% THC content) allowing MCC to cultivate in the following modalities: production of grain and seeds for planting, for by-products production.

Industry Information

Medicinal cannabis refers to the use of cannabis and its constituent cannabinoids to treat disease or improve symptoms such as pain, muscle spasticity, nausea and other indications. Cannabinoids is a blanket term covering a family of complex chemicals, both natural and man-made, that bind with cannabinoid receptors (protein molecules on the surface of cells) and effect a wide number of responses. Cannabinoid receptors in the human body are part of a system called the endocannabinoid system. This system produces chemicals called endocannabinoids, which also bind with cannabinoid receptors. Cannabinoid receptors are found in the brain and throughout the body. Scientists have found that cannabinoid receptors in the endocannabinoid system are involved in a vast array of functions in our bodies, including helping to modulate brain and nerve activity (including memory and pain), energy metabolism, heart function, the immune system and even reproduction.

While there are a large number of active cannabinoids found in cannabis, the two most common currently used for medical purposes are tetrahydrocannabinol and cannabidiol. Although no clinical trials have been completed in Canada to validate the effectiveness of tetrahydrocannabinol or cannabidiol in managing disease and improving symptoms, scientific studies have identified that they, alone and/or in combination, have potential to provide treatment benefits for a large number of medical conditions. For example, tetrahydrocannabinol, a psychotropic cannabinoid, has been shown to activate pathways in the central nervous system which work to block pain signals and has shown potential to assist patients with PostTraumatic Stress Disorder (PTSD) and stimulate appetite in patients following chemotherapy. cannabidiol, on the other hand, is non-psychotropic and has shown potential to relieve convulsion and inflammation.

Various third-party studies suggest that medicinal cannabis (with varying dosages of tetrahydrocannabinol and cannabidiol) has shown, or has the potential to show, efficacy for the treatment of Alzheimer's disease, anxiety, arthritis, brain injuries, cancer (chemotherapy), chronic nausea, chronic pain, eating disorders, epilepsy, fibromyalgia, glaucoma, Hepatitis C, HIV/AIDS, migraines, Multiple Sclerosis, muscle spasms, Parkinson's disease and PTSD.

Product Information and Distribution

Cannabidiol is one of the non-psychoactive components in cannabis that is believed to reduce and regulate the effects of tetrahydrocannabinol. Cannabigerol is an active compound in cannabis that is

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known for its antibacterial effects and cannabichromene is thought to have anti-inflammatory and analgesic effects.

Some of the potential uses for medicinal cannabis are disease treatment, pain relief and disease prevention, including: treatment of epilepsy; slow cell damage in diabetes glaucoma, lower intraocular pressure; treatment of Tourette syndrome; inhibit cancer and tumor cell growth; treatment of Parkinson and Huntington diseases; treatment of amyotrophic and multiple sclerosis; treatment of bipolar disorder; treatment of primary anorexia nervosa; treatment of digestive diseases; treatment of brain diseases; treatment of HIV/AIDS; relieve pain, convulsion, inflammation, nausea and congestion; treatment of anxiety, depression and psychosis; treatment of dementia.

The variety, extraction method and final product of medicinal cannabis to be produced by MCC shall be determined by the ailments or diseases MCC intends to focus on.

Facilities

MCC Sub leased approximately 3 hectares of agricultural land near Bogota, Colombia, for the production and sale of medicinal cannabis and has commenced preparing the property for outdoor planting of medicinal cannabis. MCC Sub has an option to lease an additional 15 hectares of which it is a holder of a valid interest to acquire. MCC Sub's grow location is operated by an experienced management team. MCC plans to continue improving returns of its business through efficient and profitable operations, leveraging important economies of scale.

MCC has commenced construction of the Cultivation Facilities on the Leased Land. Medicinal cannabis will initially be grown in semi-enclosed greenhouses. The greenhouses will be climate controlled, thereby isolating the plants from the changing conditions of the environment. The greenhouses provide stable microclimate and growing conditions. The construction and development plans for MCC's greenhouse facility is divided in three phases. In the already-completed Phase 1, MCC designed and implemented the main operational requirements for cultivation on the Leased Land; in Phase 2 MCC will commence construction of the Cultivation Facility and its first productive area consisting of an initial hectare. During Phase 1, MCC developed and constructed the elements of the production system and greenhouse (water, soil, energy, security). MCC constructed a deep water well and a reservoir to gather and store water, as well as establish a water treatment plant. MCC will conduct regular water quality analysis (testing for heavy metals, microorganism, and LRMs of the main water source, and the water treatment plant). Also MCC has built first 1000 M2 of greenhouse to perform tests and registration of the seeds. During this phase MCC will build additional greenhouses to reach 1 hectare of growing facilities. Construction of the additional hectare to start beg of 2019 with 2500 m2 every month, starting cultivation of each unit right after construction.

During Phase 2, expected to last approximately 4 months, MCC intends to construct greenhouses on an additional hectare of the Leased Land. The greenhouse design and structure has been implemented based on the climate characteristics of the Municipality of La Conejera. The structure of the greenhouse allows for ventilation, humidity and temperature control, as well as the protection of the plants from wind and rain. During this phase, the main operational facilities will also be constructed. Construction is expected to be completed in the second quarter of 2019.

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During the Phase 3 Development, MCC will explore the potential of expanding its cultivation site based on the market needs.

MCC has a scalable and comprehensive security plan that identifies and mitigates risks relating to MCC's assets and covering the production, distribution, logistics and operations chain. MCC's security protocol features range from electronic controlled access to ultra-high definition video surveillance and intrusion detection devices, among others. MCC's security protocol was prepared by a security company after an assessment performed to the leased land location, and was presented to the authorities at license application. Furthermore, a meeting was held with the Police authorities at the locality Cuadrante 47, who are in charge of the security of the area. They also revised the security protocol and approved it.

Market and Trends

MCC's primary focus is to sell medicinal cannabis products in the form of extracts to the domestic market in Colombia. This includes the major city centres of Bogota (9.0 million population), Medellin (2.5 million population), Cali (2.4 million population), and Barranquilla (1.2 million population). Colombia is a country with a population of 48.6 million people and in 2017 recorded a Gross Domestic Product ("GDP") of US\$309.19 billion and a GDP per capita of US\$7,600¹. The country has an average life expectancy of 74.1 years and has seen a dramatic reduction in poverty in recent years². Despite the overall improvement in economic and social indicators in Colombia, the country still has challenges in maintaining and improving the quality of its health system. The objective of MCC is to ensure accessibility, quality, efficiency and sustainability within the health system, by providing affordable medicinal cannabis based products to patients.

Colombia is a recently legalized market for the commercial production and distribution of medicinal cannabis products. MCC is an early entrant and an emerging leader in developing the domestic market for its products. MCC is focused on addressing the unmet medicinal cannabis needs of prospective Colombian patients with conditions including: (i) epilepsy; (ii) chronic pain; (iii) chemotherapy-related nausea; (iv) post-traumatic stress disorder (PTSD); (v) anxiety; (vi) insomnia; (vii) multiple sclerosis; (viii) Parkinson's disease; (ix) depression and (x) anorexia.

For market qualification and quantification, MCC has worked with Neurocountry Ltd., a Neurological Institute and has used several sources³, and secondary public information, based on the qualifying conditions where medicinal cannabis can be an alternative treatment.

¹ Trading Economics, "Colombia – Economic Indicators" < <https://tradingeconomics.com/colombia/indicators>>

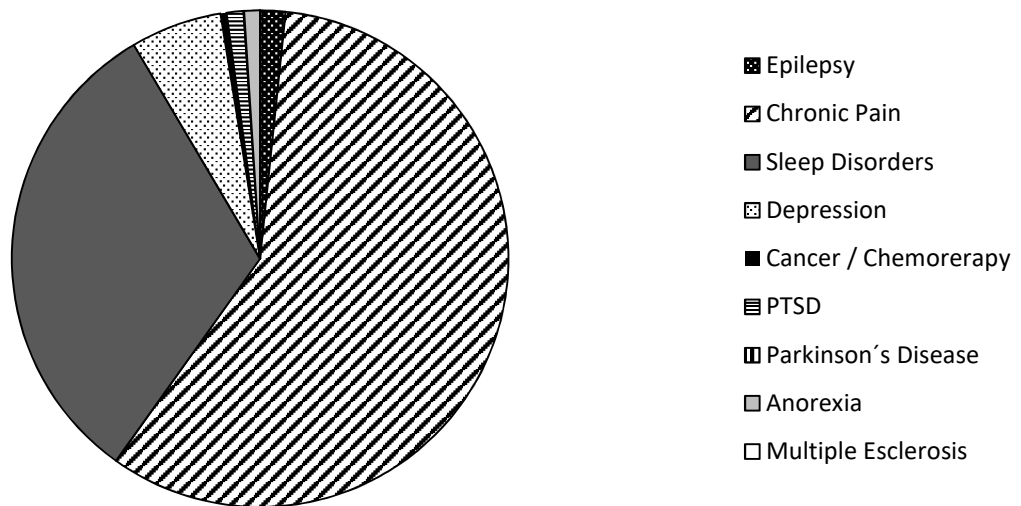
² Ibid.

³ <https://www.minsalud.gov.co/Paginas/Epilepsia-mucho-mas-que-convulsiones.aspx>;
<https://www.minsalud.gov.co/sites/rid/Lists/BibliotecaDigital/RIDE/VS/PP/ENT/boletin-depresion-marzo-2017.pdf>;
http://www.consultorsalud.com/sites/consultorsalud/files/viii_estudio_prevalencia_dolor_cronico_en_colombia_publicacion_pagina_aced_2014.pdf;
<http://www.humanas.unal.edu.co/psicologia/files/7112/8351/3380/indag.%201.%20transtorno%20de%20la%20conducta.pdf>;
[https://www.minsalud.gov.co/sites/rid/Lists/BibliotecaDigital/RIDE/INEC/IETS/GPC_Comple_Depre%20\(1\).pdf](https://www.minsalud.gov.co/sites/rid/Lists/BibliotecaDigital/RIDE/INEC/IETS/GPC_Comple_Depre%20(1).pdf);
<https://www.minsalud.gov.co/Documentos%20y%20Publicaciones/ESTUDIO%20NACIONAL%20DE%20SALUD%20MENTAL%20EN%20COLOMBIA.pdf>;
http://www.cancer.gov.co/Situacion_del_Cancer_en_Colombia_2015.pdf;

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The following table highlights the composition of the potential cannabis market by medical condition:

Total Population	48.600.000	
	# Patients (thousands)	% of population
Epilepsy	631	1,3%
Chronic Pain	22.350	46%
Sleep Disorders	12.150	25%
Depression	2.284	4,7%
Cancer / Chemorerapy	145	0,3%
PTSD	420	0,86%
Parkinson´s Disease	22	0,05%
Anorexia	388	0,8%
Multiple Esclerosis	3	0,01%



Currently, Neurocountry Ltd. estimates that approximately 500,000 patients use opioid-based medication for treatment. These medications are often expensive and can lead to adverse health effects. MCC aims

<http://www.scielo.org.co/pdf/rfmun/v65s1/0120-0011-rfmun-65-s1-00017.pdf>; <https://www.acnweb.org/es/acta-neurologica/volumen-30-2014/156-volumen-30-no-3-1-suplemento-3-1-octubre-2014/1050-capitulo-1-generalidades-de-la-enfermedad-de-parkinson.html>; <http://www.scielo.org.co/pdf/anco/v31n4/v31n4a05.pdf>

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to displace this portion of the market, which aligns with the overall trend in Colombia to utilize medicinal cannabis as a potential solution to meet the unmet medical needs of the population. MCC and Neurocountry Ltd are sharing information with the medical community through continuing education courses, medical conferences, social media, web portals, informational training packages, and seminars.

Competitive Conditions

MCC seeks to position itself as the leading, most knowledgeable and trustworthy medicinal cannabis provider in Colombia. Key to the achievement of this objective is MCC's robust marketing plan focusing on being a patient-oriented company with strong brand loyalty and patient preference. MCC has defined essential competitive advantages across the value chain from plant to patient. These include:

- **Cultivation:** Developing standard operating procedures to increase yields and consistency, while implementing sustainable cultivation standards and leading international site security standards. Cultivation will be based on organic standards to guarantee international quality requirements for medications;
- **Strain Selection:** Obtaining medically-validated strains for the optimization of efficient production of cannabinoids and other phytochemicals;
- **Product:** Developing medically endorsed products based on scientific research and manufacturing these products in accordance with GMP Standards to ensure quality and consistency;
- **Doctor Engagement:** Engaging with the medical community to develop medications for specific indications. Continuously working with healthcare professionals to provide the latest training and information on medicinal cannabis;
- **Medical and Scientific Research and Development:** Launching Colombian medical research studies with leading health organizations to understand and validate the benefits of medicinal cannabis within the market; and
- **Patient-Oriented:** Working with healthcare professionals to offer patients an alternative to existing medications. Developing meaningful relationships with patients by offering them information, support, and learning resources through outreach channels.

MCC intends to acquire and develop a series of medicinal cannabis clinics (IPS) across Colombia to attract and retain physicians and patients. These clinics will serve as sales points for the products and education centres for patients. MCC plans to begin clinic operations by Q2 2019. MCC will market the clinics through various conferences and marketing channels. MCC's clinics will allow for personalized treatment and direct engagement with patients, thus creating brand loyalty and preference. As set forth in the regulations for medicinal cannabis, MCC has the authority to treat patients through external physicians or a physician employed by MCC.

MCC also intends to use the access to the patients from the clinics to perform clinical trials and any other required procedures to achieve the necessary permissions by authorities and INVIMA to market over the counter medical products.

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Discussion of Operations

Period from Incorporation (July 10, 2018) to December 31, 2018

The Company's net loss totaled \$538,482 for the period from incorporation (July 10, 2018) to December 31, 2018, with basic and diluted loss per share of \$0.02. The net loss was principally operating expenses.

Other Revenues

Canada Coal Inc. made payments of \$32,750 (US\$25,000) to the Company under the provisions of an exclusivity fee, providing 60 days of exclusivity to CKK after the signing of the Letter of Intent to complete a definitive agreement. On October 12, 2018 Medcolcanna formally communicated to Canada Coal Inc. to terminate its proposed business combination given the Letter of Intent had already expired. Hence, the payment was booked for the period ending December 31, 2018.

The remaining \$600 was interest earned in the trust account from the Brokered Offering in December 2018.

Operating expenses

Operating expenses were \$571,832 for the period from incorporation (July 10, 2018) to December 31, 2018, and was mainly:

- Professional Fees of was \$345,549 predominately from consulting fees of \$92,338, legal fees of \$148,502 and other professional fees of \$72,749.
- Salaries and benefits expensed of \$162,974 related to Officers and employees. Directors are not paid any remuneration.

Liquidity and Capital Resources

The principal activities of the Company are the cultivation, production and distribution of medical cannabis. These activities are financed through the completion of equity transactions such as equity offerings. There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all. See "Risk Factors" below.

The Company has no operating revenues and therefore must utilize its current cash reserves, funds obtained from the issuance of share capital to maintain its capacity to meet ongoing operating activities. As of December 31, 2018, the Company's working capital excluding restricted cash is \$385,591. As of December 31, 2018, the Company had 41,362,659 common shares issued and outstanding and 4,681,330 warrants outstanding that would raise approximately \$1,320,336 if exercised in full. This is not anticipated in the immediate future.

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Amounts payable and accrued liabilities increased to \$233,163 at December 31, 2018 and consist of amounts that are to be extinguished in due course. The Company's cash and cash equivalents as of December 31, 2018 is sufficient to pay these liabilities.

At December 31, 2018, the Company had working capital excluding restricted cash of \$385,591 as the Company had unrestricted cash of \$628,618. The increase in working capital and cash can be attributed to the private placements in September and December 2018.

Net cash used in operating activities was \$208,170 for the period ended December 31, 2018. Operating activities were affected by net positive changes in non-cash working capital balances of \$330,312 offset by a total comprehensive loss of \$538,482.

Net cash used in investing activities was \$49,986 during the period ended December 31, 2018, as a result of the PPE additions during the period of \$49,986.

Net cash generated in financing activities was \$4,065,034 for the period ended December 31, 2018. Financing activities were affected by net positive cash for issuance of units, net of costs of \$1,140,423 and Subscription Receipts, net of costs of \$3,120,556 offset by payments of promissory notes of \$195,945. The details of the new units issued are as follows:

- In August 2018, the Company formalized the shareholders agreement wherein 32,000,000 common shares were issued for \$0.001 per common share. In accordance with the shareholders agreement, the 50,000 common shares issued at the incorporation of the Company were cancelled.
- In September 2018, the Company completed a non-brokered private placement for 7,362,659 Units at a price of \$0.09 per Unit. Each unit consisted of one share and half a warrant. Gross proceeds totaled \$662,639. This was offset by share and warrant issuance costs of \$10,647;
- In December 2018, the Company completed a non-brokered private placement for 2,000,000 Units at a price of \$0.25 per Unit. Each unit consisted of one share and one/ warrant. Gross proceeds totaled \$500,000. This was offset by share and warrant issuance costs of \$1,680;
- As seen with regards to the Brokering Financing Medcolcanna anticipates completing a brokered private placement of approximately 30,986,800 Subscription Receipts at a price of C\$0.25 per Subscription Receipt for gross proceeds of approximately \$7,746,700. This subscription agreement is contingent on closing the RTO with IES. The majority of these subscription receipts were received by December 31, 2018. This was for \$2,908,000 for 11,632,000 Units. Given \$30,554 was allocated to Compensation Options the value attributed to Receipts was \$3,449,946. The issue costs totaled \$359,944 were allocated to Subscription Receipts of \$356,160 and Compensation Options of \$3,784 presenting net values of \$3,093,786 and \$26,770, respectively.
- On July 24, 2018, the Company acquired from a related party (a Colombian Company controlled by shareholder) all of the issued and outstanding shares of Medcolcanna S.A.S. in exchange for a

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promissory note of \$67,785 (US\$50,000) to be paid within 2 months of the date of the sale agreement (the "Acquisition"). Furthermore, costs related to this transaction were comprised of success fees of \$130,160 (US\$100,000) owed to a third-party consultant of the Company. A promissory note was issued to the third-party consultant to be paid within 90 days of the issuance of the promissory note. The total consideration paid to both parties was \$195,945. (US\$150,000). All of these notes were repaid by December 31, 2018

The Company's liquidity risk from financial instruments is minimal as excess cash is held in current bank accounts.

While the Company has no source of revenue, it believes it has sufficient cash resources to meet its administrative overhead costs. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company.

Commitments

In March 2018, Medcolcanna S.A.S. entered into a lease agreement for rural property in Colombia for utilization of its cultivation operations, which was subsequently amended in July 2018. The lease stipulates a term of five years. The term of the lease agreement may be extendable for equal periods unless mutually agreed by both parties. The monthly lease payment is affixed to \$15,000,000 COP (approximately \$6,321 CAD based on December 31, 2018 Exchange rates), and adjusted annually according to the Consumer Price Index. Lease payments began in November 2018. Furthermore, the Company will pay annually an amount equal to 1% of the profits obtained from the sale of the products made with the cannabis grown on the leased property, with profits being determined as earnings from sales less production costs, administrative expenses, sale expenses, commissions, as well as any other expenses incurred for the operations of the Company. The Company may terminate the lease agreement at any time as long as the property is returned in the same state in which it was received, except for natural deterioration caused by time and legitimate use. In the case of termination, the Company will only be obliged to pay as penalty the equivalent of one month lease fee after the Company has been allowed to extract all infrastructure from the property.

Transactions with Related Parties

During the period ended December 31, 2018, there were separate related party transactions as follows:

- a) On account of the Acquisition of MCC Sub. in July 2018 as described in the Financial Statements, a promissory note of US\$50,000 was issued to the selling party (a company controlled by a shareholder of MCC), which was subsequently paid in full in September 2018. The selling party with whom the transaction was realized and to whom payment of US\$50,000 on the issued promissory note was realized was a related party to the Company.
- b) During the period, certain expenses were paid by members of management. Periodically advances are made to management for reimbursing these amounts. From time to time, the amount may result in a net receivable position. As at December 31, 2018 \$22,533 was a net receivable as a result of these transactions. This was presented on the Statement of Financial

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Position as an asset. As at December 31, 2018 there are \$48,810 of net payables to members of key management related to accrued compensation.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and directors.

During the period ended December 31, 2018 compensation of \$132,253 in salaries were incurred for key management. As of December 31, 2018 the unpaid balance is \$99,331. \$52,316 of that liability is netted against the Due from Related account balance of \$74,849 to present as \$22,533 net. The remaining \$47,015 liability is presented in Due to related parties as part of a total \$48,810 liability.

Change in Accounting Policy

None.

Recent Accounting Pronouncements

IFRS 16 - In January 2016, the IASB issued IFRS 16, replacing IAS 17, "Leases". IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet, providing the reader with greater transparency of an entity's lease obligations. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

The Company has not yet assessed the impact of this standard on its financial statements and will not early adopt.

Management of Capital

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. As at December 31, 2018, the Company has not entered into any debt financing. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach in the year. The Company considers its shareholders equity as capital which as at December 31, 2018 is \$3,763,103.

Financial Instruments

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Fair values

At December 31, 2018, the Company's financial instruments consist of cash and cash equivalents, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

Fair value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - valuation techniques based on 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).
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the year, there were no transfer of amounts between levels.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value:

- Level 1 - cash and cash equivalents
- Level 2 - warrants using Black-Scholes option pricing model
- Level 3 – none

Financial risks

The Company has exposure to the following risks from its use of financial instruments:

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. All of the Company's cash is held at financial institutions which are Colombian Chartered Banks or fund held in trust with legal counsel in which management believes that the risk of loss is minimal but the Company is subject to concentration of credit risk.

Liquidity risk

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Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations with out of cash. As at December 31, 2018, the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturity dates within one year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. There have been no changes in the Company's strategy with respect to credit/liquidity risk in the year.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. The Company is exposed to interest rate risk on cash and cash equivalents. The Company is also exposed to interest rate risk on promissory notes that may be issued. Those promissory notes issued were interest-free loans. As such, fluctuations of interest rates for the period ending December 31, 2018 would not have had a significant impact on the consolidated financial statements.

Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar but is exposed to foreign currency risk with respect to the expenditures incurred by its Colombian subsidiary, MCC Sub.

Sensitivity analysis

Currently MCC and MCC Sub does not have any cash balances denominated in cash other than Canadian Dollars "CAD". Therefore, there any sensitivity to changes in CAD relative to foreign currency is \$nil.

Off-Balance-Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Share Capital

As at the date of this MD&A, the Company had 41,362,659 issued and outstanding common shares.

As at the date of this MD&A, the Company has 4,681,330 warrants outstanding. 3,681,330 of the warrants are exercisable immediately at a price of \$0.25 per common share until September 2019. The remaining 1,000,000 of the warrants are exercisable immediately at a price of \$0.40 per common share until December 2020.

Significant accounting estimates

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The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and adjustments are made as appropriate in the period they become known. Items for which actual results may differ significantly from these estimates are described in the following section.

Share-based compensation

The fair value of warrants is based on the application of the Black-Scholes option pricing model. This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the share price, volatility of the share price, expected dividend yield and expected risk-free interest rate.

Useful lives of property and equipment and intangible assets

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

Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Purchase price allocation

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On the acquisition of subsidiaries, the Company is required to allocate the purchase price based on the fair value of identifiable assets and liabilities acquired. There is significant estimation required in this allocation, and there could be a difference between the estimated and actual fair values.

Business Risks

Limited Operating History

MCC is an early stage company having been founded in 2018 and, as a result, it has a limited operating history upon which its business and future prospects may be evaluated. MCC will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for MCC to meet future operating and debt service requirements, MCC will need to be successful in its growing, marketing and sales efforts. Additionally, where MCC experiences increased sales, MCC's current operational infrastructure may require changes to scale MCC's business efficiently and effectively to keep pace with demand, and achieve long-term profitability. If MCC's products and services are not accepted by new customers, MCC's operating results may be materially and adversely affected.

Managing Growth

In order to manage growth and change in strategy effectively, the Resulting Issuer must (i) maintain adequate systems to meet customer demand; (ii) expand sales and marketing, distribution capabilities and administrative functions; (iii) expand the skills and capabilities of its current management team; and (iv) attract and retain qualified employees. While it intends to focus on managing its costs and expenses over the long term, MCC expects to invest to support its growth and may have additional unexpected costs. It may not be able to expand quickly enough to exploit potential market opportunities.

Retention and Acquisition of Skilled Personnel

The loss of any member of the Resulting Issuer's management team, could have a material adverse effect on its business and results of operations. In addition, an inability to hire, or the increased costs of new personnel, including members of executive management, could have a material adverse effect on the Resulting Issuer's business and operating results. At present and for the near future, MCC will depend upon a relatively small number of employees to develop, market, sell and support its products. The expansion of marketing and sales of its products will require MCC to find, hire and retain additional capable employees who can understand, explain, market and sell its products. There is intense competition for capable personnel in all of these areas and MCC may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take significant time before they achieve full productivity. As a result, the Resulting Issuer may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as the Resulting Issuer moves into new jurisdictions, it will need to attract and recruit skilled employees in those areas.

Legal Proceedings

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From time to time, MCC may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. MCC will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on MCC's financial results.

Regulatory Compliance Risks

Achievement of MCC's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. MCC may not be able to obtain or maintain the necessary licences, permits, quotas, authorizations or accreditations, or may only be able to do so at great cost, to operate its business. MCC cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by local governmental authorities. To date, MCC has received the MCC Licences to cultivate Low THC medicinal cannabis and to cultivate and produce High THC medicinal cannabis from the Colombian government. The impact of the compliance regime, any delays in obtaining, or failure to obtain or keep the regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of MCC.

The officers and directors of MCC must rely, to a great extent, on MCC's Colombian legal counsel and local consultants retained by MCC in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect MCC's business operations, and to assist MCC with its governmental relations. MCC must rely, to some extent, on those members of management and the board who have previous experience working and conducting business in Colombia in order to enhance its understanding of and appreciation for the local business culture and practices in Colombia.

MCC also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of banking, financing and tax matters in Colombia. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices in Colombia are beyond the control of MCC and may adversely affect its business.

MCC will incur ongoing costs and obligations related to regulatory compliance. 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. MCC 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. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to MCC'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 Medcolcanna.

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Canadian Regulatory and Civil Proceedings

The sale and distribution of cannabis products for medicinal use by licensed producers is legal in certain Canadian provinces. The Canadian federal government legalized recreational marijuana effective October 17, 2018.

MCC operates in Colombia pursuant to the MCC Licences and authorizations granted by the *Ministry of Justice and the Ministry of Health*. Consequently, certain activities conducted by MCC are permissible under one regulatory regime while not under another. In the past, Canadian courts and regulatory authorities have taken the view that it is not contrary to Canadian federal or provincial law for a person to be engaged in, or for an entity to hold interests in affiliates that are engaged in, certain regulated activities where such activities may be regulated differently than in the home jurisdictions and have enforced extra-territorial laws even where such laws (or regulatory regimes applicable to certain activities or industries) differs from those in the Canadian jurisdiction. There is a risk however that the Canadian courts or applicable Canadian or other governmental authorities may take a contrary view with respect to the business of MCC and view MCC as having violated their local laws, despite MCC having obtained all applicable Colombian licences or authorizations and despite that MCC does not carry on business in Canada. Therefore, there is a risk that civil and criminal proceedings, including class actions, could be initiated against MCC. Such potential proceedings could involve substantial litigation expense, penalties, fines, seizure of assets, injunctions or other restrictions being imposed upon Medcolcanna or its business partners, while diverting the attention of key executives. Such proceedings could have a material adverse effect on MCC's business, revenues, operating results and financial condition as well as impact upon MCC's reputation.

Change of Cannabis Laws, Regulations and Guidelines

Cannabis laws and regulations are dynamic and subject to evolving interpretations which could require MCC to incur substantial costs associated with compliance or alter certain aspects of its business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of MCC's businesses. MCC cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on MCC's business. Management expects that the legislative and regulatory environment in the cannabis industry in Colombia and internationally will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this nascent industry for the foreseeable future. Compliance with any such legislation may have a material adverse effect on MCC's business, financial condition and results of operations.

Public opinion can also exert a significant influence over the regulation of the cannabis industry. A negative shift in the public's perception of the cannabis industry could affect future legislation or regulation in different jurisdictions.

Reliance on Medcolcanna Licences and Authorizations

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MCC's ability to grow, store and sell cannabis in Colombia is dependent on MCC's ability to sustain and/or obtain the necessary licences and authorizations by certain authorities in Colombia.

The licences and authorizations are subject to ongoing compliance and reporting requirements and the ability of MCC to obtain, sustain or renew any such licences and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. Failure to comply with the requirements of the licences or authorizations or any failure to maintain the licences or authorizations would have a material adverse impact on the business, financial condition and operating results of MCC.

Although MCC believes that it will meet the requirements to obtain, sustain or renew the necessary licences and authorizations, there can be no guarantee that the applicable authorities will issue these licences or authorizations. Should the authorities fail to issue the necessary licences or authorizations, MCC may be curtailed or prohibited from the production and/or distribution of cannabis or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of MCC may be materially adversely affected.

Reliance on One Facility

The Cultivation Facility is currently MCC's only licensed facility under the Licences. The Licenses held by MCC are specific to the Cultivation Facility. Adverse changes or developments affecting the Cultivation Facility, including but not limited to a breach of security, could have a material and adverse effect on MCC's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Colombian regulatory authorities, could have an impact on MCC's ability to continue operating under the Licenses or the prospect of renewing the Licenses.

Certain contemplated capital expenditures of MCC may require approval of Colombian regulatory authorities. There is no guarantee that Colombian Regulatory Authorities will approve any contemplated expansion and/or renovation, which could adversely affect the business, financial condition and results of MCC's operations.

Unexpected disruptions affecting operations, whether due to labor disruptions, supply disruptions, power disruptions, damage to equipment or otherwise

MCC's operations may be disrupted by a variety of risks and hazards that are beyond its control, including, but not limited to, fires, power outages, labour disruptions, supply disruptions, flooding, and the inability to obtain suitable or adequate machinery, equipment or labour as well as other risks involved in the cultivation and production of medicinal cannabis.

Demand for Cannabis and Derivative Products

The legal cannabis industry in Colombia is at an early stage of its development. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of medicinal cannabis are mixed and evolving and can be significantly influenced by scientific research or findings, regulatory investigations,

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litigation, media attention and other publicity regarding the consumption of medicinal 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 medicinal 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 medicinal cannabis and on the business, results of operations, financial condition and cash flows of MCC. Further, adverse publicity reports or other media attention regarding cannabis in general, or associating the consumption of medicinal cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medicinal cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medicinal cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization. MCC's ability to gain and increase market acceptance of its business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure may have an adverse effect on MCC.

Liability, Enforcement, Complaints, etc.

Medcolcanna's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by third parties, other companies and/or various governmental authorities against Medcolcanna. Litigation, complaints, and enforcement actions involving Medcolcanna could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on Medcolcanna's future cash flows, earnings, results of operations and financial condition.

Product Liability

As a distributor of products designed to be ingested by humans, MCC faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused damages, loss or injury. In addition, the sale of MCC's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from human consumption of MCC's products alone or in combination with other medications or substances could occur. MCC may be subject to various product liability claims, including, among others, that MCC's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances. A product liability claim or regulatory action against MCC could result in increased costs, could adversely affect MCC's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of MCC. There can be no assurances that MCC 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 MCC's potential products.

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Insurance Coverage

MCC's production is, in general, subject to different risks and hazards, including adverse weather conditions, fires, plant diseases and pest infestations, other natural phenomena, industrial accidents, labour disputes, changes in the legal and regulatory framework applicable to MCC and environmental contingencies.

MCC is in the process of obtaining insurance coverage over MCC's production and facilities. MCC is seeking insurance against a variety of risks, including losses and damages relating to its plants, equipment and buildings. Any insurance that MCC is successful in obtaining may only cover part of the losses it may incur and may not cover losses on crops due to drought or floods. Furthermore, certain types of risks may not be covered by the future policies. There is a risk that any claims to be paid by an insurer due to the occurrence of a casualty covered may not be sufficient to compensate MCC for all of the damages suffered. MCC may not be able to maintain or obtain insurance of the type and amount desired at a reasonable cost. If MCC were to incur significant liability for which it were not fully insured, it could have a materially adverse effect on MCC's business, financial condition and results of operations.

Ability to Establish and Maintain Bank Accounts

While MCC does not anticipate dealing with banking restrictions, there is a risk that banking institutions in countries where MCC operates will not accept payments related to the cannabis industry. Such risks could increase costs for MCC. In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that MCC may be required to seek alternative payment solutions, including but not limited to cryptocurrencies such as Bitcoin. There are risks inherent in cryptocurrencies, most notably its volatility and security issues. If the industry was to move towards alternative payment solutions and accept payments in cryptocurrency MCC would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. MCC's inability to manage such risks may adversely affect MCC's operations and financial performance.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of MCC's products are recalled due to an alleged product defect or for any other reason, MCC could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. MCC 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 MCC 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 MCC is subject to recall, the image of MCC could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for MCC's products and could have a material adverse effect on the results of operations and financial condition of MCC. Additionally, product recalls may lead to increased scrutiny of MCC's

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operations by regulatory agencies, requiring further management attention, potential loss of applicable licences and potential legal fees and other expenses.

Risks Inherent in an Agricultural Business

MCC's business involves the growing of cannabis, which is an agricultural product. Medicinal cannabis will be grown outdoors. The occurrence of severe adverse weather conditions, especially droughts, hail, floods or frost, is unpredictable and may have a potentially devastating impact on agricultural production, and may otherwise adversely affect the supply of cannabis. Adverse weather conditions may be exacerbated by the effects of climate change and may result in the introduction and increased frequency of pests and diseases. The effects of severe adverse weather conditions may reduce MCC's yields or require MCC to increase its level of investment to maintain yields. Additionally, higher than average temperatures and rainfall can contribute to an increased presence of insects and pests, which could negatively affect cannabis crops. Future droughts could reduce the yield and quality of MCC's cannabis production, which could materially and adversely affect MCC's business, financial condition and results of operations.

The occurrence and effects of plant disease, insects and pests can be unpredictable and devastating to agricultural, potentially rendering all or a substantial portion of the affected harvests unsuitable for sale. Even when only a portion of the production is damaged, MCC's results of operations could be adversely affected because all or a substantial portion of the production costs may have been incurred. Although some plant diseases are treatable, the cost of treatment can be high and such events could adversely affect MCC's operating results and financial condition. Furthermore, if MCC fails to control a given plant disease and the production is threatened, MCC may be unable to supply its customers, which could adversely affect its business, financial condition and results of operations. There can be no assurance that natural elements will not have a material adverse effect on any such production.

Risks Inherent in Rural Real Estate

The Colombian Constitution protects the right to own private property and related rights acquired in compliance with civil regulations. According to Colombian Constitution, legally acquired private property ownership rights cannot be affected if the owner is in compliance with applicable laws.

Except in the case of public necessity or social interest, subject to due process and the payment of an indemnification, expropriations without just cause or on a discriminatory basis are restricted.

In August 2011, Colombia and Canada entered into a Free Trade Agreement (CCOFTA), which outlines the issue of expropriations in Article 811 as well as dispute settlements in Chapter 21. The Free Trade Agreement provides that Canadian investments in Colombia will be granted fair and equitable treatment with full protection and security and will be accorded no less favourable treatment than Colombia grants to its own investors or investors of any other country. It also provides that an investment will not be expropriated except in a nondiscriminatory manner in accordance with due process of law with prompt and adequate compensation. The expropriation provisions cover both traditional "direct" takings and so-called "indirect" or "creeping" expropriation, which results from a measure or a series of measures by a government that have an effect equivalent to direct expropriation without a formal transfer of title or outright seizure of the investment. An investor-state dispute resolution process is provided for in the event that the investment is not provided the protections set out in the CCOFTA. Through this process, a Canadian investor can challenge a Colombian measure through binding international arbitration instead of relying on the Colombian local courts.

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Energy Prices and Supply

MCC requires substantial amounts of electric energy and other resources for its harvest activities and transport of cannabis. MCC relies upon third parties for its supply of energy resources used in its operations. The prices for and availability of energy resources may be subject to change or curtailment, respectively, due to, among other things, new laws or regulations, imposition of new taxes or tariffs, interruptions in production by suppliers, imposition of restrictions on energy supply by government, worldwide price levels and market conditions. If energy supply is cut for an extended period of time and MCC is unable to find replacement sources at comparable prices, or at all, MCC's business, financial condition and results of operations would be materially and adversely affected.

Supply of Cannabis Seeds

If for any reason the supply of cannabis seeds is ceased or delayed, MCC would have to seek alternate suppliers and obtain all necessary authorization for the new seeds. If replacement seeds cannot be obtained at comparable prices, or at all, or if the necessary authorizations are not obtained, MCC's business, financial condition and results of operations would be materially and adversely affected.

Changes in Corporate Structure

Colombian cannabis licences are granted on a non-transferable, non-exchangeable and non-assignable basis. Any breach of this restriction may give rise to unilateral termination of the license by the governmental authority.

Notwithstanding the above, Colombian laws do not provide for specific regulations or restrictions regarding the effects of a change in control, modification of the corporate structure, issuance of shares, or any changes in holders or final beneficiaries of cannabis licences.

Colombian legislation gives special attention to the identification and background of the legal representatives of licensees. Licensees must file a declaration of the legality of the proceeds of the legal representatives. Furthermore, Decree 613 of 2017 provides a set of resolutive conditions, which enable the Ministry of Health or the Ministry of Justice, as applicable, to terminate a license if the licensee fails to request the amendment of the licence within 30 calendar days following any changes in (i) the legal representation of the licensee; or (ii) the declaration that a legal representative is criminally liable for drug trafficking or related crimes, after having issued the respective license.

Emerging Market Risks

Emerging market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.

All of MCC's operations are in Colombia. Colombia has a history of economic instability or crises (such as inflation or recession). While there is no current political instability, and historically there has been no

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change in laws and regulations, this is subject to change in the future and could adversely affect MCC's business, financial condition and results of operations.

In particular, fluctuations in the Colombian economy and actions adopted by the Government of Colombia have had and may continue to have a significant impact on companies operating in Colombia, including MCC. Specifically, MCC may be affected by inflation, foreign currency fluctuations, regulatory policies, business and tax regulations and in general, by the political, social and economic scenarios in Colombia and in other countries that may affect Colombia.

Global economic crises could negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Colombia. Such events could materially and adversely affect MCC's business, financial condition and results of operations.

Global Economy

Financial and securities markets in Colombia are influenced by the economic and market conditions in other countries, including other South American and emerging market countries and other global markets. Although economic conditions in these countries may differ significantly from economic conditions in Colombia, investors' reactions to developments in these other countries, such as the recent developments in the global financial markets, may substantially affect the capital flows into, and the market value of securities of issuers with operations in Colombia.

An economic downturn or volatility could have a material adverse effect on MCC's business, financial condition and results of operations. The economy of the Colombia, where MCC's operations are located, has experienced significant economic uncertainty and volatility during recent years. A weakening of economic conditions could lead to reductions in demand for MCC's products. For example, its revenues can be adversely affected by high unemployment and other economic factors. Further, weakened economic conditions or a recession could reduce the amount of income customers are able to spend on MCC's products. In addition, as a result of volatile or uncertain economic conditions, MCC may experience the negative effects of increased financial pressures on its clients. For instance, MCC's business, financial condition and results of operations could be negatively impacted by increased competitive pricing pressure, which could result in MCC incurring increased bad debt expense. If MCC is not able to timely and appropriately adapt to changes resulting from a weak economic environment, its business, results of operations and financial condition may be materially and adversely affected.

A crisis in other emerging market countries could dampen investor enthusiasm for securities of issuers with South American operations. Financial conditions in Argentina, Brazil or other emerging market countries could negatively impact Colombia's economy in the future. If such fluctuations were to occur, MCC's business, financial condition and results of operations could be materially and adversely affected.

TSXV Restrictions on Business

As a condition to initially listing on the TSXV, the TSXV required that Medcolcanna deliver an undertaking (the "Undertaking") confirming that, while listed on TSXV, Medcolcanna will only conduct the business of the production, sale and distribution of medicinal marijuana in Colombia pursuant to the Licences and in

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accordance with applicable law, unless prior approval is obtained from TSXV. The Undertaking could have an adverse effect on Medcolcanna's ability to do business or operate outside of Colombia and on its ability to expand its business into other areas, including the provision of non-medical marijuana in the event that the laws were to change to permit such sales, if Medcolcanna is still listed on the TSXV and remains subject to the Undertaking at such time. The Undertaking may prevent Medcolcanna from expanding into new areas of business when Medcolcanna's competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition and results of Medcolcanna's operations.

Risks Related to Investment in a Colombian Company

Operational Risks

Operations in Colombia are subject to risk due to the potential for social, political, economic, legal and fiscal instability. The government in Colombia faces ongoing problems including but not limited to inflation, unemployment and inequitable income distribution. Colombia is also home to South America's largest and longest running insurgency and large swaths of the countryside are under guerrilla influence. In addition, Colombia experiences narcotics-related violence, a prevalence of kidnapping and extortionist activities and civil unrest in certain areas of the country. Such instability may require MCC to suspend operations on its properties. Although MCC is not presently aware of any circumstances or facts which may cause the following to occur, other risks may involve matters arising out of the evolving laws and policies in Colombia, any future imposition of special taxes or similar charges, as well as foreign exchange fluctuations and currency convertibility and controls, the unenforceability of contractual rights or the taking or nationalization of property without fair compensation, restrictions on the use of expatriates in MCC's operations, or other matters. MCC also bears the risk that changes can occur in the government of Colombia and a new government may void or change the laws and regulations that MCC is relying upon.

Currently there are no restrictions on the repatriation from Colombia of earnings to foreign entities and Colombia has never imposed such restrictions. However, there can be no assurance that restrictions on repatriation of earnings from Colombia will not be imposed in the future. Exchange control regulations require that any proceeds in foreign currency originated on exports of goods from Colombia (including minerals) be repatriated to Colombia. However, purchase of foreign currency is allowed through any Colombian authorized financial entities for purposes of payments to foreign suppliers, repayment of foreign debt, payment of dividends to foreign stockholders and other foreign expenses.

Inflation in Colombia

Colombia has in the past experienced double digit rates of inflation. If Colombia experiences substantial inflation in the future, MCC's costs in Colombian peso terms will increase significantly, subject to movements in applicable exchange rates. Inflationary pressures may also curtail MCC's ability to access global financial markets in the longer term and its ability to fund planned capital expenditures, and could materially adversely affect MCC's business, financial condition and results of operations. The Colombian government's response to inflation or other significant macro-economic pressures may include the introduction of policies or other measures that could increase MCC's costs, reduce operating margins and materially adversely affect its business, financial condition and results of operations.

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Operations in Spanish

As a result of MCC conducting its operations in Colombia, the books and records of MCC, including key documents such as material contracts and financial documentation are principally negotiated and entered into in the Spanish language and English translations may not exist or be readily available.

Enforcement of Judgments

MCC is incorporated under the laws of Canada, however all of its assets are located outside Canada. Furthermore, many of MCC's directors and officers reside outside Canada. As a result, investors may not be able to effect service of process within Canada upon MCC's directors or officers or enforce against them in Canadian courts judgments predicated on Canadian securities laws. Likewise, it may also be difficult for an investor to enforce in Canadian courts judgments obtained against these persons in courts located in jurisdictions outside Canada.

As a result of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board or controlling shareholders than they would as public shareholders of a Canadian company.

Financial and Accounting Risks

Access to Capital

In executing its business plan, MCC makes, and will continue to make, substantial investments and other expenditures related to acquisitions, research and development and marketing initiatives. Since its incorporation, MCC has financed these expenditures through offerings of its equity securities. MCC will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. MCC may incur major unanticipated liabilities or expenses. MCC can provide no assurance that it will be able to obtain financing to meet the growth needs of MCC.

Foreign Sales

MCC's functional currency is denominated in Canadian dollars. MCC currently expects that sales will be denominated in Colombian pesos and may, in the future, have sales denominated in the currencies of additional countries in which it establishes sales offices. In addition, MCC incurs the majority of its operating expenses in Colombia Pesos. In the future, the proportion of MCC's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Resulting Issuer's business, financial condition and results of operations. MCC has not previously engaged in foreign currency hedging. If the Resulting Issuer decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide the Resulting Issuer from foreign currency fluctuations and can themselves result in losses.

Estimates or Judgments Relating to Critical Accounting Policies

MEDCOLCANNA (BVI) INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED DECEMBER 31, 2018
DISCUSSION DATE: EFFECTIVE MAY 7, 2019

The preparation of financial statements in conformity with International Financial Reporting Standards, or IFRS, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. MCC bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the notes to the MCC Financial Statements set forth in Schedule "C", the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. MCC's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause MCC's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Resulting Issuer. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

Tax Risks

The Resulting Issuer will operate and will be subject to income tax and other forms of taxation (which are not based upon income) in multiple tax jurisdictions. Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates is also subject to change. Therefore, the Resulting Issuer's earnings may be impacted by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. The Resulting Issuer may have exposure to greater than anticipated tax liabilities or expenses. The Resulting Issuer will be subject to income taxes and non-income taxes in a variety of jurisdictions and its tax structure is subject to review by both domestic and foreign taxation authorities and the determination of the Resulting Issuer's provision for income taxes and other tax liabilities will require significant judgment.

The Resulting Issuer will be subject to different taxes imposed by the Colombian government and any changes within such tax legal and regulatory framework may have an adverse effect on our financial results. All current tax legislation is a matter of public record and the Resulting Issuer will be unable to predict which additional legislation or amendments may be enacted.

Risks Related to the Resulting Issuer Shares and Completion of the Share Exchange Transaction

Market for the Resulting Issuer Shares

There can be no assurance that an active trading market for the Resulting Issuer Shares will develop or, if developed, that any market will be sustained. MCC cannot predict the prices at which the Resulting Issuer Shares will trade. The price of the Subscription Receipts was determined by negotiations with the Lead Agent in connection with the financing and might not bear any relationship to the market price at which

MEDCOLCANNA (BVI) INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED DECEMBER 31, 2018
DISCUSSION DATE: EFFECTIVE MAY 7, 2019

the Resulting Issuer Shares will trade or to any other established criteria of the value of MCC's business. Fluctuations in the market price of the Resulting Issuer Shares could cause an investor to lose all or part of its investment in Resulting Issuer Shares. Factors that could cause fluctuations in the trading price of the Resulting Issuer Shares include: (i) announcements of new offerings, products, services or technologies; commercial relationships, acquisitions or other events by the Resulting Issuer or its competitors; (ii) price and volume fluctuations in the overall stock market from time to time; (iii) significant volatility in the market price and trading volume of agriculture companies; (iv) fluctuations in the trading volume of the Resulting Issuer Shares or the size of the Resulting Issuer's public float; (v) actual or anticipated changes or fluctuations in the Resulting Issuer's results of operations; (vi) whether MCC's results of operations meet the expectations of securities analysts or investors; (vii) actual or anticipated changes in the expectations of investors or securities analysts; (viii) litigation involving the Resulting Issuer, its industry, or both; (ix) regulatory developments in the Canada, Colombia and foreign countries; (x) general economic conditions and trends; (xi) major catastrophic events; (xii) escrow releases, sales of large blocks of the Resulting Issuer Shares; (xiii) departures of key employees or members of management; or (xiv) an adverse impact on MCC from any of the other risks cited herein.

No History of Payment of Cash Dividends

MCC has never declared or paid cash dividends on the MCC Shares. Upon Completion of the Qualifying Transaction, MCC intends to retain future earnings to finance the operation, development and expansion of the business. MCC does not anticipate paying cash dividends on the Resulting Issuer Shares in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of the Board and will depend on the Resulting Issuer's financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that the Board considers relevant.

Reporting Issuer Status

From the date of incorporation to the date of this Circular, MCC has not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of the TSXV. As a reporting issuer, the Resulting Issuer would be subject to reporting requirements under applicable securities law and stock exchange policies. MCC is working with its legal, accounting and financial advisors to identify those areas in which changes should be made to MCC's financial management control systems to manage its obligations as a subsidiary of a public company. Compliance with these requirements will increase legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on existing systems and resources. Among other things, the Resulting Issuer will be required to file annual, quarterly and current reports with respect to its business and results of operations and maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and, if required, improve disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm the Resulting Issuer's business and results of operations. The Resulting Issuer may need to hire additional employees to comply with these requirements in the future, which would increase its costs and expenses. Management of MCC expects that being a reporting issuer will make it more expensive to maintain director and officer liability insurance. This factor could also make it more difficult for the Resulting Issuer to retain qualified directors and executive officers.

MEDCOLCANNA (BVI) INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED DECEMBER 31, 2018
DISCUSSION DATE: EFFECTIVE MAY 7, 2019

Tax Issues

There may be income tax consequences in relation to the Resulting Issuer Shares, which will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers.

SCHEDULE E
PRO FORMA FINANCIAL STATEMENT

MEDCOLCANN A ORGANICS INC.

UNAUDITED PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

Prepared by Management

(Presented in Canadian Dollars)

MEDCOLCANNA ORGANICS INC.
 UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT DECEMBER 31, 2018
 CAD\$

	Medcolcanna (BVI), INC.	Note Ref.	Pro Forma Adjustments Pre-RTO	Subtotal Medcolcanna (BVI), Inc.	Integrated Energy Storage Corp.	Note Ref.	Pro Forma Adjustments Pre-RTO	Subtotal Integrated Energy Store Corp	Note Ref.	Pro Forma Adjustments on RTO	Pro Forma Consolidated
	<i>As at December 31, 2018</i>				<i>As at December 31, 2018</i>						
Assets											
Current assets:											
Cash	\$ 628,618	2(k)	\$ 730,000	\$ 1,358,618	\$ 8,162	2(a)	\$ 1,014,057	\$ 210,000			
						2(a)	\$ (82,219)		2(c)	\$ 7,426,460	
						2(k)	\$ (730,000)		2(d)	\$ (434,802)	
									2(f)	\$ (200,000)	
									2(i)	\$ 18,000	
									2(j)	\$ 36,000	\$ 8,414,276
Restricted Cash	\$ 3,178,260			\$ 3,178,260					2(c)	\$ (3,178,260)	\$ -
Accounts receivable	\$ 18,000			\$ 18,000	\$ 25,455	2(k)	\$ 730,000	\$ 755,455	2(i)	\$ (18,000)	\$ 25,455
Prepays	\$ 3,413			\$ 3,413					2(k)	\$ (730,000)	\$ 3,413
Due from related parties	\$ 22,533			\$ 22,533							\$ 22,533
Total current assets	\$ 3,850,824		\$ 730,000	\$ 4,580,824	\$ 33,617		\$ 931,838	\$ 965,455		\$ 2,919,398	\$ 8,465,677
Non-current assets											
PPE	\$ 50,384			\$ 50,384							\$ 50,384
Licenses	\$ 148,868			\$ 148,868							\$ 148,868
Total non-current assets	\$ 199,252			\$ 199,252	\$ -		\$ -			\$ -	\$ 199,252
Total assets	\$ 4,050,076		\$ 730,000	\$ 4,780,076	\$ 33,617		\$ 931,838	\$ 965,455		\$ 2,919,398	\$ 8,664,929
Liabilities and shareholders' equity											
Current liabilities											
Accounts payable and accrued liabilities	\$ 238,163	2(k)	\$ 730,000	\$ 968,163	\$ 82,219	2(a)	\$ (82,219)		2(k)	\$ (730,000)	\$ 238,163
Due to related parties	\$ 48,810			\$ 48,810							\$ 48,810
Demand Loan					\$ 430,033			\$ 430,033	2(g)	\$ (430,033)	
Total current liabilities	\$ 286,973		\$ 730,000	\$ 1,016,973	\$ 512,252		\$ (82,219)	\$ 430,033	\$ -	\$ (1,160,033)	\$ 286,973
Shareholders' equity											
Share capital	\$ 1,102,584			\$ 1,102,584	\$ 53,420	2(a)	\$ 1,014,057	\$ 1,067,477	2(c)	\$ (84,474)	
									2(c)	\$ 6,366,266	
									2(d)	\$ (434,802)	
									2(g)	\$ (1,067,477)	
									2(g)	\$ 2,353,602	
									2(e)	\$ (163,875)	
									2(j)	\$ 36,000	\$ 9,175,301
Subscription Receipts	\$ 3,093,786			\$ 3,093,786	\$ 4,440			\$ 4,440	2(g)	\$ (4,440)	
									2(e)	\$ (3,093,786)	\$ -
Compensation Options & Warrants	\$ 106,499			\$ 106,499	\$ 2,561			\$ 2,561	2(e)	\$ 1,060,194	
									2(g)	\$ (2,561)	
									2(g)	\$ 441,365	
									2(e)	\$ 163,875	\$ 1,771,933
Deficit	\$ (538,482)			\$ (538,482)	\$ (539,056)	2(b)	\$ -	\$ (539,056)	2(f)	\$ (200,000)	
									2(g)	\$ 539,056	
									2(g)	\$ (1,829,512)	\$ (2,567,994)
AOCI	\$ (1,284)			\$ (1,284)							\$ (1,284)
										\$ -	
Total shareholders' equity	\$ 3,763,103	\$ -	\$ -	\$ 3,763,103	\$ (478,635)		\$ 1,014,057	\$ 535,422		\$ 4,079,431	\$ 8,377,956
Total liabilities and shareholders' equity	\$ 4,050,076	\$ -	\$ 730,000	\$ 4,780,076	\$ 33,617		\$ 931,838	\$ 965,455		\$ 2,919,398	\$ 8,664,929

MEDCOLCANNA ORGANICS INC.
 UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF INCOME (LOSS)
 AS AT DECEMBER 31, 2018
 CAD\$

	Medcolcanna (BV), INC.	Integrated Energy Storage Corp.	Pro-Forma Adjustments	Note Ref.	Pro Forma Consolidated
	\$ CDN	\$ CDN	\$ CDN		\$ CDN
Other Revenue:					
Exclusivity Fee	\$ 32,750				\$ 32,750
Interest and other revenue					600
	<u>\$ 32,750</u>				<u>\$ 33,350</u>
Expenses:					
Salaries and wages	\$ 162,974				\$ 162,974
Professional Fees	\$ 345,549	\$ 67,930			\$ 413,479
Amortization		\$ 4,074			\$ 4,074
Impairment of License		\$ 17,656			
General and administrative	\$ 48,378	\$ 7,411			\$ 55,789
Operating expenses	\$ 27,666				
Patent Costs		\$ 31,363			
Finance	\$ 310				
Consulting fees		\$ 55,000			\$ 55,000
Recovery of GST		\$ (15,225)			
Foreign exchange loss (gain)	\$ (13,045)				\$ (13,045)
Net Listing Expenses			\$ 200,000	2(f)	
			<u>\$ 1,829,512</u>	2(g)	<u>\$ 2,029,512</u>
	<u>\$ 571,832</u>	<u>\$ 168,209</u>	<u>\$ 2,029,512</u>		<u>\$ 2,707,783</u>
Net loss for the period:	<u>\$ (539,082)</u>	<u>\$ (168,209)</u>	<u>\$ (2,029,512)</u>		<u>\$ (2,675,033)</u>
Other comprehensive income	\$ (1,284)				\$ (1,284)
Total comprehensive income (loss)	<u>\$ (540,366)</u>	<u>\$ (168,209)</u>	<u>\$ (2,029,512)</u>		<u>\$ (2,676,317)</u>
Pro-forma loss per share:					\$ (0.10)
weighted average shares outstanding:					<u>27,275,808</u>

MEDCOLCANNA ORGANICS INC.
NOTES TO THE UNAUDITED CONSOLIDATED PRO-FORMA FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2018
CAD\$

1. Basis of Presentation

The accompanying unaudited pro forma consolidated financial statements of Integrated Energy Storage Corp. ("IES") has been prepared by management to a reverse takeover "(RTO)" of Medcolcanna (BVI) Inc. Prior to the completion of the Transaction, IES will change its name to "Medcolcanna Organics Ltd" and following completion of the Transaction, the resulting issuer will conduct its business under the new name.

The resulting issuer from the Transaction (the "Resulting Issuer") will operate as a medical cannabis company with its core operations in Colombia continuing the business of Medcolcanna. The pro forma consolidated financial statements gives effect to the Transaction had it occurred on December 31, 2018.

The Transaction has been accounted for in accordance with IFRS 2. Upon completion of the transaction, the former shareholders of Medcolcanna will become the controlling shareholders of IES. This type of share exchange, referred to as a reverse take-over ("RTO"), deems Medcolcanna to be the acquirer for accounting purpose. Accordingly, Medcolcanna's balances are accounted for at cost and IES's balances are accounted for at fair value. Since the consideration given is the acquirer's own equity, the fair value to be used is based on the most recent financing of Medcolcanna (see note 2(g)).

The Transaction has been accounted for in the unaudited pro forma consolidated financial statements as a continuation of the financial statements of Medcolcanna, together with a deemed issuance of shares, equivalent to the shares held by the former shareholders of IES and a recapitalization of the equity of Medcolcanna.

The unaudited pro forma financial statements have been prepared from information derived from and should be read in conjunction with the following:

1. The audited consolidated financial statements of Medcolcanna (BVI) Inc. for the period ended December 31, 2018.
2. The audited consolidated financial statements of Integrated Energy Storage Corp. for the period ended December 31, 2018.
3. Unless otherwise noted, the unaudited pro forma consolidated financial statements and its accompanying notes are presented in Canadian Dollars.

The unaudited pro forma consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and, in the opinion of management, includes all adjustments necessary for fair presentation. No adjustments have been made to reflect additional costs or cost savings that could result from the combination of the operations of IES and Medcolcanna.

MEDCOLCANNA ORGANICS INC.
NOTES TO THE UNAUDITED CONSOLIDATED PRO-FORMA FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2018
CAD\$

The unaudited pro forma consolidated financial statements have been prepared for illustration purposes only and may not be indicative of the financial position had the Transaction been in effect at the date indicated.

Pursuant to the Definitive Agreement (the "Agreement") dated December 5, 2018, between IES and Medcolcanna, IES will acquire 100% of the issued and outstanding share capital of Medcolcanna, whereby the shareholders of Medcolcanna will receive post consolidated shares of IES in exchange for their shares of Medcolcanna. The unaudited pro forma consolidated financial statements gives effect to the following assumptions and adjustments as set forth in the Agreement.

a) IES 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 \$210,000 of available cash excluding additional working capital. (IES had \$210,000 cash and \$25,455 accounts receivable at that time) This excludes an additional \$730,000 of working capital previously loaned to Medcolcanna between December 31, 2018 and the closing date as discussed in greater detail in note 2(k). The total cash flows equates to \$940,000 as commercially agreed upon by both parties. Prior to closing the Agreement IES will issue private placements in cash for Common Shares to meet these obligations. Details as to the amount of shares is not evidenced in the Agreement as the amount shares cannot exceed 12,900,000 and 6,450,000 warrants anyways per the terms of the share consolidation as discussed further in Note 2(b) below.

b) Pursuant to the Agreement IES will be consolidated such that debt holders will first be converted into IES shareholders equating to 6,500,000 units in the resulting issuer. Combined with 10,936,148 shares as at December 31, 2018, 222,000 shares issued in January 2019, 40,470,000 shares issued in March 2019 and 6,433,253 shares issued in April 2019 results in 64,561,401 shares to be converted on close of the transaction. As the transaction limits the total conversion to 12,900,000 units in the resulting issuer the remaining 58,061,401 IES shareholders will be converted at a ratio of 9.072:1 to arrive at 6,400,000 additional units to be issued. Each resulting issuer unit will retain one share plus will receive half a warrant for every one share issued and outstanding at the time of the consolidation; 64,561,401 shares are consolidated to 12,900,000 issued IES shares plus 6,450,000 warrants. The 6,450,000 Outstanding warrants will be exercisable at \$0.40 with a two year expiry. The fair value of consideration to IES shareholders is set forth in Note 2(g).

c) Before closing the RTO, Medcolcanna issued brokered financing of 30,986,800 units at \$0.25. Each brokered unit is to consist of one common share and one-half common share purchase warrant of Medcolcanna exercisable at \$0.40 for two years subject to acceleration provisions. Each full warrant of the brokered financing is valued at a price of \$0.0684 using the Black-Sholes options pricing model and assumptions below.

Stock price \$0.21 (given market of brokered units at \$0.25 unit. \$0.04 deemed

MEDCOLCANNA ORGANICS INC.
NOTES TO THE UNAUDITED CONSOLIDATED PRO-FORMA FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2018
CAD\$

value attributed to warrant)

Exercise price \$0.40

Time to maturity 2.00 years

Risk-free rate 1.85%

Volatility 91.0%

Cash has increased by \$7,426,460 (\$7,746,700 less \$302,240 transaction costs pre-escrow already paid) and share capital increased by \$6,366,266 and warrant and option reserve increased by \$1,060,194 for pro forma purposes. Simultaneously, all Subscription Receipts and restricted cash will reverse as cash conditions are met and remaining shareholders invest to total \$7,746,700 in total.

d) Cash commissions payable on both brokered and non-brokered financing of \$434,802 will be payable upon closing of the Transaction to investment bankers.

e) Simultaneous with closing the RTO the Investment Bankers earned Compensation Options (the "Compensation Options") as 6% the total Subscription Receipts. Negating the prior Compensation Options earned as 50% the closed Subscriptions as at December 31, 2018 resulted in another 1,753,068 Compensation Options earned between January 1, 2019 and closing. (30,986,800*6% plus commission on IES raise of 242,820 less 348,960 accounted for as at December 31, 2018).

Each vested Compensation Option will entitle the holder thereof to acquire one Unit (a "Compensation Option Unit") at the offering price of \$0.25 for a period of 24 months following the Escrow Release Date, each Compensation Option Unit being comprised of one Common Share (a "Compensation Option Share") and one-half of one Warrant (each whole Warrant, a "Compensation Option Warrant"). Each Compensation Option Warrant shall entitle the holder thereof to purchase one Warrant Share (a "Compensation Option Warrant Share") at a price of \$0.40 on the date that is 24 months following the Escrow Release Date.

Given the Option is rooted in the offering Price of \$0.25 modelling to allocate its value is based upon that likelihood of it being executed in the 2 year life. The Compensation Units were allocated a value using the Black-Scholes option pricing model to estimate the fair value with the following weighted average assumptions:

Each full share portion of the Compensation Option is valued at a price of \$0.0935 using the Black-Scholes options pricing model and assumptions below.

Stock price \$0.21 (given market of brokered units at \$0.25 unit. \$0.04 deemed

value attributed to warrant)

MEDCOLCANNA ORGANICS INC.
NOTES TO THE UNAUDITED CONSOLIDATED PRO-FORMA FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2018
CAD\$

Exercise price \$0.25

Time to maturity 2.00 years

Risk-free rate 1.85%

Volatility 91.0%

Warrant and Compensation option reserve increased by \$163,875 and share capital decreased by \$163,875 with 1,753,068 implied options.

f) Other listing costs are estimated to be \$200,000 for the Transaction, resulting in a pro forma reduction of cash by \$200,000 and deficit by an equal amount.

g) Share capital and deficit of IES are eliminated since IES is a predecessor corporation without active business operations. Furthermore the option reserve is also eliminated as the 500,000 options outstanding as at December 31, 2018 are terminated on closing of the Agreement. The net consideration transferred by Medcolcanna will be allocated to the net assets acquired and transaction costs will be expensed. The accounting value of the demand loan is written off also as this amount is converted to resulting issuer shares on completion of the RTO. Fair value of the RTO was determined using the current share price of Medcolcanna on the most recent financing on March 12, 2018. The preliminary purchase price of \$3,225,000 has been allocated as following:

Deemed issuance price of units issued to former shareholders of IES	\$0.25
Deemed issuance of units of former shareholders of IES	<u>12,900,000</u>
Fair value of units consideration	\$3,225,000
Fair value of 6,450,000 warrants ¹	(\$441,365)
Fair value of shares	\$2,783,635
Total Consideration	\$3,225,000
Total Consideration	\$3,225,000
Net Assets acquired: Cash + Accounts Receivable	(\$965,455)
Subtotal	<u>\$2,259,545</u>
Less: Demand Loan converted to shares	(\$430,033)
Net Listing expenses	\$1,829,512

¹ Based on a black-scholes calculation of the underlying warrant terms with a stock price of \$0.21, exercise price of \$0.40, maturity of 2.0 years, risk free rate of 1.85% and volatility of 91.0%

MEDCOLCANNA ORGANICS INC.
NOTES TO THE UNAUDITED CONSOLIDATED PRO-FORMA FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2018
CAD\$

Value attributed to Successor Equity	\$2,794,967
Less: Value attributed to IES warrants	(\$441,365)
Value attributed to Successor Shares	\$2,353,602

h) The pro forma effective income tax rate applicable to the operations will be approximately 26.50%.

i) Unrelated to the RTO the \$18,000 Accounts receivable in Medcolcanna was received on January 22, 2018 as subsequently disclosed in the Medcolcanna (BVI) Inc. December 31, 2018 Consolidated Financial Statements. Cash has been increased by \$18,000 with Accounts Receivable decreased to nil.

j) Subsequent to December 31, 2018 Medcolcanna completed a non-brokered private placement of 400,000 common shares at a price of C\$0.09 per share for gross proceeds of \$36,000. Cash and Share Capital both went up by \$36,000.

k) Subsequent to December 31, 2018 but prior to closing IES loaned \$730,000 to Medcolcanna for working capital. On consolidation related party amounts were eliminated.

3. Pro Forma Share Capital

	Number	Amount \$	Notes
Medcolcanna issued and outstanding common shares as at December 31, 2018	41,362,659	1,102,584	
Medcolcanna non-brokered unit private placement of subscription receipts	30,986,800	6,281,792	2c)
Share issue costs related to private placements		(434,802)	2d)
Warrant and Option Reserve		(163,875)	2e)
On Unit Options		(163,875)	2e)
Deemed issuance of shares to former IES shareholders	12,900,000	2,342,161	2g)
Private Placement of 400,000 shares	<u>400,000</u>	<u>36,000</u>	2j)
Total	<u>85,649,459</u>	<u>9,163,860</u>	

SCHEDULE F
RESULTING ISSUER STOCK OPTION PLAN

MEDCOLCANNNA ORGANICS INC.

INCENTIVE STOCK OPTION PLAN

Dated: May 16, 2019

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ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Defined Terms

For the purposes of this Plan, the following terms shall have the following meanings:

- (a) "**Accelerated Vesting Event**" means the occurrence of any one of the following events:
 - (i) a take-over bid (as defined under Securities Legislation) is made for Shares or Convertible Securities which, if successful would result (assuming the conversion, exchange or exercise of the Convertible Securities, if any, that are the subject of the take-over bid) in any person or persons acting jointly or in concert (as determined under Securities Legislation) or persons associated or affiliated with such person or persons (as determined under Securities Legislation) beneficially, directly or indirectly, owning shares that would, notwithstanding any agreement to the contrary, entitle the holders thereof for the first time to cast at least 50% of the votes attaching to all shares in the capital of the Corporation that may be cast to elect Directors;
 - (ii) the acquisition or continuing ownership by any person or persons acting jointly or in concert (as determined under Securities Legislation), directly or indirectly, of Shares or of Convertible Securities, which, when added to all other securities of the Corporation at the time held by such person or persons, persons associated with such person or persons, or persons affiliated with such person or persons (as determined under Securities Legislation) (collectively, the "Acquirors"), and assuming the conversion, exchange or exercise of Convertible Securities beneficially owned by the Acquirors, results in the Acquirors beneficially owning shares that would, notwithstanding any agreement to the contrary, entitle the holders thereof for the first time to cast at least 50% of the votes attaching to all shares in the capital of the Corporation that may be cast to elect Directors;
 - (iii) an amalgamation, merger, arrangement or other business combination (a "**Business Combination**") involving the Corporation receives the approval of, or is accepted by, the securityholders of the Corporation (or all classes of securityholders whose approval or acceptance is required) or, if their approval or acceptance is not required in the circumstances, is approved or accepted by the Corporation and as a result of that Business Combination, parties to the Business Combination or securityholders of the parties to the Business Combination, other than the securityholders of the Corporation, own, directly or indirectly, shares of the continuing entity that entitle the holders thereof to cast at least 50% of the votes attaching to all shares in the capital of the continuing entity that may be cast to elect Directors;
- (b) "**Affiliate**" shall have the meaning ascribed thereto by the Exchange in Policy 1.1 – Interpretation";
- (c) "**Associate**" shall have the meaning ascribed thereto by the Exchange in Policy 1.1 – Interpretation";
- (d) "**Board**" means the Board of Directors of the Corporation or, as applicable, a committee consisting of not less than 3 directors of the Corporation duly appointed to administer this Plan;

- (e) "**Charitable Organization**" means "charitable organization" as defined in the *Income Tax Act* (Canada) from time to time;
- (f) "**Common Shares**" means the common shares of the Corporation;
- (g) "**Consultant**" means an individual or Consultant Company, other than an Employee or a Director of the Corporation, that:
 - (i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Corporation or to an Affiliate of the Corporation other than services provided in relation to a Distribution,
 - (ii) provides the services under a written contract between the Corporation or an Affiliate of the Corporation and the individual or the Consultant Company,
 - (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the business and affairs of the Corporation or an Affiliate of the Corporation, and
 - (iv) has a relationship with the Corporation or an Affiliate of the Corporation that enables the Consultant to be knowledgeable about the business and affairs of the Corporation;
- (h) "**Consultant Company**" means for an individual consultant, a company or partnership of which the individual is an employee, shareholder or partner;
- (i) "**Corporation**" means Medcolcanna Organics Inc. and its successor entities;
- (j) "**Director**" means directors, senior officers and Management Company Employees of the Corporation or its subsidiaries, if any, to whom stock options can be granted in reliance on a prospectus exemption under applicable securities laws;
- (k) "**Disinterested Shareholder Approval**" means approval by a majority of the votes cast by all shareholders entitled to vote at a meeting of shareholders of the Corporation excluding votes attached to shares beneficially owned by insiders to whom options may be granted under this Plan and their Associates;
- (l) "**Distribution**" has the meaning ascribed thereto by the Exchange;
- (m) "**Eligible Person**" means
 - (i) a Director, Officer, Employee or Consultant of the Corporation or its subsidiaries, if any, at the time the option is granted, and includes companies that are wholly owned by Eligible Persons; and
 - (ii) a Charitable Organization at the time the Option is granted;
- (n) "**Employee**" means an individual who:
 - (i) is considered an employee of the Corporation or its subsidiaries, if any, under the *Income Tax Act*, (Canada) i.e. for whom income tax, employment insurance and Canada Pension Plan deductions must be made at source,

- (ii) is actively working full-time for the Corporation or its subsidiaries, if any, providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source, or
- (iii) is actively working for the Corporation or its subsidiaries, if any, on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and method of work as an employee of the Corporation, but for whom income tax deductions are not made at source;
- (o) "**Exchange**" means the TSX Venture Exchange and any successor entity or the Toronto Stock Exchange if the Corporation is listed thereon;
- (p) "**Expiry Date**" means the last day of the term for an Option, as set by the Board at the time of grant in accordance with Section 5.2 and, if applicable, as amended from time to time;
- (q) "**Insider**" means a director or senior officer of the Corporation, a person that beneficially owns or controls directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the Corporation, a director or senior officer of a company that is an insider or a subsidiary of the Corporation, and the Corporation itself if it holds any of its own securities;
- (r) "**Investor Relations Activities**" means any activities, by or on behalf of the Corporation or shareholder of the Corporation that promote or could reasonably be expected to promote the purchase or sale of securities of the Corporation;
- (s) "**Management Company Employee**" means an individual who is employed by a person providing management services to the Corporation which are required for the ongoing successful operation of the business enterprise of the Corporation, but excluding a person engaged in Investor Relations Activities;
- (t) "**Officer**" means an officer of the Corporation or its subsidiaries, if any;
- (u) "**Option**" means a non-transferable and non-assignable option to purchase Common Shares granted to an Eligible Person pursuant to the terms of this Plan;
- (v) "**Other Share Compensation Arrangement**" means, other than this Plan and any Options, any stock option plan, stock options, employee stock purchase plan or other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares, including but not limited to a purchase of Common Shares from treasury which is financially assisted by the Corporation by way of loan, guarantee or otherwise;
- (w) "**Participant**" means an Eligible Person who has been granted an Option;
- (x) "**Plan**" means this incentive stock option plan;
- (y) "**Termination Date**" means the date on which a Participant ceases to be an active Eligible Person and does not include any period of reasonable notice of termination.

1.2 Interpretation

- (a) References to the outstanding Common Shares at any point in time shall be computed on a non-diluted basis.
- (b) If the Corporation is listed on the Toronto Stock Exchange, the provisions of this Plan as they relate to companies listed on Tier 1 of the TSX Venture Exchange shall apply.

ARTICLE 2 ESTABLISHMENT OF PLAN

2.1 Purpose

The purpose of this Plan is to advance the interests of the Corporation, through the grant of Options, by:

- (a) providing an incentive mechanism to foster the interest of Eligible Persons in the success of the Corporation, its Affiliates and its subsidiaries, if any;
- (b) encouraging Eligible Persons to remain with the Corporation, its Affiliates or its subsidiaries, if any; and
- (c) attracting new Directors, Officers, Employees and Consultants.

2.2 Shares Reserved

- (a) The aggregate number of Common Shares that may be reserved for issuance pursuant to Options shall not exceed 10% of the outstanding Common Shares at the time of the granting of an Option, LESS the aggregate number of Common Shares then reserved for issuance pursuant to any Other Share Compensation Arrangement. For greater certainty, if an Option is surrendered, terminated or expires without being exercised, the Common Shares reserved for issuance pursuant to such Option shall be available for new Options granted under this Plan.
- (b) If there is a change in the outstanding Common Shares by reason of any share consolidation or split, reclassification or other capital reorganization, or a stock dividend, arrangement, amalgamation, merger or combination, or any other change to, event affecting, exchange of or corporate change or transaction affecting the Common Shares, the Board shall make, as it shall deem advisable and subject to the requisite approval of the relevant regulatory authorities, appropriate substitution and/or adjustment in:
 - (i) the number and kind of shares or other securities or property reserved or to be allotted for issuance pursuant to this Plan;
 - (ii) the number and kind of shares or other securities or property reserved or to be allotted for issuance pursuant to any outstanding unexercised Options, and in the exercise price for such shares or other securities or property; and
 - (iii) the vesting of any Options, including the accelerated vesting thereof on conditions the Board deems advisable and, if it relates to Investor Relations vesting provisions, then subject to the approval of the Exchange,

and if the Corporation undertakes an arrangement or is amalgamated, merged or combined with another corporation, the Board shall make such provision for the protection of the rights of Participants as it shall deem advisable.

- (c) No fractional Common Shares shall be reserved for issuance under this Plan and the Board may determine the manner in which an Option, insofar as it relates to the acquisition of a fractional Common Share, shall be treated.
- (d) The Corporation shall, at all times while this Plan is in effect, reserve and keep available such number of Common Shares as will be sufficient to satisfy the requirements of this Plan.

2.3 Non-Exclusivity

Nothing contained herein shall prevent the Board from adopting such other incentive or compensation arrangements as it shall deem advisable.

2.4 Effective Date

This Plan shall be subject to the approval of any regulatory authority whose approval is required. Any Options granted under this Plan prior to such approvals being given shall be conditional upon such approvals being given, and no such Options may be exercised unless and until such approvals are given.

ARTICLE 3 ADMINISTRATION OF PLAN

3.1 Administration

- (a) This Plan shall be administered by the Board or any committee established by the Board for the purpose of administering this Plan. Subject to the provisions of this Plan, the Board shall have the authority:
 - (i) to determine the Eligible Persons to whom Options are granted, to grant such Options, and to determine any terms and conditions, limitations and restrictions in respect of any particular Option grant, including but not limited to the nature and duration of the restrictions, if any, to be imposed upon the acquisition, sale or other disposition of Common Shares acquired upon exercise of the Option, and the nature of the events and the duration of the period, if any, in which any Participant's rights in respect of an Option or Common Shares acquired upon exercise of an Option may be forfeited; and
 - (ii) to interpret the terms of this Plan, to make all such determinations and take all such other actions in connection with the implementation, operation and administration of this Plan, and to adopt, amend and rescind such administrative guidelines and other rules and regulations relating to this Plan, as it shall from time to time deem advisable, including without limitation for the purpose of ensuring compliance with Section 3.3 hereof.
- (b) The Board's interpretations, determinations, guidelines, rules and regulations shall be conclusive and binding upon the Corporation, Eligible Persons, Participants and all other persons.

3.2 Amendment, Suspension and Termination

The Board may amend, subject to the approval of any regulatory authority whose approval is required, suspend or terminate this Plan or any portion thereof. No such amendment, suspension or termination shall alter or impair any outstanding unexercised Options or any rights without the consent of such Participant. If this Plan is suspended or terminated, the provisions of this Plan and any administrative guidelines, rules and regulations relating to this Plan shall continue in effect for the duration of such time as any Option remains outstanding.

3.3 Compliance with Legislation

- (a) This Plan, the grant and exercise of Options hereunder and the Corporation's obligation to sell, issue and deliver any Common Shares upon exercise of Options shall be subject to all applicable federal, provincial and foreign laws, policies, rules and regulations, to the policies, rules and regulations of any stock exchanges or other markets on which the Common Shares are listed or quoted for trading and to such approvals by any governmental or regulatory agency as may, in the opinion of counsel to the Corporation, be required. The Corporation shall not be obligated by the existence of this Plan or any provision of this Plan or the grant or exercise of Options hereunder to sell, issue or deliver Common Shares upon exercise of Options in violation of such laws, policies, rules and regulations or any condition or requirement of such approvals.
- (b) No Option shall be granted and no Common Shares sold, issued or delivered hereunder where such grant, sale, issue or delivery would require registration or other qualification of this Plan or of the Common Shares under the securities laws of any foreign jurisdiction, and any purported grant of any Option or any sale, issue and delivery of Common Shares hereunder in violation of this provision shall be void. In addition, the Corporation shall have no obligation to sell, issue or deliver any Common Shares hereunder unless such Common Shares shall have been duly listed, upon official notice of issuance, with all stock exchanges on which the Common Shares are listed for trading.
- (c) Common Shares sold, issued and delivered to Participants pursuant to the exercise of Options shall be subject to restrictions on resale and transfer under applicable securities laws and the requirements of any stock exchanges or other markets on which the Common Shares are listed or quoted for trading, and any certificates representing such Common Shares shall bear, as required, a restrictive legend in respect thereof.

ARTICLE 4 OPTION GRANTS

4.1 Eligibility and Multiple Grants

Options shall only be granted to Eligible Persons. An Eligible Person may receive Options on more than one occasion and may receive separate Options, with differing terms, on any one or more occasions.

4.2 Representation

The Corporation represents that an Employee, Consultant or Management Company Employee who is granted an Option or Options is a bona fide Employee, Consultant or Management Company Employee, as the case may be. In the event of any discrepancy between this Plan and an option agreement, the provisions of this Plan shall govern.

4.3 Limitation on Grants and Exercises

- (a) **To any one person.** The number of Common Shares reserved for issuance to any one person in any 12 month period under this Plan and any Other Share Compensation Arrangement shall not exceed 5% of the outstanding Common Shares at the time of the grant (unless the Corporation has obtained Disinterested Shareholder Approval to exceed such limit).
- (b) **To Consultants.** The number of Common Shares reserved for issuance to any one Consultant in any 12 month period under this Plan and any Other Share Compensation Arrangement shall not exceed 2% of the outstanding Common Shares at the time of the grant.
- (c) **To persons conducting Investor Relations Activities.** The number of Common Shares reserved for issuance to all persons employed to provide Investor Relations Activities in any 12 month period under this Plan and any Other Share Compensation Arrangement shall not exceed an aggregate of 2% of the outstanding Common Shares at the time of the grant.
- (d) **To Insiders.** Unless the Corporation has received Disinterested Shareholder Approval to do so:
 - (i) the aggregate number of Common Shares reserved for issuance to Insiders under this Plan and any Other Share Compensation Arrangement shall not exceed 10% of the outstanding Common Shares at the time of the grant; and
 - (ii) the aggregate number of Common Shares reserved for issuance to Insiders in any 12 month period under this Plan and any Other Share Compensation Arrangement shall not exceed 10% of the outstanding Common Shares at the time of the grant.
- (e) **Exercises.** Unless the Corporation has received Disinterested Shareholder Approval to do so, the number of Common Shares issued to any person within a 12 month period pursuant to the exercise of Options granted under this Plan and any Other Share Compensation Arrangement shall not exceed 5% of the outstanding Common Shares at the time of the exercise.

ARTICLE 5 OPTION TERMS

5.1 Exercise Price

- (a) Subject to a minimum exercise price of \$0.05 per Common Share, the exercise price per Common Share for an Option shall not be less than the Discounted Market Price for the Corporation's common shares (as defined by the policies of the Exchange) at the date of grant.
- (b) If Options are granted within ninety days of a distribution by the Corporation by prospectus, then the exercise price per Common Share for such Option shall not be less than the greater of the minimum exercise price calculated pursuant to subsection 5.1(a) herein and the price per Common Share paid by the public investors for Common Shares acquired pursuant to such distribution. Such ninety day period shall begin:

- (i) on the date the final receipt is issued for the final prospectus in respect of such distribution; or
- (ii) in the case of a prospectus that qualifies special warrants, on the closing date of the private placement in respect of such special warrants.

5.2 Expiry Date

Every Option granted shall, unless sooner terminated, have a term not exceeding and shall therefore expire no later than 10 years after the date of grant.

5.3 Vesting

- (a) Subject to subsection 5.3(b) herein and otherwise in compliance with the policies of the Exchange, the Board shall determine the manner in which an Option shall vest and become exercisable.
- (b) Options granted to Consultants performing Investor Relations Activities shall vest over a minimum of 12 months with no more than 1/4 of such Options vesting in any 3 month period.

5.4 Accelerated Vesting Event

Upon the occurrence of an Accelerated Vesting Event, the Board will have the power, at its sole discretion and without being required to obtain the approval of shareholders or the holder of any Option, except pertaining to options granted to Consultants performing Investor Relations activities which will be subject to prior written Exchange approval, to make such changes to the terms of Options as it considers fair and appropriate in the circumstances, including but not limited to: (a) accelerating the vesting of Options, conditionally or unconditionally; (b) terminating every Option if under the transaction giving rise to the Accelerated Vesting Event, options in replacement of the Options are proposed to be granted to or exchanged with the holders of Options, which replacement options treat the holders of Options in a manner which the Board considers fair and appropriate in the circumstances having regard to the treatment of holders of Shares under such transaction; (c) otherwise modifying the terms of any Option to assist the holder to tender into any take-over bid or other transaction constituting an Accelerated Vesting Event; or (d) following the successful completion of such Accelerated Vesting Event, terminating any Option to the extent it has not been exercised prior to successful completion of the Accelerated Vesting Event. The determination of the Board in respect of any such Accelerated Vesting Event shall for the purposes of this Plan be final, conclusive and binding.

5.5 Non-Assignability

Options may not be assigned or transferred.

5.6 Ceasing to be Eligible Person

- (a) If a Participant who is an Officer, Employee or Consultant is terminated for cause, each Option held by such Participant shall terminate and shall therefore cease to be exercisable upon such termination for cause.
- (b) If a Participant dies prior to otherwise ceasing to be an Eligible Person, each Option held by such Participant shall terminate and shall therefore cease to be exercisable no later than the earlier of the Expiry Date and the date which is twelve months after the date of the Participant's death.

- (c) Unless an option agreement specifies otherwise, if a Participant ceases to be an Eligible Person for any reason other than death, each Option held by the Participant other than a Participant who is involved in investor relations activities will cease to be exercisable 90 days after the Termination Date, unless otherwise determined by the Board in its sole discretion. For Participants involved in investor relations activities, Options shall cease to be exercisable 30 days after the Termination Date, unless otherwise determined by the Board in its sole discretion.
- (d) For greater certainty, if a Participant dies, each Option held by such Participant shall be exercisable by the legal representative of such Participant until the earlier of (i) the date that is one year from the date of death or (ii) the date such Option terminates in accordance with its terms, and thereafter ceases to be exercisable pursuant to the terms of this Section.
- (e) If any portion of an Option is not vested at the time a Participant ceases, for any reason whatsoever, to be an Eligible Person, such unvested portion of the Option may not be thereafter exercised by the Participant or its legal representative, as the case may be, always provided that the Board may, in its discretion and in the case of Options relating to Investor Relations, subject to the approval of the Exchange, thereafter permit the Participant or its legal representative, as the case may be, to exercise all or any part of such unvested portion of the Option that would have vested prior to the time such Option otherwise terminates and therefore ceases to be exercisable pursuant to the terms of this Section. For greater certainty, and without limitation, this provision will apply regardless of whether the Participant ceased to be an Eligible Person voluntarily or involuntarily, was dismissed with or without cause, and regardless of whether the Participant received compensation in respect of dismissal or was entitled to a notice of termination for a period which would otherwise have permitted a greater portion of an Option to vest.

ARTICLE 6 EXERCISE PROCEDURE

6.1 Exercise Procedure

An Option may be exercised from time to time, and shall be deemed to be validly exercised by the Participant only upon the Participant's delivery to the Corporation at its head office of:

- (a) a written notice of exercise addressed to the Corporate Secretary of the Corporation, specifying the number of Common Shares with respect to which the Option is being exercised;
- (b) a signed option agreement with respect to the Option being exercised;
- (c) a certified cheque or bank draft made payable to the Corporation for the aggregate exercise price for the number of Common Shares with respect to which the Option is being exercised; and
- (d) documents containing such representations, warranties, agreements and undertakings, including such as to the Participant's future dealings in such Common Shares, as counsel to the Corporation reasonably determines to be necessary or advisable in order to comply with or safeguard against the violation of the laws of any jurisdiction;

and on the business day following, the Participant shall be deemed to be a holder of record of the Common Shares with respect to which the Option is being exercised, and thereafter the Corporation shall,

within a reasonable amount of time, cause certificates for such Common Shares to be issued and delivered to the Participant.

ARTICLE 7 AMENDMENT OF OPTIONS

7.1 Consent to Amend

The Board may amend any Option with the consent of the affected Participant and the Exchange, including any shareholder approval required by the Exchange. For greater certainty, Disinterested Shareholder Approval is required for any reduction in the exercise price of an Option if the Participant is an Insider at the time of the proposed amendment.

7.2 Amendment Subject to Approval

If the amendment of an Option requires regulatory or shareholder approval, such amendment may be made prior to such approvals being given, but no such amended Options may be exercised unless and until such approvals are given.

7.3 Repricing

Subject to applicable regulatory requirements and approval, the Board may reprice the prevailing exercise price of an Option. Any reduction in the exercise price of an Option held by a Participant who is an Insider at the time of the proposed amendment is, however, subject to Disinterested Shareholder Approval if and as required by the Exchange.

ARTICLE 8 MISCELLANEOUS

8.1 No Rights as Shareholder

Nothing in this Plan or any Option shall confer upon a Participant any rights as a shareholder of the Corporation with respect to any of the Common Shares underlying an Option unless and until such Participant shall have become the holder of such Common Shares upon exercise of such Option in accordance with the terms of the Plan.

8.2 No Right to Employment

Nothing in this Plan or any Option shall confer upon a Participant any right to continue in the employ of the Corporation or any Affiliate or affect in any way the right of the Corporation or any Affiliate to terminate the Participant's employment, with or without cause, at any time; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any Affiliate to extend the employment of any Participant beyond the time which the Participant would normally be retired pursuant to the provisions of any present or future retirement plan of the Corporation or any Affiliate, or beyond the time at which he would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or any Affiliate.

8.3 Governing Law

This Plan, all option agreements, the grant and exercise of Options hereunder, and the sale, issue and delivery of Common Shares hereunder upon exercise of Options shall be, as applicable, governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. The Courts of the Province of Alberta shall have the exclusive jurisdiction to hear and decide any disputes or other matters arising herefrom.

SCHEDULE G
AUDIT COMMITTEE CHARTER

**MEDCOLCANNA ORGANICS INC.
MANDATE OF THE AUDIT COMMITTEE**

Role and Objective

The Audit Committee (the “**Committee**”) is a committee of the Board of Directors of Medcolcanna Organics Inc. (“**Medcolcanna**” or the “**Company**”) to which the Board has delegated its responsibility for oversight of the nature and scope of the annual audit, management’s reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for Board of Director approval, the audited financial statements and other mandatory disclosure releases containing financial information. The objectives of the Committee are as follows:

To assist Directors to meet their responsibilities in respect of the preparation and disclosure of the financial statements and related matters.

To provide better communication between directors and external auditors.

To ensure the external auditors’ independence.

To increase the credibility and objectivity of financial reports.

To strengthen the role of the outside directors by facilitating in-depth discussions between directors on the Committee, management and external auditors.

Mandate and Responsibilities of Committee

It is the responsibility of the Committee to satisfy itself on behalf of the Board with respect to Medcolcanna’s internal control systems, including in particular relating to derivative instruments, identifying, monitoring and mitigating business risks and ensuring compliance with legal and regulatory requirements.

It is a primary responsibility of the Committee to review the annual and quarterly financial statements prior to their submission to the Board of Directors for approval. The process should include but not be limited to:

- reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years’ financial statements;
- reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
- reviewing accounting treatment of unusual or non-recurring transactions;
- ascertaining compliance with covenants under any loan agreements;
- reviewing disclosure requirements for commitments and contingencies;
- reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
- reviewing unresolved differences between management and the external auditors;
- obtain explanations of significant variances with comparative reporting periods; and
- determine through inquiry if there are any related party transactions and ensure the nature and extent of such transactions are properly disclosed.

The Committee is to review the financial statements and related information included in prospectuses, management discussion and analysis (MD&A), information circular-proxy statements and annual information forms (AIF), prior to Board approval.

With respect to the appointment of external auditors by the Board, the Committee shall:

- be directly responsible for overseeing the work of the external auditors engaged for the purpose of issuing an auditors’ report or performing other audit, review or attest services for Medcolcanna, including the resolution of disagreements between management and the external auditor regarding financial reporting;

- review management’s recommendation for the appointment of external auditors and recommend to the Board appointment of external auditors and the compensation of the external auditors;
- review the terms of engagement of the external auditors, including the appropriateness and reasonableness of the auditors’ fees; when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
- review and approve any non-audit services to be provided by the external auditors' firm and consider the impact on the independence of the auditors.

Review with external auditors (and internal auditor if one is appointed by Medcolcanna) their assessment of the internal controls of Medcolcanna, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses.

The Committee shall also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of Medcolcanna and its subsidiaries.

Review all public disclosure containing audited or unaudited financial information before release.

Review financial reporting relating to risk exposure.

Satisfy itself that adequate procedures are in place for the review of the Company’s public disclosure of financial information from the Company’s financial statements and periodically assess the adequacy of those procedures.

Establish procedures for:

- the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
- the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Review any other matters that the Audit Committee feels are important to its mandate or that the Board chooses to delegate to it.

Undertake annually a review of this mandate and make recommendations to the Board of Directors as to proposed changes.

Composition

This Committee shall be composed of at least three individuals appointed by the Board from amongst its members, all of which members will be independent (within the meaning of Multilateral Instrument 52-110 Audit Committees) unless the Board determines to rely on an exemption in NI 52-110. “Independent” generally means free from any business or other direct or indirect material relationship with Medcolcanna that could, in the view of the Board of Directors, reasonably interfere with the exercise of the member's independent judgment.

The Secretary to the Board shall act as Secretary of the Committee.

A quorum shall be a majority of the members of the Committee.

All of the members must be financially literate within the meaning of NI 52-110 unless the Board has determined to rely on an exemption in NI 52-110. Being “financially literate” means members have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Trust's financial statements.

Meetings

The Committee shall meet at least four times per year and/or as deemed appropriate by the Committee Chair.

The Committee shall meet not less than quarterly with the auditors, independent of the presence of management.

Agendas, with input from management, shall be circulated to Committee members and relevant management personnel along with background information on a timely basis prior to the Committee meetings.

Minutes of each meeting shall be prepared by the Secretary to the Committee.

The Chief Executive Officer and the Chief Financial Officer or their designates shall be available to attend at all meetings of the Committee upon the invitation of the Committee.

The Controller, Treasurer and such other staff as appropriate to provide information to the Committee shall attend meetings upon invitation by the Committee.

Reporting / Authority

Following each meeting, in addition to a verbal report, the Committee will report to the Board by way of providing copies of the minutes of such Committee meeting at the next Board meeting after a meeting is held (these may still be in draft form).

Supporting schedules and information reviewed by the Committee shall be available for examination by any director.

The Committee shall have the authority to investigate any financial activity of the Company and to communicate directly with the external auditors. All employees are to co-operate as requested by the Committee.

The Committee may retain, and set and pay the compensation for, persons having special expertise and/or obtain independent professional advice to assist in fulfilling its duties and responsibilities at the expense of Medcolcanna.