

**MEDCOLCANN A ORGANICS INC.**  
**(formerly Integrated Energy Storage Corp.)**  
**Management's Discussion & Analysis**  
**For the three months ended March 31, 2019**

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The management of Medcolcanna Organics Inc. (formerly Integrated Energy Storage Corp.) (the "**Company**" or "**MCC**") is pleased to present the Company's management's discussion and analysis (the "**MD&A**") for the three months ended March 31, 2019. This MD&A is dated as of May 30, 2019.

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

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

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

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

### **Overall Performance**

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

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

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

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

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

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

**Risks and Uncertainties**

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

**Selected Annual Information**

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
<i>Selected operations data</i>			
Loss for the year	\$ 168,209	\$ 181,047	\$ 92,780
Weighted number of shares outstanding	9,764,915	9,436,148	9,436,148
Loss per share	0.02	0.02	0.01
<i>Selected balance sheet data</i>			
Net working capital (deficiency)	\$ (478,635)	\$ (362,246)	\$ (186,630)
Total assets	\$ 33,617	\$ 27,680	\$ 62,485
Total long-term liabilities	\$ -	\$ -	\$ -
Net shareholders' equity (deficiency)	\$ (539,056)	\$ (340,516)	\$ (159,469)

**Results of Operations**

For the three months ended March 31, 2019 and 2018, the Company reported net losses of \$144,108 and \$2,424, respectively.

The net loss before income taxes during the three months ended March 31, 2019 and 2018 are summarized below.

	2019	2018
General and administrative	\$ 11,426	\$ 1,066
Amortization	-	1,358
Consulting fees	42,420	-
Professional fees	94,806	-
(Recovery) of GST	(4,544)	-
<b>Net loss before income taxes</b>	<b>\$ (144,108)</b>	<b>\$ (2,424)</b>

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**Summary of Quarterly Results**

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Net Income (Loss) for the period	\$(144,108)	\$(84,173)	\$(59,238)	\$(22,374)	\$(2,424)	\$(84,590)	\$ (43,758)	\$ (45,215)
Income (Loss) per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.00)

**Liquidity and Capital Resources**

The Company reported a working capital of \$506,934 at March 31, 2019 compared to a working capital deficiency of \$478,635 as at December 31, 2018. As at March 31, 2019, the Company had net cash on hand of \$740,135 (2018 - \$8,162), of which \$739,704 was restricted.

Current assets excluding cash at March 31, 2019 consisted of receivables of \$40,056 which consists of GST receivable (2018 - \$25,455) and a loan receivable of \$330,000.

Current liabilities as at March 31, 2019 consist of accounts payable of \$181,224 (2018 - \$82,219) and a demand loan of \$422,033 (2018 - \$430,033).

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

**Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

**Transactions with Related Parties**

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

**Medcolcanna (BVI) Inc.**

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

On May 17, 2019, the Company closed the agreement with Medcolcanna whereby terms for the acquisition of 100% of the common share of Medcolcanna by the Company were outlined (the "Transaction"). Medcolcanna is a private company incorporated under the laws of British Virgin Islands, and is the parent company of its wholly owned subsidiary, Medcolcanna S.A.S., which is located in Bogota, Colombia. Medcolcanna S.A.S. is licensed to grow psychoactive and non-psychoactive cannabis in Colombia with its cultivation facility and manufacture cannabis products anywhere in Colombia. It is currently anticipated that the Transaction will be effected by way of a share exchange.

Pursuant to the Transaction, all of the issued and outstanding common shares in the capital of the Company were consolidated, resulting in approximately 12,900,000 common shares being issued and outstanding immediately prior to the subsequent share issuances described below. As well, approximately 6,450,000 share purchase warrants were issued to certain shareholders, with each warrant being exercisable into one common share in the capital of Medcolcanna at an exercise price of \$0.40 for a period expiring May 17, 2021. Additionally, the Company had outstanding 500,000 stock options exercisable at a price of \$0.25, which have been cancelled.

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Medcolcanna had 41,762,659 common shares and 4,681,330 share purchase warrants outstanding, of which 3,681,330 warrants were exercisable into one common share at an exercise price of \$0.25 for a period expiring September 24, 2019, and the remaining 1,000,000 warrants being exercisable into one share at an exercise price of \$0.40 for a period of 24 months from the date of issuance thereof.

Prior to the closing of the Transaction, Medcolcanna completed a brokered private placement of 30,986,800 subscription receipts (the "Subscription Receipts") at a price of \$0.25 per Subscription Receipt for gross proceeds of \$7,746,700 (the "Offering"). In connection with the completion of the Transaction, the Subscription Receipts were converted on a one-for-one basis into units of Medcolcanna comprising a total of 30,986,800 Medcolcanna shares and 15,493,400 common share purchase warrants exercisable for a period of two years at \$0.40 per warrant. 2,102,028 compensation options issued to the agents in the Offering in conjunction with, and as partial compensation for, acting as agents in the Offering were also exchanged for compensation options of Medcolcanna on a one-for-one basis. Simultaneous with the Offering, Medcolcanna completed a non-brokered private placement of 400,000 common shares at a price of \$0.09 per share for gross proceeds of \$36,000 on March 15, 2019.

On May 23, 2019, the Company's shares began trading on the TSX Venture Exchange under the symbol MCCN.

### **Granting of Stock Options**

On May 21, 2019, the Company granted 7,400,000 options to acquire common shares to certain directors, officers, employees and consultants of the Company at a price of \$0.40 per common share. The options were for a five-year term, expiring on May 31, 2024, with one-third vesting immediately, one-third vesting on the first anniversary date and one-third vesting on the second anniversary date from the date of grant.

### **Innovative CBD Products Transaction**

On May 23, 2019, the Company entered into an agreement for the purchase of Innovative CBD Products B.V. ("ICP"), a Netherlands-based company. ICP is the owner of various CBD formulations and related intellectual property with respect to the development of cannabis and cannabis by-products as it pertains to Crohn's disease, insomnia and rectal inflammation. Closing of the transaction is expected to occur by June 18, 2019. The Company has agreed to pay US\$900,000, payable in Medcolcanna shares at a deemed price of \$0.25 per share, plus a royalty of 10% gross margin of products developed by ICP and sold by Medcolcanna. The royalty will be paid to the seller for 10 year period following the closing of the transaction. The foregoing is subject to approval by the Exchange.

### **Acquisition of Interest in Cannabis Oil Refinery**

On May 30, 2019, the Company entered into a Master Agreement (the "Agreement") with Greenstein Capital Ltd. ("GCL"), a Maltese company. GCL's subsidiary ("RefineryCo") plans to construct and operate a refinery (the "Refinery") in Germany for cannabis oil derivatives. Pursuant to the Agreement, GCL has agreed to grant a 20% shareholding in RefineryCo to the Company for a purchase price of US\$1 million. Payment will be paid by the issuance by the Company of a convertible debenture in the principal amount of US\$1 million. The convertible debenture will bear interest at 0.5% per year and payment will be due after the Refinery is completed and is operating to the Company's satisfaction, and the 20% shareholding in RefineryCo has been issued to the Company. After coming due, the convertible debenture will be redeemable at maturity in cash or common shares of the Company, at the option of GCL, at a conversion price of \$0.285 per share. If redeemed in common shares, only the principal, and no interest, will be payable by the Company. The foregoing is subject to approval by the TSX Venture Exchange.

### **Critical Accounting Estimates**

Not applicable to Venture Issuers.

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

Refer to Note 2 of the financial statements for the Company's significant accounting policies and changes to accounting standards.

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**Financial Instruments and Other Instruments**

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

**Other Requirements**

Summary of Outstanding Share Data as at May 30, 2019:

Authorized: Unlimited number of common shares without par value.

Issued and outstanding: 85,649,459 common shares.

Stock Options and Warrants

*Stock Options*

The Company has 7,400,000 stock options outstanding.

*Compensation Options*

The Company has 2,102,028 compensation options outstanding.

*Warrants*

The Company has 26,624,730 warrants outstanding.

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