



**FORM 7**

**MONTHLY PROGRESS REPORT FOR THE MONTH ENDED JANUARY 31, 2017**

**Name of Listed Issuer:** The Canadian Bioceutical Corporation  
("BCC" or the "Issuer").

**Trading Symbol:** BCC

**Number of Outstanding Listed Securities:** 224,491,154

**Date:** February 7, 2017

*This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.*

*This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.*

**General Instructions**

- (a) *Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.*
- (b) *The term "Issuer" includes the Issuer and any of its subsidiaries.*
- (c) *Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.*

## Report on Business

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

### *AZ Acquisition*

Effective January 1, 2017, the Issuer and CGX Life Sciences Inc. ("**CGX**"), a wholly-owned subsidiary of the Issuer, entered into a definitive purchase agreement (the "**AZ Purchase Agreement**") with Christine Flores and Lonnie E. Davis, co-trustees of the Elizabeth Stavola 2016 NV Irrevocable Trust dated April 21, 2016 (the "**Trust**"), Elizabeth M. Stavola, an individual ("**Stavola**" and, together with the Trust, the "**Sellers**") with respect to the acquisition of the group of Arizona incorporated entities involved in providing real estate rental, administrative, general management and advisory services, financing and logistics to medical marijuana businesses licensed under the provisions of the *Arizona Medical Marijuana Act, A.R.S. Title 36, Section 28.1* (the "**AMMA**") and provide material support and exerts considerable influence and control over not-for-profit licensees, being Health for Life, Inc. ("**HFL**") and Soothing Options Inc. ("**Soothing Options**"), both Arizona not for profit corporations, which directly own, possess or sell marijuana or any marijuana-infused products (the "**AZ Business**") for the purchase price of US\$25,000,000 to be satisfied by a cash payment of US\$15,000,000, subject to adjustments, and a promissory note (the "**AZ Promissory Note**") in the principal amount of US\$10,000,000, payable to the Trust.

The AZ Promissory Note has a three (3) year term and bears interest at the rate of eight percent (8%) per annum, such interest being cumulative but not compounded. Repayment of the AZ Promissory Note is secured by a security interest granted by CGX in favour of the Trust over all the assets of H4L Management East LLC ("**H4L Management East**") and H4L Management North LLC ("**H4L Management North**" and together with H4L Management East, the "**H4L Companies**") and S8 Industries LLC ("**S8 Industries**"), S8 Management LLC ("**S8 Management**"), S8 Rental LLC ("**S8 Rental**") and S8 Transportation LLC ("**S8 Transportation**" and together with S8 Industries, S8 Management and S8 Rental, the "**S8 Companies**"), including a first priority mortgage on all real property (the "**Collateral**") owned by the S8 Companies and the H4L Companies pursuant to a security agreement dated January 19, 2017 between the Issuer, CGX and the Trust (the "**Security Agreement**").

On January 19, 2017, the AZ Acquisition was completed.

### *Concurrent Financing*

On January 19, 2017, concurrently with the closing of the AZ Business, the Issuer completed a private placement of 177,409,011 Common Shares at a price of \$0.20 per Common Share for aggregate gross proceeds of US\$27,033,759.33. The Issuer determined the number of Common Shares issuable pursuant to this Concurrent Financing by deeming the United States dollar / Canadian dollar currency conversion rate applicable for the issuance of Common Shares as 1.3125 Canadian dollars for each US\$1.00 resulting in approximately CAD\$35,481,809.13 for the US\$27,033,759.33 aggregate gross proceeds raised pursuant to this financing (the "**Concurrent Financing**"). The net proceeds of this private placement was used to satisfy the US\$15,000,000 cash portion of the purchase price for the AZ Business and the Issuer intends to use the remainder of the net proceeds received from the private placement to build out a new cultivation facility in Mesa, Arizona and for general working capital.

Additionally, in relation to the private placement, Chrystal Capital Partners LLP (“**Chrystal Capital**”) received the following finder’s fees from the Issuer: (a) US\$2,429,376.13 cash fee; and (b) compensation options to acquire 15,913,655 Common Shares in the Issuer at an exercise price of \$0.20 per Common Share. In addition, the Issuer, in lieu of cash payments payable to the consultants under a consultancy services agreement, dated September 1, 2016, between BCC, Walmer Capital Limited and Island Investments Holdings Limited, issued to the consultants, as an advisory fee equal to one percent (1%) of the Concurrent Financing that was not directly sourced by the consultants, 1,774,090 Common Shares and 1,774,090 common share purchase warrants exercisable at a price of \$0.20 per Common Share for a period of sixty (60) months from the closing date of the Transaction and 2,500,000 Common Shares to the consultants as a success fee at a price of \$0.20 per Common Share.

#### *Listings and Quotations*

Following the filing of its application to voluntarily delist the common shares (the “**Common Shares**”) in the capital of the Issuer from the TSX Venture Exchange (“**TSXV**”) and, at the close of business on January 17, 2017, the Common Shares were delisted from the TSXV.

Concurrently with the application to voluntary delist the Common Shares from the TSXV, the Issuer applied to list the Common Shares on the Canadian Securities Exchange (“**CSE**” or the “**Exchange**”). The Common Shares commenced trading on the CSE on January 27, 2017.

The Common Shares are quoted and trading on the OTC under the trading symbol “CBICF”.

#### *Stock Option Grants*

Concurrently with the closing of the AZ Acquisition, the Issuer granted additional incentive stock options to certain directors, officers, consultants and employees of the Issuer and its subsidiaries to purchase up to an aggregate of 19,080,000 Common Shares in the capital of the Issuer as follows:

- (1) 12,080,000 Common Shares at an exercise price of \$0.20 per Common Share for a term of five (5) years;
- (2) 3,500,000 Common Shares at an exercise price of \$0.60 per Common Share for a term of five (5) years; and
- (3) 3,500,000 Common Shares at an exercise price of \$1.00 per Common Share for a term of five (5) years.

## **2. Provide a general overview and discussion of the activities of management.**

Reference is made to Item (1) above, the Issuer’s page on the CSE website and its profile at [www.sedar.com](http://www.sedar.com).

3. **Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.**

The AZ Business produces and distributes two main types of products; cannabis flower and cannabis oil concentrate and related products under the brand name Melting Point Extracts (“MPX”). All products are independently lab tested and certified before being packaged, labelled and bar-coded with detailed information about the levels of THC and CBD contained in each product.

Delta 9 THC is the main cannabinoid found in the cannabis plant and is responsible for the majority of the plant’s psychoactive properties. Studies have shown that THC has many medical benefits, including analgesic properties and its tendency to increase appetite. Cannabidiol (“CBD”) is gaining popularity as the primary therapeutic cannabinoid for a variety of diseases, such as autism, epilepsy and other nerve-related conditions. Cannabidiol is generally the second-most common cannabinoid found in cannabis, after THC. CBD is becoming highly sought after for medical purposes, despite the cannabinoid being nearly bred out of modern cannabis in the hunt for the higher THC strains. Now that studies have demonstrated the medical importance of CBD in certain circumstances, many cannabis cultivators and strain breeders now pride themselves on their high CBD-to-THC ratios.

The State of Arizona has identified 13 chronic conditions that can be treated with cannabis, the most common being chronic pain, cancer-related conditions and post-traumatic stress disorder (“PTSD”).

Cannabis used in making medicinal cannabis oils and edibles requires decarboxylation. THCA (tetrahydrocannabinol acid) is the biosynthetic precursor of THC. It is found abundantly in growing and harvested cannabis. Contrast this with the notion that very little to none of the THC cannabinoid is found in growing or harvested plants. Research has shown THCA to have some neurone-protective and anti-inflammatory effects, but it does not produce the psychoactive effect that makes you feel “high” like THC does.

Decarboxylation occurs when carboxylic acids lose a carbon atom from a carbon chain effectively releasing CO<sub>2</sub>, thus converting THCA to THC. This happens naturally (but very, very slowly) during the drying process; it could take years to complete converting THCA to THC this way. Fortunately, a heat source or flame causes the decarboxylation to happen rapidly, which explains why smoking it exposes the converted THC.

Nearly all modern cannabis strains are hybridized in some form or another; the energetic, sativa and the relaxing, sedative indica sides of the cannabis spectrum or the in-between options. Most dispensaries will organize their shelf in terms of indica, hybrid, and sativa to help patients understand how a given variety will affect them.

The AZ Business’ CO<sub>2</sub> oil products are sold under the brand name Melting Point Extracts through a number of delivery systems; e-pens, cartridges and dabs.

Rather than combusting the cannabis product (whether it be flowers, hash, or oil), a vaporizer heats it just enough so that the cannabinoids activate, vaporize, and can then be inhaled. This method is preferable for those with breathing conditions, or those who simply do not want to actually smoke anything but still require the direct and immediate relief that inhalation provides compared to edible consumption. A popular variation on the vaporizer that has taken the cannabis (and nicotine) market by storm is the pen vaporizer, also known as an “e-vape”.

The vape-pen is a small, portable vaporizer that uses either pre-filled concentrate cartridges or has a chamber to load your own concentrates or flower.

Dabbing refers to dropping concentrates onto a hot surface (nail, skillet, etc.) and inhaling the resulting vapor via a “rig”, which is usually made of glass and sends the vapor through water.

Hydro-carbon concentrates are sold in one gram cartridges as crumble and shatter. Hydro-carbon is also sold in bulk in slab format.

Butane hash oil generally comes in two forms, shatter and wax (or crumble). Shatter is a texture of hash oil and refers to the transparent, shelf-stable oil which breaks into pieces rather than bending. The most popular choices of hydro-carbon concentrates on the market are either shatter or wax, which are on opposite ends of the spectrum when it comes to texture. Shatter tends to have a consistency ranging from sticky sap to a very stable, hard resin at room temperature and can have an appearance anywhere from a dark brown to nearly translucent. Wax on the other hand, tends to be completely dry and crumbly and is sometimes referred to as “honeycomb” because of its resemblance.

4. **Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.**

None.

5. **Describe any new business relationships entered into between the Issuer, the Issuer’s affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.**

*HFL Management Services Agreement*

On January 19, 2017, S8 Management entered into the HFL Management Services Agreement whereby S8 Management agreed to provide the Management Services to HFL in consideration for payment of a fee equal to 5% of gross revenues earned by HFL and, as an incentive to more efficiently manage the operations of HFL, 90% of Net Revenues. The percentage of Net Revenues may be adjusted from time to time by mutual agreement in writing between S8 Management and the HFL Board.

The HFL Management Services Agreement may be terminated by S8 Management prior to the end of the term by providing written notice to HFL with the date of termination upon any one of the following: (a) in the event of default by HFL; (b) any grossly negligent or intentional or willful misconduct by HFL; (c) certain Federal enforcement action against HFL; (d) any change or revocation of State or local law, which shall have the effect of prohibiting the legal operation of the Dispensary and Cultivation Facilities; (e) the refusal by the ADHS to approve HFL's application to renew its Dispensary License; and/or (f) HFL's failure to maintain its Dispensary License in good standing resulting in ADHS' revocation or suspension of its Dispensary License.

The HFL Management Services Agreement may be terminated by HFL prior to the end of the term by providing written notice to S8 Management with the date of termination upon any one of the following: (a) in the event of default by S8 Management; (ii) any grossly negligent or intentional or willful misconduct by S8 Management; (iii) certain Federal enforcement action against S8 Management; (iv) any change or revocation of State or local law, which shall have the effect of prohibiting the legal operation of its Dispensary; and/or (v) the refusal by the ADHS to approve HFL's application to renew its Dispensary License.

#### *Soothing Options Management Services Agreement*

On January 19, 2017, S8 Management entered into the Soothing Options Management Services Agreement whereby S8 Management agreed to provide the Management Services to Soothing Options in consideration for payment of a fee equal to 5% of gross revenues earned by Soothing Options and, as an incentive to more efficiently manage the operations of Soothing Options, 90% of Net Revenues. The percentage of Net Revenues may be adjusted from time to time by mutual agreement in writing between S8 Management and the Soothing Options Board.

The Soothing Options Management Services Agreement may be terminated by S8 Management prior to the end of the term by providing written notice to Soothing Options with the date of termination upon any one of the following: (a) in the event of default by Soothing Options; (b) any grossly negligent or intentional or willful misconduct by Soothing Options; (c) certain Federal enforcement action against Soothing Options; (d) any change or revocation of State or local law, which shall have the effect of prohibiting the legal operation of the Dispensary and Cultivation Facilities; (e) the refusal by the ADHS to approve Soothing Options' application to renew its Dispensary License; and/or (f) Soothing Options' failure to maintain its Dispensary License in good standing resulting in ADHS' revocation or suspension of its Dispensary License.

6. **Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.**

None.

7. **Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.**

Reference is made to Item (1) above, the Issuer's page on the CSE website and its profile at [www.sedar.com](http://www.sedar.com).

8. **Describe the acquisition of new customers or loss of customers.**

The Issuer indirectly acquired new customers as a result of the AZ Acquisition.

9. **Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.**

Reference is made to Item (1) above, the Issuer's page on the CSE website and its profile at [www.sedar.com](http://www.sedar.com).

10. **Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.**

Reference is made to Item (16) below.

11. **Report on any labour disputes and resolutions of those disputes if applicable.**

None.

12. **Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.**

None.

13. **Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.**

Concurrently with the closing of the AZ Acquisition on January 19, 2017, CGX and the Issuer issued the Promissory Note payable to the Trust in the principal amount of US\$10,000,000. The AZ Promissory Note has a three (3) year term and bears interest at the rate of eight percent (8%) per annum, such interest being cumulative but not compounded. Repayment of the AZ Promissory Note shall be secured by security interests in the Collateral granted by the Issuer and CGX and in favour of the Trust pursuant to the Security Agreement

**14. Provide details of any securities issued and options or warrants granted.**

During January 2017, the Issuer issued the following securities:

<b>Date</b>	<b>Type of Security</b>	<b>Price per Security (CAD)</b>	<b>Number of Securities Issued or Issuable</b>
January 19, 2017	Common Shares	\$0.20	177,409,011 <sup>(1)</sup>
January 19, 2017	Compensation Options	\$0.20	15,913,655 <sup>(2)</sup>
January 19, 2017	Common Shares	\$0.20	4,274,090 <sup>(3)</sup>
January 19, 2017	Warrants	\$0.20	1,774,090 <sup>(4)</sup>
January 25, 2017	Common Shares	\$0.20	508,500 <sup>(5)</sup>
January 25, 2017	Common Shares	\$0.10	150,000 <sup>(6)</sup>
January 25, 2017	Common Shares	\$0.05	200,000 <sup>(8)</sup>
January 25, 2017	Stock Options	\$0.20	12,080,000
January 25, 2017	Stock Options	\$0.60	3,500,000
January 25, 2017	Stock Options	\$1.00	3,500,000
<b>Total</b>			<b>219,939,506</b>

(1) *State aggregate proceeds and intended allocation of proceeds.*

**Notes:**

- (1) On January 19, 2017, concurrently with the closing of the AZ Business, the Issuer completed a private placement of 177,409,011 Common Shares at a price of \$0.20 per Common Share for aggregate gross proceeds of US\$27,033,759.33. The Issuer determined the number of Common Shares issuable pursuant to this Concurrent Financing by deeming the United States dollar / Canadian dollar currency conversion rate applicable for the issuance of Common Shares as 1.3125 Canadian dollars for each US\$1.00 resulting in approximately \$35,481,809.12 for the US\$27,033,759.33 aggregate gross proceeds raised pursuant to the Current Financing.

The net proceeds of the Concurrent Financing were used to satisfy the US\$15,000,000 cash portion of the purchase price for the AZ Business and the Issuer intends to use the remainder of the net proceeds received from the private placement to build out a new cultivation facility in Mesa, Arizona and for general working capital.

- (2) In connection with the Concurrent Financing, the Issuer issued compensation options to acquire 15,913,655 Common Shares in the Issuer at an exercise price of \$0.20 per Common Share for a period of sixty (60) months from the closing date of the Transactions.
- (3) In connection with the Concurrent Financing, the Issuer, in lieu of cash payments payable to the consultants under the WI Consulting Agreement, issued to the consultants, as an advisory fee equal to one percent (1%) of the Concurrent Financing that was not directly sourced by the consultants, 1,774,090 Common Shares and 1,774,090 Warrants exercisable at a price of \$0.20 per Common Share for a period of sixty (60) months from the closing date of the Transactions and 2,500,000 Common Shares to the consultants as a success fee at a price of \$0.20 per Common Share.
- (4) On January 25, 2017, the Issuer issued 508,500 Common Shares at a deemed price of \$0.20 per Common Share to a lawyer engaged by the Issuer pursuant to a retainer agreement dated February 19, 2016 as consideration for legal services provided in connection with the Transactions.
- (5) On January 25, 2017, a holder exercised 150,000 2014 Warrants into Common Shares at an exercise price of \$0.10 per Common Share. The Issuer intends to use the proceeds from the exercise of the Warrants to fund working capital.



- (6) On January 25, 2017, a certain officer and directors exercised 200,000 stock options into Common Shares an exercise price of \$0.05 per Common Share. The Issuer intends to use the proceeds from the Options of the Warrants to fund working capital.

**15. Provide details of any loans to or by Related Persons.**

None.

**16. Provide details of any changes in directors, officers or committee members.**

Concurrently with the closing of the AZ Acquisition, the Issuer appointed Elizabeth (Beth) Stavola as President of CGX, a wholly-owned subsidiary of the Issuer. In her new role, Ms. Stavola will be responsible for the operation of the Arizona business, as well as the Company's other U.S. operations.

Ms. Stavola is also the founder of Stavola Medical Marijuana Holdings, Health for Life Inc., GreenMart of Nevada, GreenMart of Maryland, Elemental Health Group of Pennsylvania, and CBD For Life. She has been the driving force behind the development of these thriving cannabis businesses into profitable, strong brands. Prior to her successful career in the cannabis industry, Ms. Stavola was a senior Wall Street executive, where she spent most of her career at Jefferies and Company, most recently as Senior Vice President, Institutional Equity Sales.

**17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.**

The emergence of the legal cannabis sector in the United States, both for medical and adult use, has been explosive as more states adopt regulations for its production and sale. In fact, the ArcView Group, a leading cannabis industry research group reports that it is now the fastest growing sector in the country with The U.S. market is expected to grow from US\$5.4 billion in 2015 to US\$22.8 billion by 2020 with a compound annual growth rate of 31% (ArcView Group, January 2016).

After the ballots of the 2016 U.S. federal election were counted, a total of forty-four (44) U.S. states have adopted some form of regulation authorizing the use of cannabis and/or cannabis-related products with twenty-nine (29) of these states (and the District of Columbia) having authorized Marijuana, and of those twenty-nine (29), eight (8) plus District of Columbia have also authorized "adult use". Many other states have decriminalized possession. Today 60% of Americans live in a state where cannabis is legal in some form and almost a quarter of the population live in states where it is fully legalized for adult use.

The use of cannabis and cannabis derivatives to treat or alleviate the symptoms of a wide variety of chronic conditions has been generally accepted by a majority of U.S. citizens with a growing acceptance by the medical community as well. A review of the research, published in 2015 in the *Journal of the American Medical Association*, found solid evidence that cannabis can treat pain and muscle spasms. The pain component is particularly important, because other studies have suggested that cannabis can replace pain patients' use of highly addictive, potentially deadly opioid painkillers — meaning medical marijuana legalization could literally save lives.

In Arizona, the state permits the use of cannabis to treat or alleviate symptoms of over 20 medical conditions, including chronic pain. Over 100,000 patients have been approved by the State to use cannabis as a form of treatment and that number has been steadily increasing. The Arizona market size for medical cannabis is projected at US\$269 million in 2016 (The State of Legal Marijuana

Markets, 4<sup>th</sup> Edition) and predicted to grow by 16% annually through 2020 (The State of Legal Marijuana Markets, 4<sup>th</sup> Edition).

While Arizona voters rejected the full legalization of cannabis for adult use on the November 2016 ballot initiative by a narrow margin, it is expected to resurface again during the mid-term elections in 2018. Interestingly, the largest single contributor of funds to the “no” side on the ballot initiative was a large Arizona-based pharmaceutical company involved in the manufacture of opiate-based painkillers (The Arizona Republic, USA Today, September 16, 2016).

The sale of marijuana for adult use in Nevada was approved by ballot initiative on November 8, 2016 which makes the exercise of BCC’s option to purchase the Greenmart of Nevada operation much more attractive.

## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated February 7, 2017.

W. Scott Boyes  
Name of Director or Senior Officer

signed "W. Scott Boyes"  
Signature

President, CEO and a director  
Official Capacity

<b>Issuer Details</b>	For Month End	Date of Report
Name of Issuer		YY/MM/D
The Canadian Bioceutical Corporation	January 2017	17/02/07
Issuer Address		
477 Mount Pleasant Road, Suite 110		
City/Province/Postal Code	Issuer Fax No.	Issuer Telephone No.
Toronto, Ontario, M4S 2L9	1-877-595-1828	(416) 840-3725
Contact Name	Contact Position	Contact Telephone No.
W. Scott Boyes	President and CEO	(416) 840-3725
Contact Email Address	Web Site Address	
<a href="mailto:info@candianbioceutical.com">info@candianbioceutical.com</a>	<a href="http://www.candianbioceutical.com">www.candianbioceutical.com</a>	