

January 13, 2017

NEWS RELEASE
For Immediate Release

RISKS AND UNCERTAINTIES INHERENT TO THE PROPOSED MEDICAL MARIJUANA BUSINESS

Vancouver, B.C., January 13, 2017 – UMBRAL ENERGY CORP. (CSE: UMB) (the “Company” or “Umbral”) with its partner, PhyeinMed Inc. (“PhyeinMed”) is issuing this press release as a result of a review by the British Columbia Securities Commission (the “BCSC”). This clarifying news release is intended to provide further disclosure about the Company’s pursuit of opportunities in the medical marijuana business.

Principal Business

The Company plans to continue its principal business of mineral exploration. The Company’s pursuit of medical marijuana business is supplementary to the mineral exploration business. The board of directors have approved the Company’s entry into the medical marijuana business and to the Company’s knowledge, this is the only approval required for the Company’s pursuit of opportunities in the medical marijuana business.

Information About the ACMPR Licensing Process

The Company through its partner, PhyeinMed Inc., has applied for to become a licensed producer under the Access to Cannabis for Medical Purposes Regulations. The licensing process to apply for the access to cannabis for medical purposes regulations (the “ACMPR”) involves a strict and thorough review. There are many stages to the application process for becoming a licensed producer of cannabis for medical purposes as described below:

- (a) Applications Received;
- (b) Preliminary Screening;
- (c) Enhanced Screening ;
- (d) Initiation of Security Clearance Process;
- (e) Review;
- (f) Pre-licence Inspection; and
- (g) Licensing.

An applicant may be sent back to a stage previously cleared if new information affecting the application is received by Health Canada. Also, an application can be refused at any stage of the process.

Preliminary Screening

When an application is received, it undergoes a preliminary screening for completeness. If an application is not complete, it will be returned. If an application appears to be complete, it will be assigned an application number. The application number means that the application has completed the preliminary screening. Applicants should reference their application number in all correspondence with Health Canada.

Enhanced Screening

Once an application has been assigned an application number, it will be reviewed to ensure that the level of detail included in the application is sufficient to assess the requirements of the regulations. Initial consideration is also given to the location of the proposed site; likely risks to public health, safety and security; the proposed security measures; and the credentials of the proposed quality assurance person to meet the good production requirements outlined in Subdivision D of the ACMPR. On a case-by-case basis Health Canada may also request and/or review other information that is relevant to the application. Health Canada will also verify that applicants have provided notice to the senior official with the local government where their proposed site is located. Licensed producers are required to comply with all applicable provincial/territorial and municipal laws, including zoning restrictions, fire and electrical safety, and waste management.

Security Clearance

Once the screening of an application is complete, the security clearance forms for key personnel will be sent for processing. When applying for a licence to produce under the ACMPR, a Security Clearance Application Form must be submitted for the following individuals:

- the proposed senior person in charge;
- the proposed responsible person in charge;
- the proposed alternate responsible person(s) in charge (if applicable);
- if a producer's licence is issued to an individual, that individual; and
- if a producer's licence is issued to a corporation, each officer and director of the corporation.

Review

An application will be thoroughly reviewed to validate the information provided. Given the extensive review process, applicants should anticipate communicating with the Office of Medical Cannabis multiple times to provide clarifications on the application. Health Canada may also request additional information from the applicant as required. Physical security plans will be reviewed and assessed in detail at this stage. Please note that applicants must comply with the Directive on Physical Security Requirements for Controlled Substances. When Health Canada believes an application is ready for a pre-licence inspection, Health Canada will contact the applicant and identify the information that needs to be confirmed before a pre-licence inspection can be scheduled.



Pre-Licence Inspection

Section 21 of the ACMPR (Inspection of Site) allows for the possibility of a pre-licence inspection. This includes, but is not limited to: security measures, good production practices, packaging, labelling and shipping, registration, and record keeping.

Licensing

The results of the pre-licence inspection are reviewed with all the information submitted to Health Canada, and any other relevant information, to complete the assessment of the application in keeping with the requirements of the ACMPR, establish that the issuance of the licence is not likely to create risks to public health, safety or security, including the risk of cannabis being diverted to an illicit market or use, and there are no other grounds for refusing the application. The process for the initial issuance of a licence includes limits on licensed activities and a maximum limit on the total amount of cannabis authorized for production.

Application processing times are variable and depend on a number of factors, including:

- the completeness of the application and the thoroughness of the information provided;
- the timeliness of applicant responses to requests for additional information;
- the readiness of the applicant to move through the process;
- the complexity of the application; and
- whether the application poses any risks, including a risk to public health, safety or security.

The timeline for security screening of key personnel can also vary depending on the complexity of the applicant's file. The entire application process can take more than a year to complete. It is the responsibility of the applicant to ensure that the information provided in their application is detailed and accurate and clearly demonstrates that they are compliant with all the requirements of the ACMPR. Insufficient or inaccurate information may give rise to grounds for refusal.

Licences are only issued once all regulatory requirements are met. Each application undergoes a detailed assessment, including in-depth security checks led by the RCMP and site inspections. Health Canada conducts compliance and monitoring activities of regulated parties to ensure compliance with the various regulations to the Controlled Drugs and Substances Act (CDSA). These activities include education, complaint investigations and inspecting licensed sites, or sites applying to be licensed to conduct regulated activities. Licences are only valid for one year and are subject to renewal approval by continuing to meet the requirements of the Access to Cannabis for Medical Purposes Regulations (ACMPR) including, but not limited to:

- Physical Security Measures;
- Good Production Practices;
- Packaging, Labelling and Shipping Requirements;
- Import and Export permit, if applicable; and
- Security Clearance.



Physical Security Measures

Production, packaging, labelling and storage activities under the ACMPR need to be conducted indoors, and not in a dwelling place. The ACMPR set out physical security requirements that are necessary to secure sites where licensed producers conduct activities with cannabis other than storage. For storage of cannabis, other than marijuana plants, Health Canada's Directive on Physical Security Requirements for Controlled Substances establishes security requirements for the storage of all controlled substances including cannabis by licensed producers. All applicants for a producer's licence have to demonstrate to Health Canada that they meet these security requirements. Licensed producer sites are subject to compliance and enforcement measures, including regular audits and inspections by Health Canada.

Good Production Practices

Licensed producers are subject to Good Production Practices that are meant, among other things, to ensure the cleanliness of the premises and equipment. The licensed producer is required to employ a quality assurance person with appropriate training, experience, and technical knowledge to approve the quality of fresh and dried marijuana, marijuana plants and seeds, and cannabis oil prior to making it available for sale.

Product Quality

Licensed producers must conduct tests on their products, including, as applicable:

- for microbial and chemical contaminants of fresh and dried marijuana, and cannabis oil;
- for disintegration of capsules or similar dosage forms of cannabis oil; and
- for residues of solvents in cannabis oil for content of delta-9-tetrahydrocannabinol, delta-9-tetrahydrocannabinolic acid, cannabidiol and cannabidiolic acid.

Other requirements

Licensed producers must also meet other requirements under Good Production Practices under the ACMPR including, but not limited to:

- Sanitation Program;
- Standard Operating Procedures; and
- Establishment of a Recall System.

Packaging, Labelling and Shipping – Consumer Information

The ACMPR sets out requirements for packaging, labelling and shipping. For example, fresh and dried marijuana, cannabis oil, and marijuana seeds and plants must be sold or provided in tamper-evident containers or packages. Fresh and dried marijuana and cannabis oil must be sold or provided in child-resistant containers. Separate labelling requirements apply depending on the product type (i.e. fresh and dried marijuana, cannabis oil, cannabis oil in capsule or similar dosage forms, and marijuana plants and seeds). In addition, all licensed producers are required to attach a client-specific label, similar to a patient-specific prescription drug label, to the container, package or plant. Under the ACMPR, each shipment sold to a client needs to be accompanied by a copy of the most current version of the Health Canada document entitled “Consumer Information - Cannabis (Marihuana, marijuana)”. This document



provides a summary of the known information about the uses and risks of cannabis for medical purposes so that individuals can be informed about their treatment choice.

Import and Export Permit

A licensed producer must obtain a permit from the Minister of Health prior to importing or exporting marijuana or cannabis for the purpose of testing cannabinoid content.

Information Concerning PhyeinMed's Application

PhyeinMed submitted the application under the ACMPR on December 9, 2014. Preliminary screening was concluded and an application number was assigned to PhyeinMed under the ACMPR. Enhanced Screening and many subsequent requests for additional information were completed satisfactorily. PhyeinMed was notified by the offices of medical cannabis within Health Canada on January 22, 2016, that the Security Clearance stage of the application process was being initiated. To date the business plan to produce medical cannabis is to wait for the application process to move to final review stage. No further business is required until PhyeinMed receives notification of final review. At that time several initiatives should be undertaken, completion of the business plan in relation to the current regulations, if this includes adult use or recreational use of cannabis, branding within the guidelines of the recreational market, plans to complete the purchase of the property, site and property preparation to prepare for estimates and any and all other preliminary work that can be completed prior to the pre-license inspection notification.

PhyeinMed's key persons in conjunction with its Quality Assurance Person and various professional consultants in the cannabis industry completed the application and believe it has met the regulatory requirements as outlined in the guidance documents provided by Health Canada. Under the guidance of the Quality Assurance Person; Good Production Practices were established under the ACMPR. Architectural drawings and a Site Survey Plan were commissioned. These plans were necessary to complete the security measures such as physical barriers, visual monitoring and recording devices as outlined in the Master Security Plan and Threat Assessment Report submitted for the location. PhyeinMed to the best of its knowledge has met the minimum of a level 7 (as defined in the Directive on Physical Security Requirements for Controlled Substances (Licensed Dealers Security Requirements for the Storage of Controlled Substances) to be considered for a licence.

A time or cost estimate cannot be provided as PhyeinMed's application is in the preliminary stage. Health Canada would not approve, grant or authorize any license to PhyeinMed prior to the construction of the facility and subsequent pre-licence inspection.

PhyeinMed does not currently own the property, the current property owners have consented to the use of the site by the applicant for the proposed activities as required in the application form. Upon notification from Health Canada to prepare for a pre-license inspection, PhyeinMed plans to purchase the property. Construction, installations and site preparation would commence on the property and the existing structures to meet the strict ACMPR as outlined in the application and completed prior to inspection. The process for the initial issuance of a licence includes limits on licensed activities and a



maximum limit on the total amount of cannabis authorized for production. This is usually referred to as a license to cultivate. Once and if PhyeinMed has met the ACMPR of the initial license the company could be approved to become an Authorized Licensed Producer permitted to sell or import/ export cannabis. The process to become an authorized licensed producer can be well over a year.

About Umbral Energy Corp.

The Company is currently listed as a junior resource issuer having mineral exploration projects. The Company is considering other activities to increase shareholder value, including non-resource projects.

The Company has mineral exploration projects in Utah, Nevada and Quebec. In addition the Company has an interest in PhyeinMed, who has applied for a license from Health Canada to legally grow and sell medical marijuana.

ON BEHALF OF THE BOARD OF DIRECTORS OF UMBRAL ENERGY CORP.

“Jag Bal”

Jagdip Bal President and CEO

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This news release contains forward-looking information, which involves known and unknown risks, uncertainties and other factors that may cause actual events to differ materially from current expectation. Important factors - including the availability of funds, the results of financing efforts, the results of exploration activities -- that could cause actual results to differ materially from the Company's expectations are disclosed in the Company's documents filed from time to time on SEDAR (see www.sedar.com). Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. The company disclaims any intention or obligation, except to the extent required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

