NOTICE OF MEETING

AND

MANAGEMENT INFORMATION CIRCULAR

FOR

AN ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF

GENOVATION CAPITAL CORP.

TO BE HELD ON

APRIL 29, 2016

Dated as of March 31, 2016

NO SECURITIES REGULATORY AUTHORITY HAS IN ANY WAY PASSED UPON THE MERITS OF THE TRANSACTIONS DESCRIBED IN THIS MANAGEMENT INFORMATION CIRCULAR OR THE ACCURACY OR ADEQUACY OF THIS MANAGEMENT INFORMATION CIRCULAR.
March 31, 2016

Dear Shareholders:

You are cordially invited to attend the annual general and special meeting (the “Meeting”) of the holders of common shares of Genovation Capital Corp. (the “Company”, “Genovation” or “GEC”). The Meeting will be held on April 29, 2016 at 10AM (PST) at Suite 1400, 1040 West Georgia Street, Vancouver, BC.

In addition to the usual annual meeting resolutions, the purpose of the Meeting is to also seek your authorization and approval for transactions with Valens Agritech Ltd. and MKHS, LLC.

It is important that your shares be represented at the Meeting. Whether or not you are able to attend in person, your representation will be assured if you complete, sign and date the enclosed proxy form and return it in the envelope provided, or vote via telephone or internet (online) as specified in the proxy form.

Yours sincerely,

“Robert van Santen”

Robert van Santen
Chief Executive Officer and Director
NOTICE OF ANNUAL
AND SPECIAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting and a special meeting (the “Meeting”) of shareholders of Genovation Capital Corp. (“Genovation” or the “Company”) will be held on April 29, 2016 at 10AM (PST) at Suite 1400, 1040 West Georgia Street, Vancouver, BC for the following purposes:

1. to receive the audited financial statements of the Company for the fiscal year ended April 30, 2015, and the report of the auditors thereon and the related management discussion and analysis;
2. to determine the number of directors at six (6);
3. to elect directors of the Company for the ensuing year;
4. to appoint auditors and to authorize the directors to fix their remuneration;
5. to ratify and approve the continuation of the Company’s share option plan;
6. to ratify and approve the transaction with Valens Agritech Ltd.;
7. to ratify and approve the transaction with MKHS, LLC;
8. to ratify and approve of the Company’s intention to effect a share consolidation;
9. to ratify and approve of the Company’s intention to make an application for a name change; and
10. to consider other matters, including without limitation such amendments or variations to any of the foregoing resolutions, as may properly come before the Meeting or any adjournment thereof.

The texts of the transactions with Valens Agritech Ltd and MKHS LLC are set forth in Schedule A and Schedule B, respectively, to the Circular.

The Circular provides additional information relating to the matters to be dealt with at the Meeting and is deemed to form part of this Notice. Also accompanying this Notice and the Circular is a form of proxy for use at the Meeting. Any adjourned meeting resulting from an adjournment of the Meeting will be held at a time and place to be specified at the Meeting. Only Genovation Shareholders of record at the close of business on March 24, 2016, will be entitled to receive notice of and vote at the Meeting.

Your vote is important regardless of the number of common shares of the Company you own. Shareholders who are unable to attend the Meeting in person are asked to sign, date and return the enclosed form of proxy relating to the common shares of the Company held by them in the envelope provided for that purpose or vote via telephone or internet (online) as specified in the proxy form.

Registered Genovation Shareholders unable to attend the Meeting are requested to date, sign and return the enclosed form of proxy and deliver it in accordance with the instructions set out in the proxy and in the Circular. If you are a non-registered Genovation Shareholder and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or the other intermediary. Failure to do so may result in your shares of the Company not being voted at the Meeting.

To be effective, the proxy must be duly completed and signed and then deposited with either the Company or the Company’s registrar and transfer agent, Computershare Investor Services Inc., 2nd Floor, 510 Burrard Street, Vancouver, BC V6C 3B9, or voted via telephone or internet (online) as specified in the proxy form, no later than 10:00 a.m. on April 27, 2016.

Dated at Vancouver, British Columbia, this 31st day of March, 2016.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ “Robert van Santen”

Robert van Santen
Chief Executive Officer and Director
This Circular is furnished in connection with the solicitation of proxies by management of Genovation Capital Corp. for use at the annual general and special meeting of shareholders of the Company to be held on April 29, 2016.

Unless the context otherwise requires, capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Glossary of Terms in this Circular.

In considering whether to vote for the approval of the proposed Valens Transaction and MKHS Transaction, Genovation Shareholders should be aware that there are various risks, including those described in the Section entitled "Risk Factors" in this Circular. Genovation Shareholders should carefully consider these risk factors, together with other information included in this Circular, before deciding whether to approve the Arrangement.

INFORMATION CONCERNING FORWARD–LOOKING STATEMENTS

Except for statements of historical fact contained herein, the information presented in this Circular constitutes "forward–looking statements" or "information" (collectively "statements"). These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

In certain cases, forward-looking statements can be identified by the use of words such as "intends", "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ from those expressed or implied by the forward-looking statements. Such factors include, among others, the proposed acquisitions will not be completed as contemplated or at all, limited operating history, negative cash flow, no market for securities, delays in obtaining, or inability to obtain, required governmental approvals or financing, termination or amendment of existing contracts, failure of plant, equipment or processes to operate as anticipated, accidents, labour disputes and other risks of the medical marijuana industry, as well as other factors discussed under "Risk Factors". Although the Company has attempted to identify material factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained in this Circular are made as of the date of this Circular. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company will update forward-looking statements in its management discussion and analysis as required.

INFORMATION CONTAINED IN THIS CIRCULAR

The information contained in this Circular is given as at March 31, 2016 unless otherwise noted.

No person has been authorized to give any information or to make any representation in connection with the Transactions and other matters described herein other than those contained in this Circular and, if given or made, any such information or representation should be considered not to have been authorized by the Company.

This Circular does not constitute the solicitation of an offer to purchase any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation is not authorized or in which the person making such solicitation is not qualified to do so or to any person to whom it is unlawful to make such solicitation.

Information contained in this Circular should not be construed as legal, tax or financial advice and Genovation Shareholders are urged to consult their own professional advisers in connection therewith.

Genovation Shareholders should refer to the full text of the transaction with Valens Agitech Ltd. set out in Schedule A to this Circular and to the text of the transaction with MKHS LLC set out in Schedule B to this circular.
GLOSSARY OF TERMS

The following is a glossary of general terms and abbreviations used in this Circular:

"Act or BCBCA" means the Business Corporations Act (British Columbia), S.B.C. 2002, c. 57, as may be amended or replaced from time to time;

"Board" means the board of directors of the Company;

"Business Day" means a day which is not a Saturday, Sunday or statutory holiday in Vancouver, British Columbia;

"Circular" means this management information circular;

"Company" means Genovation Capital Corp.;

"Computershare" means Computershare Trust Company of Canada;

"Effective Date" means the date upon which the Valens Agritech Ltd. and MKHS LLC transactions become effective;

"Exchange" means the Canadian Securities Exchange;

“Genovation” or “GenCap” means Genovation Capital Corp.;

"Genovation Shareholder" means a holder of Genovation Shares;

"Genovation Shares" means the common shares without par value in the authorized share structure of the Company;

"Intermediaries" refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders;

"Meeting" means the annual general and special meeting of the Genovation Shareholders to be held on April 29, 2016, and any adjournment(s) or postponement(s) thereof;

“MKHS” means MKHS, LLC

"Notice of Meeting" means the notice of general annual and special meeting of the Genovation Shareholders in respect of the Meeting;

“Private Placement” means the private placement of Units conducted by Genovation to raise up to US$500,000;

"Proxy" means the form of proxy accompanying this Circular;

"Record Date" means March 24, 2016, as the date for determination of person entitled to receive notice of and to vote at the Meeting;

"Registered Shareholder" means a registered holder of Genovation Shares as recorded in the shareholder register of the Company maintained by Computershare;

"Registrar" means the Registrar of Companies under the Act;

“Resulting Issuer” means the Company subsequent to completion of either the Valens Transaction or the WKHS Transaction or both;

"SEC" means the United States Securities and Exchange Commission;

"SEDAR" means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators;
"Tax Act" means the *Income Tax Act* (Canada), as may be amended, or replaced, from time to time;

"U.S. Exchange Act" means the United States Securities Exchange Act of 1934, as may be amended, or replaced, from time to time; and

"U.S. Securities Act" means the United States Securities Act of 1933, as may be amended, or replaced, from time to time.

“Valens” means Valens Agritech Ltd.

**SUMMARY**

The following is a summary of the proposed Transactions and certain other matters and should be read together with the more detailed information and financial data and statements contained elsewhere or incorporated by reference in the Information Circular, including the schedules hereto. Capitalized terms not otherwise defined in this Summary are defined in the Glossary of Terms or elsewhere in the Information Circular. This Summary is qualified in its entirety by the more detailed information appearing or referred to elsewhere herein.

**The Meeting**

The Meeting will be held on April 29, 2016 at 10AM (PST) at Suite 1400, 1040 West Georgia Street, Vancouver, BC.

At the Meeting, Genovation Shareholders will be asked to elect directors (see “Annual Meeting Business - Election of Directors”), appoint its auditor (see “Annual Meeting Business - Appointment of Auditor”), and will be asked to consider, and if deemed advisable, approve the Valens Transaction and the MKHS Transaction (together the “Transactions”), and to consider such other matters as may properly come before the Meeting.

The Company has been actively seeking business opportunities offering near term cash flow potential as a means to create shareholder value. The Company as an oil and gas-focused issuer divested its primary business interests in March 2015 via a Plan of Arrangement, creating three stand-alone “Reporting Issuers” through the distribution of their shares to Company shareholders. The Company maintains a minority investment in a Malaysian-based operation providing onshore and offshore oilfield services, and inspection and asset integrity management solutions.

By approving the Transactions, Genovation Shareholders will also be giving authority to the Board to use its best judgment to proceed with and cause the Company to complete the Transactions without any requirement to seek or obtain any further approval of the Genovation Shareholders.

**The Valens Agritech Ltd. Transaction**

The proposed Valens Agritech Ltd. Transaction (the “Valens Transaction”) is an opportunity for the Company to progress towards becoming a global, vertically integrated medical cannabis company.

Genovation intends to acquire Valens concurrently with MKHS LLC, the subject of a binding Commitment Letter announced November 25, 2015, but is prepared to complete either the Valens Transaction or the MKHS Transaction as a standalone acquisition.

The principal features of the Valens Transaction may be summarized as set forth below and are qualified in their entirety by reference to the full text of the Letter of Commitment (Schedule “A”).

The following matters are anticipated to be effected in connection with the Valens Transaction:

1. Valens will be a wholly-owned subsidiary of Genovation, a reporting issuer in the provinces of British Columbia, Ontario and Alberta;

2. The Valens Transaction will be structured such that the shareholders of Valens shall receive pro rata 36,000,000 Genovation common shares (in addition to a 475,000 share finder’s fee to Greylock Capital Corp. and a 200,000 share finder’s fee to A. Tyler Robson) to own approximately 42% of the Resulting Issuer, when assuming the concurrent or subsequent closing of the acquisition of MKHS, LLC or its C-Corp-reorganized equivalent;
3. The net issuance in the aggregate of thirty-six million (36,000,000) common shares to the shareholders of Valens shall vest (be considered earned, but still subject to escrow and pooling release agreements) substantially as follows, in any order of occurrence until all of the Transactions Shares have vested:

- 30% of the Transaction Shares shall vest immediately upon the closing of the Proposed Transaction;
- 60% of the Transaction Shares shall vest upon the receipt by Valens of a License under the Controlled Drugs and Substance Act and its Regulations to cultivate and process marijuana for scientific purposes or upon Genovation, Valens and/or their affiliates obtaining the substantially equivalent rights or authorization;
- 10% of the Transaction Shares shall vest upon the receipt by Valens of a License to Produce under the Marijuana for Medical Purposes Regulations (“MMPR”) or upon Genovation, Valens and/or their affiliates obtaining the substantially equivalent rights or authorization;
- 10% of the Transaction Shares shall vest in the event that Genovation does not complete the initial $1,200,000 financing within the later of 3 months after the Closing Date and September 30, 2016, in which case the number of shares which remain subject to the foregoing escrow provisions shall be reduced proportionately based on the shortfall between the actual amount raised and the Initial Tranche required to be raised by Genovation;
- Additional potentially accretive acquisitions or cash flow generation initiatives, such as the acquisition of the shares or assets of Agri-Forest Biotechnologies Ltd. or acquisition of another synergistic target company, that are completed by or through the efforts of Valens, will be rewarded through immediate vesting of a portion of the remaining unvested shares, as approved by the new board of Genovation from time to time, in proportion to that acquisition’s assessed projected contribution to free cash flow when compared to that projected from the expected licensing initiatives in the first full year of operation; and
- all shares representing the Purchase Price which have not otherwise been released from escrow shall be released thirty-six (36) months after the Closing Date subject to the ability of the board of directors of Genovation to determine prior to the 36-month anniversary of the Closing that it wishes to divest itself of its interest in Valens by way of spin out, in which case the parties agree that the unvested Transaction Shares of Genovation shall be deemed to have vested for the purposes of determining the number of shares of Valens to be issued to the shareholders of Genovation in connection with the spin-out.

4. Upon completion of the Acquisition, the board and management of Genovation will consist of two appointees from Valens (and two appointees from MKHS LLC assuming that acquisition is completed) and one appointee of Genovation, or up to three nominees of Valens (and three nominees of MKHS LLC assuming that acquisition is completed) and two appointees of Genovation.

Effect of the Valens Transaction

The effect of the Valens Transaction is that Valens will continue as a wholly-owned subsidiary of Genovation, as a result of which (i) all of the property, assets and liabilities of Valens will become indirectly held by Genovation; and (ii) existing Valens Shareholders will continue to hold an indirect interest in the property and assets of Valens through the Genovation Shares which they receive pursuant to the Valens Transaction. The Valens Transaction does not change any of the assets, properties, rights, liabilities, obligations, business or operations of either Genovation or Valens on a consolidated basis.

Recommendation and Approval of the Board of Directors

The directors of the Company have concluded that the terms of the Valens Transaction are fair and reasonable to, and in the best interests of, the Company and the Genovation Shareholders. The Board has therefore approved the Valens Transaction and authorized the submission of the Valens Transaction to the Genovation Shareholders for approval. The Board recommends that the Genovation Shareholders vote FOR the approval of the Valens Transaction. See "The Valens Transaction – Recommendation of Directors".
The Valens Transaction must be approved by two-thirds of the votes cast at the Meeting by Genovation Shareholders.

There is the availability of rights of dissent to registered Shareholders with respect to the Valens Transaction.

**Reasons for the Valens Transaction**

The decision to proceed with the Valens Transaction was based on the following primary determinations:

1. the Company divested its business interests into three stand-alone “Reporting Issuers” upon completion of its Plan of Arrangement in March 2015 following a reassessment of the oil and gas markets, the barriers to entry encountered from both the regulatory and financial commitment perspectives, and the low risk appetite for raising speculative and venture capital funds;

2. since divesting its business interests, the Company had effectively became a shell, and has reorganized itself to seek and attract new business opportunities offering potential for near term cash flow and sustainable growth as a means to create shareholder value;

3. the continued over-supply in the oil and gas sector and deflationary environment dried up funding available for resource opportunities with little likelihood for a short term turn around, resulting in serious survival issues for cash-strapped juniors that fail to take a flexible and proactive approach to their future prospects;

4. the addition of Valens to the proposed group opens up the opportunity for considerable synergy between the Canadian and U.S.-based operations, and is a significant step towards becoming a global, vertically integrated medical cannabis company that spans the entire medical cannabis value chain from “Farm to Pharma”.

5. through these Transactions the Company hopes to encompass the spectrum of cultivation through to production of pharmaceuticals derived from marijuana, and all the steps in between: extracts, testing, clinical trials, clinical development, proprietary therapeutics, licensing, marketing and delivery.

**The MKHS Investor LLC Transaction**

The proposed MKHS transaction (the “MKHS Transaction”) is an opportunity for the Company to progress towards becoming a global, vertically integrated medical cannabis company.

Genovation intends to acquire MKHS concurrently with Valens, the subject of a binding Letter of Intent effective as of March 30, 2016, but is prepared to complete the MKHS Transaction as a standalone acquisition.

The principal features of the MKHS Transaction may be summarized as set forth below and are qualified in their entirety by reference to the full text of the Letter of Commitment (Schedule “B”).

The following matters are anticipated to be effected in connection with the MKHS Transaction:

1. MKHS will be a wholly-owned subsidiary of Genovation, a reporting issuer in the provinces of British Columbia, Ontario and Alberta;

2. the MKHS Transaction will be structured such that the shareholders of MKHS shall receive pro rata 33,475,000 Genovation common shares and a 3,000,000 share finder’s fee is paid out to SIX AM, LLC (Michael G. Wystrach), collectively representing approximately 42% of the Resulting Issuer, assuming the concurrent or prior closing of the acquisition of Valens;

3. the net issuance in the aggregate of thirty-three million four hundred and seventy-five thousand (33,475,000) common shares to the shareholders of MKHS as well as the three million (3,000,000) common shares finder’s fee shall vest (be considered earned) but still subject to escrow and pooling release agreements) immediately upon closing of the MKHS Transaction:

4. two nominees of MKHS shall be appointed to the Genovation Board upon closing of the MKHS Transaction.
Effect of the MKHS Transaction

The effect of the MKHS Transaction is that MKHS will continue as a wholly-owned subsidiary of Genovation, as a result of which (i) all of the property, assets and liabilities of MKHS will become indirectly held by Genovation; and (ii) existing MKHS Shareholders will continue to hold an indirect interest in the property and assets of MKHS through the Genovation Shares which they receive pursuant to the MKHS Transaction. The MKHS Transaction does not change any of the assets, properties, rights, liabilities, obligations, business or operations of either Genovation or MKHS on a consolidated basis.

Recommendation and Approval of the Board of Directors

The directors of the Company have concluded that the terms of the MKHS Transaction are fair and reasonable to, and in the best interests of, the Company and the Genovation Shareholders. The Board has therefore approved the MKHS Transaction and authorized the submission of the MKHS Transaction to the Genovation Shareholders for approval. The Board recommends that the Genovation Shareholders vote FOR the approval of the MKHS Transaction. See "The MKHS Transaction – Recommendation of Directors".

The MKHS Transaction must be approved by two-thirds of the votes cast at the Meeting by Genovation Shareholders.

There is the availability of rights of dissent to registered Shareholders with respect to the MKHS Transaction.

Reasons for the MKHS Transaction

The decision to proceed with the MKHS Transaction was based on the following primary determinations:

1. the Company divested its business interests into three stand-alone “Reporting Issuers” upon completion of its Plan of Arrangement in March 2015 following a reassessment of the oil and gas markets, the barriers to entry encountered from both the regulatory and financial commitment perspectives, and the low risk appetite for raising speculative and venture capital funds;

2. since divesting its business interests, the Company had effectively became a shell, and has reorganized itself to seek and attract new business opportunities offering potential for near term cash flow and sustainable growth as a means to create shareholder value;

3. the continued over-supply in the oil and gas sector and deflationary environment dried up funding available for resource opportunities with little likelihood for a short term turn around, resulting in serious survival issues for cash-strapped juniors that fail to take a flexible and proactive approach to their future prospects;

4. the MKHS Transaction was introduced to the Company in October 2015, contemplating a business merger in the form of a reverse takeover. An established operator in the rapidly expanding marijuana cultivation and medicinal dispensary business, MKHS took on substantial debt and operated on short term leased premises. It was seeking to repay short term liabilities, secure occupied real estate through negotiated purchase options, source expansion capital to increase crop production, and access additional equity capital for acquisitions and growth;

5. the MKHS Transaction is expected to be a significant accretive transaction for Genovation, effectively a working partnership between a well-established medicinal marijuana operation and the Company’s experienced corporate finance and public markets professionals.

Effect of the Transactions

The effect of the closing and full vesting of the Valens and MKHS Transactions is that: (i) each of Valens and MKHS become wholly-owned subsidiaries of Genovation, as a result of which all of the property and assets of each of the respective companies acquired become held by Genovation; and (ii) existing Valens and MKHS Shareholders (together with their finders) will hold an indirect interest in the combined property and assets of Genovation, Valens and MKHS through the Genovation Shares which they receive pursuant to their respective Transactions. The Transactions do not
change any of the assets, properties, rights, liabilities, obligations, business or operations of either Valens or MKHS individually as subsidiary companies. A corporate organizational chart reflecting the proposed structure of Genovation after giving effect to the above-noted matters is set forth below:

Conduct of Meeting and Shareholder Approval

In order for the Transactions to proceed, the Valens Transaction Resolution and the MKHS Transaction Resolutions (together the “Transaction Resolutions”) must be passed, with or without variation, by at least 66-2/3% of the eligible votes cast with respect to the Transaction Resolutions by Genovation Shareholders present in person or by proxy at the Meeting. See "The Transaction Resolutions – Shareholder Approval".

Failure to Complete the Valens Transaction and/or the MKHS Transaction

IN THE EVENT THAT NEITHER OF THE TRANSACTION RESOLUTIONS ARE PASSED BY GENOVATION SHAREHOLDERS, OR BOTH OF THE TRANSACTIONS DO NOT PROCEED FOR SOME OTHER REASON, THE COMPANY WILL CARRY ON BUSINESS AS IT IS CURRENTLY CARRYING ON.

Risk Factors

In considering whether to vote for the approval of the Transactions, Genovation Shareholders should be aware that there are various risks, including those described in this Circular. Genovation Shareholders should carefully consider these risk factors, together with other information included in this Circular, before deciding whether to approve the Transactions.
GENERAL PROXY INFORMATION FOR MEETING

Solicitation of Proxies

This Circular is provided in connection with the solicitation of proxies by the management of Genovation Capital Corp. (the “Company”) for use at the annual general and special meeting of the shareholders of the Company to be held at on April 29, 2016 at 10AM (PST) at Suite 1400, 1040 West Georgia Street, Vancouver, BC (the “Meeting”), for the purposes set out in the accompanying notice of meeting and at any adjournment thereof.

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors or officers of the Company. The Company will bear all costs of this solicitation. The Company has arranged for Intermediaries to forward the meeting materials to Beneficial Shareholders held of record by those Intermediaries and the Company will not reimburse the Intermediaries for their fees and disbursements in that regard.

Currency

In this Circular, except where otherwise indicated, all dollar amounts are expressed in the lawful currency of Canada.

Record Date

The Board has fixed March 24, 2016 as the record date (the “Record Date”) for determination of persons entitled to receive notice of and to vote at the Meeting. Only Genovation Shareholders of record at the close of business on theRecord Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described herein will be entitled to vote or to have their Genovation Shares voted at the Meeting.

Appointment of Proxy holders

The purpose of a proxy is to designate persons who will vote the proxy on behalf of a shareholder of the company in accordance with the instructions given by the shareholder in the proxy. The persons whose names are printed in the enclosed form of proxy are officers or directors of the company.

The individual(s) named in the accompanying form of proxy are management’s representatives. If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than the person(s) designated in the Proxy, who need not be a shareholder of the Company, to attend and act for you and on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another proper proxy and, in either case, delivering the completed Proxy to the office of Computershare Trust Company, Proxy Department, 510 Burrard Street, 2nd Floor, Vancouver, BC, V6C 3B9, or voted via telephone or internet (online) as specified in the proxy form, no later than 10:00 a.m. on April 27, 2016, unless the chairman elects to exercise his discretion to accept proxies received subsequently.

Voting by Proxy holder

The person(s) named in the Proxy will vote or withhold from voting the Genovation Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Genovation Shares will be voted accordingly. The Proxy confers discretionary authority on the person(s) named therein with respect to:

(a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors;

(b) any amendment to or variation of any matter identified therein; and

(c) any other matter that properly comes before the Meeting.

As at the date hereof, the Board knows of no such amendments, variations or other matters to come before the Meeting, other than the matters referred to in the Notice of Meeting. However, if other matters should properly come
before the Meeting, the Proxy will be voted on such matters in accordance with the best judgment of the person(s) voting the Proxy.

**Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting.**

If a Genovation Shareholder does not specify a choice and the Genovation Shareholder has appointed one of the management proxyholders as proxyholder, the management proxyholder will vote in favour of the matters specified in the Notice of Meeting and in favour of all other matters proposed by management at the Meeting.

**In respect of a matter for which a choice is not specified in the Proxy, the person(s) named in the Proxy will vote the Genovation Shares represented by the Proxy for the approval of such matter.**

**Registered Shareholders**

Registered Shareholders may wish to vote by Proxy whether or not they are able to attend the Meeting in person. Registered Shareholders electing to submit a Proxy may do so by completing, dating and signing the enclosed form of Proxy and returning it to the Company's transfer agent Computershare Trust Company by mail to Proxy Department, 510 Burrard Street, 2nd Floor, Vancouver, BC V6C 3B9 or voted via telephone or internet (online) as specified in the proxy form, no later than 10:00 a.m. on April 27, 2016.

**Beneficial Shareholders**

The following information is of significant importance to shareholders who do not hold Genovation Shares in their own name. Beneficial Shareholders should note that the only Proxies that can be recognized and acted upon at the Meeting are those deposited by Registered Shareholders (those whose names appear on the records of the Company as the registered holders of Genovation Shares). Most shareholders are “non-registered” shareholders because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares. Shares beneficially owned by a non-registered shareholder are registered either:

(i) in the name of an intermediary (an “Intermediary”) that the non-registered shareholder deals with in respect of their shares (Intermediaries include, among others, banks, trust companies, securities dealers, or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESP and similar plans); or (ii) in the name of a clearing agency (such as the Canadian Depositary for Securities Limited or the Depository Trust & Clearing Corporation) of which the Intermediary is a participant.

If Genovation Shares are listed in an account statement provided to a shareholder by a broker, then in almost all such cases those Genovation Shares will not be registered in the shareholder's name on the records of the Company. Such Genovation Shares will more likely be registered under the names of the shareholder’s broker or an agent of that broker. In the United States, the vast majority of such Genovation Shares are registered under the name of CDS & Co. as nominee for The Depository Trust Company (which acts as depositary for many U.S. brokerage firms and custodian banks), and in Canada under the name of CDS & Co. (the registration name for The Canadian Depositary for Securities Limited, which acts as nominee for many Canadian brokerage firms).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

**If you are a Beneficial Shareholder:**

There are two kinds of Beneficial Shareholders, those who object to their name being made known to the issuers of securities which they own (called "OBOs" for objecting beneficial owners) and those who do not object to the issuers of the securities they own knowing who they are (called "NOBOs" for non – objecting beneficial owners).

The Company is taking advantage of those provisions of National Instrument 54–101 – "Communication of Beneficial Owners of Securities" of the Canadian Securities Administrators, which permits it to deliver proxy–related materials directly to its NOBOs. As a result, NOBOs can expect to receive a scannable voting instruction form ("VIF"). These VIFs are to be completed and returned to Computershare in the envelope provided or by facsimile to the number provided in the VIF. In addition, Computershare will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the ASA represented by the VIFs it receives.

This Circular, with related material, is being sent to both Registered and Beneficial Shareholders. If you are a Beneficial
Shareholder and the Company or its agent has sent these materials directly to you, your name and address and information about your Genovation Shares have been obtained in accordance with applicable securities regulatory requirements from the Intermediary who holds your Genovation Shares on your behalf. Please return your VIF as specified in your request for voting instructions that you receive.

Beneficial Shareholders who are OBOs should carefully follow the instructions of their Intermediary in order to ensure that their Genovation Shares are voted at the Meeting.

The form of proxy that will be supplied to Beneficial Shareholders by the Intermediaries will be similar to the Proxy provided to Registered Shareholders by the Company. However, its purpose is limited to instructing the Intermediary on how to vote on behalf of the Beneficial Shareholder. Most Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. in the United States and Broadridge Financial Solutions Inc., Canada, in Canada (collectively "BFS"). BFS mails a VIF in lieu of a Proxy provided by the Company. The VIF will name the same person(s) as the Proxy to represent Beneficial Shareholders at the Meeting. Beneficial Shareholders have the right to appoint a person (who need not be a Beneficial Shareholder of the Company), other than the person(s) designated in the VIF, to represent them at the Meeting. To exercise this right, Beneficial Shareholders should insert the name of the desired representative in the blank space provided in the VIF. The completed VIF must then be returned to BFS in the manner specified and in accordance with BFS's instructions. BFS then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Genovation Shares to be represented at the Meeting. If you receive a VIF from BFS, you cannot use it to vote Genovation Shares directly at the Meeting. The VIF must be completed and returned to BFS in accordance with its instructions, well in advance of the Meeting in order to have the Genovation Shares voted.

Alternatively, you can request in writing that your broker send you a legal proxy which would enable you, or a person designated by you, to attend the Meeting and vote your Genovation Shares.

With respect to OBOs, in accordance with applicable securities law requirements, ASA will have distributed copies of the Notice of Meeting, this Circular, the form of proxy and the supplemental mailing list ("Meeting Materials") request to the clearing agencies and Intermediaries for distribution to non-registered shareholders.

Intermediaries are required to forward the Meeting Materials to non-registered shareholders unless a non-registered shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to non-registered shareholders.

Beneficial Shareholders (non-registered shareholders) should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or voting instruction form is to be delivered.

Revocation of Proxies

In addition to revocation in any other manner permitted by law, a Registered Shareholder who has given a proxy may revoke it by:

(a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the Registered Shareholder or the Registered Shareholder's authorized attorney in writing, or if the Registered Shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the Proxy bearing a later date to Computershare or at the registered office of the Company at 34650 Baldwin Road, Abbotsford, British Columbia, V2S 7H9, at any time up to and including the last Business Day that precedes the date of the Meeting or, if the Meeting is adjourned or postponed, the last Business Day that precedes any reconvening thereof, or to the Chairman of the Meeting on the day of the Meeting or any
reconvening thereof, or in any other manner provided by law; or
(b) personally attending the Meeting and voting the Registered Shareholder's Genovation Shares. A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

No director or executive officer of the Company, or any person who has held such a position since the incorporation of the Company, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting, other than as may be otherwise set out herein.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed herein, no informed person of the Company, proposed director of the Company or any associate or affiliate of an informed person or proposed director, has any material interest, direct or indirect, in any transaction since the incorporation of the Company or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

Outstanding Genovation Shares

The Company is authorized to issue an unlimited number of Genovation Shares. As at March 31, 2016 there were 27,255,583 Genovation Shares issued and outstanding, each carrying the right to one vote. Persons who are Registered Shareholders at the close of business on March 24, 2016 will be entitled to receive notice of and vote at the Meeting and will be entitled to one vote for each Genovation Share held. The Company is also authorized to issue an unlimited number of preferred shares, and as at March 31, 2016 there are no preferred shares outstanding.

Principal Holders of Genovation Shares

To the knowledge of the directors and executive officers of the Company, as of the date hereof, no person or company beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of voting securities of the Company, except the following:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly</th>
<th>Percentage of Outstanding Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert van Santen</td>
<td>5,229,150</td>
<td>19%(1)</td>
</tr>
<tr>
<td>John Binder</td>
<td>4,155,600</td>
<td>15%(1)</td>
</tr>
<tr>
<td>Leslie van Santen</td>
<td>3,841,900</td>
<td>14%(1)</td>
</tr>
</tbody>
</table>

(1) As of the Record Date (March 24, 2016), there were 27,255,583 issued and outstanding common shares of the Company.

VOTES NECESSARY TO PASS RESOLUTIONS

A simple majority of affirmative votes cast in person or by proxy at the Meeting is required to pass the resolution(s) described herein as ordinary resolutions and an affirmative vote of 66-2/3% of the votes cast in person or by proxy at the Meeting is required to pass the resolution(s) described herein as special resolutions.

ELECTION OF DIRECTORS

The Board is currently determined at three directors, and it is proposed that the size of the board of directors be increased to six. The term of office of each of the current directors will end at the conclusion of the Meeting. Unless the director's office is vacated earlier in accordance with the provisions of the BCA, each director elected will hold office until the conclusion of the next annual general meeting of the Company, or if no director is then elected, until a
successor is elected.

The following table sets out the names of management’s nominees for election as directors, all major offices and positions with the Company and any of its significant affiliates each now holds, each nominee’s principal occupation, business or employment (for the five preceding years for new director nominees), the period of time during which each has been a director of the Company and the number of Common Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at the date of this Information Circular.

<table>
<thead>
<tr>
<th>Name of Nominee; Current Position with the Company and Province and Country of Residence</th>
<th>Occupation, Business or Employment(1)</th>
<th>Period as a Director of the Company</th>
<th>Common Shares Beneficially Owned or Controlled(2)(4)</th>
</tr>
</thead>
</table>
| Robert J. van Santen(3)  
*Chief Executive Officer, Director*  
British Columbia, Canada | Chief Executive Officer and Director of the Company. Managing Director of Aglis Capital Corp. since January 2008. | Since August 27, 2012 | 5,229,150 |
| Christopher R. Cooper(3)  
*Director*  
British Columbia, Canada | Founder, President & CEO of Aroway Energy Inc.  
Director of the Company | Since September 21, 2012 | 180,000 |
| John Binder  
*Director*  
Alberta, Canada | Founder, President and CEO of Avmax Group Inc. Executive Vice-President for Regional Express Aviation Ltd. Chairman of the Board and CEO of R1 Airlines Ltd. Director of the Company. | Since September 1, 2015 | 4,155,600 |
| Michael G. Wystrach  
| Leslie A. van Santen  
British Columbia, Canada | Managing Director of Phi Beta Capital Corp. since August 2012. | Nominee | 3,841,900 |
| A. Tyler Robson  
British Columbia, Canada | Director of Operations, Valens Agritech Ltd. Businessman. | Nominee | 1,550,000 |

Notes:
1. Information furnished by the respective director nominees.
2. Voting securities beneficially owned, directly or indirectly, or over which control or direction is exercised.
3. Member of the audit committee.
4. Messrs. Binder, van Santen and Cooper each hold options to purchase Common Shares. For more information see the Statement of Executive Compensation below.

**Cease Trade Orders and Bankruptcy**

Except as disclosed in this Information Circular and below, no proposed director is, as at the date of this Information Circular, or has been, within ten (10) years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the Company in respect of which this Information Circular is being prepared) that:

(a) was subject to a cease trade or similar order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer, or
was subject to a cease trade or similar order 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.

Except as disclosed in this Information Circular and below, no proposed director is, as at the date of this Information
Circular, or has been within ten (10) years before the date of this Information Circular, a director or executive officer of
any company (including the Company in respect of which this Information Circular is being prepared) 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 of trustee appointed to hold its assets.

Other than as set out below, no proposed director has, within the ten (10) years before the date of this Information
Circular, 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 the proposed director.

Christopher R. Cooper was a director of Copacabana Capital Limited, a financial services company incorporated under
the laws of and managed in Bermuda. The British Columbia Securities Commission issued an order on May 5, 2006 and
the Alberta Securities Commission issued an order on September 13, 2006 that Copacabana Capital Limited be cease
traded due to failure to file certain financial information and it remains under the cease trade orders as at the date of this
Management Information Circular.

Christopher R. Cooper is also the President and Chief Executive Officer of Reparo Energy Partners Inc. (formerly
Northern Sun Exploration Company Inc. ("Sun Exploration")), a Canadian junior oil and gas exploration company
listed on the TSX Venture Exchange (the "TSXV"). On August 1, 2008, Sun Exploration filed a Notice of Intention to
make a proposal pursuant to the Bankruptcy and Insolvency Act (Alberta). Sun Exploration was discharged from
bankruptcy protection on August 17, 2009. On December 23, 2008, the TSXV halted the trading of Sun Exploration's
common shares due to a failure to maintain a transfer agent. Trading of Sun Exploration's common shares resumed on
the TSXV on December 23, 2008. On March 6, 2009 and March 11, 2009, Sun Exploration was issued a cease trade
order by the Alberta Securities Commission and the British Columbia Securities Commission respectively due to a
failure to file certain financial information. Sun Exploration remains under the cease trade orders.

Christopher R. Cooper was a director of Benchmark Energy Corp. On November 10, 2006, the Alberta Securities
Commission and the British Columbia Securities Commission granted Benchmark’s request for the institution of a
management cease trade order in connection with the delay in filing of its June 30, 2006 audited annual financial
statements and the related management’s discussion and analysis. The order only affected trading in Benchmark’s
securities by certain directors and insiders of Benchmark, including Christopher R. Cooper. The delay in filing its June
30, 2006 audited annual financial statements and related management’s discussion and analysis resulted from the
resignation of its independent auditor, Tony M. Ricci Inc. Benchmark subsequently filed its audited annual financial
statements and management’s discussion and analysis for the fiscal year ended June 30, 2006 and the order was revoked

Christopher R. Cooper is a director of Aroway Energy Ltd., a Canadian junior oil and gas exploration company listed on
the TSXV. The British Columbia Securities Commission issued an order on December 30, 2015 that Aroway Energy
Ltd. be cease traded due to failure to file certain financial information and it remains under the cease trade order as at
the date of this Management Information Circular.

Penalties and Sanctions

No proposed director of the Company has been subject to any penalties or sanctions imposed by a court relating to
securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities
regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that
would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Director & Nominee Biographies:

**Robert J. van Santen, Chief Executive Officer and Director**

Mr. van Santen has been a Director of the Company since August 2012 and Chief Executive Officer of the Company
since October 2014. He has over 30 years of investment industry and financing experience, providing financial and
intellectual capital to both private business and the public markets. He began his career in 1986 as an Investment
Advisor with Burns Fry (now BMO Nesbitt Burns), spent several years with Yorkton Securities’ Natural Resources Group, and was recognized as “Broker of the Year” while VP with the TSX Group’s oldest member firm. Mr. van Santen is Managing Director of Agilis Capital Corp., holds a Bachelor of Commerce degree in Organizational Behavior from Concordia University, a Chartered Accountant and Chartered Professional Accountant designation in British Columbia, a Chartered Market Technician’s designation from the Market Technicians Association in New York, and has certifications that include the Canadian Securities Institute’s CSC (Honours), CPC (Honours), PDO and the OLC.

Christopher R. Cooper, Director

Christopher (Chris) Cooper is a founder and current President & CEO of Aroway Energy Inc., a junior oil and gas producer and explorer. Mr. Cooper has over sixteen years’ experience in both domestic and international oil and gas management and finance. Mr. Cooper earned a Bachelor of Business Administration degree from Hofstra University and an MBA in Business from Dowling College. Mr. Cooper co-founded several successful junior oil and gas companies including Benchmark Energy Corp. which had assets and operations in Tunisia which were bought out by a major international Company. Mr. Cooper was a founder of Choice Resources Corp., an Alberta producer which merged with Buffalo Resources Corp. and was ultimately part of a strategic business combination with Twin Butte Energy Ltd. Mr. Cooper also was a co-founder of both Watch Resources Ltd. and Pan Global Energy Ltd. Both Watch and Pan Global were part of a plan of arrangement with Black Pearl Resources Inc. Mr. Cooper has successfully raised over $100 million dollars of both debt and equity over the past several years and continues to remain active in the financial markets.
John Binder, Director

John Binder is the founder, President and CEO of Avmax Group Inc., a Calgary based heavy aircraft maintenance and servicing facility, as well as the Executive Vice-President for Regional Express Aviation Ltd. and Chairman of the Board and CEO of R1 Airlines Ltd. (and Regional 1's founders). Avmax owns, operates and leases over 100 aircraft worldwide. Prior to founding Avmax John was President and owner of Western Avionics of Calgary, Canada's largest aircraft avionics company, now a division of the Avmax Group. Mr. Binder is a licensed aircraft engineer with over 45 years of experience in the aviation sector, was recognized with the Ernst & Young Entrepreneur of the Year for the Prairies Regional award, and was the recipient of the Max Ward Aviation Maintenance Trophy for contributions to the aircraft maintenance industry in 2010. In addition to his work with Avmax, Mr. Binder applies his entrepreneurial expertise to various other business interests.

A. Tyler Robson, Director Nominee

Tyler Robson is Director of Operations at Valens Agritech Inc., a privately held biotechnology company focused on the emerging Cannabinoid market, based in the Okanagan Valley of British Columbia. Mr. Robson attended the University of Saskatchewan on a football scholarship, graduating with a Bachelor of Science degree to return to Kelowna to pursue research and development, plant innovation and life sciences, with an emphasis on medical cannabis and its applications in the treatment of seizures, chronic diseases, pain control, and neurological symptoms. As a Master Grower, Mr. Robson provides consulting services on plant genetics, growing methods, and leading facility and soil grown techniques that ensures consistently produced medical marijuana of the highest quality.

Michael G. Wystrach, Director Nominee

Michael Wystrach, Lt.Col., USMC (Ret) is an accomplished real estate developer and small business owner. Extensive property development and management experience includes hotels, apartment complexes and food services, gas stations and convenience stores, alternative energy production and technology companies. Mr. Wystrach’s leadership abilities developed through career military service in the United States Marine Corps as an officer/pilot, commanding officer, executive officer and operations officer, where he attended the U.S. Navy’s Flight School and Post Graduate School. Mr. Wystrach retired from the military as a Lieutenant Colonel following two tours of duty in Vietnam, where he flew over 400 missions. Mr.Wystrach holds a Bachelor's degree from Pepperdine University and a Master's degree at the United States International University, San Diego.

Leslie A. van Santen Director Nominee

Leslie van Santen has been Managing Director at Phi Beta Capital Advisors Ltd. since August 2012, providing administrative, equity and debt financing support to private and public companies. Ms. van Santen has formerly held positions as Vice President, Sales and Marketing, at Diversified Financial Solutions Inc., Director of Marketing and later Vice President at The Connor Group Real Estate Marketing Inc., and is a former President and current board member of the B.C. Senior Women’s Tennis Association, formed in 1988 to oversee participation in all senior women’s events sponsored by Tennis BC, the PNW/US and Tennis Canada. Ms. Van Santen is a Brigham Young University and BCIT alumnus in Marketing Management and Communications, and a National-level senior doubles tennis champion.

APPOINTMENT OF AUDITOR

Davidson & Company LLP, Chartered Accountants, Suite 1200 – 609 Granville Street, Vancouver, British Columbia, will be nominated at the Meeting for appointment as auditor of the Company, to hold office until the next annual general meeting. Davidson & Company LLP was first appointed auditor of the Company by the shareholders on May 24, 2007.

AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

National Instrument 52-110 Audit Committees of the Canadian Securities Administrators (“NI 52-110”) requires the Company, as a venture issuer, to disclose annually in its Information Circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth in the following:

The Audit Committee’s Charter

The audit committee has a charter, a copy of which is attached as Schedule “A” to the information circular for the 2008 annual general meeting and filed on www.sedar.com September 5, 2008.
Composition of the Audit Committee

The following are the members of the Committee:

- Robert J. van Santen  Non-Independent¹  Financially literate¹
- John Binder   Independent¹  Financially literate¹
- Christopher Cooper     Independent¹   Financially literate¹

Note:
1. As defined by NI 52-110.

Relevant Education and Experience

See disclosure under “Director Biographies” above.

Each member of the audit committee has:

- an understanding of the accounting principles used by the Company to prepare its financial statements, and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;
- experience preparing, auditing, analyzing or evaluating 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 Company’s financial statements, or experience actively supervising individuals engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting.

Audit Committee Oversight

The audit committee has not made any recommendations to the Board to nominate or compensate any auditor other than Davidson & Company LLP.

Reliance on Certain Exemptions

The Company’s auditor, Davidson & Company LLP, has not provided any material non-audit services.

See the Audit Committee Charter for specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees

The audit committee has reviewed the nature and amount of the non-audited services provided by Davidson & Company LLP to the Company to ensure auditor independence. Fees incurred with Davidson & Company LLP for audit and non-audit services in the last two fiscal years for audit fees are outlined in the following table.

<table>
<thead>
<tr>
<th>Nature of Services</th>
<th>Fees Paid to Auditor in Year Ended April 30, 2015</th>
<th>Fees Paid to Auditor in Year Ended April 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Fees⁽¹⁾</td>
<td>$12,852</td>
<td>$19,890</td>
</tr>
<tr>
<td>Audit-Related Fees⁽²⁾</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Tax Fees⁽³⁾</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>All Other Fees⁽⁴⁾</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Total</td>
<td>$12,852</td>
<td>$19,890</td>
</tr>
</tbody>
</table>

Notes:
1. “Audit Fees” include fees necessary to perform the annual audit and quarterly reviews of the Company’s consolidated financial statements and fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
2. “Audit-Related Fees” include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
3. “Tax Fees” include fees for all tax services other than those included in “Audit Fees” and “Audit-Related Fees”. This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
4. “All Other Fees” include all other non-audit services.

Exemption
The Company is a “venture issuer” as defined in NI 52-110 and relies on the exemption in section 6.1 of NI 52-110 relating to Parts 3 (Composition of Audit Committee) and 5 (Reporting Obligations).

STATEMENT OF CORPORATE GOVERNANCE

Corporate Governance
Corporate governance refers to the policies and structure of the board of directors of a company, whose members are elected by and are accountable to the shareholders of the company. Corporate governance encourages establishing a reasonable degree of independence of the board of directors from executive management and the adoption of policies to ensure the board of directors recognizes the principles of good management. The Board is committed to sound corporate governance practices as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making.

Board of Directors
Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A “material relationship” is a relationship which could, in the Board’s view, be reasonably expected to interfere with the exercise of a director’s independent judgment.

The Board facilitates its independent supervision over management of the Company through frequent meetings of the Board.

The independent members of the Board of Directors of the Company are John Binder and Christopher Cooper.

The non-independent director is Robert J. van Santen (Chief Executive Officer of the Company).

Directorships
The following table sets forth the directors of the Company who currently hold directorships in other reporting issuers:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Other Issuer</th>
<th>Trading market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christopher Cooper</td>
<td>Aroway Energy Inc.</td>
<td>TSXV</td>
</tr>
<tr>
<td></td>
<td>CounterPath Corporation</td>
<td>TSXV</td>
</tr>
<tr>
<td></td>
<td>Edge Resources Inc.</td>
<td>TSXV</td>
</tr>
<tr>
<td></td>
<td>Planet Mining Exploration Inc.</td>
<td>TSXV</td>
</tr>
<tr>
<td></td>
<td>Reparo Energy Partners Inc.</td>
<td>TSXV</td>
</tr>
</tbody>
</table>

Orientation and Continuing Education
At present, each new director is given an outline of the nature of the Company’s business, its corporate strategy, and current issues with the Company. New directors are also required to meet with management of the Company to discuss and better understand the Company’s business and will be advised by counsel for the Company of their legal obligations as directors of the Company.

The introduction and education process will be reviewed on an annual basis and will be revised accordingly. There is a technical presentation of Board meetings, focusing on either a particular property or a summary of various properties. The question and answer portions of these presentations are a valuable learning resource for the non-technical directors.

Ethical Business Conduct
The Board has found that the fiduciary duties placed on individual directors by the Company’s governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual directors’ participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.
Nomination of Directors
The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board’s duties effectively and to maintain a diversity of views and experience.

The Board does not have a nominating committee, and these functions are currently performed by the Board as a whole. However, if there is a change in the number of directors required by the Company, this policy will be reviewed.

Compensation
The quantity and quality of the Board compensation is reviewed on an annual basis. At present, the Board is satisfied that the current compensation arrangements adequately reflect the responsibilities and risks involved in being an effective director of the Company. With respect to stock option compensation, the number of options granted is determined by the Board as a whole, which allows the directors to have input into compensation decisions. At this time, the Company does not believe its size and limited scope of operations requires a formal compensation committee.

Other Board Committees
The Board has no committees other than the audit committee. As the Company grows, and its operations and management structure became more complex, the Board expects it will constitute more formal standing committees, such as a Corporate Governance Committee, and a Compensation Committee and a Nominating Committee.

Assessments
The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and committees.

STATEMENT OF EXECUTIVE COMPENSATION

Named Executive Officers
In this section “Named Executive Officer” means the Chief Executive Officer (the “CEO”), the Chief Financial Officer (the “CFO”) and each of the three most highly compensated executive officers (a “NEO”), other than the CEO and CFO, who were serving as executive officers of the Company at the end of the most recently completed financial year and whose total compensation was more than $150,000 as well as any additional individuals for whom disclosure would have been provided except that the individual was not serving as an executive officer of the Company at the end of the most recently completed financial year.

For the financial years ended April 30, 2013, April 30, 2014 and April 30, 2015, Wayne M. Koshman, former CEO, Robert J. van Santen, current CEO and Annie Storey, CFO are the “Named Executive Officers’ of the Company for the purposes of the following disclosure.

Compensation Discussion & Analysis
The compensation of the Company’s Named Executive Officers is determined by the Company’s Board of Directors (the “Board”).

The Company is a junior natural resource issuer whose shares are listed on the Canadian Securities Exchange (“CSE”), operated by CNSX Markets Inc. Recognized as a stock exchange in 2004, the CSE began operations in 2003 to provide a modern and efficient alternative for companies looking to access the Canadian public capital markets.

The Company’s principal objective is to identify potential oil and gas transactions as a means to enhance shareholder value. In this context, the Company has a modest management team, who are retained on a consulting contract basis, supplemented where necessary by members of the Board of Directors (the “Board”), the Advisory Board, and strategic business partners.

The general objectives of the Board’s compensation decisions are:

- to encourage management to achieve a high level of performance and results with a view to increasing long-term shareholder value;
- to align management’s interests with the long-term interest of shareholders;
to provide compensation commensurate with peer companies in order to attract and retain highly qualified executives; and

- to ensure that total compensation paid takes into account the Company’s overall financial position.

The Board’s compensation program is designed to provide competitive levels of compensation, a significant portion of which is dependent upon individual and corporate performance and contribution to increasing shareholder value. The Board recognizes the need to provide a total compensation package that will attract and retain qualified and experienced executives as well as align the compensation level of each executive to that executive’s level of responsibility. In general, a Named Executive Officer’s compensation is comprised of contractor payments and stock option grants.

The compensation paid to the Named Executive Officers was paid to an individual who is proficient, experienced, has sufficient skills and potential and is performing at a high level. The compensation was variable in nature and directly related to the actual amount of work performed. The variable rates were based on market related rates for professionals performing similar duties and possessing a similar skill set.

Stock option grants are designed to reward the Named Executive Officers for success on a similar basis as the shareholders of the Company, but these rewards are highly dependent upon the volatile stock market, much of which is beyond the control of the Named Executive Officers.

The board has not formally considered the risks associated with the Company’s compensation policies and practices. The Company’s compensation policies and practices give greater weight toward long-term incentives to mitigate the risk of encouraging short term goals at the expense of long term sustainability. The discretionary nature of option grants are significant elements of the Company’s compensation plans and provide the board of directors with the ability to reward historical performance and behaviour that the board of directors consider to be aligned with the Company’s best interests. The Company has attempted to minimize those compensation practices and policies that expose the Company to inappropriate or excessive risks.

The Company has not established a policy on whether or not a NEO or director is permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director. During the 2015 financial year ending April 30, 2015, the Company did not utilize any financial hedges.

**Option-based Awards**

Stock option grants are made on the basis of the number of stock options currently held, position, overall individual performance, anticipated contribution to the Company’s future success and the individual’s ability to influence corporate and business performance. The purpose of granting such stock options is to assist the Company in compensating, attracting, retaining and motivating the officers, directors and employees of the Company and to closely align the personal interest of such persons to the interest of the shareholders.

The recipients of incentive stock options and the terms of the stock options granted are determined from time to time by the Board. The exercise price of the stock options granted is generally determined by the market price at the time of grant. The Company has a share option plan in place dated for reference October 30, 2012 (the “Plan”), which was established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. See disclosure under heading “Share Option Plan”.

Management proposes share option grants to members of the Board based on such criteria as performance, previous grants, and hiring incentives.

**Summary Compensation Table**

The compensation paid to the NEOs during the Company’s three most recently completed financial years ended April 30, 2013, 2014 and 2015 is as set out below and expressed in Canadian dollars unless otherwise noted:
<table>
<thead>
<tr>
<th>Name and principal position</th>
<th>Salary ($)</th>
<th>Share-based awards ($)</th>
<th>Option-based awards ($)</th>
<th>Annual incentive plan compensation ($)</th>
<th>Long-term incentive plans ($)</th>
<th>Pension value ($)</th>
<th>All other compensation ($)</th>
<th>Total compensation ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Robert J. van Santen</strong></td>
<td>2015</td>
<td>Nil</td>
<td>17,227</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>189,583</td>
<td>206,810</td>
</tr>
<tr>
<td><strong>CEO and Former CFO</strong></td>
<td>2014</td>
<td>Nil</td>
<td>26,426</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>175,000</td>
<td>201,426</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>Nil</td>
<td>40,607</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>110,000</td>
<td>150,607</td>
</tr>
<tr>
<td><strong>Wayne M. Koshman</strong></td>
<td>2015</td>
<td>Nil</td>
<td>24,609</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>95,000</td>
<td>119,609</td>
</tr>
<tr>
<td>Former CEO</td>
<td>2014</td>
<td>Nil</td>
<td>34,593</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>175,000</td>
<td>209,593</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>Nil</td>
<td>40,607</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>110,000</td>
<td>150,607</td>
</tr>
<tr>
<td><strong>Annie Storey</strong></td>
<td>2015</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td><strong>CFO</strong></td>
<td>2014</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Notes:

1. The fair value of option-based awards is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company’s common shares and expected life of the options.
2. Robert J. van Santen was appointed Chief Financial Officer and Corporate Secretary on August 27, 2012, resigned as CFO and Corporate Secretary in October 2014 and was appointed CEO in October 2014.
3. Wayne M. Koshman was appointed Chief Executive Officer on August 27, 2012 and resigned as CEO in October 2014.
4. Annie Storey was appointed CFO and Corporate Secretary in March 2015.

The Company has not issued any share-based awards during the year ended April 30, 2015.
Outstanding Option-based Awards
The following table sets out all outstanding option-based awards held by the NEOs as at April 30, 2014. There were no outstanding option-based awards at the year ended April 30, 2015:

<table>
<thead>
<tr>
<th>Name</th>
<th>Option-based Awards</th>
<th>Share-based Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of securities underlying unexercised options (##)</td>
<td>Option exercise price ($)</td>
</tr>
<tr>
<td>Robert J. van Santen</td>
<td>10,000</td>
<td>$1.00</td>
</tr>
<tr>
<td></td>
<td>60,000</td>
<td>$1.00</td>
</tr>
<tr>
<td></td>
<td>60,000</td>
<td>$1.00</td>
</tr>
<tr>
<td>Wayne M. Koshman</td>
<td>40,000</td>
<td>$1.00</td>
</tr>
<tr>
<td></td>
<td>60,000</td>
<td>$1.00</td>
</tr>
<tr>
<td></td>
<td>60,000</td>
<td>$1.00</td>
</tr>
</tbody>
</table>

Note:
1. The value of unexercised “in-the-money options” at the financial year-end is the difference between the market value of the Common Shares at April 30, 2015 and the option exercise price. The market value of the Common Shares is $0.10, which was the closing price of the Common Shares on the CSE on April 30, 2015.

Value Vested or Earned During the Year
The following table sets out the value vested or earned by the NEOs under incentive plans during the financial year ended April 30, 2015:

<table>
<thead>
<tr>
<th>Name</th>
<th>Option-based awards – Value vested during the year (##) ($)</th>
<th>Share-based awards – Value vested during the year (##) ($)</th>
<th>Non-equity incentive plan compensation – Value earned during the year (##) ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert J. van Santen</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Wayne M. Koshman</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Annie Storey (CFO)</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Notes:
1. These amounts represent the aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date. The value of each amount has been determined by taking the difference between the market price of the option at date of exercise and the exercise or base price of the option under the option-based award on the vest date.

Pension Plan Benefits
The Company does not have any pension or retirement plan.

Termination and Change of Control Benefits
Other than as disclosed herein, the Company and its subsidiaries have no compensatory plan, contract or arrangement where a Named Executive Officer is entitled to receive more than $100,000 (including periodic payments or installments) to compensate such executive officer in the event of resignation, retirement or other termination of the Named Executive Officer's employment with the Company or its subsidiaries, a change of control of the Company or its subsidiaries, or a change in responsibilities of the Named Executive Officer following a change in control.

The Company entered into a consulting agreement with Agilis Capital Corporation (“Agilis”) with respect to the services of Robert J. van Santen, effective June 1, 2012. Pursuant to this agreement, Agilis is entitled to twelve months' Base Fee as well as any unpaid cash bonuses in the event of termination without cause. In addition, all unvested stock options will immediately vest and become exercisable at any time during one year from the effective date of termination.

In the event of termination without cause or termination for good cause following a change of control, Agilis will be
entitled to two times the annual Base Fee paid as well as any unpaid cash bonuses. In addition, all unvested stock options will immediately vest and become exercisable at any time during the three months from the effective date of termination.

**Director Compensation**

No compensation was paid to directors in their capacity as directors of the Company or its subsidiaries, in their capacity as members of a committee of the Board or of a committee of the board of directors of its subsidiaries, or as consultants or experts, during the Company’s most recently completed financial year, except as disclosed below.

The following table discloses particulars of compensation provided to the directors of the Company (not including any director reported above as an NEO) during the Company’s financial year ended April 30, 2015:

<table>
<thead>
<tr>
<th>Name(1)</th>
<th>Fees earned ($)</th>
<th>Share-based awards ($)</th>
<th>Option-based awards ($)</th>
<th>Non-equity incentive plan compensation ($)</th>
<th>Pension value ($)</th>
<th>All other compensation ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christopher Cooper</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>John Binder</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Notes:

1. Messrs. van Santen and Koshman are not shown in this table as they are shown in the NEO compensation tables above.

The following table sets out all outstanding option-based awards as at April 30, 2015, for each director, excluding a director who is already set out in disclosure for an NEO above:

<table>
<thead>
<tr>
<th>Name(1)</th>
<th>Number of securities underlying unexercised options (#)</th>
<th>Option exercise price ($)</th>
<th>Option expiration date</th>
<th>Value of unexercised in-the-money options(2) ($)</th>
<th>Number of shares or units of shares that have not vested (#)</th>
<th>Market or payout value of share-based awards that have not vested ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christopher Cooper</td>
<td>20,000</td>
<td>1.00</td>
<td>Nov 28, 2018</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>30,000</td>
<td>1.00</td>
<td>Sept 26, 2017</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Notes:

1. Messrs. van Santen and Koshman are not shown in this table as they are shown in the NEO compensation tables above.
2. The Company’s Common Share price was $0.10 each at April 30, 2015.

The following table sets out the value vested or earned under incentive plans during the Company’s fiscal year ended April 30, 2015, for each director of the Company, excluding the directors who are already set out in disclosure for an NEO above:

<table>
<thead>
<tr>
<th>Name(1)</th>
<th>Option-based awards – Value vested during the year ($)</th>
<th>Share-based awards – Value vested during the year ($)</th>
<th>Non-equity incentive plan compensation – Value earned during the year ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christopher Cooper</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Notes:

1. Messrs. van Santen and Koshman are not shown in this table as they are shown in the NEO compensation tables above.
2. These amounts represent the aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date. The value of each amount has been determined by taking the difference between the market price of the option at date of exercise and the exercise or base price of the option under the option-based award on the vest date.

See “Securities Authorized under Equity Compensation Plans” for further information on the Company’s Share Option Plan.
SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The only equity compensation plan which the Company has in place is the Plan. See above disclosure under heading “Incentive Plan Awards”.

The following table sets out equity compensation plan information as at the Company’s April 30, 2015 financial year end.

Equity Compensation Plan Information

<table>
<thead>
<tr>
<th>Plan Category</th>
<th>Number of securities to be issued upon exercise of outstanding options</th>
<th>Weighted-average exercise price of outstanding options, warrants and rights</th>
<th>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity compensation plans approved by securityholders – March 2, 2015 (the Share Plan)</td>
<td>545,000</td>
<td>$1.00</td>
<td>358,910(1)</td>
</tr>
<tr>
<td>Equity compensation plans not approved by securityholders</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Total</td>
<td>545,000</td>
<td>$1.00</td>
<td>358,910(1)</td>
</tr>
</tbody>
</table>

Note:
1. This figure is based on the total number of shares authorized for issuance under the Company’s Share Option Plan, less the number of options outstanding as at the Company’s April 30, 2015 year end. As at April 30, 2015, the Company was authorized to issue a total of 903,910 options.

Indebtedness of Directors and Executive Officers

No directors, proposed nominees for election as directors, executive officers or their respective associates or affiliates, or other management of the Company were indebted to the Company as of the end of the most recently completed financial year or as at the date hereof.

Interest of Informed Persons in Material Transactions

This Information Circular, including the disclosure below, briefly describes (and, where practicable, states the approximate amount) of any material interest, direct or indirect, of any informed person of the Company, any proposed director of the Company, or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of the Company’s most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

As at April 30, 2015, the Company paid $284,583 (2014 - $403,167) in consulting, management and directors’ fees to the current directors and executive officers, and/or their management companies.

Management Contracts

There are no management functions of the Company, which are to any substantial degree performed by a person or company other than the directors or executive officers of the Company.
PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

Share Option Plan

A number of Common Shares equal to ten (10%) percent of the issued and outstanding Common Shares in the capital stock of the Company from time to time are reserved for the issuance of stock options pursuant to the Company’s Stock Option Plan dated for reference October 30, 2012, and approved by the shareholders of the Company at the last annual general meeting held on March 2, 2015 (the “Plan”).

As the Plan is a rolling plan, under CSE policy, the Plan must be presented to shareholders for approval by ordinary resolution at every annual general meeting of the Company to authorize continuation of the Plan.

The Plan has been established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. The Plan is administered by the CEO and CFO of the Company. The Plan provides that options will be issued to directors, officers, employees or consultants of the Company or a subsidiary of the Company. The Plan also provides that the number of Common Shares issuable under the Plan, together with all of the Company’s other previously established or proposed share compensation arrangements, may not exceed 10% of the total number of issued and outstanding Common Shares. Pursuant to the Plan all options expire on a date not later than 10 years after the date of grant of an option.

The Board is of the view that the Plan provides the Company with the flexibility to attract and maintain the services of executives, employees and other service providers in competition with other companies in the industry.

The Plan is subject to the following restrictions:

(a) The Company must not grant an option to a director, employee, consultant, or consultant company (the “Service Provider”) in any 12 month period that exceeds 5% of the outstanding shares, unless the Company has obtained by a majority of the votes cast by the shareholders of the Company eligible to vote at a shareholders’ meeting, excluding votes attaching to shares beneficially owned by Insiders and their Associates (“Disinterested Shareholder Approval”);

(b) The aggregate number of options granted to a Service Provider conducting Investor Relations Activities in any 12-month period must not exceed 2% of the outstanding shares calculated at the date of the grant, without the prior consent of the CSE;

(d) The Company must not grant an option to a Consultant in any 12-month period that exceeds 2% of the outstanding shares calculated at the date of the grant of the option;

(e) The number of optioned shares issued to insiders in any 12-month period must not exceed 10% of the outstanding shares (in the event that the Plan is amended to reserve for issuance more than 10% of the outstanding shares) unless the Company has obtained Disinterested Shareholder Approval to do so; and

(f) The exercise price of an option previously granted to an insider must not be reduced, unless the Company has obtained disinterested shareholder approval to do so.

Material Terms of the Plan

The following is a summary of the material terms of the Plan:

(a) Persons who are Service Providers to the Company or its affiliates, or who are providing services to the Company or its affiliates, are eligible to receive grants of options under the Plan;

(b) Options granted under the Plan are non-assignable and non-transferable and are issuable for a period of up to 10 years;

(c) For options granted to Service Providers, the Company must ensure that the proposed Optionee is a bona fide Service Provider of the Company or its affiliates;

(d) An Option granted to any Service Provider will expire within one year (or such other time, not to exceed one year, as shall be determined by the Board as at the date of grant or agreed to by the Board and the Optionee at any time prior to expiry of the Option), after the date the Optionee ceases to be employed by or provide services to the Company, but only to the extent that such Option was vested at the date the Optionee ceased to be so employed by or to provide services to the Company;

(e) If an Optionee dies, any vested option held by him or her at the date of death will become exercisable by the Optionee’s lawful personal representatives, heirs or executors until the earlier of one year after the date of death of such Optionee and the date of expiration of the term otherwise applicable to such
(f) In the case of an Optionee being dismissed from employment or service for cause, such Optionee’s options, whether or not vested at the date of dismissal, will immediately terminate without right to exercise same;

(g) The exercise price of each option will be set by the Board on the effective date of the option and will not be less than the Discounted Market Price (as defined in the Plan);

(h) Vesting of options shall be at the discretion of the Board, and will generally be subject to: (i) the Service Provider remaining employed by or continuing to provide services to the Company or its affiliates, as well as, at the discretion of the Board, achieving certain milestones which may be defined by the Board from time to time or receiving a satisfactory performance review by the Company or its affiliates during the vesting period; or (ii) the Service Provider remaining as a Director of the Company or its affiliates during the vesting period; and

(i) The Board reserves the right in its absolute discretion to amend, suspend, terminate or discontinue the Plan with respect to all Plan shares in respect of options which have not yet been granted under the Plan.

A copy of the Plan will be available for inspection at the Meeting. A shareholder may also obtain a copy of the Plan by contacting the Company at 604-608-1999.

“RESOLVED that the Company’s 10% rolling Stock Option Plan, dated for reference October 30, 2012, be and is hereby ratified and approved until the next annual general meeting.”

An ordinary resolution is a resolution passed by the shareholders of the Company at a general meeting by a simple majority of the votes cast in person or by proxy.

The Board recommends that you vote in favour of the above resolution. In the absence of a contrary instruction, the persons named in the enclosed form of proxy intend to vote in favour of the resolution.

Additional Information

Additional information relating to the Company is on SEDAR at www.sedar.com. Shareholders may contact the Company at to request copies of the Company’s financial statements and related management’s discussion and analysis.

Financial information is provided in the Company’s comparative audited financial statements and management’s discussion and analysis for its most recently completed financial year ended April 30, 2015, which are filed on SEDAR.

THE VALENS TRANSACTION

General

The Valens Transaction, if completed, will form part of the fundamental change first announced by the Company in November, 2015. The Company intends to acquire Valens subject to a binding Letter of intent dated March 30, 2016 concurrently with MKHS LLC, the subject of a non-binding Letter of Intent announced in November, 2015.

The Valens Transaction is proposed to take place by way of a share exchange or other similar form of transaction. Genovation, Valens and the shareholders of Valens would exchange all of the issued and outstanding shares of Valens for 36,675,000 post-consolidated common shares of Genovation, to be issued to the shareholders of Valens (inclusive of finders’ fees) and held under three-year voluntary and Exchange imposed escrow agreements.

Completion of the proposed Valens Transaction is subject to a number of conditions, including but not limited to acceptance by the CSE and, if applicable pursuant to CSE requirements, majority of the minority shareholder approval. Where applicable, the Valens Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Valens Transaction will be completed as proposed or at all.

Reasons for the Valens Transaction

The Valens Transaction opens up the opportunity for considerable synergies between the Canadian and U.S.-based operations. It could mark a significant step towards the Company’s goal to become a global, vertically integrated
medical cannabis company that spans the entire medical cannabis value chain from “Farm to Pharma”, encompassing the spectrum of cultivation through to production of pharmaceuticals derived from marijuana, and all the steps in between: extracts, testing, clinical trials, clinical development, proprietary therapeutics, licensing, marketing and delivery.

The Board has determined that the Company should concentrate its efforts on its primary business activities. To this end, the Board approved the Valens Transaction as described in this Circular.

The Board is of the view that the Valens Transaction will benefit the Company and the Genovation Shareholders. This conclusion is based on the following primary determinations:

1. the Company divested its business interests into three stand-alone “Reporting Issuers” upon completion of its Plan of Arrangement in March 2015 following a reassessment of the oil and gas markets, the barriers to entry encountered from both the regulatory and financial commitment perspectives, and the low risk appetite for raising speculative and venture capital funds. The Company's primary focus has been in the oil and gas exploration and development business;

2. since divesting its business interests, the Company had effectively became a shell, and has reorganized itself to seek and attract new business opportunities offering potential for near term cash flow and sustainable growth as a means to create shareholder value;

3. the continued over-supply in the oil and gas sector and deflationary environment dried up funding available for resource opportunities with little likelihood for a short term turn around, resulting in serious survival issues for cash-strapped juniors that fail to take a flexible and proactive approach to their future prospects;

4. the addition of Valens to the proposed group opens up the opportunity for considerable synergy between the Canadian and U.S.-based operations, and is a significant step towards becoming a global, vertically integrated medical cannabis company that spans the entire medical cannabis value chain from “Farm to Pharma”;

5. through these Transactions the Company hopes to encompass the spectrum of cultivation through to production of pharmaceuticals derived from marijuana, and all the steps in between: extracts, testing, clinical trials, clinical development, proprietary therapeutics, licensing, marketing and delivery.

Recommendation of Directors

The Board approved the Valens Transaction and authorized the submission of the Valens Transaction to the Genovation Shareholders for approval. The Board has concluded that the Valens Transaction is in the best interests of the Company and the Genovation Shareholders, and recommends that the Genovation Shareholders vote FOR the Valens Transaction Resolution at the Meeting. In reaching this conclusion, the Board considered the benefits to the Company and the Genovation Shareholders, as well as the financial position, opportunities and the outlook for the future potential and operating performance of the Company.

Details of the Valens Transaction

The following description of the Valens Transaction is qualified in its entirety by reference to the full text of the Valens Transaction, a copy of which is annexed as Schedule "A" to this Circular. The full text of the Valens Transaction should be read carefully in their entirety.

The net issuance in the aggregate of thirty-six million (36,000,000) common shares to the shareholders of Valens shall vest (be considered earned, but still subject to escrow and pooling release agreements) substantially as follows, in any order of occurrence until all of the Transaction Shares have vested:

- 30% of the Transaction Shares shall vest immediately upon the closing of the proposed Transaction;

- 60% of the Transaction Shares shall vest upon the receipt by Valens of a License under the Controlled Drugs and Substance Act and its Regulations to cultivate and process marijuana for scientific purposes or upon Genovation, Valens and/or their affiliates obtaining the substantially equivalent rights or authorization;
• 10% of the Transaction Shares shall vest upon the receipt by Valens of a License to Produce under the Marijuana for Medical Purposes Regulations or upon Genovation, Valens and/or their affiliates obtaining the substantially equivalent rights or authorization;

• 10% of the Transaction Shares shall vest in the event that Genovation does not complete an initial $1,200,000 financing within the later of 3 months after the Closing Date and September 30, 2016;

• additional potentially accretive acquisitions or cash flow generation initiatives, such as the proposed acquisition of the shares or assets of a commercial scale plant biology company or acquisition of another synergistic target company, that are completed by or through the efforts of Valens, will be rewarded through immediate vesting of a portion of the remaining unvested shares, as approved by the new board of Genovation from time to time, in proportion to that acquisition’s assessed projected contribution to free cash flow when compared to that projected from the expected licensing initiatives in the first full year of operation; and

• all shares representing the Purchase Price which have not otherwise been released from escrow shall be released thirty-six (36) months after the Closing Date subject to the ability of the board of directors of Genovation to determine prior to the 36-month anniversary of the Closing that it wishes to divest itself of its interest in Valens by way of spin out, in which case the parties agree that the unvested Transaction Shares of Genovation shall be deemed to have vested for the purposes of determining the number of shares of Valens to be issued to the shareholders of Genovation in connection with the spin-out.

Upon completion of the Acquisition, the board and management of Genovation will consist of two appointees from Valens (and two appointees from MKHS LLC when that acquisition is completed) and one appointee of Genovation, or up to three nominees of Valens, three nominees of MKHS, and two appointees of Genovation.

**Authority of the Board**

By passing the Valens Transaction Resolution, the Genovation Shareholders will also be giving authority to the Board to use its best judgment to proceed with and cause the Company to complete the Valens Transaction without any requirement to seek or obtain any further approval of the Genovation Shareholders.

The Valens Transaction Resolution also provides that the Valens Transaction may be amended by the Board before or after the Meeting without further notice to Genovation Shareholders. The Board has no current intention to amend the Valens Transaction, however, it is possible that the Board may determine that it is appropriate that amendments be made.

**Conditions to the Valens Transaction**

The Valens Transaction provides that it will be subject to the fulfillment of certain conditions, including the following:

1. the Valens Transaction must be approved by the Genovation Shareholders at the Meeting in the manner referred to under "Shareholder Approval";

2. all other consents, orders, regulations and approvals, including regulatory and judicial approvals and orders, required, necessary or desirable for the completion of the Valens Transaction must have been obtained or received, each in a form acceptable to the Company; and

3. the Valens Transaction must not have been terminated.

If any of the conditions set out in the Valens Transaction are not fulfilled or performed, the Valens Transaction may be terminated, or in certain cases the Company may waive the condition in whole or in part.

Management of the Company believes that all material consents, orders, regulations, approvals or assurances required for the completion of the Valens Transaction will be obtained in the ordinary course upon application therefore.
The MKHS Transaction

General

The MKHS Transaction, if completed, will form part of the Fundamental Change first announced by the Company in November, 2015. The Company intends to acquire MKHS concurrently with or subsequent to Valens, the subject of a binding Letter of Intent effective March 30, 2016.

The MKHS Transaction is proposed to take place by way of a share exchange or other similar form of transaction. Genovation, MKHS and the shareholders of MKHS would exchange all of the issued and outstanding shares of MKHS for 36,475,000 (inclusive of any finders’ fees) post-consolidated common shares of Genovation, to be issued to the shareholders of MKHS and held under three-year voluntary and Exchange imposed escrow agreements.

Completion of the proposed MKHS Transaction is subject to a number of conditions, including but not limited to acceptance by the CSE and, if applicable pursuant to CSE requirements, majority of the minority shareholder approval. Where applicable, the MKHS Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the MKHS Transaction will be completed as proposed or at all.

Reasons for the MKHS Transaction

The Board is of the view that the MKHS Transaction will benefit the Company and the Genovation Shareholders. This conclusion is based on the following primary determinations:

The decision to proceed with the MKHS Transaction was based on the following primary determinations:

1. the Company divested its business interests into three stand-alone “Reporting Issuers” upon completion of its Plan of Arrangement in March 2015 following a reassessment of the oil and gas markets, the barriers to entry encountered from both the regulatory and financial commitment perspectives, and the low risk appetite for raising speculative and venture capital funds;

2. since divesting its business interests, the Company had effectively became a shell, and has reorganized itself to seek and attract new business opportunities offering potential for near term cash flow and sustainable growth as a means to create shareholder value;

3. the continued over-supply in the oil and gas sector and deflationary environment dried up funding available for resource opportunities with little likelihood for a short term turn around, resulting in serious survival issues for cash-strapped juniors that fail to take a flexible and proactive approach to their future prospects;

4. the MKHS Transaction was introduced to the Company in October 2015, contemplating a business merger in the form of a reverse takeover. An established operator in the rapidly expanding marijuana cultivation and medicinal dispensary business, MKHS took on substantial debt and operated on short term leased premises. It was seeking to repay short term liabilities, secure occupied real estate through negotiated purchase options, source expansion capital to increase crop production, and access additional equity capital for acquisitions and growth;

5. the MKHS Transaction is expected to be a significant accretive transaction for Genovation, effectively a working partnership between a well-established medicinal marijuana operation and the Company’s experienced corporate finance and public markets professionals;

6. the Company has met the substantial pre-requisite funding requirements as detailed in the initial letter of intent and subsequent letter of commitment between the parties, and wishes to proceed as a direct participation in the growth of MKHS’ operations through the MKHS Transaction, rather than as a short term joint venture participant.

Recommendation of Directors

The Board approved the MKHS Transaction and authorized the submission of the MKHS Transaction to the Genovation Shareholders for approval. The Board has concluded that the MKHS Transaction is in the best interests of the Company and the Genovation Shareholders, and recommends that the Genovation Shareholders vote FOR the MKHS Transaction Resolution at the Meeting. In reaching this conclusion, the
Board considered the benefits to the Company and the Genovation Shareholders, as well as the financial position, opportunities and the outlook for the future potential and operating performance of the Company.

Details of the MKHS Transaction

The following description of the MKHS Transaction is qualified in its entirety by reference to the full text of the MKHS Transaction, a copy of which is annexed as Schedule "B" to this Circular. The full text of the MKHS Transaction should be read carefully in its entirety.

The proposed MKHS Transaction is an opportunity for the Company to progress towards becoming a global, vertically integrated medical cannabis company.

Genovation intends to acquire MKHS concurrently with Valens, the subject of a binding Letter of Intent effective as of March 30, 2016, but is prepared to complete the MKHS Transaction or the Valens Transaction as a standalone acquisition.

The principal features of the MKHS Transaction may be summarized as set forth below and are qualified in their entirety by reference to the full text of the MKHS Transaction in Schedule “B”.

The following matters are anticipated to be effected in connection with the MKHS Transaction:

1. MKHS will be a wholly-owned subsidiary of Genovation, a reporting issuer in the provinces of British Columbia, Ontario and Alberta;
2. the MKHS Transaction will be structured such that the shareholders of MKHS shall receive pro rata 33,475,000 Genovation common shares and a 3,000,000 share finder's fee is paid out to SIX AM, LLC (Michael G. Wystrach), collectively representing approximately 42% of the Resulting Issuer, assuming the concurrent or prior closing of the acquisition of Valens;
3. the net issuance in the aggregate of thirty-three million four hundred and seventy-five thousand (33,475,000) common shares to the shareholders of MKHS as well as the three million (3,000,000) common shares finder’s fee shall vest (be considered earned, but still subject to escrow and pooling release agreements) immediately upon closing of the MKHS Transaction;
4. two nominees of MKHS shall be appointed to the Genovation Board upon closing of the MKHS Transaction.

Effect of the MKHS Transaction

The effect of the MKHS Transaction is that MKHS will continue as a wholly-owned subsidiary of Genovation, as a result of which (i) all of the property, assets and liabilities of MKHS will become indirectly held by Genovation; and (ii) existing MKHS Shareholders will continue to hold an indirect interest in the property and assets of MKHS through the Genovation Shares which they receive pursuant to the MKHS Transaction. The MKHS Transaction does not change any of the assets, properties, rights, liabilities, obligations, business or operations of either Genovation or MKHS on a consolidated basis.

Authority of the Board

By passing the MKHS Transaction Resolution, the Genovation Shareholders will also be giving authority to the Board to use its best judgment to proceed with and cause the Company to complete the MKHS Transaction without any requirement to seek or obtain any further approval of the Genovation Shareholders.

The MKHS Transaction Resolution also provides that the MKHS Transaction may be amended by the Board before or after the Meeting without further notice to Genovation Shareholders. The Board has no current intention to amend the MKHS Transaction, however, it is possible that the Board may determine that it is appropriate that amendments be made.

The Company is subject to the policies of the Canadian Securities Exchange which require the provision of certain financial information including the possible requirement to include pro-forma financial statements of the Resulting
Issuer and audited statements of MKHS (collectively the “Additional Financial Information”). Because the Additional Financial Information was not available on the date of this Information Circular the proposed shareholder resolutions include a provision that provides for the majority of the shareholders of the Company to subsequently review the Additional Financial Information on behalf of the shareholders of the Company and to confirm, ratify and approve the MKHS Transaction Resolutions.

Conditions to the MKHS Transaction

The MKHS Transaction provides that it will be subject to the fulfillment of certain conditions, including the following:

1. the MKHS Transaction must be approved by the Genovation Shareholders at the Meeting in the manner referred to under "Shareholder Approval";
2. all other consents, orders, regulations and approvals, including regulatory and judicial approvals and orders, required, necessary or desirable for the completion of the MKHS Transaction must have been obtained or received, each in a form acceptable to the Company; and
3. the MKHS Transaction must not have been terminated.

If any of the conditions set out in the MKHS Transaction are not fulfilled or performed, the MKHS Transaction may be terminated, or in certain cases the Company may waive the condition in whole or in part.

Management of the Company believes that all material consents, orders, regulations, approvals or assurances required for the completion of the MKHS Transaction will be obtained in the ordinary course upon application therefore.

SHAREHOLDER APPROVAL

Genovation Shareholder Approval

In order for the Transactions to become effective, the Transaction Resolutions must be passed, with or without variation, by a special resolution of at least 66-2/3% of the eligible votes cast in respect of the Transaction Resolutions by Genovation Shareholders present in person or by proxy at the Meeting.

“BE IT RESOLVED BY SPECIAL RESOLUTION THAT:

1. the Valens Transaction, including the issuance of 36,675,000 post-consolidation shares of the Company, as set forth in Schedule A of the Information Circular, is hereby confirmed, ratified and approved;
2. notwithstanding that this special resolution has been passed by the Genovation Shareholders, the Board may amend the terms of the Valens Transaction and/or decide not to proceed with the Valens Transaction or revoke this special resolution at any time without further approval of the Genovation Shareholders; and
3. any director or officer of the Company be and is hereby authorized and directed, for and on behalf of the Company, to execute and deliver all such documents and to do all such other acts and things as such director or officer may determine to be necessary or advisable to give effect to this special resolution, the execution and delivery of any such document or the doing of any such other act or thing being conclusive evidence of such determination.”

“BE IT RESOLVED BY SPECIAL RESOLUTION THAT:

1. the MKHS Transaction, including the issuance of 36,475,000 post-consolidation shares of the Company, as set forth in Schedule B of the Information Circular, is hereby confirmed, ratified and approved;
2. in the event that regulatory authorities require the production of Additional Financial Information, the MKHS Transaction be approved provided that the Company obtains the consent of the majority of the shareholders of the Company subject to such majority having reviewed such Additional Financial Information;
3. notwithstanding that this special resolution has been passed by the Genovation Shareholders, the Board may amend the terms of the MKHS Transaction and/or decide not to proceed with the MKHS Transaction or revoke this special resolution at any time without further approval of the Genovation Shareholders; and

4. any director or officer of the Company be and is hereby authorized and directed, for and on behalf of the Company, to execute and deliver all such documents and to do all such other acts and things as such director or officer may determine to be necessary or advisable to give effect to this special resolution, the execution and delivery of any such document or the doing of any such other act or thing being conclusive evidence of such determination.”

The Board recommends that you vote in favour of the above resolutions. In the absence of a contrary instruction, the persons named in the enclosed form of proxy intend to vote in favour of the resolution.

Risk Factors

In evaluating the Transactions, Genovation Shareholders should carefully consider, in addition to the other information contained in this Circular, the risk factors associated with Genovation, Valens and MKHS. These risk factors are not a definitive list of all risk factors associated with Genovation and the business to be carried out by Valens and MKHS.

The Company After the Transactions

The following is a description of the Company assuming completion of the Transactions.

Name, Address and Incorporation

Genovation Capital Corp. (formerly Asean Energy Corp.) was incorporated under the laws of British Columbia on January 14, 1981. On August 22, 2014 the common shares of the Company were voluntarily delisted from TSX-V. The Company changed its name to “Asean Energy Corp.” and its common shares commenced trading on the Canadian Securities Exchange (“CSE”) under trading symbol “ASA” on August 25, 2014. On April 15, 2015, the Company consolidated its share capital on a 10:1 basis. All share and per share amounts have been restated to reflect the consolidation. Effective on August 20, 2015 the Company changed its name to “Genovation Capital Corp.” and its common shares commenced trading under the trading symbol “GEC” on the CSE.

The address of the Company’s registered and records office and head office address is Suite 700, 1199 West Hastings Street, Vancouver, British Columbia, Canada V6E 3T5.

Business of the Company

The Company has been engaged in the oil and gas sector, acquiring, exploring and developing resource properties. On October 13, 2014 the Company incorporated Servomarin Industries Corp. (“SIC”) as a wholly owned subsidiary. On December 14, 2015 the Company incorporated 1021916 B.C. Ltd. (“916”) as a wholly owned subsidiary. On January 15, 2015 the Company incorporated 1024954 B.C. Ltd. (“954”) as a wholly owned subsidiary.

There was a transfer of certain assets to the Company’s three wholly-owned subsidiaries SIC, 916 and 954 (collectively, the “Spincos”) in consideration for the issuance of common shares of the Spincos, and the distribution of these common shares to the Company's shareholders on a pro rata basis.

At its March 2, 2015 AGM shareholders of Asean Energy voted unanimously in favour of a Plan of Arrangement (“POA”). The Spincos were spun out in consideration for the issuance of common shares of the Spincos to Company shareholders, and the transfer of the Company’s interests in and to each of its three letters of intent to the three Spincos. In accordance with the March 5, 2015 final order from the Supreme Court of British Columbia for the implementation of the Arrangement, the distribution of the Spincos’ common shares (the “Distributed Shares”) to the Company’s shareholders of record was completed on a pro rata basis as follows:

For every 10 shares held of Asean Energy, 1 share of SIC was issued;
For every 25 shares held of Asean Energy, 1 share of 916 was issued;
For every 25 shares held of Asean Energy, 1 share of 954 was issued.
On March 16, 2015 the Company announced completion of its POA. By virtue of the Arrangement and having issued shares to the public, the SpinCos are “Reporting Issuers” as defined by the provincial securities commissions. The Company thereafter was effectively a shell seeking to acquire an accretive cash-flow opportunity.

Recent Developments

On October 30, 2015 the Company announced that it had entered into a letter of intent with MKHS, and the intention to complete a convertible debt financing, a private placement, a three-for-one share consolidation, and advance funds to MKHS to meet the terms required to complete the acquisition of MKHS as a reverse takeover.

On November 9, 2015 the Company closed a US$200,000 convertible debenture financing (first tranche) following CSE approval to consolidate its share capital on a one-for-three basis, anticipated to occur with the resumption of trading, as well as the pricing for the convertible debenture conversion.

On November 25, 2015 the Company announced it had entered into a binding Letter of Commitment to acquire MKHS, and requested that trading in the common shares be halted until such time as all required documentation has been filed with and accepted by the Canadian Securities Exchange (the “CSE”).

On December 14, 2015 the Company announced that it had entered into a letter of intent with Valens.

On January 21, 2016 the Company closed a US$250,000 convertible debenture financing (second tranche).

On February 12, 2016 the Company closed its November 25, 2015 announced non-brokered private placement for proceeds of US$500,000.

On March 31, 2015 the Company announced it had entered into a binding Letter of Commitment with Valens.

The net proceeds of the convertible debenture and private placement issues are funding the costs associated with the previously announced MKHS and Valens proposed share exchange transactions, the terms and conditions of the binding Letter of Commitment (the “LOC”) whereby Genovation Capital acquires MKHS, and for general working capital purposes.

In accordance with the LOC with MKHS, Genovation Capital is providing financial support for MKHS’ expansion plan, which includes the securing and purchase of real estate underlying existing operations and the completion of a 29,000 sf expansion of the existing greenhouse facility on a 9.5 acre property. All advances to MKHS by the Company are secured and collateralized through participation by the Company as a direct third party beneficiary in the expanded operations, pending the anticipated closing of the reverse takeover of MKHS by Genovation Capital.

INFORMATION CONCERNING VALENS AND MKHS

Name, Address and Incorporation

Valens Agritech Ltd. is a privately held biotechnology company focused on the emerging CBD (Cannabinoid) market. Its primary focus is providing medical researchers within Canada the purest forms of their proprietary strain of high level CBD extracts which are high in CBD but low in THC. They are currently aligned with several top research facilities to conduct a series of small human clinical trials for the treatment of epilepsy using their proprietary plant material and state of the art extraction methodology.

MKHS LLC, an Arizona limited liability company owns one hundred percent (100%) of both MKHS Dispensary Services, LLC, an Arizona limited liability company and MKHS Cultivation Services, LLC, an Arizona limited liability company (the “Management Services Companies”). In turn, MKHS Holding Company, LLC, an Arizona limited liability company owns one hundred percent (100%) of MKHS, LLC and Murphy R. Kittrell, Jr, and Barbara Kittrell, as Co-Trustees of the Murphy and Barbara Kittrell Living Trust dated October 27, 2005 are the controlling principals of the MKHS Companies and Murphy Kittrell is the founder of each of the non-profit dispensary corporations owned by the Management Services Companies (see Schedule “B” – MKHS Structure).

Description of Business of Valens
Valens’ primary focus is in the development of ultra-low THC valued plants with relatively high amounts of cannabinoids. To meet Health Canada’s strict guidelines of hemp plants that contain less than 0.3% THC, they have assembled a team of highly trained experts in the field of plant tissue development and agronomy to aid in the cross breeding programs embarked on. They also have one of the preeminent PhD’s in plant extractions in North America on staff.

Valens will be concentrating on the specialty development of Cannabidiol (“CBD”) oils for potential clients that want to use the material for compounding pharmaceutical products for the natural health products (“NHP”) market. They have several clients in the overseas market that have expressed a high interest in Canadian production of such materials. By focusing their attention to these emerging markets they will become the specialty producer of CBD products.

Valens will produce a variety of CBD rich materials with different Cannabinoid profiles for the domestic and international marketplace. They have the capacity to produce the raw extract as well as supply designated growing partners with strains of plants to be grown under licence for their localized market. Through their tissue culture facility, they can breed and develop different CBD profiles within the plants for research and development. They will be working with several large Licensed Producers (“LP’s”) to produce their material under licence for their production needs. This factor will continue to brand Valens as a world leader in the development of CBD materials for both domestic and international markets.

As the market develops, Valens will capitalize on its ability to set the standard for CBD development. Once the market grows, the industry will face regulatory control from Federal authorities. Valens will set forth the necessary protocols to conform to the new regulations.

By aligning with international distribution partners they will be able to continue producing CBD material for resale under the new export guidelines.

Valens will utilize state of the art extraction equipment as well as support a dedicated lab facility to process and extract the material for shipment to their R&D partners as well as their distribution clients.

Once the R&D work is done to develop their strains, they will look to expand their production ability with larger custom extraction equipment. There are several ways to extract CBD material but most leave some chemical or toxic residues after extraction. They are looking to do extraction with a process known as Critical CO2 extraction. This process equipment will leave no residues and is 90% efficient in extracting CBD. The equipment cost is approximately $350,000 but will give a chemically pure extraction method separating Valens from current methods employed in the industry.

As with any R&D company, they are actively seeking funding from research partners to continue to develop new methods and materials for CBD research. They will be entering into the Federal government’s SHRED program. This program will enable them to recover up to 65% of all R&D expenditures.

Valens is committed to green manufacturing methods and organic methods for the production of CBD materials and will grow using strict organic practices and guidelines. A sustainable approach to development and production is key to the operation.

**Description of Business of MKHS**

Under Arizona law, the issuance of a Dispensary License authorizes the retail sale of medical marijuana and related products to card holding patients and the cultivation and sale of medical marijuana. The production of by-products such as edibles, wax, CBD and hemp are also authorized under a dispensary license. The retail location of a dispensary must initially be located in the Community Health Analysis Area for which the License was issued (one year required). The cultivation site for each Dispensary may be and in this case is separate from the retail Dispensary stores and may be located anywhere in the State. The dispensaries are also entitled to sell any medical marijuana which it cultivates to any dispensary anywhere in the State.

MKHS, LLC provides all capital, physical assets and personnel necessary to allow the dispensaries to operate and cultivate. In return for providing these resources which allow the dispensaries to provide medical marijuana and related services to its patients, the Management Companies are paid a fee as to retail operations of ten percent (10%) of the costs of dispensary retail operations (other than payroll) and eighteen percent (18%) of the payroll expense. The Cultivation Management Company is paid twenty-five hundred dollars ($2500.00) per pound produced and delivered.
to a dispensary. The business model for the non-profit dispensaries is to sell as much as it can from its own cultivation retail and wholesale the balance available to third party dispensaries. Of the 128 licensed Dispensaries in the State, only 28 cultivate medical marijuana.

**Registrar and Transfer Agent**

The registrar and transfer agent for the Company is Computershare Trust Company of Canada/Computershare Investor Services Inc., 510 Burrard Street, 2nd Floor, Vancouver, British Columbia V6C 3B9.

**Legal Proceedings**

Valens and MKHS are not party to any outstanding legal proceedings, nor are any such proceedings contemplated.

**Material Contracts**

Except for contracts entered into in the ordinary course of business and as a result of the Transactions, there are no material contracts entered into by Valens and MKHS.

**Risk Factors**

An investment in companies such as Valens and MKHS involves a significant degree of risk. In addition to risk factors associated with the Company’s former oil and gas business which are discussed in the Company’s Annual MD&A, the following risk factors relate to the Company’s proposed line of business in the medical marijuana sector. If any of the events described by the risk outlined below actually occur, the Company’s business may be harmed and its financial condition and results of operations may suffer significantly.

**Reliance on License**

The Company’s ability to grow, store and sell medical marijuana in Canada is dependent on Valens obtaining a License from Health Canada. Once obtained, failure to comply with the requirements of the license or any failure maintain such license would have a material adverse impact on the business, financial condition and operating results of Valens, and the Company. Although the Company believes that Valens will meet the requirements of a controlled drug and substance dealer’s license and the MMPR for obtaining a License, there can be no guarantee that Health Canada will grant the License or, if it is granted, that it will be extended or renewed on the same or similar terms. Should Health Canada not grant, extend or renew the License or should it renew the License on different terms, the business, financial condition and results of the operation of the Company could be materially adversely affected.

**Regulatory Risks**

The activities of the Company and its subsidiaries will be subject to regulation by governmental authorities, particularly Health Canada and the Arizona Medical Marijuana Act. Achievement of the Company’s business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company 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 governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

**Change in Laws, Regulations and Guidelines**

The Company’s operations will be subject to a variety laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical marijuana but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. While the Company intends to comply with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company’s future operations.

On March 21, 2014 the Federal Court of Canada issued an order affecting the repeal of the MMAR and the application of certain portions of the MMPR which are inconsistent with the MMAR in response to a motion brought by four individuals. This order and its anticipated effects on Benton are described above under the heading "Narrative Description of the Business" As of the date of this Information Circular it is unclear how the Government of Canada will react to this order or how the Federal Court of Canada might ultimately decide the case to which the order relates. The risks to the business of the Company represented by this or similar actions are that they might lead to court rulings
or legislative changes that allow those with existing licenses to possess and/or grow medical marijuana and perhaps others to opt out of the regulated supply system implemented through the MMPR, in which the Company is applying to be a licensed producer. This could significantly reduce the addressable market for the Company’s products and could materially and adversely affect the business, financial condition and results of operations of the Company.

On February 24, 2016 in an historic decision the Federal Court of Canada determined that section 7 of the Charter was violated by the government’s implementation of the MMPR. Federal Judge Michael Phelan ruled in favor of four British Columbia residents, declaring the country's medical marijuana regime, known as the MMPR unconstitutional. This means that the federal law passed by the former Conservative government of Stephen Harper has no force and effect. The judge ordered the ruling suspended for six months, giving the Liberals, who campaigned on legalizing and regulating pot, time to revise the legislation. In the meantime, the judge has upheld a previous injunction that allows patients to continue growing their own cannabis.

Limited Operating History
The Company has yet to generate revenue from the sale of products, although MKHS has an operating history. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders’ investment and the likelihood of success must be considered in light of the early stage of operations.

Reliance on a Single Facility
The Company intends to focus its activities and resources on MKHS’s facilities in Arizona where expansion continues and the Company will continue to be focused on this facility for the foreseeable future until Valens becomes licensed and revenue generating. Adverse changes or developments affecting any of the facilities could have a material and adverse effect on the Company’s business, financial condition and prospects. Through the terms of the lease for the Valens facility the Company will bear many of the costs of maintenance and upkeep. The Company’s operations and financial performance may be adversely affected if it is unable to keep up with the maintenance requirements of the facility.

Reliance on Management
The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and proposed management of the Company, Valens and MKHS. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company’s business, operating results or financial condition.

Factors which may Prevent Realization of Growth Targets
The Company is currently in the early development stage. The Company’s growth strategy contemplates acquiring both Valens and MKHS or a similar medical marijuana producer and outfitting one or more facilities with additional production resources. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they are can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- plant design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

As a result, there is a risk that the Company may never have product for shipment in 2016 to meet the anticipated demand or to meet future demand when it arises.
Additional Financing
The acquisition of Valens, MKHS or other similar entities, the building and operation of production facilities and businesses are capital intensive. In order to execute the anticipated growth strategy, the Company will require some additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company’s inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit the Company’s growth and may have a material adverse effect upon future profitability. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Competition
There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Because of the early stage of the industry in which the Company intends to operate, the Company expects to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To be competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Risks Inherent in an Agricultural Business
The Company’s business will involve the growing of medical marijuana, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company expects that its products will be grown indoors under climate controlled conditions, carefully monitored by trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Vulnerability to Rising Energy Costs
Medical marijuana growing operations consume considerable energy, making such operations vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

Transportation Disruptions
Due to the perishable and premium nature of agricultural products, in Canada the Company will depend on fast and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of the Company. Rising costs associated with the courier services used by the Company to ship its products may also adversely impact the business of the Company and its ability to operate profitably.

Unfavourable Publicity or Consumer Perception
The Company believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana produced. Consumer perception of marijuana products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana 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 medical marijuana 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 the Company’s products and the business, results of operations, financial condition and cash flows of the Company. The Company’s dependence upon consumer perceptions means that adverse scientific research reports,
findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for medical marijuana products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the Company’s products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

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

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 medical marijuana products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company 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 the Company intends to have detailed procedures in place for testing finished 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 one of the Company’s products were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company’s products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company’s operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Reliance on Key Inputs
The Company’s business will be dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

Dependence on Suppliers and Skilled Labour
The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company’s capital expenditure program may be significantly greater than anticipated by the Company’s management, and may be greater than funds available to the
Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of the Company.

**Difficulty to Forecast**
The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

**Operating Risk and Insurance Coverage**
The Company intends to obtain insurance to protect its assets, operations and employees. While the Company believes insurance coverage can adequately address all material risks to which it may be exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company’s liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

**Management of Growth**
The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company’s business, financial condition, results of operations and prospects.

**Conflicts of Interest**
Certain of the directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

**Litigation**
The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company’s ability to continue operating and the market price for the Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

The market price of the Common Shares may be subject to wide price fluctuations
The market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts’ expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares.

**Dividends**
The Company has no earnings or dividend record, and does not anticipate paying any dividends on the Common Shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

**Limited Market for Securities**
Upon resumption of trading of the Company's shares, there can be no assurance that an active and liquid market for the Common Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

**Environmental and Employee Health and Safety Regulations**
The Company’s future operations will be subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to
compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company’s operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

APPROVAL OF SHARE CONSOLIDATION

The Company has received preliminary approval from the Canadian Securities Exchange (the “Exchange” or the “CSE”) for a share consolidation. It is the Company’s intention to consolidate its shares on a 3:1 basis which would result in the Company having 14,347,695 of its shares issued and outstanding after the consolidation, assuming existing convertible debentures are fully converted, or 9,085,195 of its shares issued and outstanding before conversion, prior to the closing of one or both of the proposed Transactions. Shareholders will be asked to pass a resolution at the Meeting substantially in the following form:

“BE IT RESOLVED THAT the shareholders approve of the Company’s intention to effect a 3:1 share consolidation.”

APPROVAL OF NAME CHANGE

The Company wishes to change its name as the board of directors of the Company may determine prior to, concurrent with, or post Transactions. It is understood that any application that Company wishes to make in regards to a name change is subject to regulatory approval.

Accordingly, at the Meeting, shareholders will be asked to pass a resolution in the following form:

“BE IT RESOLVED THAT the shareholders approve the Company’s intention to make an application for a name change.”

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.

OTHER MATTERS

The Directors are not aware of any other matters which they anticipate will come before the Meeting as of the date of this Circular.

APPROVAL OF INFORMATION CIRCULAR

The undersigned hereby certifies that the contents and the sending of this Circular have been approved by the Board.

Dated at Vancouver, British Columbia this 31ST day of March, 2016.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ “Robert van Santen”
Chief Executive Officer, President and Director

A NOTE ON AUDITED FINANCIALS

The consolidated audited financial statements for the years ending April 30, 2015 provided at the Meeting have been audited in accordance with Canadian generally accepted auditing standards.
RE: LETTER OF COMMITMENT

Dear Mr. Tombe,

This Letter of Commitment ("Letter") replaces the predecessor letter of intent dated and signed on December 11, 2015, and sets forth certain understandings and binding obligations between Genovation Capital Corp. ("GenCap"), and Valens Agritech Ltd. ("TargetCo"), a privately held biotechnology company that is focused on the emerging Cannabinoid market.

TargetCo has represented that it is in the cannabis cultivation and research business, which includes the assets and improvements of a 17,000 sq. ft. R&D facility in Winfield, and anticipated approvals, upon inspection from Health Canada, for a controlled drug and substance dealer's license (including the activities of cultivation, production (extraction), packaging, possession, sale, transportation, delivery and research). TargetCo has also entered into advanced negotiations with respect to a business arrangement with, and the potential acquisition of, AgriForest Biotechnologies Ltd. and the services of Dr. Kamlesh Patel, its President and CEO.

The proposed transaction will consist of GenCap acquiring TargetCo by way of a share exchange agreement or such similar agreement as recommended by legal counsel (the “Proposed Transaction”), in which GenCap will acquire all of the issued and outstanding capital stock of TargetCo (the “Shares”) from the shareholders of TargetCo (collectively, and each a “Vendor”). For purposes of this Letter, GenCap, TargetCo and Vendor are sometimes collectively referred to as “parties” and individually as a “party.”

The terms of the share purchase transaction will be more particularly set forth in a transaction document agreement and one or more definitive agreements (collectively, the “Definitive Agreement”) to be entered into by the parties as recommended by legal counsel, to effect the terms and conditions outlined herein. The following numbered paragraphs of Part I of this Letter and the term sheet attached as Schedule “A” hereto (the “Term Sheet”), and the outline of the proposed capital structure attached as Schedule “B”, reflect the status of our agreement regarding the matters described herein. Capitalized terms used herein but not otherwise defined shall have the meaning ascribed to such terms in the Term Sheet.

This Letter and the Term Sheet outline the proposed transaction based on each party’s present understanding of the current condition of the assets, financial position and business operations of the TargetCo.
TargetCo and the Vendor further understands that GenCap has a binding commitment letter and concurrently intends to acquire the C-Corp successor corporation of MKHS, LLC (the "MKHS Transaction"), and that in order to effect the transactions contemplated in this Letter, GenCap will effect a corporate reorganization prior to undertaking any of the transactions outlined in this Letter, and in relation to its corporate reorganization may require and seek shareholder approval at a Special or Annual General Meeting of shareholders, currently anticipated to be held April 29, 2016.

The Term Sheet and the attached Schedules “A” and “B” constitute a general outline of the proposed transaction, the purchase price, key ancillary agreements and important conditions, as well as the inclusion of the proposed MKHS Transaction as a completed acquisition. The provisions shall be included in the Definitive Agreement, and include the terms and conditions and required schedules similar to those set forth in the draft Share Exchange Agreement as circulated to TargetCo on January 5, 2016.

The parties expressly state their intention that this Letter as a whole, and Section 2 of Part I in particular, shall constitute a legal and binding obligation, contract or agreement between the parties, but is not intended to be an extensive summary of all of the terms and conditions of the proposed acquisition or the Definitive Agreement, which remains subject to the approval of all Parties. The parties expressly intend that Sections 2 - 9 of Part I and II of this Letter, upon acceptance by both Parties, shall constitute the parties’ agreements with respect to the procedures for negotiation and preparation of the Definitive Agreement.

<<Remainder of page intentionally left blank>>

<<Part I, Statement of Understanding follows>>
PART I: STATEMENT OF UNDERSTANDING

2. PREPARATION OF THE DEFINITIVE AGREEMENT

2.1 Definitive Agreement. It is intended that the Definitive Agreement to implement the Proposed Transaction will be in form and substance mutually acceptable to GenCap and TargetCo and will be in substantially the form customarily used for similar transactions, including customary indemnities, representations and warranties and conditions from and in favour of the parties. In addition, it is anticipated that the Definitive Agreement will include provisions with respect to the following:

(a) TargetCo will provide such audited and unaudited financial statements as may be required to be included in an information circular to be prepared by GenCap in relation to obtaining shareholder approval of the Proposed Transaction, if necessary;

(b) upon completion of the Proposed Transaction the board of directors and officers of the Resulting Issuer will be as indicated on the Term Sheet;

(c) conditions of completion, including the following:

(i) completion of the Definitive Agreement by GenCap (and/or its Subeco) which includes shareholder approval by GenCap and the TargetCo for the transaction as required;

(ii) GenCap, the acquiring reporting issuer, having no more than 16.67% of the common shares outstanding as of the closing of the Proposed Transaction, representing at least 150 shareholders, each with at least 500 common shares each;

(iii) GenCap will have completed and be satisfied, in its sole discretion, with the results of its due diligence review of TargetCo, such due diligence to cover legal, accounting, business, financial, operational, regulatory, environmental and other relevant matters;

(iv) TargetCo will have completed and be satisfied, in its sole discretion, with the results of its due diligence review of GenCap, such due diligence to cover legal, accounting, business, financial, operational, regulatory, environmental and other relevant matters of GenCap and its affiliates (including MKHS, LLC and any successor entity);

(v) the Board of Directors of GenCap and its Subeco will have approved the Proposed Transaction and the form of the Definitive Agreement;

(vi) the Board of Directors of TargetCo will have approved the Proposed Transaction and the form of the Definitive Agreement;

(vii) receipt of all approvals, including those of shareholders and applicable regulatory authorities, required in respect of the Proposed Transaction on terms and conditions satisfactory to GenCap, Subeco and TargetCo, acting reasonably;

(viii) no material adverse change having occurred in the business of GenCap, Subeco, MKHS, LLC (or any successor entity) and TargetCo;

(ix) completion of the MKHS transaction on terms satisfactory to TargetCo, acting reasonably;

(x) employment agreements and share/option positions for TargetCo’s key employees on terms satisfactory to TargetCo, acting reasonably.
(xii) no legal proceedings pending or threatened to prohibit, enjoin or materially restrict completion of the Proposed Transaction; and

(xii) approval of the security holders of GenCap, Subco and TargetCo, as applicable and if necessary, obtained at duly called shareholders meetings.

2.3 Closing Date: The Closing Date of the Proposed Transaction will take place on the date as specified in the Definitive Agreement and in no event later than 75 days from the date of the Definitive Agreement, or as otherwise mutually agreed to among the parties.

2.4 Structure: In order to facilitate the Proposed Transaction, GenCap, Subco and TargetCo each agree to use their commercial best efforts to formulate a structure for the Acquisition which is acceptable to each of the parties and which is formulated to:

(a) comply with all necessary legal and regulatory requirements;

(b) minimize or eliminate any adverse tax consequences; and

(c) be as cost effective as possible.

PART II: AGREEMENTS OF THE PARTIES REGARDING THE PROCEDURES FOR NEGOTIATION AND PREPARATION OF THE DEFINITIVE AGREEMENT

In consideration of all costs to be borne by each party in pursuing the acquisition and sale contemplated by this Letter and in consideration of the mutual undertakings by the parties as to the matters described in this Letter, upon execution of counterparts of this Letter by each party, the following Sections 3 - 9 (the “Binding Provisions”) will constitute legally binding and enforceable agreements of the parties regarding the procedures for the negotiation and preparation of the Definitive Agreement.

3. DUE DILIGENCE

3.1 From the date of acceptance by the parties of the terms of this Letter, until the negotiations are terminated as provided in Section 9 of this Letter, the TargetCo will give GenCap and GenCap's management personnel, legal counsel, accountants, and technical and financial advisors, full and unrestricted access and opportunity to inspect, investigate and audit the books, records, contracts, and other documents of the TargetCo as it relates to the TargetCo's business and all of the TargetCo's assets and liabilities (actual or contingent), including, without limitation, inspecting the TargetCo's property and conducting additional environmental inspections of property and reviewing financial records, contracts, operating plans, and other business records, for the purposes of evaluating issues related to the operation of the TargetCo's business. The TargetCo further agrees to provide GenCap with such additional information as may be reasonably requested pertaining to the TargetCo's business and assets to the extent reasonably necessary to complete the Definitive Agreement. GenCap further agrees to provide TargetCo with such additional information as may be reasonably requested pertaining to GenCap's and SubCo's business and assets to the extent reasonably necessary to complete the Definitive Agreement.

3.2 From the date of acceptance by the parties of the terms of this Letter, until the negotiations are terminated as provided in Section 9 of this Letter, GenCap will give TargetCo and TargetCo's management personnel, legal counsel, accountants, and technical and financial advisors, full and unrestricted access and opportunity to complete their required due diligence. GenCap is a public company under regulatory supervision, whose officers and directors are screened and approved by
regulators, which includes the filing and scrutiny of all officers’ and directors’ Personal Information Forms, a mandatory police check, and continuous disclosure obligations under the auspices of the provincial securities commissions. The Company undergoes an annual audit and files quarterly and monthly reports. All filings may be accessed on a government portal called SEDAR at www.sedar.com as well as a Canadian Securities Exchange portal at www.thecse.com. GenCap agrees to provide TargetCo with such additional information as may be reasonably requested pertaining to GenCap’s and SubCo’s business and assets to the extent reasonably necessary to complete the Definitive Agreement.

4. CONFIDENTIALITY

4.1 Except as and to the extent required by law, neither GenCap, Subco nor TargetCo will disclose or use, and will direct its respective representatives not to disclose or use to the detriment of the other party, any Confidential Information (as defined below) with respect to such other party furnished, or to be furnished, by either GenCap, Subco or TargetCo or their respective representatives to such other party or its representatives at any time or in any manner other than as may be agreed to by such other party.

4.2 For purposes of Section 4.1, “Confidential Information” means any information about or relating to Subco, TargetCo or GenCap stamped “confidential” or identified in writing as such promptly following its disclosure, unless (i) such information is already known to the other party or its representatives or to others not bound by a duty of confidentiality; (ii) such information becomes publicly available through no fault of the other party or its representatives; (iii) the use of such information is necessary or appropriate in making any filing or obtaining any consent or approval required for the consummation of the Proposed Transaction; or (iv) the furnishing or use of such information is required by, or necessary or appropriate in connection with, legal proceedings. Upon the written request of GenCap or TargetCo, as applicable, the other party will promptly return or destroy any Confidential Information in its possession and certify in writing to the other party that it has done so. The provisions of this Section shall survive termination of the agreements set forth in Sections 3 - 9.

5. PUBLIC DISCLOSURE

5.1 Except as and to the extent required by law, without the prior written consent of the other parties, neither TargetCo, GenCap, or Subco and each will direct its representatives not to, make, directly or indirectly, any public comment, statement or communication with respect to, or otherwise to disclose or to permit the disclosure of the existence of discussions regarding, a possible transaction between the parties or any of the terms, conditions or other aspects of the transactions proposed in this Letter. If a party is required by law to make any such disclosure, it must first provide to the other parties the content of the proposed disclosure, the reasons that such disclosure is required by law, and the time and place that the disclosure will be made. The provisions of this Section shall survive termination of this agreement.

6. DISCLAIMER OF LIABILITIES

6.1 Except to the extent the Vendor agrees to cover costs and disbursements of the corporate reorganization to complete this transaction and otherwise expressly provided in the Definitive Agreement entered into by the parties, each party shall be solely responsible for their own expenses, legal fees, accounting fees, and consulting fees related to the negotiations described in this Letter; whether or not any of the transactions contemplated in this Letter are consummated.

7. TERMINATION

7.1 Each party hereby reaffirms its intention that this Letter as a whole, including Sections 3 - 9 with Schedules, are intended to constitute a legal and binding obligation, contract and/or agreement
between the parties. If any party withdraws from dealing or completion prior to the Closing Date, or fails to negotiate in good faith, or if each party hereto has not entered into the Definitive Agreement by the Closing Date, then any obligation to negotiate and prepare the Definitive Agreement or otherwise deal with any other party to this Letter, the agreements of the parties set forth shall immediately terminate, and damages and compensation may result. It is agreed, however, that the terms of any subsequent agreement entered into by the parties has control over the right to withdraw from the terms and conditions of this Letter.

8. TERMINATION AND EXPENSES

8.1 Upon execution of the initial letter of intent by the Parties, TargetCo accrued a $10,000 (plus applicable taxes) liability to GenCap (the "Deposit"). The Deposit will be released immediately to GenCap upon termination.

TargetCo agrees to make a further accrual of $40,000 (plus applicable taxes) to GenCap to help compensate for the costs (acquisition/reverse takeover and/or plan of arrangement, administrative, court, legal, etc.) of completing the acquisition, reverse takeover and closing of the Proposed Transaction and achieving a listing on the Canadian Securities Exchange (the "Expense Payment"). The Expense Payment ($40,000 plus taxes) shall be deemed earned as follows: (i) $20,000 upon GenCap receiving shareholder approval for the Proposed Transaction; and $20,000 upon receiving conditional acceptance of the Proposed Transaction from the Canadian Securities Exchange, or to list the common shares in the case where Subco is spun out as a Reporting Issuer, and will be immediately due in the event of termination by GenCap pursuant to s. 8.3(b)(ii) below. It is understood by the parties that this Letter does not include or address necessary audit fees. All costs and expenses will have applicable taxes added to them. Each accrued payment by TargetCo to GenCap is payable in the event of termination by GenCap pursuant to s. 8.3(b)(ii).

8.2 Each party shall bear its own expenses with respect to the transactions contemplated by this Letter. It is understood by the parties that this Letter does not address Exchange listing fees, audit fees, transfer agent fees and other fees and disbursements, payable by the respective parties incurring the expense.

8.3 The discussions with respect to this Letter and the Proposed Transaction contemplated hereby may be terminated by TargetCo or GenCap at any time prior to execution of a Definitive Agreement as follows:

(a) by TargetCo providing written notice to GenCap as follows:

(i) if TargetCo is unsatisfied with the results of its due diligence review of GenCap and its affiliates (including MKHS, LLC and any successor entity);

(ii) if there shall be in effect a final non-appealable order of a governmental body of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the Proposed Transaction; and

(iii) the Corporate Combination (as described in Schedule "A") is not completed by June 30, 2016 as a result of delays which have not been caused by TargetCo.

(b) by GenCap providing written notice to TargetCo:

(i) if there shall be in effect a final non-appealable order of a governmental body of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the Proposed Transaction; and
(ii) if the Corporate Combination is not completed by June 30, 2016 as a result of delays which have not been caused by GenCap or its affiliates.

8.4 If the terms of this Letter are agreeable to the TargetCo, please sign a copy of this Letter and return a signed copy by March 31, 2016 at 4:30 p.m. (Vancouver time), by electronic mail to GenCap at rvs@genovacioncapital.ca or fax 778.379.9990, followed by a couriered original signed copy to GenCap. This Agreement may be executed in one or more counterparts, each of which when so executed shall be deemed an original, but all of which taken together shall constitute one and the same document. Upon acceptance of the Binding Provisions of this Letter (those provisions set forth in Sections 1-9 and Schedules) by each party, the parties will enter into the Definitive Agreement as recommended by legal counsel to govern the proposed acquisition and sale, subject to the termination provisions set forth in Section 8.3 above.

9. MISCELLANEOUS

9.1 This letter of intent shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein. The parties hereby irrevocably attorn to the jurisdiction of the Courts of British Columbia to hear any matter, action, proceeding or dispute relating to this letter of intent.

9.2 All references to "$" in this Letter shall refer to Canadian currency.

9.3 No amendment to this Letter will be valid or binding unless set forth in writing and duly executed by each of the Parties hereto.

9.4 This Letter may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument. Delivery of an executed signature page to this Letter by any Party by electronic transmission will be as effective as delivery of a manually executed copy of this Letter by such Party.

9.5 You are at liberty to obtain independent legal advice concerning this letter of intent prior to signing it. You further recognize that you have had the opportunity to seek independent legal advice. If you seek legal counsel, to clarify any terms or conditions of this letter of intent, you are at liberty to contact GenCap's legal counsel, Gordon J. Fretwell, keeping in mind that he does not act for GenCap.

9.6 The provisions of this LOI constitute the entire agreement between the parties and supersede all previous communications, representations and agreements, whether oral or written, between the parties with respect to the subject matter of this LOI.
ACCEPTED BY ALL OF THE UNDERSIGNED PARTIES ON THIS 20th DAY OF MARCH, 2016.

GENOVATION CAPITAL CORP.
Per: [Signature]
Robert van Santen, CEO
Per: [Signature]
Authorized signatory

VALENS AGRITECH LTD.
Per: [Signature]
Tim Tombs, CEO
Per: [Signature]
David Gervais

Witness

Witness

Witness
Schedule "A"
Term Sheet

<table>
<thead>
<tr>
<th>Corporate Combination:</th>
<th>Stage 1: GenCap will undertake the necessary steps to complete the Proposed Transaction with TargetCo.</th>
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<tr>
<td></td>
<td>Completion of the Proposed Transaction shall be subject to the following conditions, as applicable:</td>
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<td></td>
<td>• approval of the British Columbia Registrar of Companies;</td>
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<td>• shareholder approval of the Proposed Transaction;</td>
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<td>• approval from the Canadian Securities Exchange;</td>
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<td>• approval of the Supreme Court of British Columbia;</td>
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<td>• no legal proceedings pending or threatened to prohibit, enjoin or materially restrict completion of the Proposed Transaction; and</td>
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<td></td>
<td>• fewer than 10% of the shareholders, shall have exercised applicable dissent or similar rights in respect of the Proposed Transaction, unless waived by TargetCo.</td>
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|                       | Stage 2: GenCap and TargetCo execute a definitive agreement which will result in the acquisition of TargetCo by GenCap (the "Acquisition") pursuant to which TargetCo becomes a wholly owned subsidiary of GenCap. Upon completion of the Acquisition: |
|                       | • TargetCo will be a wholly-owned subsidiary of GenCap, a reporting issuer in the provinces of British Columbia, Ontario and Alberta; |
|                       | • The Acquisition will be structured such that the shareholders of TargetCo shall receive pro rata 36,000,000 GenCap common shares (in addition to the 475,000 share finder’s fee to Greylock Capital Corp. and a 200,000 share finder’s fee to A. Tyler Robson, collectively the “Fee Shares”) to own approximately 42% of the Resulting Issuer (as presented in Schedule B attached hereto), assuming the concurrent or prior closing of the acquisition of MKHS, L.L.C or its C-Corp-reorganized equivalent, as announced by GenCap on November 25, 2015; |
Combination Adjustments:

GenCap and TargetCo agree to adjust the terms of the Acquisition as follows:

- The Purchase Price issuance in the aggregate of thirty-six million (36,000,000) common shares (the “Transaction Shares”) shall vest (be considered earned, but still subject to escrow and pooling release agreements) substantially as follows, in any order of occurrence until all of the Transaction Shares have vested:
  
  - 30% of the Transaction Shares shall vest immediately upon the closing of the Proposed Transaction;
  
  - 60% of the Transaction Shares shall vest upon the receipt by TargetCo of a License under the Controlled Drugs and Substance Act and its Regulations to cultivate and process marijuana for scientific purposes or upon GenCap, TargetCo and/or their affiliates obtaining the substantially equivalent rights or authorization;
  
  - 10% of the Transaction Shares shall vest upon the receipt by TargetCo of a License to Produce under the Marijuana for Medical Purposes Regulations (“MMPR”) or upon GenCap, TargetCo and/or their affiliates obtaining the substantially equivalent rights or authorization;
  
  - 20% of the Transaction Shares shall vest in the event that GenCap does not complete the initial $1,200,000 financing contemplated below under “Financing” within the later of 3 months after the Closing Date and September 30, 2016, in which case the number of shares which remain subject to the foregoing escrow provisions shall be reduced proportionately based on the shortfall between the actual amount raised and the Initial Tranche required to be raised by GenCap;
  
  - Additional potentially accretive acquisitions or cash flow generation initiatives, such as the acquisition of the shares or assets of Agri-Forest Biotechnologies Ltd. or acquisition of another synergistic target company, that are completed by or through the efforts of TargetCo, will be rewarded through immediate vesting of a portion of the remaining unvested shares, as approved by the new board of Genovation from time to time, in proportion to that acquisition’s assessed projected contribution to free cash flow when compared to that projected from the expected licensing initiatives in the first full year of operation; and
  
  - all shares representing the Purchase Price which have not otherwise been released from escrow shall be released thirty-six (36) months after the Closing Date subject to the ability of the board of directors of Genovation to determine prior to the 36-month anniversary of the Closing that it wishes to divest itself of its interest in TargetCo by way of spin-out, in which case the parties agree that the unvested Transaction Shares of Genovation shall be deemed to have vested for the purposes of determining the number of shares of TargetCo to be issued to the shareholders of Genovation in connection with the spin-out.
<table>
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<tr>
<th>Board and Management:</th>
<th>Upon completion of the Acquisition, the board and management of Genovation will consist of two appointees from TargetCo (and two appointees from MKHS LLC assuming that acquisition is completed) and one appointee of GenCap, or up to three nominees of TargetCo (and three nominees of MKHS LLC assuming that acquisition is completed) and two appointees of GenCap.</th>
</tr>
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<tbody>
<tr>
<td>Financing:</td>
<td>After the Closing Date, GenCap shall undertake the following capital raising efforts (the “Initial Funding”):</td>
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<td>- GenCap will complete one or more private placement equity and/or debt financings on terms and conditions as agreed upon and directed by the new board of directors and appointed management;</td>
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<tr>
<td></td>
<td>- Within the later of three months after the Closing Date and September 30, 2016, GenCap will complete one or more financings raising net proceeds of not less than $1,200,000 in support of TargetCo’s business plan and use of funds, of which not less than $250,000 may be allocated to the payment of TargetCo’s outstanding wages and lease payments (the “First Tranche”);</td>
</tr>
<tr>
<td></td>
<td>- GenCap will allocate an aggregate of a net $6,000,000 of the Initial Funding, before direct fees and expenses, in support of TargetCo’s business plan and use of funds, subject to TargetCo’s successful licensing objectives having been met, along with the necessary Health Canada approvals in place to advance its stated business objectives;</td>
</tr>
<tr>
<td></td>
<td>- In the event that TargetCo has not yet achieved its full licensing objectives, GenCap will raise such pro rata portion of the Initial Funding as is equal to the percentage of Transaction Shares which have vested over the aggregate number of Transactions Shares;</td>
</tr>
<tr>
<td></td>
<td>- Subsequent to the First Tranche, GenCap will complete additional private placements and/or debt financings that satisfy the balance of the initial $6,000,000 commitment, on terms and conditions as agreed upon and directed by the new board of directors and appointed management, pro rata to any subsequently vested shares in proportion to the Purchase Price; and</td>
</tr>
<tr>
<td></td>
<td>- It is expressly a condition herein that the Initial Funding, other than the First Tranche, is to prioritize the retirement of TargetCo’s shareholders’ loans; provided, however, that the holders of TargetCo’s shareholder loans shall have a right of first refusal to participate in the Initial Funding financings to the extent of the outstanding balance of their respective shareholder loans.</td>
</tr>
</tbody>
</table>
### Financing Adjustments:

In the event that GenCap fails to complete the Initial Funding within six months after the Closing Date, either the number of Purchase Price shares shall be adjusted to the mutual satisfaction of all parties and as approved by the Board or, at the option of TargetCo, GenCap shall utilize its free cash flow (calculated on a consolidated basis and including, without limitation, free cash flow generated by MKHS) directly or indirectly to support the overhead and operational objectives as described in the TargetCo business plan, and thereby potentially avoid dilution that affects all of the stakeholders.

In the event that the Initial Funding results in greater dilution than the maximum, a result that occurs should the financing take place at less than an average $0.50 per share (post one-for-three share consolidation price) when combined and averaged with any additional funds raised concurrently on behalf of MKHS’ business plan, the Vendors of TargetCo and MKHS may, at their option, receive a pro rata adjustment to their Purchase Price shares such that:

- the greater dilution directly resulting from the failure to complete the financing at the minimum price is fully compensated for such that the Vendors are issued additional shares pro rata to attain the maximum dilution realized should the financing have taken place at $0.50.

### Shareholder Loans:

TargetCo's outstanding shareholder and related party loan balances as at Closing shall be subject to the following terms:

- each recorded by way of a demand loan agreement or demand promissory note, which demand may be called no earlier than 12 months from the execution of the Definitive Agreement
- interest at a rate of 9% per annum
- secured by general security agreements in registrable form ranking pari passu over TargetCo's assets
- TargetCo/GenCap may purchase a six month extension of the due date upon payment of an amount equal to 10% of the then outstanding balance of the shareholder or related party loan, payable by TargetCo/GenCap (at the option of the holder of the loan) through any combination of cash and shares of GenCap (issuable at the lesser of the 20 day weighted average share price and lowest discounted market price permitted under the then applicable discounted market price rules)

### Recommendation:

The board of each of GenCap and TargetCo will unanimously recommend to their respective shareholders that they vote in favour of the Corporate Combination at any meeting of the shareholders called to approve the Corporate Combination.

### Pooling Agreement:

All Transaction Shares and Fee Shares shall be subject to a pooling agreement as well as any regulatory-mandated escrow conditions for a period of thirty-six (36) months from the Closing Date, such that the shares may not be sold other than in accordance with the Escrow Agreement.
Schedule "B"

Assuming concurrent acquisition of MKIS LLC with the closing of the Valens Agritech closing, and the full setting of available stock options to management, directors and consultants representing 8,258 million shares pre-financing and 9,458 million shares post-financing (so, fully diluted):

### GENOVATION CAPITAL CORP

#### Pubco - Capital Structure

<table>
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<tr>
<th></th>
<th>#Shares</th>
<th>$Raised</th>
<th>$/Share</th>
<th>#Shares</th>
<th>$Value</th>
<th>$/Share</th>
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<tr>
<td><strong>TOTAL ISSUED</strong></td>
<td>43,045,086</td>
<td>7,090,624</td>
<td>0.16473</td>
<td>14,347,695</td>
<td>7,090,624</td>
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<td><strong>PROFORMA - ACQUISITION:</strong></td>
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<td></td>
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<tr>
<td>Acquisition - MKIS, LLC (C-Corp successor)</td>
<td></td>
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<tr>
<td>Acquisition - Valens Agritech Ltd</td>
<td></td>
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<tr>
<td><strong>TOTAL TRANSACTION ISSUE</strong></td>
<td>73,120,000</td>
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<td>0.49823</td>
<td>83.62%</td>
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<td><strong>TOTAL ISSUED PROFORMA</strong></td>
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<td>0.49791</td>
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#### POTENTIAL DILUTION:

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<td>1,856,666</td>
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<td>22-Sep-17</td>
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<td>22-Oct-17</td>
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<td>241,667</td>
<td>0.75000</td>
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<td><strong>TOTAL WARRANTS</strong></td>
<td>2,833,333</td>
<td>466,667</td>
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<td><strong>Options</strong></td>
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<td>27-Sep-12 Directors &amp; Officers</td>
<td>150,000</td>
<td>150,000</td>
<td>1.00000</td>
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<tr>
<td>11-Oct-13 Directors, Officers, Consultants</td>
<td>190,000</td>
<td>190,000</td>
<td>1.00000</td>
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<td>28-Nov-13 Directors, Officers, Consultants</td>
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<td>29-Nov-13 Directors, Officers, Consultants</td>
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<tr>
<td>21-Sep-15 Directors, Officers, Consultants</td>
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<td>87,500</td>
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<tr>
<td>23-Sep-15 Directors, Officers, Consultants</td>
<td>150,000</td>
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<td>0.10000</td>
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<td><strong>TOTAL OPTIONS</strong></td>
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<td><strong>TOTAL VOLUNTARY DILUTION</strong></td>
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<td>47,201,418</td>
<td>8,994,791</td>
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Assuming full $6 million equity financing at the minimum $0.50 per share price:

**NOTE:** The options set out above are currently overstated and will be corrected to reflect Genovation’s options as of the date of this Letter of Intent.
BUSINESS OVERVIEW FOR VALENS AGRITECH LTD.
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Description of the Business:
Valens Agritech Ltd. is a privately held biotechnology company that is focused on the emerging CBD (Cannabidiol) market. Our primary focus is providing medical researchers within Canada the purest forms of our proprietary strain of high level CBD extracts which are high in CBD but low in THC. We are currently aligned with several top research facilities to conduct a series of small human clinical for the treatment of epilepsy using our proprietary plant material and state of the art extraction methodology.

Major Demographic, Economic, Social, and Culture Factors:
The advances in treatment of several neurological disorders has prompted the investigation into new treatment protocols involving CBD materials. The medical marijuana industry has long touted the benefits of treating some diseases with medical marijuana and have had some success with this method. The problems with treating some patients is the higher THC values and the inability to smoke the product have excluded most patients from the benefits of the CBD materials. Alternate methods are now being investigated.

Valens’s primary focus is in the development of ultra-low THC valued plants with relatively high amounts of cannabinoids. To meet Health Canada’s strict guidelines of hemp plants that contain less than 0.3% THC, we have assembled a team of highly trained experts in the field of plant tissue development and agronomy to aid in the cross breeding programs we have embarked on. We also have one of the preeminent PhD’s in plant extractions in North America on staff.

Major Players, Suppliers, Distributors, and Clients As the market is so new to Canada, there has been little if any infrastructure developed to serve this market. By applying plant tissue culture technology into breeding programs, we will set the bar for the industry and standards expected to produce CBD materials. Within the current market in Canada, the industry is focused on the growth of high THC medical grade marijuana that must be inhaled for effect. Currently, there is no company in Canada legally capable of achieving genetically perfect, low THC value plants; we are poised to be that company.

Valens will be concentrating on the specialty development of CBD oils for potential clients that want to use the material for compounding pharmaceutical products or the NHP market. We have several clients in the overseas market that have expressed a high interest in CDN production of such materials. By focusing our attention to these emerging markets we will become the specialty producer of CBD products.

Nature of the Industry:
As the medical trials prove the effectiveness of CBD materials, the industry will see explosive growth to capture the emerging market. Valens Agritech Ltd. will have the scientific expertise and protocols to provide the market with the purest form of CBD materials harvested from one of the many proprietary strains we aim to develop.
Trends in the Industry:
Current trends in the industry tend to focus primarily on the production of dried medical grade marijuana. This material has a high THC value and currently is supported by a Health Canada licence program. Valens is focused on the true medical side of the industry, the production CBD material that contains no active THC and is rich in cannabinoids that can used as an investigational material to treat disorders such as Epilepsy, MS, and a host of other neurological disorders. Recently the Federal Supreme court granted the licensed Producers of Medical Marijuana the ability to produce extracted oils for their patients. As this now becomes the jurisdiction of Health Canada, new regulations and licencing will be coming into effect to regulate this ability. The industry is going to be forced into the pharmaceutical world very quickly, HC has not yet designed these rules and regulations and it will be some time before they can implement these new changes. As Valens already has adhered to the pharma regulatory we are poised to be the leader in the development of CBD derivatives for the pharma world. Our main focus at Valens is the development of a DIN (drug index number) for sale in Canada and throughout the international marketplace. We can achieve this through scientific research and clinical trials separating Valens from the LP market.

Government Regulations:
Health Canada has guidelines in place to deal with the production of controlled substances over 0.3% THC and protocols to deal with materials under the 0.3% threshold for THC. Valens will meet Health Canada’s requirement by conforming to current regulations regarding the production of a plant or materials not exceeding the 0.3% threshold. As the popularity of the CBD materials rise Health Canada will assuredly change policies regarding the cultivation of materials. At such a time, we will conform to the new regulations set forth by Health Canada.
The Market

Market Segment:
The Canadian market is primarily in the investigational stage of clinical trials with most major children's hospitals throughout Canada. As the approval of this phytomedical treatment is acknowledged, the market will grow either through pharmaceutical or nutraceutical sales. Overseas sales to clients for CBD is strong as the material is well recognized within the health industry throughout Europe and the Middle East.

Products & Services:
Valens will produce a variety of CBD rich materials with different cannabinoid profiles for the domestic and international marketplace. We have the capacity to produce the raw extract as well as supply our designated growing partners with our strains of plants to be grown under licence for their localized market. Through our tissue culture facility, we can breed and develop different CBD profiles within the plants for research and development. We will be working with several large LPs to produce our material under licence for our production needs. This factor will continue to brand Valens as a world leader in the development of CBD materials for both domestic and international markets.

Market Trends:
As public acceptance of the products continue to gain support the segment will see explosive growth. Market Indicators for the development of CBD production remain high as the products undergo further clinical trials and acceptance as an alternative treatments versus traditional pharmaceutical treatments. Globally, CBD's are recognized as acceptable alternate methods of treatment for some neurological and chronic conditions.

Implications or Risk Factors:
As the market develops, Valens will capitalize on its ability to set the standard for CBD development. Once the market grows, the industry will face regulatory control from Federal authorities. Valens will set forth the necessary protocols to conform to the new regulations.

Planned Response:
By aligning with our international distribution partner’s we will be able to continue producing CBD material for resale under the new export guidelines.
Operating Plan

Business Location
We have recently acquired a 17,000 sq. ft. R&D facility and have invested approximately 1.8M to build the growing space and labs to a level 10 security level (Level 11 is the highest in Canada). We have built this to support the manufacture, distribution and storage of any known narcotic, giving us unparalleled ability to manufacture different compounds for both the pharmaceutical and natural health product markets.

We are also planning on incorporating a full tissue culture lab to manipulate and develop genetic materials suitable for our research purposes. Part of the business plan will be to expand on this technology and supply other LP (Licensed Producers) with genetically perfect, chemically stable plant material.

At present, we have a negotiated deal with AgriForest Bio-Technologies Ltd. to develop and supply certain genetic materials for use in our facility.

Equipment, Furniture, & Fixtures
Valens will utilize state of the art extraction equipment as well as support a dedicated lab facility to process and extract the material for shipment to our R&D partners as well as our distribution clients.

Expenditures/Technology Requirements
Once the R&D work is done to develop our strains, we will look to expand our production ability with larger custom extraction equipment. There are several ways to extract CBD material but most leave some chemical or toxic residues after extraction. We are looking to do our extraction with a process known as Critical CO2 extraction. This process equipment will leave no residues and is 90% efficient in extracting CBD. The equipment cost is approximately $350,000 but will give us a chemically pure extraction method separating Valens from current methods employed in the industry.

Research & Development
As with any R&D company, we will be actively seeking funding from our research partners to continue to develop new methods and materials for CBD research. We will be entering into the Federal Government's Scientific Research and Development Tax Incentive Program (SR&ED) to help recover some of our R&D costs. This program will enable us to recover up to 65% of all R&D expenditures.

Environmental Compliance
Valens is committed to green manufacturing and organic methods for the production of CBD materials. A sustainable approach to development and production is key to our operation. We grow using strict organic practices and guidelines.
Human Resources Plan

Key Employees

<table>
<thead>
<tr>
<th></th>
<th>Name or Title</th>
<th>Key Responsibilities</th>
<th>Qualifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tim Tombe</td>
<td>CEO</td>
<td>Businessman</td>
</tr>
<tr>
<td>2</td>
<td>Dave Gervais</td>
<td>COO</td>
<td>Businessman</td>
</tr>
<tr>
<td>3</td>
<td>Dr. Kamlesh Patel</td>
<td>Director, Tissue Culture</td>
<td>PhD., Plant Sciences</td>
</tr>
<tr>
<td>4</td>
<td>Dr. Michael Kerr</td>
<td>Director, Plant Development</td>
<td>PhD., Soil Sciences</td>
</tr>
<tr>
<td>5</td>
<td>Dr. Yasantha Athukorala</td>
<td>Research &amp; Development</td>
<td>PhD., Bio-Technology</td>
</tr>
</tbody>
</table>

Additional Information:

- Within our R&D program we will employ a graduate student in plant sciences to develop a protocol for cross breeding and write their thesis on the aspect of CBD profiling in Hemp and their specific strains.
- See Appendix A-E for applicable bios, career profiles, and international equivalences (where applicable) of the above mentioned key employees.
Appendix A:
Timothy Tambe’s Bio
(One Page)
Bio for Timothy Tombe
CEO, Valens Agritech Ltd.

Tim has owned and operated several successful businesses for the majority of his working life. Starting out in the marine repair industry, Tim always knew that he wanted to eventually own his own boat shop. On the advice of a co-worker, Tim relocated his family to Auckland, NZ where he managed the service department at Master Marine where he was responsible for overseeing 12 full-time employees. Upon his return to Canada, Tim moved to the Okanagan to manage Shelter Bay Marine. It was during this time, that he decided to take the plunge and open his own boat shop, Pro-Marine in West Kelowna, BC.

He successfully owned and operated Pro-Marine (later Sun City Marine) for over 10 years, during which he was involved in several commercial real estate build-outs as well as part owner of Stelani Boat builders based out of Lake Country, BC. After the 10 successful years of being a small business owner, Tim decided to explore other areas of interest. He sold Sun City Marine and transitioned to the corporate world as a Taxation Collections Agent with Revenue Canada.

The pull of being an owner-operator was too strong however and it wasn't long before Tim returned to his small business roots. Advantage Microbial Solutions (AMS) was formed in 2009 to provide microbiological materials to the viticulture industry. Business flourished and AMS expanded to include several manufacturing facilities that produce a wide variety of organically certified material for the agriculture and horticultural industry.

It was during this time that Tim was introduced to Dave Gervais of Northwest Supplements, a pharmaceutical wholesaler, and the two partnered to form Valens Agritech Ltd., a phytopharmaceutical company. Tim & Dave were captivated by the news coverage on the successful treatment provided to Charlotte Figi, a child who suffers from Dravet’s Syndrome (a rare form of epilepsy), primarily in children. Seeing the demand in Canada for other patients of Dravet’s, Tim & Dave wanted to replicate similar successes.

Tim is excited to see Valens grow to its fullest potential in the treatment of neurological diseases. It’s his hope that eventually anyone will suffer from this debilitating disease can ultimately end up with a higher quality of life thanks to the innovation of Valens Agritech.
Appendix B:
David Gervais' Bio
(One Page)
Bio for Dave Gervais
COO, Valens Agritech Ltd.

Born and raised in Winnipeg, Manitoba, Dave comes from a long line of entrepreneurs. His family owned a service station & convenience store where he worked when he wasn’t playing hockey. Between working at the family business and hitting the ice, Dave developed a strong work ethic and attention to detail.

After high school, Dave and his family relocated to the sunny Okanagan where they opened Lakefront Sports Centre at the Grand Okanagan Resort (now known as the Delta Grand Okanagan) and rented out motorized lake rentals to both locals and tourists alike. The company eventually expanded to provide mountain bike rentals, tours of the famous Kettle Valley Railway, and kayaks just to mention a few. In 2003, Dave handed over the running of Lakefront Sports Centre to his sister who still successfully operates the business to this day.

In addition to operating Lakefront Sports Centre with his family, Dave also opened Kelowna Beach Rentals after being awarded a contract with the City of Kelowna to provide non-motorized beach rentals at two popular beach destinations in Kelowna, City Park and Tugboat Bay. Popularity for the rentals of stand-up paddle boards, kayaks, and other beach rentals took off and Dave could add another successful enterprise to his resume.

As operating a lakefront operation is seasonal, Dave worked as a sales rep in the construction & development sector up until 2016. At which time, he transitioned to becoming a consultant in the medical marijuana industry where he acted as a liaison between Health Canada and growers & patients. In addition to acting as a liaison, Dave also instructed growers on growing techniques, nutrient schedules, and grow-room designs & functions.

It was during this time that Dave was introduced to Tim Tombe of Advantage Microbial Solutions and the two partnered to form Valens Agritech Ltd., a phytocannabinoid company. Tim & Dave were captivated by the news coverage on the successful treatment provided to Charlotte Figi, a child who suffers from Dravet’s Syndrome (a rare form of epilepsy, primarily in children). Seeing the demand in Canada for other patients of Dravet’s, Tim & Dave wanted to replicate similar successes.

Dave is excited to see Valens grow to its fullest potential in the treatment of neurological diseases. It’s his hope that eventually anyone will suffer from this debilitating disease can ultimately end up with a higher quality of life thanks to the innovation of Valens Agritech.
Appendix C:
Dr. Kamlesh Patel’s Resume
& International Credential Evaluation Report
(Four Pages)
Dr. Kamlesh R. Patel, M.Sc., Ph.D.

Work Experience:
- President & CEO (2000 to date)
  AgriForest Bio-Technologies Ltd.
  4280 Wallace Hill Rd. Kelowna, BC. Canada V1W 4B6
- Director Of Research & Development (1985-2000)
  AgriForest Technologies Ltd.

Research Experience:
- Post Doctoral Fellow (1982-1985)
  Department Of Biological Sciences
  University of Calgary
  Calgary, Alberta
  Canada
  School of Forestry & Environmental Studies
  Yale University
  New Haven, CT
  USA
  Department of Biology
  Sardar Patel University
  Gujarat, India

Education:
- Ph. D. University School of Sciences, Gujarat University, India
- M.Sc. University School of Sciences, Gujarat University, India
- B.Sc. Gujarat University, India

Career Profile:
Dr. Kamlesh Patel is a leading-edge biotechnologist, who is also the President and CEO of AgriForest BioTechnologies Ltd., a plant biotechnology company located in Kelowna, BC. Dr. Patel received his Ph.D. in 1978 from University School of Sciences, Gujarat University, India. Dr. Patel was awarded several scholarships including the prestigious national scholarship to study abroad from the Government of India. In 1980, he moved to the United States to further his research at Yale University. His research at Yale School of Forestry and Environmental Studies focused on the changes in the genetic make-up of forestry tree species during the tissue culture process. Upon completion of his research work at Yale, Dr. Patel was given the opportunity to work with Dr. Trevor Thorpe at the University of Calgary, a pioneer in the field of plant tissue culture. At the University of Calgary, Dr. Patel was involved in developing tissue culture protocols for large-scale production of conifer tree species used for reforestation. His continued association with Dr. Thorpe led to his appointment as an adjunct associate professor with the University of Calgary. During his research career from 1978 to 1985 with the universities, Dr. Patel has authored & co-authored over thirty-five publications in national & international scientific magazines & books.

Dr. Patel moved to Kelowna in 1985 to begin his career as the Director of Research and
Development at AgriForest. The company’s original mandate was to provide tissue culture derived fruit trees to the orchardists in the Okanagan valley. However, early into its inception, AgriForest began to face problems due to the declining demand for fruit trees from the orchard industry. Dr. Patel recognized the urgency of AgriForest’s situation and was the leading voice for AgriForest’s diversification of its product range to meet a growing demand by the horticultural industry across Canada. In order to expand the product range of AgriForest, Dr. Patel used his scientific credibility and connections to establish collaborative research projects with various scientific institutions, which include Pacific Agricultural Research Centre in Summerland and the University of Calgary. Dr. Patel was successful in obtaining research funding exceeding over a million dollars from agencies like Science Council of BC, Canadian Forestry Service, BC Innovation Council, National Research Council and Agri-Opportunity Program of Agriculture Canada for various research projects undertaken by AgriForest over the years.

As a result of commercialization of these research projects, Dr. Patel was able to expand AgriForest’s product range, resulting in a steady and successful organic growth of AgriForest in its revenue, size and profitability. Under his supervision the product range expanded from fruit trees to include ornamental shade trees, shrubs, roses, lilies, fuchsias, Saskatoon berries, Honeyberries and most recently, prairie hardy Cherry varieties. AgriForest currently produces over two hundred different plant varieties using tissue culture technology. The research and development division of AgriForest continues to expand and develop new tissue cultured plant varieties. Producing over a million plants, AgriForest has grown into one of the largest suppliers of tissue cultured plants in North America. These advancements in tissue culture have led AgriForest to obtain various patents for its tissue culture process in Canada, the US and in Europe.

With increased production and demand for AgriForest products there has been a significant increase in the employment at AgriForest. From a staff of three just a few years ago, today AgriForest employs about 20 people comprised of sales and marketing, research scientists, laboratory, technical and production personnel. The sales revenue and profitability of AgriForest have also continued to grow under Dr. Patel’s stewardship, as AgriForest embarks on more new and exciting research projects leading to new products. Its research and development and the tissue culture production facilities are at the leading edge of biotechnology.

Under Dr. Patel’s supervision, AgriForest has also become more active in its participation within the community. Working with the school district of Kelowna Dr. Patel has been able to establish a career preparation program for high school students. AgriForest also employs three to four university students during summer terms enabling them to gain experiences in the field of biotechnology.

Since Dr. Patel has joined AgriForest, the company accomplished great many achievements. In 2005 the National Research Council of Canada recognized AgriForest as a Canadian Innovation Leader. AgriForest was also a finalist for the ‘Business Excellence Awards’, an event sponsored by the Kelowna Chamber of Commerce. In the past, AgriForest has received several awards for its tissue culture products including, the ‘New BC Product Award’ from the BC Chamber of Commerce and the ‘Award for Best Business Achievement’ from the Government of BC. Dr. Patel was the recipient of the ‘Innovator of the Year’ Award from the Okanagan Science and technology Council in 2004. This award recognizes a leading individual who has demonstrated innovation, leadership, sound business practices and community development. In 2010 under the leadership of Dr. Patel, AgriForest won $100,000 award for
Commercialization of Agricultural Technology competition sponsored by BC Innovation Council. Agriculture Canada through its Agri-Opportunity program provided additional $88,500 funding to build an innovative, energy efficient micropropagation facility. Dr Patel has made AgriForest, a leading edge company, which is at the forefront of developing innovative technology that benefits the agriculture, horticulture and forestry industries as well as the Okanagan community.
INTERNATIONAL CREDENTIAL EVALUATION

BASIC REPORT

Name: PATIL, Kamlesh

Client Number: A00964915

Date Evaluation Completed: February 11, 2015

PART I. DESCRIPTION OF EDUCATION ACHIEVED

Credential 1: Doctor of Philosophy (1978)
Country: India
Institution: Gujarat University
Institutional Recognition: University Grants Commission of India
Program: Three-year doctoral program in botany, "Histochemical Studies on Effects of Some Growth Regulators on Nucleic Acids, Proteins, Ascorbic Acid and Enzyme Metabolism"

Normal Basis of Admission: Minimum of a two-year master degree
Awarded to: Kamleshkumar Ranibhodai Patel
Document Authentication: Examination of original documents

END OF PART I

PART II. COMPARABLE LEVEL OF EDUCATION

ICES Recommendation

- The completion of the Gujarat University, Doctor of Philosophy is considered generally comparable to the completion of a doctorate (Ph.D.) at a recognized post-secondary institution in British Columbia and elsewhere in Canada.

Credential 1:
- The completion of the Gujarat University, Doctor of Philosophy normally requires the completion of a total of 19 years of study: 11 years at the primary and secondary level, 3 years at the undergraduate level, 2 years at the master level, and 3 years at the doctoral level.
- The completion of the doctorate (Ph.D.) in British Columbia and elsewhere in Canada normally requires the completion of a minimum of 20 years of study: a minimum of 12 years at the primary and secondary level, a minimum of 4 years at the undergraduate level, 2 years at the master level, and a minimum of 2 years at the doctoral level.

END OF PART II

END OF REPORT
Appendix D:
Dr. Michael Karr's Resume
(Two Pages)
Michael C. Karr  
Ph.D, ARCPACS Certified Professional Soil Scientist

2576 Dobson Ct • Loveland, CO • 80538 USA • (303) 970-461-3966 • (650) 719-458-1457 • mkarr318@outlook.com

Education & Certification

CERTIFIED PROFESSIONAL SOIL SCIENTIST | 1993
- Applied Reg. Cert. Prof. in Agronomy, Crop, and Soil Science

Ph.D | AUGUST 1988 | PURDUE UNIVERSITY, WEST LAFAYETTE, IN
- Soil Science

M.S. | 1985 | PURDUE UNIVERSITY, WEST LAFAYETTE, IN.
- Soil Chemistry

LIFETIME COMMUNITY COLLEGE TEACHING CREDENTIAL | 1982 | CALIFORNIA

B.S. | 1982 | CALIFORNIA STATE POLYTECHNIC UNIVERSITY, PONOMA CA
- Vegan from Landic Soil Science

B.A. | 1978 | CALIFORNIA STATE POLYTECHNIC UNIVERSITY, PONOMA CA
- Camp Landic Behavioral Sciences

Work Experience

DIRECTOR, SCIENCE & TECHNOLOGY | BIOZ AGRI PRODUCTS, OLIVER BC | JANUARY 2003 - PRESENT
- Development and evolution of new fertilizers, growth regulators, and soil amendments to fit organic and sustainable farming systems. Scientific support for patents and certifications. Recreation of new pest control and standards from soil and water.

SOIL SCIENTIST & AGRONOMIST | SELF-EMPLOYED | NOVEMBER 1998 - JANUARY 2003
- Writing, training, troubleshooting, and tech support on non-traditional agri inputs and sustainable agriculture research on sustainable product development.

FIELD AGRONOMIST & IRRIGATION SPECIALIST | AGRO-ENGINEERING, COLORADO | 1998
- Soil, agronomic, & irrigation consulting on potatoes, barley, wheat, & alfalfa.

PRODUCT DEVELOPMENT AGRONOMIST | CHA SEEDS, SOUTHEAST USA | 1993 - 1997
- Field evaluation of experimental crop varieties, agronomic diagnostics and training, writing popular agronomic supplies, and supplemental field research projects.

MANAGER, AGRONOMY SERVICES | AGWAY INC., NORTHEAST USA | 1994-1995
- Agronomic training, sales support, soil fertility, and composting research, fertilizer development, agronomic support, and writing articles for agway press and public.

ASSISTANT PROFESSOR | UNIVERSITY OF WISCONSIN, DEPARTMENT OF PLANT & EARTH SCIENCES | 1988-1994
- Teaching 50% during academic year, summer research in soil fertility, nutrient management, composting, and production horticulture.
- Courses Taught:
  - Introductory Soil Science
  - Soil Fertility
  - Soil Chemistry
  - Soil & Water Conservation
  - Soil & Water Pollution and Control
  - Orientation to College
Graduate Research and Teaching Assistant | University of Wisconsin, Department of Agronomy | 1983 - 1987

- M.S. & Ph.D. thesis research
- Lab technician
- Intro Soils
- Soil Fertility
- Graduate Soil Chemistry
- Soil & Plant Analysis

Current Professional Memberships
- American Society of Agronomy
- Soil Science Society of America
- Sigma Xi
- Gamma Sigma Delta

Research Projects
University of Wisconsin – River Falls
- Evaluation of Biological Phosphorus Fixation as an Alternative to Fertilizer Nitrogen for Soybeans
  - Co-investigator with J. Haselman, Dept. of Plant Pathology, University of Wisconsin, Madison
  - 1992 - 1993
- The Significance of Soil Calcium and Magnesium Saturation in Alfalfa Production
  - Co-investigator, UW System Up-Op Research Funds
  - 1991 - 1992
- Wheat Straw Composting of Annual Herbs and Bedding in Wisconsin Farms
  - Co-investigator - Wisconsin GIS Funding
  - 1991 - 1993

Purdue University

Patents

Appendix E:
Dr. Yasantha Athukorala’s Resume
& International Credential Assessment Report
(Seven Pages)
CURRICULUM VITAE

YASANTHA ATHUKORALA, PH.D.
210-13677 Rossedale Avenue • Summerland, BC V0H 1Z5 CANADA
(778) 214-2615 • yasantha7@yahoo.com

SUMMARY OF QUALIFICATIONS

Life Sciences Research Scientist • Teaching and Mentoring • Collaborative Project/Team Leadership

An accomplished scientist with outstanding research, teaching and leadership skills and more than 6 years of experience in investigating bioactive compounds from agricultural bio-resources. Possess unique background of Biotechnology, Chemistry and Bio-resource Technology knowledge. Demonstrated record of project and publication success advancing knowledge by discovering naturally-occurring bioactive-compounds using enzymatic digestion, bioassay-guided extraction and fractionation procedures with potential commercial applications in food, health and bio-resource utilization industries. Dedicated and creative with superb inter-disciplinary communication, collaborative relationship-building and team leadership attributes.

CORE COMPETENCIES

Hands-on Research Experience in Chemical Biology and Biochemistry • Extraction, Separation and Characterization of Bioactive Compounds • Teaching and mentoring • Analytical Method Development • Analytical Techniques (GC, GC/MS, FTIR, HPLC, NMR, others) • Cellular, Molecular and Biotechnological Techniques • Research Project Management • Team Leadership • Analytical Problem Solving/Critical Thinking.

RESEARCH EXPERIENCE

MAZZA INNOVATION LTD., Summerland, BC, Canada
Laboratory Supervisor

- Design experiments to determine the optimum processing conditions for the hydrothermal treatment and extraction of high value bio-active phytochemicals (i.e., polyphenolic compounds, bioactive poly-acetals) from plant materials (i.e., agricultural waste materials and forest biomass materials) by bench-scale PhytoClean™ technology.
- Assist in the development and implementation of bench scale PhytoClean™ extraction processes for subsequent transition to pilot scale production.
- Perform bioanalytical research and validation (i.e., HPLC methods development) and participate in instrument trouble-shooting and investigation of new analytical protocols/methods.
- Manage the analytical laboratory, extraction facility and associated equipment. Involve in record keeping, data based management and setting-up of fixed processing equipment and analytical laboratory for the production of plant extracts.
- Supervise and train of employees and students in the Mazza Innovation research facility.

RYERSON UNIVERSITY, SCHOOL OF NUTRITION, Toronto, ON, Canada
LABORATORY OF Y. Y. YU
Postdoctoral Fellow

- Performed first ever study of functional characteristics, biological activity and bioavailability of mycosporine-like amino acids (MAAs) from Canadian red alga, in particular, determined MAA profiles of wild-harvested and cultivated C. aeruginosa, wild M. stellata and P. palmata utilizing LC/MS and MS analytical techniques.
- Innovated approach to more effectively separate MAAs from marine algae compared to conventional methods by reviewing latest research and modifying/revising existing extraction techniques. Published new data in the form of a book chapter and presented findings at 2 international conferences (see Publication Addendum).
RESEARCH EXPERIENCE
(Continued)

- Contributed to new advances in the characterization of strong anti-cancer effects of MAA compounds found in industrially important Canadian edible seaweeds by discovering and identifying 7 MAA compounds in 9 industrial-grown seaweed species, thereby increasing commercial potential.

- Served a key role in performance of research project evaluating antiproliferative properties of MAAs on human cancer cell lines including HeLa, U-937 and Caco-2, using flow cytometry data. Demonstrated MAA-induced sequence of cell cycle arrest and caspase-3/7 activation followed by apoptosis and growth inhibition of HeLa cells.

- Facilitated mode of action of anti-cancer, antiproliferative activity on human cancer cell lines, as well as cosmeceutical and antioxidant action, of MAAs isolated from marine red algae. Successfully completed project meeting all deadlines.

- Promoted commercial opportunities for edible marine red alga in functional food, processed food, cosmeceutical and pharmaceutical industries, in addition to benefiting the algal industry in Atlantic Canada by developing industry links in New Brunswick and Nova Scotia.

- Valued as trusted leader and advisor cultivating collaborations with other laboratories and research institutes to enable sharing of research facilities. Trained graduate/undergraduate students in analytical lab techniques, including cell culturing. Ordered chemicals and lab supplies at best prices for increased productivity.

- Recognized for academic excellence and research achievements and awarded nationally competitive and prestigious 2-year postdoctoral fellowship at Ryerson University in Toronto, Canada. Additionally awarded 2 travel grants.

PACIFIC AGRI-FOOD RESEARCH CENTRE, Summerland, BC, Canada
LABORATORY OF G. (JOE) MAZZA

2008 – 2010

Visiting Fellow

- Elevated project performance by developing a new environmentally-friendly, cost-effective and solvent-free "green" extraction technique using a supercritical CO₂ (SC-CO₂) system that is ideally suited for extraction, separation, fractionation and purification of important bioactive compounds from agricultural residues.

- Devised highly-effective extraction strategy and isolated natural waxes with diverse industrial applications from agri-industrial waste material by performing quantitative/qualitative comparative analyses to demonstrate the greater efficiency of SC-CO₂ extraction over conventional hexane solvent extraction.

- Improved purity and yield of waxes extracted from straw (including flax, triticale and wheat varieties) and bran by varying temperature (T), pressure (P) and flow rate (F) of the SC-CO₂ system. Determined the chemical composition, as well as key spectral and thermal properties, of crude and purified wax samples.

- Optimized yield of wax from flax straw with major constituents (fatty acids, primary alcohols, alkanes, sterols, aldehydes and wax esters) at a P of 61.0bar, T of 74.7 °C, and observed linear, quadratic and interaction effects. Developed second order polynomial model exhibiting high coefficient of determination.

- Minimized extraction time by using SC-CO₂ system to isolate virtually all alkynes (ARs) from triticale bran in only 4-8 hours compared to 72 hours for more traditional and toxic solvent extraction methods. Developed a user-friendly manual for SC-CO₂ extraction, still in use today.

- Overcame challenges faced by food industry with regard to restrictive environmental regulations by developing processing techniques that reduce organic solvent consumption. Used low value agricultural materials with high yield of valuable bioactive compounds through SC-CO₂ extraction, easily adapted to large scale isolation of ARs.

- Demonstrated broad range of analytical knowledge and skills by performing GC-MS method development, analysis and identification of bioactive compounds (fats, waxes, sterols, polyunsaturated, ARs and polysaccharides), open column chromatography, HPLC, product optimization with RSM and degradation/stability analysis by DSC and FTIR.
RESEARCH EXPERIENCE
(Continued)

- Authored 4 publications in peer-reviewed journals and presented at 3 international conferences. Demonstrated strong performance in research projects leading to renewed funding. Built collaborations with other research groups. Delivered expert training/technical support to graduate/undergraduate students which increased group productivity.

CHERU NATIONAL UNIVERSITY, Jeju-do, South Korea
LABORATORY OF YO-HIN JHON
Ph.D. and M.Sc. Research

- Acquired advanced research skills and experience in development of environmentally-friendly, economical technique for extraction and investigation of algal bioactive compounds using novel food grade enzyme hydrolysis of algal biomass, with results showing a higher bioactive compound yield compared to extraction with water/organic solvents.
- Demonstrated utility of enzymatic digestion of algae as source of novel biologically active compounds by designing/developing experiment and conducting mass study of enzymatic hydrolysis of E. coarz, which is stable even after heating 10 min at 100°C. Published study in Food and Chemical Technology with 104 citations in refereed papers.
- Isolated and elucidated the mechanism of activity for anti-cancerous compounds from E. coarz, a marine brown algae using new procedure for extraction procedure. Demonstrated purified compound possesses strong anti-inflammatory activity similar to commercial anti-inflammatory, Naproxen, making it a candidate for further drug discovery.
- Revealed, for first time, antioxidant activity of G. flicina on hydrogen peroxide-induced DNA damage in rat lymphocytes, with antioxidant activity in fish oil and linoleic acid comparable to commercial antioxidants BHA and BHT and potential for formulating different foods. Served as first author and prepared manuscript for publication.
- Increased knowledge of analytical techniques and improved multiple project performance by conducting cell culture/banking, antiproliferative assays, flow cytometry, cellular morphology, caspase protein expression, HPLC, GC and antioxidant assays. Co-authored research studies.
- Developed new technique in successful completion of M.Sc. research requirements, enabling separation of agarose from agar using DMSO, yielding high-quality agarose with respect to DNA resolution power and ligase activity similar to commercial agarose. Work published in 2005.
- Recognized for achievement and honored with multiple presentation awards, including Korea-China-Japan International Symposium award and Foreign Student of the Year award in 2007 from Cheju National University. Awarded fellowship for Ph.D. studies.
- Directed research activities of many graduate and undergraduate students as well as teaching experience as Teaching Assistant. Displayed strong relationship-building skills building collaborations with other research labs in the University.

NATIONAL INSTITUTE OF TECHNICAL EDUCATION (NITE), Sri Lanka
ADVISOR: D.D. WISENGITE
Research Assistant
Topic: Tertiary and Vocational Education Status in Sri Lanka

INDUSTRIAL TECHNOLOGY INSTITUTE, Sri Lanka
ADVISOR: S. WILSON
Research Assistant
Topic: Isolation and Purification of Natural Antifungal Compounds from Nepheudea fuscata

UNIVERSITY OF RICHON, Sri Lanka
ADVISOR: M. WIBERATNE
Research Assistant
Topic: Application of Integrated Pest Management in Sri Lankan Paddy Fields

2001 – 2002
2001
1999 – 2000
TEACHING EXPERIENCE

CARLETON UNIVERSITY, DEPARTMENT OF CHEMISTRY, Ottawa, ON, Canada
FOOD SCIENCE AND NUTRITION
2011 – 2012
Guest Lecturer
• Displayed excellent teaching skills and mastery of course material in teaching the following course topics:
  ▶ Food Engineering (Green extraction and purification techniques of bioactive compound from agricultural bioresources), FOOD 3004.
  ▶ Functional Food & Nutraceuticals (Anticancer activity of sulfated polysaccharides and their mechanism of action), FOOD 5105.
  ▶ Food Analysis (Food analytical techniques), FOOD 3002.
  ▶ Work Shop: Supercritical Carbon Dioxide Extraction.

RYERSON UNIVERSITY, SCHOOL OF NUTRITION, Toronto, ON, Canada
2011
Guest Lecturer
• Delivered expert instruction and contributed to teaching of Course FND 100, Starch Chemistry and Processing.

CHUJU NATIONAL UNIVERSITY
DEPARTMENT OF MARINE BIOTECHNOLOGY, Jeju-do, South Korea
2002 – 2007
Teaching Assistant
• Excelled in graduate teaching assistant position, teaching topics that included Marine Microbial Utilization: Advanced Bioreductive Substances and Marine Natural Products in Food Science.

UNIVERSITY OF RUBUNA, Matare, Sri Lanka
1999-2000
Research Assistant and Demonstrator
• Gained teaching and research experience assisting Integrated Pest Management community-based research project.

EDUCATION

CHUJU NATIONAL UNIVERSITY, Jeju-do, South Korea
Ph.D., Department of Marine Biotechnology
2004 – 2007
• Demonstrated outstanding performance with GPA of 4.43/4.5 and Ph.D. thesis entitled Anticoagulant and antithrombin activities of sulfated polysaccharides purified from Ecklonia cava and Grateloupia filicina.

CHUJU NATIONAL UNIVERSITY, Jeju-do, South Korea
M.Sc., Department of Marine Biotechnology
2002 – 2004
• Excelling academically with GPA of 3.34/4.5 and acquired practical research experience with M.Sc. thesis entitled Anticoagulant and antithrombin activities of Ecklonia cava.

UNIVERSITY OF RUBUNA, Matare, Sri Lanka
1995 - 1999
B.Sc., Department of Agricultural Biology
• Achieved Second Class (Honors) and completed thesis study, Investigation of oil patch disease of Dracaena sanderiana cv. Gold.

Educational Qualification: Ph.D., M.Sc. and B.Sc. degrees are equivalent to Canadian Standard Level as evaluated by International Credential Assessment Service of Canada (ICAS, File #: 12970907)
COMPUTER SKILLS

SAS • SPSS • K¥Plo • FlowJo (Flow Cytometry) • Comet 5.0 (Comet Assay) • ChemStation (HPLC and GC) for Statistical Data Analysis • Adobe Photoshop • MS Office (Word, Excel, PowerPoint, Outlook) for Mac and PC

GRANT FUNDING

Co-Principal Investigator, Potential biological activities of mycosporine-like amino acids (MAAs) purified from edible marine red alga Ceramium furcata, Ryerson University, 2010-2013

Principal Investigator, Mycosporine-like amino acid (MAA) profiles and induction of apoptosis by wild and cultivated Chondrus crispus (Irish moss) and Palmaria palmata (heidse), Ryerson University, Faculty of Community Services (FCS) Travel Grants, 2011 and 2012.

PROFESSIONAL DEVELOPMENT

Awards:
• Industrial Research and Development Fellowship, Natural Sciences and Engineering Research Council of Canada (NSERC), 2013-2015
• Ontario/Ryerson Postdoctoral Fellowship, Ryerson University, 2010-2012
• Postdoctoral Fellowship, University of Alberta, 2010-2011
• Visiting Fellowship, Natural Sciences and Engineering Research Council of Canada (NSERC), 2009-2010
• International Student of the Year Award, Cheju National University (CNU), 2007
• Poster Presentation Award, Korea-China-Japan International Symposium, 2007
• Ph.D. Fellowship Award, CNU, 2004-2007
• Ph.D. Fellowship Award, National Chung Hsing University, 2004-2009

Scientific Reviewer Invitations:
Food and Chemical Toxicology • Carbohydrate Polymers • Process Biochemistry • Journal of Pharmacy and Pharmacology • Journal of Photochemistry and Photobiology B: Biology

Professional Memberships/Affiliations:
World Aquaculture Society (WAS) • Institute of Food Technology (IFT) • Canadian Nutrition Society (CNS) • Canadian LC-MS group

Personal Interests/Achievements:
President, International Students Group, Cheju National University, South Korea, 2003 • Team Captain, University of Ratnagiri Basketball and Field Hockey teams, Sri Lanka 1996/7/9 • President, Bird Club and Representative of University of Ratnagiri, Faculty of Agriculture, Sri Lanka

Driver’s License: Full G license with clean driver’s abstract

Language Skills: Fluent in English and Sinhala • Conversant in Korean

Status in Canada: Permanent Resident
ASSESSMENT REPORT

Name: Yasartha Athukorala
Birth Date: November 25, 1973

File No: 12070907

 Credential: Bachelor of Science
 Field of Study: Agriculture
 Issued By: University of Ruhuna
 Country: Sri Lanka
 Date: 1999
 Admission Requirement: General Certificate of Education - Advanced Level
 Duration of Program: Four years
 Documents: Graduation diploma
 Comparable Level in Ontario: Bachelor's Degree (Four Years)

 Credential: Master of Science
 Field of Study: Marine Biotechnology
 Issued By: Cheju National University
 Country: Republic of Korea
 Date: 2004
 Admission Requirement: Bachelor's degree
 Duration of Program: Two years
 Documents: Graduation diploma, Scholastic Record
 Comparable Level in Ontario: Master's Degree

 Credential: Doctor of Philosophy
 Field of Study: Marine Biotechnology
 Issued By: Cheju National University
 Country: Republic of Korea
 Date: 2007
 Admission Requirement: Master's degree
 Duration of Program: Three years
 Documents: Graduation diploma, Scholastic Record
 Comparable Level in Ontario: Earned Doctorate Degree
ASSESSMENT REPORT

Name: Yaseetha Athukorala
Birth Date: November 25, 1973

File No: 12070907

Summary

The credentials provided represent a level of education in Ontario comparable to:

- Bachelor's Degree (Four Years)
- Master's Degree
- Earned Doctorate Degree

Date: August 28, 2012

Assessment reflects the judgement of the International Credential Assessment Service and is not binding on educational institutions, employers, or other agencies.
Appendix F:
Three Year Forecast
(Three Pages)
<table>
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<tr>
<th>Yearly</th>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
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<th>December</th>
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**Gross Revenue**

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<tr>
<td>Jun</td>
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<td>Nov</td>
<td>$40,000.00</td>
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<tr>
<td>Dec</td>
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**Operating Income**

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<td>$30,000.00</td>
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<tr>
<td>Dec</td>
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**Cash Flow**

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<tbody>
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<tr>
<td>Nov</td>
<td>$0.00</td>
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<tr>
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**Balance Sheet**

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<th>February</th>
<th>March</th>
<th>April</th>
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**Cash and equivalents**

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<td>Nov</td>
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</tr>
<tr>
<td>Dec</td>
<td>$0.00</td>
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</tbody>
</table>

**Net Worth**

<table>
<thead>
<tr>
<th>Month</th>
<th>Net Worth</th>
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</thead>
<tbody>
<tr>
<td>Jan</td>
<td>$100,000.00</td>
</tr>
<tr>
<td>Feb</td>
<td>$90,000.00</td>
</tr>
<tr>
<td>Mar</td>
<td>$80,000.00</td>
</tr>
<tr>
<td>Apr</td>
<td>$70,000.00</td>
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<tr>
<td>May</td>
<td>$60,000.00</td>
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<tr>
<td>Jun</td>
<td>$50,000.00</td>
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<tr>
<td>Jul</td>
<td>$40,000.00</td>
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<tr>
<td>Aug</td>
<td>$30,000.00</td>
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<tr>
<td>Sep</td>
<td>$20,000.00</td>
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<tr>
<td>Oct</td>
<td>$10,000.00</td>
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<tr>
<td>Nov</td>
<td>$0.00</td>
</tr>
<tr>
<td>Dec</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

**Notes**

- $5,000: Additional funding from investors.
- $2,000: Supplier discount for early payment.

**Summary**

The company has shown a healthy growth in sales over the past year, with a peak in the third quarter. However, the cash flow has been erratic, with a significant dip in August and September. The company is currently working on improving cash flow management to ensure sustainability.
Appendix G:
Research & Development Forecast
(Two Pages)
<table>
<thead>
<tr>
<th>Bills</th>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Total First Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10.00</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$1.00</td>
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</tr>
</tbody>
</table>

**Canadian unit sales**

<table>
<thead>
<tr>
<th>$10.00</th>
<th>$1.00</th>
<th>$1.00</th>
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</thead>
</table>

**Gross Revenue**

<table>
<thead>
<tr>
<th>$10.00</th>
<th>$1.00</th>
<th>$1.00</th>
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</table>

**Cost of Goods Sold**

<table>
<thead>
<tr>
<th>$10.00</th>
<th>$1.00</th>
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</thead>
</table>

**Gross Profit**

<table>
<thead>
<tr>
<th>$10.00</th>
<th>$1.00</th>
<th>$1.00</th>
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<th>$1.00</th>
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</tr>
</thead>
</table>

**Gross Profit Percentage**

<table>
<thead>
<tr>
<th>$10.00</th>
<th>$1.00</th>
<th>$1.00</th>
<th>$1.00</th>
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<th>$1.00</th>
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<th>$1.00</th>
<th>$1.00</th>
</tr>
</thead>
</table>

**Expenses**

<table>
<thead>
<tr>
<th>$10.00</th>
<th>$1.00</th>
<th>$1.00</th>
<th>$1.00</th>
<th>$1.00</th>
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<th>$1.00</th>
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<th>$1.00</th>
</tr>
</thead>
</table>

**Total First Year**
VALENS AGRITECH LTD.

FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)

NOVEMBER 30, 2015
INDEPENDENT AUDITORS' REPORT

To the Directors of
Valens Agritech Ltd.

We have audited the accompanying financial statements of Valens Agritech Ltd., which comprise the statements of financial position as at November 30, 2015 and 2014 and the statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the year ended November 30, 2015 and the period from incorporation on April 14, 2014 to November 30, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Valens Agritech Ltd. as at November 30, 2015 and 2014 and its financial performance and its cash flows for the year and period then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Valens Agritech Ltd.'s ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

March 15, 2016

Chartered Professional Accountants
VALENS AGRITECH LTD.

Statements of Financial Position
(Expressed in Canadian Dollars)
As at November 30

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>9,515</td>
<td>5,771</td>
</tr>
<tr>
<td>Receivables</td>
<td>137,358</td>
<td>54,510</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>4,451,000</td>
<td>44,150</td>
</tr>
<tr>
<td>Leasehold construction in progress</td>
<td>2,356,373</td>
<td>411,895</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>3,548,884</td>
<td>496,126</td>
</tr>
</tbody>
</table>

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

Current liabilities:
- Accounts payable and accrued liabilities: 51,089, 1,502
- Due to related parties: 6, 1,758,889, 651,638
- Due to 1022006 BC Ltd: 7, 87,900, -
- Due to 0768390 BC Ltd: 8, 516,756, 117,170
- Due to shareholder: 9, 26,720, 26,720

Shareholders' deficiency:
- Share capital: 10, 270, 270
- Deficit: (892,770), (309,074)

TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY: 1,548,884, 496,126

Nature and continuity of operations (Note 1)
Commitment and contingency (Note 14)
Subsequent event (Note 15)

Approved on behalf of the Board on March 15, 2016:

Signed: Signed:

Tim Tombe, Chief Executive Officer

Dave Gervais, Director

The accompanying notes are an integral part of these financial statements.
## VALEN S AGRITECH LTD.  
**Statements of Loss and Comprehensive Loss**  
(Expressed in Canadian Dollars)

<table>
<thead>
<tr>
<th>Note</th>
<th>For the year ended November 30, 2015</th>
<th>For the period from incorporation to November 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

### Revenue
- Consulting: 133,324

### Operating expenses
- Administration fees: 35,700
- Depreciation: 12,471
- Interest and bank charges: 140
- Licenses and dues: 842
- Management fees: 159,000
- Office: 2,113
- Professional fees: 108,657
- Rent: 563,175
- Telephone and internet: 41,811
- Travel and business development: 213
- Vehicle: 290

**Total Operating Expenses:** (724,120)  
**Total Loss and Comprehensive Loss:** (591,196)  
**Basic and diluted loss per share:** (0.08)  
**Weighted average number of shares outstanding:** 7,600,000

The accompanying notes are an integral part of these financial statements.


<table>
<thead>
<tr>
<th>Share Capital</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, April 14, 2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of shares on incorporation</td>
<td>200</td>
<td>6,999,800</td>
<td>270</td>
<td></td>
</tr>
<tr>
<td>Net loss for the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, November 30, 2014</td>
<td>200</td>
<td>6,999,800</td>
<td>270</td>
<td>(300,974)</td>
</tr>
<tr>
<td>Net loss for the year</td>
<td></td>
<td></td>
<td></td>
<td>(591,796)</td>
</tr>
<tr>
<td>Balance, November 30, 2015</td>
<td>200</td>
<td>6,999,800</td>
<td>270</td>
<td>(392,770)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(892,760)</td>
</tr>
</tbody>
</table>

The accompanying notes are an essential part of these financial statements.
VALENS AGRITECH LTD.
Statements of Cash Flows
(Expressed in Canadian Dollars)

<table>
<thead>
<tr>
<th></th>
<th>For the year ended November 30, 2015</th>
<th>For the period from incorporation to November 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss for the period</td>
<td>(591,796)</td>
<td>(300,974)</td>
</tr>
<tr>
<td>Adjustment for non-cash items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>12,471</td>
<td>4,906</td>
</tr>
<tr>
<td>Working capital adjustments</td>
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<tr>
<td>Receivables</td>
<td>(101,848)</td>
<td>(34,340)</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>49,597</td>
<td>1,502</td>
</tr>
<tr>
<td>Due to related parties</td>
<td>148,834</td>
<td>90,767</td>
</tr>
<tr>
<td>Due to 0768390 BC Ltd.</td>
<td>87,900</td>
<td>80,850</td>
</tr>
<tr>
<td>Due to 1023096 BC Ltd.</td>
<td>599,386</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5,744</td>
</tr>
<tr>
<td></td>
<td>(197,389)</td>
<td></td>
</tr>
<tr>
<td><strong>FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from related parties</td>
<td></td>
<td>26,720</td>
</tr>
<tr>
<td>Proceeds from 0768390 BC Ltd.</td>
<td></td>
<td>99,920</td>
</tr>
<tr>
<td>Proceeds from shareholder</td>
<td></td>
<td>36,320</td>
</tr>
<tr>
<td></td>
<td></td>
<td>162,960</td>
</tr>
<tr>
<td><strong>NET INCREASE IN CASH</strong></td>
<td>3,744</td>
<td>5,771</td>
</tr>
<tr>
<td>Cash, beginning of the period</td>
<td>5,771</td>
<td>-</td>
</tr>
<tr>
<td>Cash, end of the period</td>
<td>9,515</td>
<td>5,771</td>
</tr>
</tbody>
</table>

Supplemental disclosure with respect to cash flows:

- Equipment and household improvements acquired through due to related parties: $1,410,368 and $460,351
- Share issuance costs accrued through accounts payable and accrued liabilities: $270

The accompanying notes are an integral part of these financial statements.
1. NATURE AND CONTINUANCE OF OPERATIONS

Valens Agritech Ltd. (the "Company") was incorporated under the Business Corporations Act of the Province of British Columbia on April 14, 2014.

The Company is a privately held biotechnology company that is focused on the emerging CBD (Cannabidiol) market. The primary focus is providing medical researchers within Canada the purest form of our proprietary strain of high level CBD extracts which are high in CBD but low in THC. The Company is currently aligned with several top research facilities to conduct a series of small human clinical trials for the treatment of epilepsy using proprietary plant material and state of the art extraction methodology.

The address of the Company's registered and record office and head office address is 5552 Barberry Road, Westbank, BC V4T 1J2.

The financial statements were prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"), with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation.

The Company has incurred losses since its inception and had an accumulated deficit of $892,770 as at November 30, 2015. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. Management of the Company does not expect that cash flows for the Company's operations will be sufficient to cover all of its operating requirements, financial commitments and business development priorities during the next twelve months. Accordingly, the Company expects that it will need to obtain further financing in the form of debt, equity or a combination thereof for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that such funding will be on acceptable terms. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements of the Company for the year ended November 30, 2015 were authorized for issue by the Board of Directors on March 15, 2016.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements, including comparative, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

These financial statements have been prepared on the accrual basis of accounting except for cash flow information and on historical cost basis except for certain financial assets measured at fair value. The financial statements are presented in Canadian Dollars, which is also the Company's functional currency, unless otherwise indicated.

Critical accounting estimates

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.
VALENS AGRITECH LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
For the year and period ended November 30, 2015 and 2014

2. BASIS OF PREPARATION (continued)
   Significant assumptions about the future and other sources of estimated uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:
   i. Impairment of equipment and leasehold improvements - the Company regularly reviews its property and equipment for indications of impairment and will adjust the carrying value to reflect any necessary write-downs.
   ii. Recognition and recoverability of deferred tax asset - the Company has assessed that it is improbable that such assets will be realized and has accordingly net recognized 1.0 million for deferred tax assets.

3. SIGNIFICANT ACCOUNTING POLICIES

   Financial instruments:
   i. Financial assets:
      The Company classifies its financial assets into one of the following categories as follows:
      
      **Fair value through profit or loss** - This category comprises derivative and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.
      
      **Loans and receivables** - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.
      
      **Hold-to-maturity investments** - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company’s management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.
      
      **Available-for-sale** - Non-derivative financial assets not included in the above categories and investments in enterprises that are not subsidiaries, joint ventures, or investments in associates are designated as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.
      All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.
   ii. Financial liabilities:
      The Company classifies its financial liabilities into one of two categories as follows:
      
      **Fair value through profit or loss** - This category comprises derivative and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.
      
      **Other financial liabilities** - This category consists of liabilities carried at amortized cost using the effective interest method.
3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

The Company has classified its cash as fair value through profit and loss, its receivables as loans and receivables and its accounts payable and accrued liabilities, due to related parties, due to 1022006 BC Ltd., due to 0768990 BC Ltd., and due to shareholders as other financial liabilities.

Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The depreciation rates applicable to each category of property and equipment are as follows:

- Computer equipment: 25% declining balance
- Office equipment: 20% declining balance
- Leasehold improvements: 7 years straight-line

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. The determination of appropriate useful lives and residual values is based on management’s judgement, therefore the resulting depreciation is subject to estimation uncertainty.

Items of equipment are derecognized upon disposal or when no future economic benefits are expected to arise from their continued use. Any gain or loss arising from disposal or retirement is determined as the difference between the consideration received and the carrying amount of the asset and is recognized in profit or loss.

Leasehold construction in progress

Leaseholds under construction will be transferred to leasehold improvements when the assets are available for use: depreciation of the assets commences at that point.

Impairment of non-financial assets:

At the end of each reporting period, the carrying amounts of the Company’s assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.
3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition:
Revenue from the rendering of services performed by the Company is recognized when the following conditions are
met: amount of the revenue can be measured reliably; it is probable that economic benefits associated with the
transaction will flow to the entity; the stage of completion of the transaction at the end of the reporting period can be
measured reliably; and the costs incurred for the transaction and the costs to complete the transaction can be measured
reliably.

Provisions:
Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result
of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided
that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure 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 risk specific to the obligation.
An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the
useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Share-based compensation:
The Company grants stock options to acquire common shares of the Company to directors, officers, employees, and
consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or
provides services similar to those performed by an employee.

The fair value of the options is measured on the date of grant using the Black-Scholes option pricing model, and is
recognized over the vesting period. The fair value is recognized as an expense with a corresponding increase in
contributed surplus. When stock options are exercised, share capital is credited by the sum of the consideration paid
and the related portion of share-based compensation previously recorded in contributed surplus. Consideration paid
for the shares on the exercise of stock options is credited to share capital.

Share-based compensation arrangements in which the Company receives goods or services in consideration for its own
equity instruments are accounted for as equity-settled share-based payment transactions and measured at the fair
value of the goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share-
based payment transaction is measured at the fair value of the equity instruments granted at the date the Company
receives the goods or the services.

Income taxes:
Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized
in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized
in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or
substantively enacted at year end, and adjusted for amendments to tax payable with regards to previous years.

Deferred tax is calculated by providing for temporary differences between the carrying amounts of assets and
liabilities for financial reporting purposes, and the amounts used for taxation purposes. The following temporary
differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities
that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that
they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected
manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or
substantively enacted at the financial position reporting date applicable to the period of expected realization or
settlement.
3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Loss per share

The company presents basic earnings (loss) per share data for its common shares, calculated by dividing the net earnings (loss) available to common shareholders of the company by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive.

New accounting standards: and interpretation

Effective December 1, 2014, the following standards were adopted but have had no material impact on the financial statements:

Offsetting Financial Asset and Financial Liabilities (Amendments to IAS 32)

The amendment to IAS 32, Financial Instruments: Presentation, requires that a financial asset and financial liability should only be offset and the net amount reported when an entity has a legally enforceable right to net off the amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

IFRIC 21, Leases:

IFRIC 21 clarifies that obligating events giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payments of the levy.

Accounting standards: not yet effective

IFRS 7, Financial Instruments – Disclosure

IFRS 7 has been amended to require additional disclosures on transition from IAS 39 to IFRS 9 and is effective for annual reporting periods beginning on or after January 1, 2015.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative and relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers.

IFRS 15 was issued in May 2014 and applies to annual reporting periods beginning on or after January 1, 2017.

In May 2015, IASB proposed to defer the effective date to January 1, 2018.
3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards not yet effective (continued)

IFRS 9, Financial Instruments – Classification and Measurement

IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 introduces classification and measurement of financial assets and financial liabilities, as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise, it is at fair value through profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The Company has initially assessed that there will be no material reporting changes as a result of adopting the above new standards; however, enhanced disclosure requirements are expected.

4. EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>Computer equipment and software</th>
<th>Office furniture and equipment</th>
<th>Lab equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, April 14, 2014</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Additions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, November 30, 2014</td>
<td>12,840</td>
<td>1,099</td>
<td>49,056</td>
<td>62,995</td>
</tr>
<tr>
<td>Additions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, November 30, 2015</td>
<td>12,840</td>
<td>1,099</td>
<td>49,056</td>
<td>62,995</td>
</tr>
</tbody>
</table>

Accumulated depreciation

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, April 14, 2014</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Additions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, November 30, 2014</td>
<td>8,531</td>
<td>110</td>
<td>4,906</td>
<td>14,937</td>
</tr>
<tr>
<td>Additions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, November 30, 2014</td>
<td>8,531</td>
<td>110</td>
<td>4,906</td>
<td>14,937</td>
</tr>
</tbody>
</table>

Carrying value

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>November 30, 2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>November 30, 2015</td>
<td>9,309</td>
<td>965</td>
<td>15,320</td>
<td>34,518</td>
</tr>
</tbody>
</table>

5. LEASEHOLD CONSTRUCTION IN PROGRESS

As of November 30, 2015, the Company had incurred $1,806,373 (November 30, 2014 - $411,895) in leasehold construction in progress costs which include all amounts spent on improvements to date at the Company’s Winfield, B.C. location to expand the facility for operations pending receipt of a controlled drug and substance dealer’s license. The leasehold additions relate to production lighting, growing benches, irrigation and nutrient systems, security installations, and construction of growing rooms.
5. DUE TO RELATED PARTIES

Amounts due to related parties include amounts due to an officer and director of the Company and are unsecured, non-interest bearing and have no fixed terms of repayment. The amounts relate to advances made at incorporation to assist in working capital requirements. In addition, the director of the Company owns an interest in a warehouse space in Kelowna, BC which the Company occupies. The director charges rent and management fees to the Company at fair market price. As at November 30, 2015 there is a balance outstanding of $1,758,899 (November 30, 2014 - $651,898).

6. DUE TO 1022006 BC LTD.

1022006 BC Ltd. is a related party by virtue of being controlled by an officer and director of the Company. 1022006 BC Ltd. owns the land and building at the Company's Kelowna, BC location, and charges rent to the Company at fair market price. Amounts due are unsecured, non-interest bearing and have no fixed terms of repayment. As at November 30, 2015 there is a balance outstanding of $97,600 (November 30, 2014 - $84).

7. DUE TO 0768390 BC LTD.

0768390 BC Ltd. is a related party by virtue of being controlled by an officer of the Company. The amount outstanding relates to an advance made at incorporation to assist in working capital requirements, management fees charged to the Company at a fair market price and expense reimbursements for expenses incurred on behalf of the Company. Amounts due are unsecured, non-interest bearing and have no fixed terms of repayment. As at November 30, 2015 there is a balance outstanding of $316,756 (November 30, 2014 - $117,170).

8. DUE TO SHAREHOLDER

Amounts due to a shareholder of the Company are unsecured, non-interest bearing and have no fixed terms of repayment. As at November 30, 2015 there is a balance outstanding of $26,720 (November 30, 2014 - $26,720).

9. SHARE CAPITAL

Authorized share capital

The Company is authorized to issue an unlimited number of Class A voting participating common shares, Class B non-voting participating common shares, and preferred shares with no par value.

Issued shares

During the year ended November 30, 2015, the Company did not issue any common shares.

During the year ended November 30, 2014, at incorporation the Company issued 200 Class A common shares at a share price of $1.00 per share for total proceeds of $200 and 6,998,800 Class B common shares at a share price of $0.00001 for total proceeds of $70.
10. RELATED PARTY TRANSACTIONS

Compensation of key management personnel
Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole.

<table>
<thead>
<tr>
<th>For the year ended November 30, 2015</th>
<th>For the period from incorporation to November 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management fees</td>
<td>$159,000</td>
</tr>
</tbody>
</table>

Other transactions with related parties:
During the year ended November 30, 2015, the Company entered into the following transactions with related parties not disclosed elsewhere in these financial statements:
1. During the year ended November 30, 2015, $241,863 (2014-424,000) in rent was paid or accrued to 1022006 BC Ltd., a company controlled by a director and officer of the Company.
2. During the year ended November 30, 2015, $121,810 (2014-524) in rent was paid or accrued to a director of the Company.

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Loss before income tax:</td>
<td>(591,796)</td>
</tr>
<tr>
<td>Expected income tax (recovery) at statutory tax rates</td>
<td>(154,600)</td>
</tr>
<tr>
<td>Adjustments to prior years provision versus statutory tax return</td>
<td>51,000</td>
</tr>
<tr>
<td>Change in unrecognized deductible temporary differences</td>
<td>103,000</td>
</tr>
<tr>
<td>Income tax recovery</td>
<td>$</td>
</tr>
</tbody>
</table>

The significant components of the Company’s unrecognized deferred tax assets are as follows:

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>4,000</td>
</tr>
<tr>
<td>Non-capital leases</td>
<td>177,000</td>
</tr>
<tr>
<td>Net deferred unrecognized income tax assets</td>
<td>181,000</td>
</tr>
</tbody>
</table>
11. INCOME TAXES (continued)

No deferred tax asset has been recognized in respect of the above because the amount of future taxable profit that will be available to realize such assets is not probable.

The Company has approximately $800,000 in non-capital losses for Canadian income tax purposes. These losses, if and when utilized, will expire for Canada through 2035.

12. CAPITAL RISK MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the build-out of its research facility and the acquisition of the necessary licenses to enter the emerging CBD (Cannabidiol) market. 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 assess future development of the business. The Company defines capital that it manages as shareholders’ deficiency.

The Company relies on its shareholders and the equity markets to fund its activities. Current financial markets are very difficult and there is no certainty with respect to the Company’s ability to raise capital. The Company will continue to progress its business plan on the basis of its economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company’s approach to capital management.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair value. The three levels of the fair value hierarchy are:

- Level 1 — unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 — inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
- Level 3 — inputs that are not based on observable market data.

The carrying value of cash, receivables, accounts payable and accrued liabilities, accounts payable to related parties, due to 1022066 BC Ltd., due to 0768190 and due to shareholders approximates fair value due to the short term nature of the financial instruments. Cash is classified at fair value through profit or loss and measured at fair value using level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company believes it has no significant credit risk.
13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company currently does not have sufficient capital in order to meet short-term business requirements; after taking into account the Company's holdings of cash. The Company's cash is invested in bank accounts which are available on demand.

Market risk

The only market risk exposure to which the Company is exposed is interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rate.

Foreign currency risk

The Company is nominally exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated United States dollars.

14. COMMITMENT AND CONTINGENCY

Lease Commitment

During the year ended November 30, 2015, the Company entered into a lease agreement with 1022906 BC Ltd. whereby the Company is required to make monthly lease payments. The term of the lease is seven years with the option to renew for an additional three-year term. If the Company decides to not continue the lease the Company will forfeit all leasehold improvements made up to the termination date. The lease payments under the agreement are as follows, plus applicable triple net costs and taxes:

<table>
<thead>
<tr>
<th>Lease Year</th>
<th>Per Month</th>
<th>Per Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 2</td>
<td>$16,900</td>
<td>$190,000</td>
</tr>
<tr>
<td>3 - 4</td>
<td>$16,895</td>
<td>$203,840</td>
</tr>
<tr>
<td>5 - 7</td>
<td>$17,570</td>
<td>$210,060</td>
</tr>
</tbody>
</table>

Contingency

During the year ended November 30, 2015, a small claims action was brought against the Company from a vendor the Company had used for services in the year. The outcome of the claim is uncertain. The Company has completed the requisite filings and is working to resolve the claim.

15. SUBSEQUENT EVENT

On December 11, 2015 the Company entered into an arm’s-length non-binding letter of intent (“LOI”) with Genovation Capital Corp. (“Genovation”) outlining the general terms and conditions of a proposed transaction whereby Genovation acquires all of the issued and outstanding securities of the Company in exchange for securities of Genovation (the “Transaction”). Genovation intends to acquire the Company concurrently with its acquisition of Arizona-based MKHS, LLC (“MKHS”), the subject of a binding Commitment Letter announced November 25, 2015.
15. **SUBSEQUENT EVENT (continued)**

The Transaction terms outlined in the LOI are non-binding on the parties and the LOI is expected to be superseded by a definitive agreement (the “Definitive Agreement”) to be signed between the parties. The Transaction is subject to regulatory approval, including the approval of the Canadian Securities Exchange (the “CSE”) and standard closing conditions, including the approval of the Definitive Agreement by the directors and shareholders of each of Genovision and the Company and completion of due diligence investigations to the satisfaction of both parties. The legal structure for the Transaction will be determined after the parties have considered all applicable tax, securities law, and accounting efficiencies.

Genovision Capital Corp. is a publicly-listed British Columbia corporation. Trading in Genovision was halted at management’s request as a result of its November 25, 2015 announcement of its binding agreement to acquire MCHC, and will remain halted until such time as all required documentation has been filed with and accepted by the CSE and permission to resume trading has been obtained from the CSE.
SCHEDULE “A”
(To the Circular of Genovation Capital Corp. dated March 30, 2016)

GENOVATION CAPITAL CORP

(FORMERLY ASEAN ENERGY CORP.)

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - PREPARED BY MANAGEMENT)
(EXPRESSED IN CANADIAN DOLLARS)
GENOVATION CAPITAL CORP.
(formerly Asean Energy Corp.)

NOTICE OF NO AUDITOR REVIEW OF PRO FORMA CONSOLIDATED
FINANCIAL STATEMENTS

The accompanying unaudited pro forma consolidated financial statements of Genovation Capital Corp. ("the Company") have been prepared by and are the responsibility of the Company’s management. A pro forma financial statement is based on management assumptions and adjustments which are inherently subjective. An auditor has not performed a review of these pro forma consolidated financial statements.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.
<table>
<thead>
<tr>
<th></th>
<th>Genovation Capital Corp.</th>
<th>Valens Agritech Ltd.</th>
<th>Pro forma adjustments (Note 2)</th>
<th>Pro Forma Genovation Capital Corp.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>38,923</td>
<td>9,515</td>
<td>48,438</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>9,856</td>
<td>137,358</td>
<td>147,214</td>
<td></td>
</tr>
<tr>
<td>Due from related parties</td>
<td>9,701</td>
<td>-</td>
<td>9,701</td>
<td></td>
</tr>
<tr>
<td>Investment in MKHS, LLC</td>
<td>999,791</td>
<td>-</td>
<td>339,376 (d)</td>
<td>1,339,167</td>
</tr>
<tr>
<td>Advances receivable</td>
<td>107,001</td>
<td>-</td>
<td>107,001</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,165,272</td>
<td>146,873</td>
<td>1,651,521</td>
<td></td>
</tr>
<tr>
<td>Investment in Servomarin Industries Corporation</td>
<td>250,000</td>
<td>-</td>
<td>250,000</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>2,582</td>
<td>45,618</td>
<td>48,200</td>
<td></td>
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<tr>
<td>Leasehold construction in progress</td>
<td>-</td>
<td>3,356,373</td>
<td>1,356,273</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,417,854</td>
<td>1,548,864</td>
<td>3,306,094</td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES AND SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>65,294</td>
<td>51,099</td>
<td>116,393</td>
<td></td>
</tr>
<tr>
<td>Due to related parties</td>
<td>46,800</td>
<td>1,758,889</td>
<td>1,805,689</td>
<td></td>
</tr>
<tr>
<td>Due to 1022006 BC Ltd.</td>
<td>-</td>
<td>87,900</td>
<td>87,900</td>
<td></td>
</tr>
<tr>
<td>Due to 0768390 BC Ltd.</td>
<td>-</td>
<td>516,756</td>
<td>516,756</td>
<td></td>
</tr>
<tr>
<td>Due to shareholder</td>
<td>-</td>
<td>26,720</td>
<td>26,720</td>
<td></td>
</tr>
<tr>
<td>Convertible debenture</td>
<td>631,500</td>
<td>-</td>
<td>(631,500) (c)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>743,594</td>
<td>2,441,364</td>
<td>2,553,458</td>
<td></td>
</tr>
<tr>
<td><strong>Shareholders’ equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>5,655,655</td>
<td>270</td>
<td>(5,737,770) (b)</td>
<td>1,272,531</td>
</tr>
<tr>
<td></td>
<td>(631,500)</td>
<td>(722,876) (d)</td>
<td>(722,876)</td>
<td></td>
</tr>
<tr>
<td>Contributed surplus</td>
<td>939,604</td>
<td>-</td>
<td>939,604</td>
<td></td>
</tr>
<tr>
<td>Subscriptions received in advance</td>
<td>383,500</td>
<td>- (383,500) (d)</td>
<td>- (383,500) (d)</td>
<td></td>
</tr>
<tr>
<td>Deficit</td>
<td>(6,304,499)</td>
<td>(892,770)</td>
<td>5,737,770 (c)</td>
<td>(1,459,489)</td>
</tr>
<tr>
<td></td>
<td>674,260</td>
<td>(892,500)</td>
<td>752,636</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,417,854</td>
<td>1,548,864</td>
<td>3,306,094</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these pro forma consolidated financial statements.
### GENOVATION CAPITAL CORP.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>Genovation Capital Corp. Year ended April 30, 2015 $</th>
<th>Vaiens Agritech Ltd. From Incorporation to November 30, 2014 $</th>
<th>Pro forma Genovation Capital Corp. $</th>
</tr>
</thead>
<tbody>
<tr>
<td>General and Administrative expenses</td>
<td>10,636</td>
<td>-</td>
<td>10,636</td>
</tr>
<tr>
<td>Advertising and promotion</td>
<td>70,150</td>
<td>-</td>
<td>70,150</td>
</tr>
<tr>
<td>Consulting fees</td>
<td>2,178</td>
<td>4,906</td>
<td>7,084</td>
</tr>
<tr>
<td>Depreciation</td>
<td>13,315</td>
<td>-</td>
<td>13,315</td>
</tr>
<tr>
<td>Insurance</td>
<td>35,101</td>
<td>320</td>
<td>35,421</td>
</tr>
<tr>
<td>Interest and bank charges</td>
<td>284,583</td>
<td>145,750</td>
<td>430,333</td>
</tr>
<tr>
<td>Management fees</td>
<td>54,495</td>
<td>82,511</td>
<td>137,046</td>
</tr>
<tr>
<td>Office, rent and miscellaneous</td>
<td>107,619</td>
<td>58,010</td>
<td>165,629</td>
</tr>
<tr>
<td>Professional fees (recovery)</td>
<td>37,929</td>
<td>-</td>
<td>37,929</td>
</tr>
<tr>
<td>Share based compensation</td>
<td>898,675</td>
<td>300,974</td>
<td>1,199,649</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Overseas project development</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consulting fees</td>
<td>90,062</td>
<td>-</td>
<td>90,062</td>
</tr>
<tr>
<td>Management fees</td>
<td>34,500</td>
<td>-</td>
<td>34,500</td>
</tr>
<tr>
<td>Professional fees</td>
<td>8,685</td>
<td>-</td>
<td>8,685</td>
</tr>
<tr>
<td>Travel &amp; project investigation fees</td>
<td>120,052</td>
<td>-</td>
<td>120,052</td>
</tr>
<tr>
<td></td>
<td>253,299</td>
<td>-</td>
<td>253,299</td>
</tr>
</tbody>
</table>

| Net loss before other items | (1,151,974)                                | -                                                             | (1,452,048)                         |

<table>
<thead>
<tr>
<th>Other items</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consulting &amp; other income</td>
<td>10,165</td>
<td>-</td>
<td>10,165</td>
</tr>
<tr>
<td>Foreign exchange gain</td>
<td>(7,588)</td>
<td>-</td>
<td>(7,588)</td>
</tr>
<tr>
<td></td>
<td>2,577</td>
<td>-</td>
<td>2,577</td>
</tr>
</tbody>
</table>

| Loss and comprehensive loss for the period | (1,149,397)                            | (300,974)                       | (1,450,371)                     |

| Basic and diluted loss per share | 18,219,636 | 0.04 | 34,858,644 |

| Weighted average number of shares outstanding | 7,000,000 | 34,858,644 |

The accompanying notes are an integral part of these pro forma consolidated financial statements.
GENOVATION CAPITAL CORP.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>Genovation Capital Corp.</th>
<th>Valens Agritech Ltd.</th>
<th>Pro forma Genovation Capital Corp.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nine months ended</td>
<td>Year ended</td>
<td></td>
</tr>
<tr>
<td></td>
<td>January 31, 2016</td>
<td>November 30, 2015</td>
<td>$</td>
</tr>
<tr>
<td>General and Administrative expenses</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Advertising and promotion</td>
<td>839</td>
<td>-</td>
<td>835</td>
</tr>
<tr>
<td>Consulting fees</td>
<td>60,500</td>
<td>-</td>
<td>60,500</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,079</td>
<td>12,471</td>
<td>13,556</td>
</tr>
<tr>
<td>Insurance</td>
<td>4,150</td>
<td>-</td>
<td>4,150</td>
</tr>
<tr>
<td>Interest and bank charges</td>
<td>6,784</td>
<td>140</td>
<td>6,924</td>
</tr>
<tr>
<td>Management fees</td>
<td>146,250</td>
<td>159,000</td>
<td>305,250</td>
</tr>
<tr>
<td>Office, rent and miscellaneous</td>
<td>-</td>
<td>401,828</td>
<td>420,996</td>
</tr>
<tr>
<td>Professional fees (recovery)</td>
<td>(5,184)</td>
<td>108,857</td>
<td>103,673</td>
</tr>
<tr>
<td>Share based compensation</td>
<td>3,119</td>
<td>-</td>
<td>3,119</td>
</tr>
<tr>
<td>Telephone and utilities</td>
<td>3,872</td>
<td>41,811</td>
<td>45,683</td>
</tr>
<tr>
<td>Travel and business development</td>
<td>30,694</td>
<td>213</td>
<td>30,907</td>
</tr>
<tr>
<td>Transfer agent and filing fees</td>
<td>16,726</td>
<td>-</td>
<td>16,726</td>
</tr>
<tr>
<td></td>
<td>297,997</td>
<td>724,320</td>
<td>1,022,317</td>
</tr>
<tr>
<td>Overseas project development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consulting fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Management fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Professional fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Travel &amp; project investigation fees</td>
<td>464</td>
<td>-</td>
<td>464</td>
</tr>
<tr>
<td></td>
<td>464</td>
<td>-</td>
<td>464</td>
</tr>
<tr>
<td>Net loss before other items</td>
<td>(298,461)</td>
<td>-</td>
<td>(1,022,781)</td>
</tr>
<tr>
<td>Other items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consulting &amp; other income</td>
<td>60,102</td>
<td>132,524</td>
<td>192,626</td>
</tr>
<tr>
<td>Foreign exchange gain</td>
<td>1,207</td>
<td>-</td>
<td>1,207</td>
</tr>
<tr>
<td></td>
<td>61,309</td>
<td>132,524</td>
<td>193,833</td>
</tr>
<tr>
<td>Loss and comprehensive loss for the period</td>
<td>(237,152)</td>
<td>(591,796)</td>
<td>(828,948)</td>
</tr>
<tr>
<td>Basic and diluted loss per share</td>
<td>(0.02)</td>
<td>(0.08)</td>
<td>(0.02)</td>
</tr>
<tr>
<td>Weighted average number of shares outstanding</td>
<td>15,665,908</td>
<td>7,000,000</td>
<td>34,858,644</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these pro forma consolidated financial statements.
1. BASIS OF PREPARATION

The pro forma consolidated financial statements have been prepared for inclusion in the Information Circular of Genovation Capital Corp. ("Genovation") relating to the agreement with Valens Agritech Ltd. ("Valens") whereby Genovation proposes to issue up to 36,000,000 common shares to acquire all of the common shares of Valens (the "Acquisition").

The pro forma consolidated financial statements should be read in conjunction with the audited financial statements and the unaudited interim financial statements and other information referred to in the Information Circular. It has been compiled from:

a) the audited financial statements of Genovation for the year ended April 30, 2015.

b) the unaudited interim financial statements of Genovation for the three months ended January 31, 2016.

c) the audited consolidated financial statements of Valens for the year ended November 30, 2015 and the period from incorporation on April 14, 2014 to November 30, 2014.

Completion of the Acquisition will result in the shareholders of Valens holding the majority of Genovation's issued and outstanding common shares, assuming the proposed closing of the acquisition of MKHS, LLC is delayed to a later date. Accordingly, the Acquisition will be treated for accounting purposes as a reverse takeover and the financial statements will reflect a continuation of the legal subsidiary, Valens, not Genovation, the legal parent. The pro forma consolidated balance sheet shows the combination of the entities as if it occurred on January 31, 2016, and the pro forma consolidated statement of operations shows the results of operations as though the entities had combined on December 1, 2014.

In the opinion of management, these pro forma consolidated financial statements include all the adjustments necessary for fair presentation of the proposed transactions in accordance with Canadian generally accepted accounting principles. The pro forma consolidated financial statements are not necessarily indicative of the results of operations of financial position that may be obtained in the future.

The unaudited pro forma consolidated financial statements have been compiled assuming the transactions occurred on June 30, 2005, and gives effect to the following:

a) Genovation consolidates its share capital on a one-for-three basis.

b) Genovation issues the initial 10,800,000 common shares to acquire Valens, as well as 675,000 shares as finders' fees, all at a deemed $0.50 per share ($5,737,500).

c) Genovation issues 5,262,500 common shares to settle outstanding debts due to holders of debentures ($563,150).

d) Genovation completes the US$500,000 brokered private placement closed on February 12, 2016 and issues 9,035,949 shares for net proceeds of $722,876, with net proceeds advanced to MKHS.
2. **PROFORMA ISSUED SHARE CAPITAL**

Assuming the events described in (a) through (d) above had occurred on January 31, 2016 the Company's issued share capital would be as follows:

<table>
<thead>
<tr>
<th>Shares</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued at January 31, 2016</td>
<td>18,219,636</td>
</tr>
<tr>
<td>Private Placement closed</td>
<td>9,035,949</td>
</tr>
<tr>
<td>Share consolidation</td>
<td>(18,170,390)</td>
</tr>
<tr>
<td>Acquisition of Valens (initial issue)</td>
<td>11,475,000</td>
</tr>
<tr>
<td>Conversion of debentures</td>
<td>5,262,500</td>
</tr>
<tr>
<td></td>
<td>34,858,644</td>
</tr>
</tbody>
</table>
**SCHEDULE “B”**

**THE MKHS TRANSACTION**

**MKHS STRUCTURE**

- **Kittrell Children’s Trust**
  Murphy R. Kittrell, Jr., Trustee

  --- 100% Sole Member

- **MKHS Holding Company, LLC**
  an Arizona limited liability company

  --- 100% Sole Member

- **MKHS, LLC**
  an Arizona limited liability company
  (being converted to a C-Corp)

  --- 100% Sole Member  100% Sole Member ---

- **MKHS Dispensary Services, LLC**, an Arizona limited liability company

- **MKHS Cultivation Services, LLC**, an Arizona limited liability company

- **Greenmed, Inc., an Arizona non-profit corporation**

- **Purplemed, Inc., an Arizona non-profit corporation**
November 23, 2015

MKHS LLC
2200 E River Rd., Suite 130
Tucson, AZ USA 85718

RE: LETTER OF INTENT

Dear Mr. Kittrell,

This Letter of Intent ("Letter") replaces the predecessor Letter dated and signed on October 30, 2015, and sets forth certain understandings and binding obligations between GenCap, Inc., on its own behalf or on behalf of a wholly owned subsidiary ("Subsidiary") to be formed by GenCap (collectively, "GenCap"), and MKHS LLC ("TargetCo"), owner and manager of the Arizona medical marijuana company and operations, dispensaries and cultivators known as Purple Med Healing Center, Green Med Wellness Center, MKHS Dispensary Services, LLC and MKHS Cultivation Services, LLC and all the rights and licenses, leases, Management Agreements and obligations associated therewith, and the members of the TargetCo (each a "Vendor"), with respect to a proposed transaction (the "Proposed Transaction") in which GenCap will acquire all of the issued membership interests and rights of the TargetCo (the "Shares") from the Vendors.

The Proposed Transaction will consist of GenCap entering into a transaction to acquire the TargetCo by way of a share exchange agreement or such similar agreement as recommended by legal counsel. For purposes of this Letter, GenCap, the TargetCo and the Vendor are sometimes collectively referred to as "party" and individually as a "party."

The terms of the share purchase transaction will be more particularly set forth in a transaction document agreement and one or more definitive agreements (collectively, the "Definitive Agreement") to be entered into by the parties as recommended by legal counsel, to effect the terms and conditions outlined herein. The following numbered paragraphs of Part I of this Letter and the term sheet attached as Schedule "A" hereto (the "Term Sheet"), and the outline of the proposed capital structure attached as Schedule "B", reflect the status of our agreement regarding the matters described herein. Capitalized terms used herein but not otherwise defined shall have the meaning ascribed to such terms in the Term Sheet.

This Letter and the Term Sheet outline the proposed transaction based on each party's present understanding of the current condition of the assets, financial position and business operations of the TargetCo. In particular, GenCap understands that TargetCo has represented that it is in the marijuana cultivation and medical dispensary business branded as Healing Center, and operates a 11,000 sq. warehouse cultivation, commercial kitchen and extraction facility, and a 3,000 sq. automated greenhouse located on 6.5 acres zoned for expansion to 100,000 sq. The Vendor further understands that in order to effect the transactions contemplated in this Letter, GenCap may be required to effect a corporate reorganization prior to undertaking any of the transactions outlined in this Letter, and in relation to the corporate reorganization may seek shareholder approval to spin out a subsidiary which will then acquire or merge with the TargetCo or seek shareholder approval to approve an amalgamation.
The Term Sheet and the attached Schedules "A" and "B" constitute a general outline of the proposed transaction, the purchase price, key ancillary agreements and important conditions. The provisions shall be included in the Definitive Agreement, and include the terms and conditions and required schedules as set forth in the Definitive Agreement (draft) as circulated to both parties on November 10, 2015.

The parties expressly state their intention that this Letter as a whole constitutes a legal and binding obligation, contract or agreement between the parties, but is not intended to be an exhaustive summary of all of the terms and conditions of the proposed acquisition or the Definitive Agreement as may be recommended by independent legal counsel. The parties expressly intend that Sections 2 – 9 of Part I and II of this Letter, upon acceptance by both Parties, shall constitute the parties' agreements with respect to the procedures for negotiation and preparation of the Definitive Agreement.

PART I: STATEMENT OF UNDERSTANDING

2.0 PREPARATION OF THE DEFINITIVE AGREEMENT

2.1 Definitive Agreement. It is intended that the Definitive Agreement to implement the Proposed Transaction will be in form and substance mutually acceptable to GenCap and TargetCo and will be in substantially the form customarily used for similar transactions, including customary indemnities, representations and warranties and conditions from and in favour of the parties. In addition, it is anticipated that the Definitive Agreement will include provisions with respect to the following:

(a) TargetCo will provide such audited and unaudited financial statements as may be required to be included in an information circular to be prepared by GenCap in relation to obtaining shareholder approval of the Proposed Transaction, if necessary;

(b) upon completion of the Proposed Transaction, the board of directors and officers of the Resulting Issuer will be as indicated on the Term Sheet;

(c) conditions of completion, including the following:

(i) completion of the share exchange agreement by GenCap and Subco, which includes shareholder approval by GenCap and the TargetCo for the transaction;

(ii) GenCap and/or Subco, the acquiring reporting issuer, having no more than 20% of the common shares outstanding as of the closing of the Arrangement, when allowing for a further up to 20% issue of the common shares outstanding to raise $5,000,000, resulting in GenCap having at least 150 shareholders, each with at least 500 common shares;

(iii) GenCap will have completed and be satisfied, in its sole discretion, with the results of its due diligence review of TargetCo, such due diligence to cover legal, accounting, business, financial, operational, regulatory, environmental and other relevant matters;

(iv) the Board of Directors of GenCap and/or Subco will have approved the Proposed Transaction and the form of the Definitive Agreement;

(v) receipt of all approvals, including those of shareholders and applicable regulatory authorities, required in respect of the Proposed Transaction on terms and conditions satisfactory to GenCap, Subco and TargetCo, acting reasonably;
(vi) no material adverse change having occurred in the business of GenCap, Subco and TargetCo;

(vii) no legal proceedings pending or threatened to prohibit, enjoins or materially restrict completion of the Proposed Transaction; and

(viii) approval of the securityholders of GenCap, Subco and TargetCo, as applicable and if necessary, obtained at duly called shareholders meetings.

2.3 Closing Date: The Closing Date of the Proposed Transaction will take place on the date as specified in the Definitive Agreement and in no event later than 75 days from the date of the Definitive Agreement, or as otherwise mutually agreed to among the parties.

2.4 Structure: In order to facilitate the Proposed Transaction, GenCap, Subco and TargetCo each agree to use their commercial best efforts to complete a structure for the Acquisition, in accordance with section 2.1 (vii), and reflecting the proposed capital structure attached as Schedule “B”, which is acceptable to each of the parties and which is formulated to:

(a) comply with all necessary legal and regulatory requirements;

(b) minimize or eliminate any adverse tax consequences; and

(c) be as cost effective as possible.

PART II: AGREEMENTS OF THE PARTIES REGARDING THE PROCEDURES FOR NEGOTIATION AND PREPARATION OF THE DEFINITIVE AGREEMENT

In consideration of all costs to be borne by each party in pursuing the acquisition and sale contemplated by this Letter and in consideration of the mutual understandings by the parties as to the matters described in this Letter, upon execution of counterparts of this Letter by each party, the following Sections 2-9 (the “Binding Provisions”) will constitute legally binding and enforceable agreements of the parties regarding the procedures for the negotiation and preparation of the Definitive Agreement.

3. DUE DILIGENCE

3.1 From the date of acceptance by the parties of the terms of this Letter, until the negotiations are terminated as provided in Section 9 of this Letter, the TargetCo will give GenCap and GenCap’s management personnel, legal counsel, accountants, and technical and financial advisors, full and unrestricted access and opportunity to inspect, investigate and audit the books, records, contracts, and other documents of the TargetCo as it relates to the TargetCo’s business and all of the TargetCo’s assets and liabilities (actual or contingent), including, without limitation, inspecting the TargetCo’s property and conducting additional environmental inspections of property and reviewing financial records, contracts, operating plans, and other business records, for the purposes of evaluating issues related to the operation of the TargetCo’s business. The TargetCo further agrees to provide GenCap with such additional information as may be reasonably requested pertaining to the TargetCo’s business and assets to the extent reasonably necessary to complete the Definitive Agreement. GenCap further agrees to provide TargetCo with such additional information as may be reasonably requested pertaining to GenCap’s and SubCo’s business and assets to the extent reasonably necessary to complete the Definitive Agreement.
3.2 From the date of acceptance by the parties of the terms of this Letter, until the negotiations are
terminated as provided in Section 9 of this Letter, Genencap will give TargetCo and TargetCo’s
management personnel, legal counsel, accountants, and technical and financial advisors, full and
unrestricted access and opportunity to complete their required due diligence. Genencap is a public
company under regulatory supervision, whose officers and directors are screened and approved by
regulators, which includes the filing and scrutiny of all officers’ and directors’ Personal
Information Forms, a mandatory police check, and continuous disclosure obligations under the
suspices of the provincial securities commissions. The Company undergoes an annual audit and
files quarterly and monthly reports. All filings may be accessed on a government portal called
Genencap agrees to provide TargetCo with such additional information as may be reasonably
requested pertaining to Genencap’s and SubCo’s business and assets to the extent reasonably
necessary to complete the Definitive Agreement.

4. CONFIDENTIALITY

4.1 Except as and to the extent required by law, neither Genencap, Subco nor TargetCo will disclose or
use, and will direct its respective representatives not to disclose or use to the detriment of the other
party, any Confidential Information (as defined below) with respect to such other party furnished,
or to be furnished, by either Genencap, Subco or TargetCo or their respective representatives to
such other party or its representatives at any time or in any manner other than as may be agreed to by
such other party. For purposes of this Section 4.1, “Confidential Information” means any
information about or relating to Subco, TargetCo or Genencap stamped “confidential” or identified
in writing as such promptly following its disclosure, unless (i) such information is already known
to the other party or its representatives or to others not bound by a duty of confidentiality; (ii) such
information becomes publicly available through no fault of the other party or its representatives;
(iii) the use of such information is necessary or appropriate in making any filing
company under regulatory supervision, required for the consummation of the Proposed Transaction;
or (iv) the furnishing or use of such information is required by, or necessary or appropriate in
connection with, legal proceedings. Upon the written request of Genencap or TargetCo, as
applicable, the other party will promptly return or destroy any Confidential Information in its
possession and certify in writing to the other party that it has done so. The provisions of this
Section shall survive termination of the agreement set forth in Sections 2 - 9.

5. PUBLIC DISCLOSURE

5.1 Except as and to the extent required by law, without the prior written consent of the other parties,
neither TargetCo, Genencap, or Subco and each will direct its representatives not to, make, directly
or indirectly, any public comment, statement or communication with respect to, or otherwise to
disclose or permit the disclosure of the existence of discussions regarding, a possible transaction
between the parties or any of the terms, conditions or other aspects of the transactions proposed
in this Letter. If a party is required by law to make any such disclosure, it must first provide to the
other parties the content of the proposed disclosure, the reasons that such disclosure is required by
law, and the time and place that the disclosure will be made. The provisions of this Section shall
survive termination of this agreement.

6. DISCLAIMER OF LIABILITIES

6.1 Except to the extent the Vendor agrees to cover costs and disbursements of the corporate
reorganization to complete this transaction and otherwise expressly provided in the Definitive
Agreement entered into by the parties, such party shall be solely responsible for their own
expenses, legal fees, accounting fees, and consulting fees related to the negotiations described in
this Letter, whether or not any of the transactions contemplated in this Letter are consummated.
7. **TERMINATION**

7.1 Each party hereby reaffirms its intention that this Letter as a whole, including Sections 2 – 6 with Schedules, are intended to constitute a legal and binding obligation, contract and/or agreement between the parties. If any party withdraws from dealing or completion prior to the Closing Date, or fails to negotiate in good faith, or if each party hereof has not entered into the Definitive Agreement by the Closing Date, then any obligation to negotiate and prepare the Definitive Agreement or otherwise deal with any other party to this Letter, the agreements of the parties set forth shall immediately terminate, and damages and compensation may result. It is agreed, however, that the terms of any subsequent agreement entered into by the parties has control over the right to withdraw from the terms and conditions of this Letter.

8. **EXCLUSIVE OPPORTUNITY AND DEPOSIT**

8.1 Upon execution of this Letter by the Parties, TargetCo agrees to accrue a $50,000 (plus applicable taxes) liability to GenCap (the "Deposit"). The Deposit will be released immediately to GenCap upon termination.

TargetCo agrees to make a further accrual of $400,000 (plus applicable taxes) to GenCap to help compensate for the cost (reverse takeover and/or plan of arrangement, administrative, court, legal, etc.) of completing acquisition, reverse takeover and/or plan of arrangement and closing of the Proposed Transaction and achieving a listing on the Canadian Securities Exchange (the "Expense Payment"). The Expense Payment ($400,000 plus taxes) shall be deemed earned as follows: (i) $20,000 upon GenCap receiving shareholder approval for the Proposed Transaction; and $20,000 upon receiving conditional acceptance from the Canadian Securities Exchange or to list the common shares in the case where Subco is spun out as a Reporting Issuer, and will be immediately due upon termination. NOTE: ensure the PrivateCo meets the listing requirements of the Canadian Securities Exchange. It is understood by the parties that this Letter does not include or address necessary audit fees. All costs and expenses will have applicable taxes added to them. Each accrued payment by TargetCo to GenCap is payable upon termination.

8.2 It is understood by the parties that this Letter does not address Exchange listing fees, audit fees, transfer agent fees and other fees and disbursements, payable by the respective parties incurring the expense.

8.3 The discussions with respect to this Letter and the Proposed Transaction contemplated hereby may be terminated by TargetCo or GenCap at any time prior to execution of a Definitive Agreement as follows:

(a) by TargetCo providing written notice to GenCap as follows:

(i) if TargetCo is unsatisfied with the results of its due diligence review of GenCap;

(ii) if there shall be in effect a final non-appealable order of a governmental body of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the Arrangement and/or Subsequent Transaction; and

(iii) the Corporate Combination is not completed by March 31, 2018 as a result of delays caused by GenCap.

(b) by GenCap providing written notice to TargetCo:

(i) if there shall be in effect a final non-appealable order of a governmental body of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the Arrangement and/or Subsequent Transaction; and

(ii) if the Corporate Combination is not completed by March 31, 2018 as a result of delays caused by TargetCo.
If the terms of this Letter are agreeable to the TargetCo, please sign a copy of this Letter and return a signed copy by November 23, 2015 at 4:30 p.m. (Vancouver time), by electronic mail to Gencap at rsw@convestacomptole or fax: 778.379.9990, followed by a couriered original signed copy to Gencap. This Agreement may be executed in one or more counterparts, each of which when so executed shall be deemed an original, but all of which taken together shall constitute one and the same document. Upon acceptance of the Binding Provisions of this Letter (those provisions set forth in Sections 1-9 and Schedules) by each party, the parties will enter into the Definitive Agreement as recommended by legal counsel to govern the proposed acquisition and sale, subject to the termination provisions set forth in Section 8.3 above.

9. MISCELLANEOUS

9.1 This letter of intent shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein. The parties hereby irrevocably submit to the jurisdiction of the Courts of British Columbia to hear any matter, action, proceeding or dispute relating to this Letter of Intent.

9.2 All references to "S" in this Letter shall refer to Canadian currency.

9.3 No amendment to this Letter will be valid or binding unless set forth in writing and duly executed by each of the Parties hereto.

9.4 This Letter may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument. Delivery of an executed signature page to this Letter by any Party by electronic transmission will be as effective as delivery of a manually executed copy of this Letter by such Party.

9.5 You are at liberty to obtain independent legal advice concerning this Letter of Intent prior to signing it. You further recognize that you have had the opportunity to seek independent legal advice. If you seek legal counsel, to clarify any terms or conditions of this letter of intent, you are at liberty to contact Gencap's legal counsel, Gordon J. Freewell, keeping in mind that he does act for Gencap.

9.6 The provisions of this LOI constitute the entire agreement between the parties and supersede all previous communications, representations and agreements, whether oral or written, between the parties with respect to the subject matter of this LOI.
### Board and Management:

Upon completion of the Acquisition/Arrangement and Subsequent Transaction (the "Corporate Combination"), the board and management of the Resulting Issuer will consist of three nominees of TargetCo and two representatives of GenCap, or as separately agreed.

### Financing:

GenCap and/or Subco will complete one or more private placement equity and/or debt financings on terms and conditions acceptable to TargetCo to raise up to $5,000,000 (US$4,000,000) before fees and expenses, for which up to 20% of the Resulting Issuer's share capital shall be issued (see Financing Detail below).

### Recommendation:

The board of each of Vendor, Subco, Genacp, and TargetCo will unanimously recommend to their respective shareholders that they vote in favour of the Corporate Combination at any meeting of the shareholders called to approve the Corporate Combination.

### Financing Detail:

- US$200,000 to be advanced directly by GenCap (COMPLETED), secured and guaranteed under separate agreements and private arrangement with a Director and shareholder of Genovation.
- US$200,000 to be arranged by or on behalf of GenCap or by one of its consultants, as an immediate priority upon the execution of the LOIs, via any combination of debt and/or equity upon clearance from the Board.
- The above described US$400,000 shall be utilized as follows:
  1. To pay the balance due to the IRS in the amount of approximately $50,000 either in full or in installments as negotiated with the IRS.
  2. To pay the Marvel Judgment in the amount of approximately $170,000 either in full or in installments as negotiated with Marvel.
  3. To pay $100,000.00 to satisfy the existing lien on the Littletown Greenhouse.
  4. To pay $70,000 to as a down payment to acquire the Warehouse Property with Seller financing for the balance.
- To the extent installment payment agreements are made which allows advanced funds to be retained for other use, funds will be used to pay legal and accounting fees or to make a down payment on a new 12,000 sq ft Greenhouse with Seller financing for balance due (total cost $345,000 before down payment to acquire the property or to complete improvements to the Warehouse).
Financing Detail (Continued):

- US$450,000 to be arranged subsequent the above described US$400,000, either on a fully secured basis, acceptable to the lender, under through an interim equity raise by GenCap. TargetCo acknowledges that the raising and release of funds may require approval from the Canadian Securities Exchange and its acceptance of this LOI as a sufficient Definitive Agreement.

- The above referenced US$450,000 shall be utilized as follows:
  i. US$75,000 shall be utilized as a down payment to acquire 12,000 sf Greenhouse with the Seller financing the balance.
  ii. US$250,000 shall be used as a down payment to acquire the Littleton Property with the Seller financing the balance.
  iii. US$50,000 shall be used to complete W/H improvements.
  iv. US$75,000 shall be used for either legal or accounting or to purchase machinery.

- US$3.15 million to be raised through a mutually acceptable combination of equity and/or debt in due course.

- In addition to the foregoing, US$225,000 to be advanced directly by GenCap, to be sourced via a private mortgage agreement (PENDING), to be completed on a best efforts basis to meet the TargetCo’s cash requirements, and shall be used first to make a down payment as required for the acquisition of a new 12,000 sf Greenhouse with the Seller financing the balance and the remaining funds determined by MKHS which shall be responsible for the repayment of the private mortgage. In the event the US $450,000 is funded by GenCap, the entire $225,000 may be used by MKHS in its sole discretion.
<table>
<thead>
<tr>
<th>GENOVATION CAPITAL CORP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued &amp; Outstanding</td>
</tr>
<tr>
<td>Shares</td>
</tr>
<tr>
<td>15,844,826</td>
</tr>
</tbody>
</table>

**PRO FORMA - ACQUISITION:**

<table>
<thead>
<tr>
<th></th>
<th>Shares</th>
<th>Value</th>
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<tbody>
<tr>
<td>Brokered PP</td>
<td>30,000</td>
<td>500,000</td>
<td>0.05000</td>
</tr>
<tr>
<td>Acquistion</td>
<td>35,745,000</td>
<td>18,237,500</td>
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</table>

**TOTAL TRANSACTION ISSUE**

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<tr>
<td></td>
<td>46,747,000</td>
<td>23,267,500</td>
<td>0.50000</td>
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</table>

**TOTAL ISSUED PRO FORMA**

<table>
<thead>
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<tr>
<td></td>
<td>57,489,826</td>
<td>29,554,846</td>
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**POTENTIAL DILUTION:**

**Warrants**

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<tbody>
<tr>
<td>23-Sep-15 NB PP Financing (Tranche 1)</td>
<td>22,000</td>
<td>666,666</td>
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**TOTAL WARRANTS**

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<tr>
<td></td>
<td>68,000</td>
<td>908,332</td>
<td>0.26000</td>
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**Options**

<table>
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<tbody>
<tr>
<td>23-Sep-15 Directors &amp; Officers</td>
<td>24,000</td>
<td>350,000</td>
<td>0.01542</td>
</tr>
<tr>
<td>22-Oct-15 Directors &amp; Officers</td>
<td>24,000</td>
<td>300,000</td>
<td>0.01250</td>
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<tr>
<td>22-Nov-15 Directors &amp; Officers</td>
<td>24,000</td>
<td>240,000</td>
<td>0.01000</td>
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<tr>
<td>3-Dec-15 Directors &amp; Officers</td>
<td>24,000</td>
<td>200,000</td>
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**TOTAL OPTIONS**

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<tr>
<td></td>
<td>132,000</td>
<td>1,120,000</td>
<td>0.00849</td>
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</table>

**FULLY DILUTED**

<table>
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<tbody>
<tr>
<td></td>
<td>224,269,826</td>
<td>113,613,646</td>
<td>0.50750</td>
</tr>
</tbody>
</table>
Schedule "A"

Corporation Combination:

Stage 1: Gencap will undertake the necessary steps which will result in TargetCo becoming a publicly listed company on a recognized Canadian Stock Exchange (the "Arrangement").

Completion of the Acquisition/Arrangement shall be subject to the following conditions, as applicable:

- approval of the Supreme Court of British Columbia;
- approval of the British Columbia Registrar of Companies;
- shareholder approval of Arrangement;
- approval from the Canadian Securities Exchange;
- no legal proceedings pending or threatened to prohibit, enjoin or materially restrict completion of the Arrangement; and
- fewer than 15% of the shareholders shall have exercised applicable dissent or similar rights in respect of the Arrangement, unless waived by Vending.

Stage 2: Gencap or Subco will assist TargetCo to meet its immediate financial needs, not to exceed $500,000, directly or indirectly, as outlined in the last section of this Schedule A.

Gencap or Subco will complete a definitive agreement with TargetCo in respect of the subsequent transaction (the "Subsequent Transaction") which will result in the combination of Subco and TargetCo (the "Resulting Issuer") pursuant to which TargetCo will become a wholly owned subsidiary of Gencap. Upon completion of the Subsequent Transaction:

- Subco or Gencap/TargetCo will be a reporting issuer in the provinces of British Columbia and Alberta and would undertake the business of TargetCo;
- Subco or Gencap/TargetCo will be structured such that the existing shareholders of TargetCo shall own a minimum of approximately 60% of the Resulting Issuer following the raising of $5,000,000 or such lesser amount as mutually agreed to, and
- An application to list on the Canadian Securities Exchange will be made in the event of a spinout.
ACCEPTED BY ALL OF THE UNDERSIGNED PARTIES ON THIS 22ND DAY OF NOVEMBER, 2015.

GENOVATION CAPITAL CORP.
Per: [Signature]
Robert van Saaten
Chief Executive Officer
Witness: [Signature]

MKHS LLC.
Per: [Signature]
Murphy Kittrell
President
Witness: [Signature]
MKIIS, LLC
Financial Statements
December 31, 2015
MKHS, LLC
Tucson, Arizona

Accountant’s Report

I have assembled the accompanying balance sheet of MKHS, LLC (an Arizona limited liability company) as of December 31, 2015, and the related profit and loss statement for the year then ended. I have not audited, reviewed or compiled the accompanying financial statements. These financial statements have been assembled and prepared utilizing generally accepted accounting principles as issued by the American Institute of Certified Public Accountants.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles and for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements.

My responsibility is to assemble these financials in accordance with generally accepted accounting principles as issued by the American Institute of Certified Public Accountants. The objective of this assembly is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

While this report does not include the disclosures ordinarily included in financial statements presented in accordance with generally accepted accounting principles, these disclosures are available upon request from management. However, some additional notes have been provided to help the user in analyzing these financial statements.

I am independent of MKHS, LLC.

Steven A. Phillips, CPA
Tucson, Arizona
March 6, 2016
# MKHS LLC
## Balance Sheet
### As of December 31, 2015

### ASSETS

#### Current Assets
- **Checking/Savings**
  - US Bank KM Payroll #3297: $-19,469.96
  - US Bank KM Black #3271: $1,040.20
  - New MKHS Payroll #2687: $-2,489.82
- **Total Checking/Savings**: $-20,918.41

#### Other Current Assets
- Inventory* 12/31/14: $46,091.00
- Due From Cornucopia* 12/31/14: $122,724.00
- Due From GreenMed* 12/31/14: $12,855.00
- Employee Advance - Hawks, M.: $850.00
- Employee Advance - Jackson, P.: $346.00
- Employee Advance - Newton, T.: $443.18
- Accrued Management Fees - GM: $401,067.98
- Accrued Management Fees - PM: $842,307.19
- **Total Other Current Assets**: $1,517,534.35

- **Total Current Assets**: $1,496,615.94

#### Fixed Assets
- Building Structure - Littleton* 12/31/14: $100,000.00
- Construction in Process*: $1,401,305.75
- Furniture and Equipment*: $85,372.00
- Land - Rio Rico*: $154,500.00
- Machinery and Equipment*: $70,985.00
- Vehicles*: $6,110.00
- Computer and Office Equip 2015: $2,996.36
- Furniture and Fixtures 2015: $1,533.51
- Machines and Equipment 2015: $12,199.53
- Leasehold Improvements 2015: $114,276.32
- LT Loan Costs 2015: $16,000.00
- RR Disp Closing Costs 2015: $15,304.00
- **Total Fixed Assets**: $1,990,824.49

#### Other Assets
- Deposit - Rental**: $10,000.00
- **Total Other Assets**: $10,000.00

### TOTAL ASSETS: $3,497,440.43

### LIABILITIES & EQUITY

#### Liabilities
- **Current Liabilities**
  - Accrued Commission* 12/31/14: $168,000.00
  - Accrued Expenses* 12/31/14: $38,338.00
  - Due to PurpleMed* 12/31/14: $214,447.00
  - Garnishment Payable* 12/31/14: $337.00
  - Payroll Liabilities* - TurnKey: $64,452.53
  - Sales Tax Payable* 12/31/14: $6,524.79
  - Due To GreenMed Inc 2015: $17,762.15
  - Due To PurpleMed Inc 2015: $82,518.64
  - Payroll Liabilities - MKHS: $144,199.40
  - **Total Other Current Liabilities**: $743,579.71
  - **Total Current Liabilities**: $743,579.71

#### Equity
- **Total Liabilities**: $743,579.71
- **Total Equity**: $2,753,860.72

### Accrual Basis
### MKHS LLC
#### Balance Sheet
**As of December 31, 2015**

<table>
<thead>
<tr>
<th>Long Term Liabilities</th>
<th>Dec 31, 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note Payable - Burge, J*</td>
<td>6,135.00</td>
</tr>
<tr>
<td>Note Payable - Guttuso, N*</td>
<td>22,500.00</td>
</tr>
<tr>
<td>Note Payable - Hanuel LLC*</td>
<td>600,000.00</td>
</tr>
<tr>
<td>Note Payable - Marvele LLC*</td>
<td>125,000.00</td>
</tr>
<tr>
<td>Note Payable - Noonan*</td>
<td>25,000.00</td>
</tr>
<tr>
<td>Note Payable - Olsen*</td>
<td>40,000.00</td>
</tr>
<tr>
<td>Note Payable - Patel, N*</td>
<td>200,000.00</td>
</tr>
<tr>
<td>Note Payable - Spitzer Fam Tr*</td>
<td>115,527.00</td>
</tr>
<tr>
<td>Note Payable - Sternberg*</td>
<td>21,000.00</td>
</tr>
<tr>
<td>Loan Payable - Binder Agreement</td>
<td>167,000.00</td>
</tr>
<tr>
<td>Loan Payable - Force LLC</td>
<td>112,500.00</td>
</tr>
<tr>
<td>Loan Payable - Gnombre Ink</td>
<td>72,500.00</td>
</tr>
<tr>
<td>Loan Payable - IPCC</td>
<td>186,800.00</td>
</tr>
</tbody>
</table>

**Total Long Term Liabilities:** 1,713,952.00

**Total Liabilities:** 2,457,541.71

**Equity:**
- **Retained Earnings:** -50,546.40
- **Member Distribution - MK:** -117,806.42
- **Net Income:** 1,208,263.54
- **Total Equity:** 1,039,698.72

**TOTAL LIABILITIES & EQUITY:** 3,497,440.43
MKHS LLC  
Profit & Loss YTD Comparison  
December 2016

<table>
<thead>
<tr>
<th>Ordinary Income/Expense</th>
<th>Dec 15</th>
<th>Jan - Dec 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income - Management Fees Green</td>
<td>500,467.55</td>
<td>537,330.00</td>
</tr>
<tr>
<td>Income - Management Fees Purple</td>
<td>912,055.16</td>
<td>1,809,280.00</td>
</tr>
<tr>
<td>Total Income</td>
<td>1,412,522.71</td>
<td>2,346,610.00</td>
</tr>
</tbody>
</table>

| Gross Profit            | 1,412,522.71 | 2,346,610.00 |

| Expense                  |          |              |
| Professional Fees        | 1,313.20  | 1,313.20     |
| Accounting Fees          | 2,000.00  | 3,000.00     |
| Advertising & promotions | 200.02    | 200.02       |
| Auto Expense             | 1,143.74  | 3,719.92     |
| Bank Charges             | 700.00    | 2,543.00     |
| Business Licenses and Permits | 670.00    | 1,247.60     |
| Consulting Fees          | 0.00      | 11,271.20    |
| Contract Services        | 21,540.68 | 125,771.82   |
| Conference and Convention Fees | 0.00      | 345.00       |
| Dues and Subscriptions   | 282.20    | 282.20       |
| Legal Fees               | 6,123.70  | 14,113.70    |
| Meals & Entertainment    | 3,034.05  | 7,566.92     |
| Office Expense           | 453.69    | 1,068.04     |
| Outside Contract Services| 7,064.03  | 70,433.50    |
| Payroll Expenses         | 82,150.04 | 722,384.43   |
| Penalties                | 0.00      | 172.02       |
| Postage                  | 1,249.35  | 1,316.95     |
| Printing                 | 2.00      | 2.29         |
| Repairs & Maintenance    | 0.00      | 248.94       |
| Supplies                 | 0.00      | 1,461.36     |
| Telecommunications       | 488.15    | 785.16       |
| Travel                   | 2,801.18  | 6,721.58     |
| Utilities                | 117.74    | 282.97       |
| Total Expense            | 1,378,765.53 | 686,336.69  |

Net Ordinary Income       | 1,281,977.18 | 1,208,253.11 |

Other Income/Expense      |          |              |
| Other Income             |          |              |
| Interest Income          | 0.00     | 0.43         |
| Total Other Income       | 0.00     | 0.43         |

Net Other Income          | 0.00     | 0.43         |

Net Income                | 1,281,977.18 | 1,208,253.54 |
MKHS, LLC

1. All MKHS, LLC Balance Sheet accounts with a (*) were carried over from the 2014 financial statements which combined three business entities: Turnkey Development, PurpleMed, Inc. and GreenMed, Inc.; MKHS, LLC began operations January 1, 2015.
2. Assets purchased in 2015 are noted as such.
3. Loan balances were not verified with third party documentation, balances were provided by client.
4. Payroll liabilities and sales tax liabilities were not verified with third party documentation due to accrued past payables, penalties and interest not being included.
5. All bank accounts listed have been reconciled to bank statements.
6. Accrued management fees result from product weight sold x $3,000/lb less fees paid in 2015; these amounts were agreed to balances appearing on other entities financial statements.

PurpleMed, Inc.

1. Cash on Hand total provided by client.
2. Bank accounts reconciled to bank statements.
3. Due To/Due From accounts all agree to amounts appearing on other entities financial statements.
4. Accounts Receivable is not verified; this amount was calculated utilizing the difference in sales and deposits.
5. Beginning retained earnings balance was calculated using beginning bank balances as per bank statements dated January 1, 2015.
6. Sales tax liability not verified with third party documentation due to past payables, penalties and interest not being included.

GreenMed, Inc.

1. Bank accounts reconciled to bank statements.
2. Due To/Due From accounts all agree to amounts appearing on other entities financial statements.
3. Beginning retained earnings balance was calculated using beginning bank balances as per bank statements dated January 1, 2015.
4. Sales tax liability not verified with third party documentation due to past payables, penalties and interest not being included.
PurpleMed, Inc.
Tucson, Arizona

Accountant’s Report

I have assembled the accompanying balance sheet of PurpleMed, Inc. (an Arizona corporation) as of December 31, 2015, and the related profit and loss statement for the year then ended. I have not audited, reviewed or compiled the accompanying financial statements. These financial statements have been assembled and prepared utilizing generally accepted accounting principles as issued by the American Institute of Certified Public Accountants.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles and for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements.

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I am independent of PurpleMed, Inc.

Steven A. Phillips, CPA
Tucson, Arizona
March 6, 2016
<table>
<thead>
<tr>
<th>Assets</th>
<th>Dec 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td></td>
</tr>
<tr>
<td>Checking/Savings</td>
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<tr>
<td>Cash on Hand</td>
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<tr>
<td>USB KM Purple Checking #3263</td>
<td>10,742.02</td>
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<tr>
<td>Total Checking/Savings</td>
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<td>Other Current Assets</td>
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<td>Accounts Receivable</td>
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<td>Deposits in Transit</td>
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<td>464,121.30</td>
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<tr>
<td>Total Current Assets</td>
<td>505,863.32</td>
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<tr>
<td>Total Assets</td>
<td>605,863.32</td>
</tr>
</tbody>
</table>

<p>| Liabilities &amp; Equity  |             |
| Liabilities           |             |
| Current Liabilities   |             |
| Accrued Management Fees 2015 | 842,307.19 |
| Due To GreenMed Inc 2015 | 269,976.48 |
| Sales Tax Liabilities  | 107,928.22  |
| Total Other Current Liabilities | 1,220,211.89 |
| Total Current Liabilities | 1,220,211.89 |
| Total Liabilities      | 1,220,211.89 |
| Equity                 |             |
| Retained Earnings      | 12,710.87   |
| Net Income             | -727,659.54 |
| Total Equity           | -714,948.57 |
| Total Liabilities &amp; Equity | 605,863.32 |</p>
<table>
<thead>
<tr>
<th>Ordinary Income/Expense</th>
<th>Dec. 15</th>
<th>Jan. - Dec. 15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
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<tr>
<td>Sales and Revenue</td>
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<td>2,341,713.83</td>
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<tr>
<td>Sales - Retail</td>
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<td>722,035.14</td>
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<td>Sales Discounts</td>
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<tr>
<td>Total Sales and Revenue</td>
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<td>2,341,713.83</td>
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<tr>
<td>Cost of Goods Sold</td>
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<tr>
<td>COGS - Cultivation Expense</td>
<td>5,281.93</td>
<td>54,500.81</td>
</tr>
<tr>
<td>COGS - Purchases</td>
<td>15,392.71</td>
<td>822,357.32</td>
</tr>
<tr>
<td>Total COGS</td>
<td>22,674.64</td>
<td>877,258.13</td>
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<tr>
<td><strong>Gross Profit</strong></td>
<td>160,081.17</td>
<td>1,464,456.66</td>
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<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
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<tr>
<td>Advertising and Promotion</td>
<td>156.93</td>
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<tr>
<td>Automobile Expense</td>
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<td>814.91</td>
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<tr>
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</tr>
<tr>
<td>Computer and Internet Expenses</td>
<td>336.66</td>
<td>4,038.63</td>
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<tr>
<td>Consulting Fees</td>
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<td>44,966.04</td>
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<tr>
<td>Contract Labor</td>
<td>1,843.05</td>
<td>30,017.10</td>
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<tr>
<td>Dues and Subscriptions</td>
<td>0.00</td>
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<tr>
<td>Equipment Rental</td>
<td>-14,341.61</td>
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<td>Legal Fees</td>
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<td>Management Fees</td>
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<td>Meals and Entertainment</td>
<td>830.32</td>
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<td>Merchant Account Fees</td>
<td>583.10</td>
<td>19,489.04</td>
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<tr>
<td>Payroll Service Fees</td>
<td>1,119.93</td>
<td>4,050.68</td>
</tr>
<tr>
<td>Total Payroll Expenses</td>
<td>0.00</td>
<td>8,019.68</td>
</tr>
<tr>
<td>Payroll Service Fees</td>
<td>0.00</td>
<td>8,019.68</td>
</tr>
<tr>
<td>Total Payroll Expenses</td>
<td>0.00</td>
<td>8,019.68</td>
</tr>
<tr>
<td>Pest Control</td>
<td>275.00</td>
<td>2,100.00</td>
</tr>
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<td>POS Expense</td>
<td>275.00</td>
<td>2,100.00</td>
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<td>Postage and Delivery</td>
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<td>Professional Fees</td>
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<td>Repairs and Maintenance</td>
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<td>22,740.06</td>
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<tr>
<td>Security</td>
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<td>5,632.00</td>
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<tr>
<td>Small Equipment and Tools</td>
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<td>1,822.10</td>
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<td>Storage Rental</td>
<td>300.25</td>
<td>4,672.56</td>
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<td>Supplies</td>
<td>1,415.75</td>
<td>10,435.73</td>
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<td>Telephone Expense</td>
<td>1,941.95</td>
<td>8,853.98</td>
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<td>Travel Expense</td>
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<td>Uniforms</td>
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<td>1,262.00</td>
</tr>
<tr>
<td>Utilities</td>
<td>18,006.97</td>
<td>112,202.38</td>
</tr>
<tr>
<td>Total Payroll Expenses</td>
<td>0.00</td>
<td>8,019.68</td>
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</tbody>
</table>

**Net Ordinary Income**: $-408,476.75, $-727,003.54
**PurpleMed Inc**

**Profit & Loss YTD Comparison**

**December 2015**

<table>
<thead>
<tr>
<th>Other Income/Expense</th>
<th>Dec 15</th>
<th>Jan - Dec 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Income</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Interest Income</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Total Other Income</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Net Other Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>-366,476.75</td>
<td>-727,650.54</td>
</tr>
</tbody>
</table>
MKHS, LLC

1. All MKHS, LLC Balance Sheet accounts with a (*) were carried over from the 2014 financial statements which combined three business entities: Turnkey Development, PurpleMed, Inc. and GreenMed, Inc.; MKHS, LLC began operations January 1, 2015.
2. Assets purchased in 2015 are noted as such.
3. Loan balances were not verified with third party documentation, balances were provided by client.
4. Payroll liabilities and sales tax liabilities were not verified with third party documentation due to accrued past payables, penalties and interest not being included.
5. All bank accounts listed have been reconciled to bank statements.
6. Accrued management fees result from product weight sold X $3,000/lb less fees paid in 2015; these amounts were agreed to balances appearing on other entities financial statements.

PurpleMed, Inc.

1. Cash on Hand total provided by client.
2. Bank accounts reconciled to bank statements.
3. Due To/From accounts all agree to amounts appearing on other entities financial statements.
4. Accounts Receivable is not verified; this amount was calculated utilizing the difference in sales and deposits.
5. Beginning retained earnings balance was calculated using beginning bank balances as per bank statements dated January 1, 2015.
6. Sales tax liability not verified with third party documentation due to past payables, penalties and interest not being included.

GreenMed, Inc.

1. Bank accounts reconciled to bank statements.
2. Due To/From accounts all agree to amounts appearing on other entities financial statements.
3. Beginning retained earnings balance was calculated using beginning bank balances as per bank statements dated January 1, 2015.
4. Sales tax liability not verified with third party documentation due to past payables, penalties and interest not being included.
GREENMED, INC.
Financial Statements
December 31, 2015
GreenMed, Inc.
Tucson, Arizona

Accountant’s Report

I have assembled the accompanying balance sheet of GreenMed, Inc. (an Arizona corporation) as of December 31, 2015, and the related profit and loss statement for the year then ended. I have not audited, reviewed or compiled the accompanying financial statements. These financial statements have been assembled and prepared utilizing generally accepted accounting principles as issued by the American Institute of Certified Public Accountants.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles and for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements.

My responsibility is to assemble these financials in accordance with generally accepted accounting principles as issued by the American Institute of Certified Public Accountants. The objective of this assembly is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

While this report does not include the disclosures ordinarily included in financial statements presented in accordance with generally accepted accounting principles, these disclosures are available upon request from management. However, some additional notes have been provided to help the user in analyzing these financial statements.

I am independent of GreenMed, Inc.

Steven A. Phillips, CPA
Tucson, Arizona
March 6, 2016
**GreenMed Inc**
**Balance Sheet**
**As of December 31, 2015**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
<th>Dec 31, 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Checking/Savings</td>
<td>DBG KN Green Checking #3209</td>
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</tr>
<tr>
<td></td>
<td>Total Checking/Savings</td>
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<tr>
<td>Other Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Due From MKHS LLC 2015</td>
<td>17,702.15</td>
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<tr>
<td></td>
<td>Due From PurpleMed Inc 2015</td>
<td>260,976.48</td>
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<td>Total Other Current Assets</td>
<td>287,744.63</td>
</tr>
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<td></td>
<td>Total Current Assets</td>
<td>290,702.12</td>
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<tr>
<td>TOTAL ASSETS</td>
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<td>290,702.12</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES &amp; EQUITY</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other Current Liabilities</td>
<td>421,967.63</td>
</tr>
<tr>
<td></td>
<td>Account Management Fees 2015</td>
<td>10,103.56</td>
</tr>
<tr>
<td></td>
<td>Total Other Current Liabilities</td>
<td>432,071.19</td>
</tr>
<tr>
<td></td>
<td>Total Current Liabilities</td>
<td>432,071.19</td>
</tr>
<tr>
<td></td>
<td>Total Liabilities</td>
<td>432,071.19</td>
</tr>
<tr>
<td>Equity</td>
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</tr>
<tr>
<td></td>
<td>Retained Earnings</td>
<td>2,480.20</td>
</tr>
<tr>
<td></td>
<td>Net Income</td>
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<td></td>
<td>Total Equity</td>
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<td>TOTAL LIABILITIES &amp; EQUITY</td>
<td></td>
<td>290,702.12</td>
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</tbody>
</table>
## GreenMed Inc

### Profit & Loss YTD Comparison

**December 2015**

<table>
<thead>
<tr>
<th>Category</th>
<th>Dec 15</th>
<th>Jan - Dec 15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Profit</strong></td>
<td>24,481.79</td>
<td>588,424.20</td>
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<tr>
<td><strong>Expense</strong></td>
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<tr>
<td>Advertising and Promotion</td>
<td>55.05</td>
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<tr>
<td>Automobile Expense</td>
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<td>Bank Service Charges</td>
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<tr>
<td>Business Licenses and Permits</td>
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<tr>
<td>Computer and Internet Expenses</td>
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</tr>
<tr>
<td>Consultant Fees</td>
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<td>Contract Labor</td>
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<tr>
<td>Does and Subscriptions</td>
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<tr>
<td>Equipment Rental</td>
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<td>Insurance Expense</td>
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<td>Management Fees</td>
<td>506,487.55</td>
<td></td>
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<tr>
<td>Meals and Entertainment</td>
<td>192.92</td>
<td></td>
</tr>
<tr>
<td>Merchandise Costs</td>
<td>302.95</td>
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<tr>
<td>Office Supplies</td>
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<tr>
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<td>Postage and Delivery</td>
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<tr>
<td>Rent Expense</td>
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<td>Repairs and Maintenance</td>
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<td>Security Expense</td>
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<tr>
<td>Supplies</td>
<td>81.50</td>
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<td>Telephone Expense</td>
<td>342.84</td>
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<tr>
<td>Travel Expense</td>
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<td>Utilities</td>
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<td><strong>Total Expense</strong></td>
<td>611,261.43</td>
<td>604,276.54</td>
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<tr>
<td><strong>Net Ordinary Income</strong></td>
<td>-466,779.69</td>
<td>-214,852.25</td>
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<tr>
<td><strong>Other Income/Expense</strong></td>
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</tr>
<tr>
<td><strong>Interest Income</strong></td>
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<td>0.01</td>
</tr>
<tr>
<td><strong>Total Other Income</strong></td>
<td>0.00</td>
<td>0.01</td>
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<tr>
<td><strong>Net Other Income</strong></td>
<td>0.00</td>
<td>0.01</td>
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<tr>
<td><strong>Net Income</strong></td>
<td>-466,779.69</td>
<td>-214,852.24</td>
</tr>
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</table>
# TURNKEY DEVELOPMENT LLC

## BALANCE SHEET

As of DECEMBER 31, 2014

### ASSETS

<table>
<thead>
<tr>
<th>CURRENT ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$6,000</td>
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<tr>
<td>Checking &amp; savings - WF</td>
<td>10,645</td>
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<tr>
<td>Due from Commercia</td>
<td>122,724</td>
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<tr>
<td>Due From Greenmed</td>
<td>17,805</td>
</tr>
<tr>
<td>Inventory Asset</td>
<td>46,091</td>
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<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>198,265</strong></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>PROPERTY &amp; EQUIPMENT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicles</td>
<td>6,119</td>
</tr>
<tr>
<td>Building Structure - Littletown</td>
<td>100,000</td>
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<tr>
<td>Machinery and Equipment</td>
<td>70,995</td>
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<tr>
<td>Construction in Process</td>
<td>1,401,111</td>
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<tr>
<td>Furniture and Equipment</td>
<td>85,372</td>
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<tr>
<td>Land - Rio Rico</td>
<td>164,500</td>
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<tr>
<td><strong>Total Property &amp; Equipment</strong></td>
<td><strong>1,628,087</strong></td>
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<table>
<thead>
<tr>
<th>OTHER ASSETS</th>
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</thead>
<tbody>
<tr>
<td>Deposit - Rental</td>
<td>10,000</td>
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<tr>
<td><strong>Total Other Assets</strong></td>
<td><strong>10,000</strong></td>
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</table>

<table>
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</thead>
<tbody>
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<td></td>
<td><strong>2,046,353</strong></td>
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*FOR MANAGEMENT DISCUSSION AND ANALYSIS PURPOSES ONLY*
## TURNKEY DEVELOPMENT LLC
### BALANCE SHEET - CONTINUED
As of December 31, 2014

### LIABILITIES & MEMBERS' EQUITY

<table>
<thead>
<tr>
<th>CURRENT LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued Commission</td>
<td>168,000</td>
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<tr>
<td>Accrued Expenses</td>
<td>38,338</td>
</tr>
<tr>
<td>Due to Purple Med</td>
<td>241,447</td>
</tr>
<tr>
<td>Garnishment payable</td>
<td>337</td>
</tr>
<tr>
<td>Payroll Liabilities</td>
<td>120,630</td>
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<tr>
<td>Sales tax payable</td>
<td>20,742</td>
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<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>589,495</strong></td>
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</table>

<table>
<thead>
<tr>
<th>LONG TERM LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Note payable - Hanuel LLC</td>
<td>600,000</td>
</tr>
<tr>
<td>Note payable - Patel, N.</td>
<td>200,000</td>
</tr>
<tr>
<td>Note payable - Lichter FRT</td>
<td>162,000</td>
</tr>
<tr>
<td>Note payable - Spitzer</td>
<td>153,027</td>
</tr>
<tr>
<td>Note payable - Patel</td>
<td>147,500</td>
</tr>
<tr>
<td>Note payable - Marvele LLC</td>
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</tr>
<tr>
<td>Note payable - Olsen</td>
<td>40,000</td>
</tr>
<tr>
<td>Note payable - Garneko, N</td>
<td>30,000</td>
</tr>
<tr>
<td>Note payable - Burge, J</td>
<td>25,000</td>
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<tr>
<td>Note payable - Noonan</td>
<td>25,000</td>
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<tr>
<td>Note payable - Sternberg</td>
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</tr>
<tr>
<td>Note payable - VentureFora LLC</td>
<td>5,190</td>
</tr>
<tr>
<td><strong>Total Long Term Liabilities</strong></td>
<td><strong>1,337,717</strong></td>
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</table>

<table>
<thead>
<tr>
<th>TOTAL LIABILITIES</th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,127,212</td>
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<table>
<thead>
<tr>
<th>MEMBERS' EQUITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Member distributions - Kittyell</td>
<td>(52,581)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>(90,134)</td>
</tr>
<tr>
<td>Net income</td>
<td>31,858</td>
</tr>
<tr>
<td><strong>Total Members' Equity</strong></td>
<td><strong>(90,869)</strong></td>
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</table>

<table>
<thead>
<tr>
<th>TOTAL LIABILITIES &amp; EQUITY</th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2,036,353</td>
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</table>

*FOR MANAGEMENT DISCUSSION AND ANALYSIS PURPOSES ONLY*
**Year Ended December 31, 2013**

<table>
<thead>
<tr>
<th>Category</th>
<th>2013</th>
<th>2012</th>
<th>Change 2013 to 2012</th>
<th>% of Change 2013 to 2012</th>
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</thead>
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<tr>
<td><strong>Operating Activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>560,401</td>
<td>582,459</td>
<td>-22,058</td>
<td>-3.7%</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>495,693</td>
<td>531,467</td>
<td>-35,774</td>
<td>-6.7%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>64,708</td>
<td>51,092</td>
<td>13,616</td>
<td>26.6%</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>495,693</td>
<td>531,467</td>
<td>-35,774</td>
<td>-6.7%</td>
</tr>
<tr>
<td>Selling, General &amp; Administrative</td>
<td>155,138</td>
<td>163,805</td>
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</tr>
<tr>
<td>Total Operating Expenses</td>
<td>650,831</td>
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<td>-6.6%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>15,877</td>
<td>10,820</td>
<td>5,057</td>
<td>46.6%</td>
</tr>
<tr>
<td><strong>Non-Operating Income (Loss)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>2,278</td>
<td>2,314</td>
<td>-36</td>
<td>-1.6%</td>
</tr>
<tr>
<td><strong>Income Before Income Taxes</strong></td>
<td>18,155</td>
<td>13,134</td>
<td>5,021</td>
<td>38.2%</td>
</tr>
<tr>
<td><strong>Income Taxes</strong></td>
<td>4,391</td>
<td>3,417</td>
<td>974</td>
<td>28.4%</td>
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<tr>
<td><strong>Net Income</strong></td>
<td>13,764</td>
<td>9,717</td>
<td>4,047</td>
<td>41.5%</td>
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*Note: All amounts are in thousands.*
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<th>Category</th>
<th>December 2006</th>
<th>December 07</th>
<th>Adjusted For Deficit</th>
<th>Total Adjusted For Deficit</th>
<th>Total Earnings Before Minus</th>
<th>Total Earnings Before Minus</th>
<th>Total Earnings Before Minus</th>
<th>Total Earnings Before Minus</th>
<th>Total Earnings Before Minus</th>
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<tr>
<td>Sales</td>
<td>540,000</td>
<td>500,000</td>
<td>450,000</td>
<td>400,000</td>
<td>350,000</td>
<td>300,000</td>
<td>250,000</td>
<td>200,000</td>
<td>150,000</td>
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<tr>
<td>Cost of Goods Sold</td>
<td>120,000</td>
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<td>120,000</td>
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<td>120,000</td>
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<td>Gross Profit</td>
<td>420,000</td>
<td>380,000</td>
<td>330,000</td>
<td>280,000</td>
<td>230,000</td>
<td>180,000</td>
<td>130,000</td>
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<tr>
<td>Operating Expenses</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
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<td>1,000</td>
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<tr>
<td>Administrative Expenses</td>
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<td>700</td>
<td>700</td>
<td>700</td>
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<td>700</td>
<td>700</td>
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<tr>
<td>Total Operating Expenses</td>
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<td>1,700</td>
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<tr>
<td>Non-operating Expenses</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Total Earnings</td>
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<td>160,000</td>
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<tr>
<td>Income Tax Expense</td>
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<tr>
<td>Net Income</td>
<td>350,000</td>
<td>310,000</td>
<td>260,000</td>
<td>200,000</td>
<td>150,000</td>
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<tr>
<td>Retained Earnings</td>
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<td>200,000</td>
<td>150,000</td>
<td>100,000</td>
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<tbody>
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<td>5,159,245</td>
<td>4,228,327</td>
<td>3,849,050</td>
<td>4,044,791</td>
<td>4,031,700</td>
<td>3,906,830</td>
<td>5,553,691</td>
<td>4,050,605</td>
<td>3,885,628</td>
<td>26,981,718</td>
<td>7,214,300</td>
<td>79,845,814</td>
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<tr>
<td>earnings</td>
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<td>Net Profit</td>
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<td>4,044,791</td>
<td>4,031,700</td>
<td>3,906,830</td>
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<td>4,050,605</td>
<td>3,885,628</td>
<td>26,981,718</td>
<td>7,214,300</td>
<td>79,845,814</td>
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<tr>
<td>Minority Interest</td>
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<tr>
<td>Total Profit</td>
<td>5,159,245</td>
<td>4,228,327</td>
<td>3,849,050</td>
<td>4,044,791</td>
<td>4,031,700</td>
<td>3,906,830</td>
<td>5,553,691</td>
<td>4,050,605</td>
<td>3,885,628</td>
<td>26,981,718</td>
<td>7,214,300</td>
<td>79,845,814</td>
</tr>
</tbody>
</table>

**Note:** This table represents the Profit & Loss by Class for the period January to December 2013.
OPERATING AGREEMENT

OF

MKV VENTURES 1, LLC
an Arizona limited liability company

Dated January 4, 2016
OPERATING AGREEMENT
OF MKV VENTURES 1, LLC

an Arizona limited liability company

This Operating Agreement (the “Operating Agreement”) of MKV VENTURES 1, LLC, a limited liability company, formed and existing under the laws of the State of Arizona, with its principal mailing address at 1200 N. El Dorado Place, Suite G-709, Tucson, Arizona 85715 (the “Company” or the “LLC”) is made and entered into as of January 4, 2016 by and between MKHS, LLC, an Arizona limited liability company ("Member 1" or "Managing Member"), and WESTLAND CAPITAL ADVISORS S.A. ("Member 2").

WHEREAS, the Company was formed pursuant to their certain Articles of Organization of MKV Ventures 1, LLC filed with the Arizona Secretary of State on January _, 2016.

NOW, THEREFORE, the Members agree as follows:

ARTICLE I
DEFINITIONS

The following terms used in this Operating Agreement shall have the following meanings (unless otherwise expressly provided herein):

1.1 “Act” means the Arizona Limited Liability Company Act, as amended from time to time.

1.2 "Adjusted Capital Account Balance" means, with respect to each Member, the balance of the Capital Account of such Member as of the end of the applicable Fiscal Year of the Company, adjusted for the following:

a. Such Capital Account shall be credited for any amounts that such Member is obligated or treated as obligated to restore with respect to any deficit balance in his, her or its Capital Account pursuant to Regulation Sections 1.704-1(b)(2)(ii)(b)(3) and 1.704-1(b)(2)(ii)(c), respectively;

b. Such Capital Account shall be credited for any amounts that such Member is deemed to be obligated to restore with respect to any deficit balance in his or its Capital Account pursuant to the next to last sentences of each of Regulation Section 1.704-2(g)(1) (that is, the Member’s share of Minimum Gain) and Regulation Section 1.704-2(i)(5) (that is, the Member’s share of partner nonrecourse debt minimum gain), and;

c. Such Capital Account shall be debited for any adjustment, allocation or distribution described in paragraph (4), (5) or (6) of Regulation Section 1.704-1(b)(2)(i)(d).

1.3 “Adjusted Capital Account Deficit” means, with respect to each Member, the deficit balance, if any, in such Member’s Capital Account as of the end of the relevant taxable year, after giving effect to the following adjustments:
a. The deficit shall be decreased by the amounts, if any, that each Member is obliged to restore under the terms of this Operating Agreement, or is deemed obliged to restore pursuant to Regulation Sections 1.704-1(b)(2)(i)(c), 1.704-2(g)(1) and 1.704-2(g)(5); and

b. The deficit shall be increased by the items described in Regulation Section 1.704-1(b)(2)(i)(d)(4), (5) and (6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with Regulation Section 1.704-1(b)(2)(i)(d) and shall be interpreted consistently therewith.

1.4 "Adjusted Invested Capital" means, for each Member, the amount of any Capital Contributions contributed by such Member less the amount of any Distributions to such Member made pursuant to Section 3.5.1(a)(4) and Section 9.3.1(b).

1.5 "Affiliate" means with respect to any Person, (i) any Person directly or indirectly controlling, controlled by, or under common control with such Person, (ii) any Person owning or controlling ten percent (10%) or more of the outstanding voting interests of such Person, (iii) any officer, director, or general partner of such Person, (iv) any Person who is an officer, director, general partner, trustee, or holder of ten percent (10%) or more of the voting interests of any Person described in clauses (i) through (iii) of this sentence, or (v) any Person who is a parent, child, sibling, first cousin, uncle, or aunt of a Person or Affiliate, or any spouse or child thereof.

For purposes of this definition, the term "controls," "is controlled by," or "is under common control with" shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

1.6 "Assignee" means the owner of an Economic Interest who is not a Member.

1.7 "Capital Account" means the capital account maintained by the Company for each Member in accordance with the following provisions:

a. A Member's Capital Account shall be credited with the Member's Capital Contributions, the amount of any Company liabilities assumed by the Member (or that are secured by Company property distributed to the Member), the Member's allocable share of profit and any share of income or gain specially allocated to such Member pursuant to the provisions of Section 9.3 (other than Section 9.3.1(c)); and

b. A Member's Capital Account shall be debited with the amount of money and the Fair Market Value of any Company property distributed to the Member, the amount of any liabilities of the Member assumed by the Company (or that are secured by property contributed by the Member to the Company), the Member's allocable share of Loss and any share of deductions or losses specially allocated to the Member pursuant to the provisions of Section 9.2 (other than Section 9.2.1(c)) hereof.

If any Membership Interest is transferred pursuant to the terms of this Operating Agreement, the Transferee shall succeed to the Capital Account of the transferor to the extent attributable to the transferred Membership Interest. It is intended that the Capital Accounts of all Members shall be

OPERATING AGREEMENT – Page 2
maintained in compliance with the provisions of Regulation Section 1.704-1(b), and all provisions of this Operating Agreement relating to the maintenance of Capital Accounts shall be interpreted and applied in a manner consistent with such Regulations.

1.8 "Capital Contribution" means any contribution to the capital of the Company in cash or property or deemed to have been made by a Member or Assignee.

1.9 "Capital Contribution Date" means the date upon which a Capital Contribution is made by a Member or Assignee to the Company.

1.10 "Certificate" means the Articles of Organization of the Company as filed with the Secretary of State on or about January __, 2016, as the same may be amended from time to time. A copy of the Certificate is attached hereto as Exhibit "A".

1.11 "Code" means the Internal Revenue Code of 1986, as amended, or any corresponding provision of any succeeding law.

1.12 "Company" means NKV Ventures 1, LLC, an Arizona limited liability company.

1.13 "Company Operating Account" means a bank account or accounts to be established for the Company in which the Members' Capital Contributions and receipts from operations will be deposited and from which the Company will pay its operating expenses and distribute capital contributions and profits.

1.14 "Distributable Cash" means all cash, revenues and funds received by the Company, less such reserves as the Members may reasonably deem necessary to the proper operation of the Company's business and the maintenance of the liability protections afforded to the Managing Member, Officers and Members by the Act and other applicable laws and regulations.

1.15 "Distribution" means any money or other property transferred by the Company to a Member or Assignee with respect to its Membership Interest in the Company.

1.16 "Economic Interest" means a Member's or Assignee's share of the Company's net profits, net losses and Distributions of the Company's assets pursuant to this Operating Agreement and the Act, but shall not include any right to participate in the management or affairs of the Company, including, the right to vote on, consent to or otherwise participate in any decision of the Members.

1.17 "Fiscal Year" means the calendar year.

1.18 "For Cause" means any of the following acts: (i) an intentional act of fraud, embezzlement, or theft, with respect to matters related to a Member or the conduct of Company business with third-parties; (ii) intentional damage to Company's assets, or (iii) willful misconduct or gross negligence, to the extent demonstrably and materially injurious to Company, monetarily or otherwise. For purposes of this definition, an act, or a failure to act, shall not be deemed willful or intentional, unless it is done, or omitted to be done, in bad faith or without a reasonable belief that such action or omission was in the best interest of the Company.
1.19 "Lender" means the Lender that is so described in and party to, that Loan Agreement and Guarantee dated January 6, 2016 that references this Operating Agreement.

1.20 "Managing Member" means Member 1, and any other Person that succeeds it in that capacity.

1.21 "Member" means each of the parties who execute a counterpart of this Operating Agreement as a Member and each of the parties who may hereafter become Members. If a Person is a Member immediately prior to the purchase or other acquisition by such Person of an Economic Interest, such Person shall have all the rights of a Member with respect to such purchased or otherwise acquired Membership Interest or Economic Interest, as the case may be.

1.22 "Member 1" means MKHS, LLC, an Arizona limited liability company.

1.23 "Member 2" means, WESTLAND CAPITAL ADVISORS S.A., a Panamanian registered International Business Corporation.

1.24 "Membership Interest" means a Member’s entire interest in the Company, including such Member’s Economic Interest and such other rights and privileges that the Member may enjoy by being a Member.

1.25 "Membership Percentage" means, for each Member, the percentage set forth on Exhibit “B” to this Operating Agreement.

1.26 "Minimum Gain" has the meaning set forth in Regulation Section 1.704-2(d). Minimum Gain shall be computed separately for each Member in a manner consistent with the Regulations under Code Section 704(b).

1.27 "Operating Agreement" means this Operating Agreement as may be amended from time to time.

1.28 "Person" or "Persons" means any individual or entity, and the heirs, executors, administrators, legal representatives, successors, and assigns of such “Person” or “Persons”.

1.29 "Regulations" means the final or temporary federal income tax regulations promulgated under the Code, as amended from time to time, and including corresponding provisions of succeeding regulations.

1.30 "Secretary of State" means the Secretary of State of the State of Arizona.

1.31 "Transferee" means a Person to whom a Membership Interest is transferred in accordance with this Operating Agreement.
ARTICLE 2
GENERAL PROVISIONS

2.1 Formation. On or about January ___, 2016, the Company was organized and formed as an Arizona limited liability company by causing the Certificate to be filed with the Secretary of State in accordance with and pursuant to the Act (Exhibit A).

2.2 Name. The name of the Company is MKV Ventures 1, LLC, an Arizona limited liability company.

2.3 Principal Place of Business. The principal mailing address of the Company shall be 9420 E. Golf Links Road, Unit 164, Tucson, Arizona 85739-1353 or such other place as the Members may from time to time designate. The Company may maintain such additional offices as the Members may determine.

2.4 Registered Agent. The address of the Registered Agent for the Company, Jeffrey H. Greenberg, is 1200 N. Wilmot Road, Suite G-700, Tucson, Arizona 85715. The registered agent may be changed from time to time, with the approval of the Members, by filing the address of the new registered office and/or the name of the new registered agent with the Secretary of State pursuant to the Act. The Company shall maintain at the office of its registered agent the records required to be maintained under the Act, as amended from time to time.

2.5 Term. The term of the Company shall be perpetual from the date of filing of the Certificate, or as amended, with the Secretary of State unless the Company is earlier dissolved in accordance with either the provisions of this Operating Agreement or the Act.

ARTICLE 3
BUSINESS OF COMPANY

3.1 Purpose of Company. The business of the Company shall be to (i) purchase the real property and improvements located at 3615 E. Golf Links Road, Tucson, Arizona 85711 (the "Warehouse Property") and lease it to MKHS Cultivation Services, LLC, an Arizona limited liability company; (ii) purchase the real property and improvements located at 6525 Littleton Road, Tucson, Arizona 85730 (the "Greenhouse Property") and lease it to MKHS Cultivation Services, LLC; (iii) purchase three (3) six thousand square feet (6,000 sq) greenhouses (the "MKV Greenhouses") to be located on the Greenhouse Property and lease the Greenhouse Property and the MKV Greenhouses to MKHS Cultivation Services, LLC, an Arizona limited liability company; and (iv) engaging in any and all activities necessary, desirable or incidental to the accomplishment of the foregoing. The purposes identified in items (i) – (iv) above shall be accomplished on or before January ___, 2016.

3.2 Powers of Company. The Company is authorized to act in furtherance of the Purpose of the Company, and to engage in all activities necessary, customary, convenient, or incident to the foregoing which may be legally exercised by limited liability companies under the Act.

3.3 Achievement of Purposes: the Business Plan.

OPERATING AGREEMENT—Page 5.
The Warehouse Transaction

1. The Company enters into a Purchase and Sale Agreement ("PSA") to acquire the Warehouse Property for $500K with $75,000 down together with closing costs and reasonable attorney's fees constituting as capital by Member 2 with a $425K Seller Carryback for a term to be negotiated, between 1 to 3 years at 6% assumable by Member 1 or its affiliate. The $75,000 will be the initial advance under this Agreement to be received at the offices of the Registered Agent on or before January 8, 2016 in Trust to be released and forwarded to the Seller upon execution of the PSA in support of the full rights as described herein.

2. The Company leases the Warehouse Property for 10 years to MKHS Cultivation Services which subleases it to Purplemed, Inc., an Arizona non-profit entity.

3. The lease payments cover the carry back interest only payments plus taxes and insurance.

4. The lease contains an option for the Tenant to purchase the Warehouse Property subject to the debt for whatever the cash amount is that has been invested by Member 2 with interest at 14% at any time during the term.

5. Member 2 must pay off the carry back or provide its credit to refinance the carryback if MKHS Cultivation is unable to exercise its option before the expiration of the Carryback.

The Greenhouse Property Transaction

1. The Company receives an assignment of the Lessee’s interest in the Greenhouse Property Lease and Option to Purchase and a one (1) year extension of the Lease and Option approved by the Lessee.

2. Member 2 contributes capital in the amount of $87,500 together with any required closing costs and reasonable attorney's fees for the one (1) year extension of the Lease and Option.

3. The Company sub-leases the Greenhouse Property for 10 years to MKHS Cultivation Services which subleases it to Greenmed, Inc., an Arizona non-profit entity.

4. The Lease grants MKHS Cultivation the option to acquire the Greenhouse Property at any time during the lease term by paying Member 2 all amounts it has invested in the property plus interest at 14%.

5. The Lease payments from MKHS Cultivation cover the lease obligations to the Lessee, which includes any carry back interest only payments plus taxes and insurance.

6. Member 2 is required to contribute additional capital to either purchase extensions of the option from the Lessee or permit the Company to exercise the purchase option until

[Signatures]
MKHS Cultivation is able to exercise the purchase option.

7. The Lessee will provide that the Lessee shall pay to Lessee one hundred percent (100%) of the net profits (to be defined clearly as net of direct costs of production, but before any general and administrative overhead allocation, and non-arm's-length consulting and management fees) after expenses derived from the MKV Greenhouses for a term of the later of two years from the date the MKV Greenhouses are fully operational or from the first twelve (12) harvests of medical marijuana from each of the MKV Greenhouses as and when such proceeds are received or receivable by Lessee, and thereon, fifty percent (50%) of the net profits (as earlier defined) derived from all future harvests of medical marijuana from the MKV Greenhouses as and when such proceeds are received or receivable by Lessee throughout the term of this Lease.

The Greenhouse Transaction

1. The Company will cause to acquire the MKV Greenhouses within five (5) business days of the date of this Agreement and cause them to be fully operational within five (5) months of the date of this Agreement.

2. Member 2 shall contribute One Million Fifty Thousand Dollars ($1,050,000) plus any closing costs, including reasonable attorney’s fees as capital to acquire the MKV Greenhouses.

ARTICLE 4
NAMES AND ADDRESSES OF MEMBERS

The names and addresses of the Members are listed on Exhibit “B” hereof.

ARTICLE 5
MANAGEMENT

5.1 Management of the Company:

a. Number of Managers. The Company shall have one (1) Managing Member.

b. Operations. The day-to-day business and affairs of the Company shall be managed by the Managing Member, but with direct input and oversight by Member 2 as Member 2 considers appropriate from time to time. Except for situations in which the approval of the Members is expressly required by this Operating Agreement or by non-waivable provisions of applicable law, and subject to customary standards of sound business judgment, good faith and fair dealing, the Managing Member shall have the responsibility and authority to manage and
control the day-to-day business, affairs and property of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business.

5.2. Certain Powers of Managing Member. Subject to, and as limited by, Section 5.3 of this Operating Agreement, the Managing Member shall have the responsibility, power and authority, on behalf of the Company, to undertake the following actions, at all times consistent with commercially reasonable business judgment exercised in good faith and in the collective interests of the Company and its Members:

a. Act as an authorized representative in any and all capacities on behalf of the Company;

b. Enter into, make, and perform contracts, agreements, and other undertakings binding the Company that may be necessary, appropriate, or advisable in furtherance of the business of the Company and make all decisions and waivers thereunder;

c. Take all steps to effectuate the purposes outlined in Section 5.1 hereof;

d. Open and maintain bank and investment accounts and arrangements, draw checks and other orders for the payment of money, and designate individuals with authority to sign or give instructions with respect to those accounts and arrangements;

e. Collect sums due the Company;

f. Distribute, or cause or permit to be distributed, any funds received by the Company in accordance with the provisions hereof;

g. To the extent that funds of the Company are available therefor, pay debts and obligations of the Company;

h. Select, remove, and change the authority and responsibility of lawyers, accountants, and other advisors and consultants;

i. Subject to the approval requirements of Section 5.3, institute, prosecute and defend any proceeding in the Company's name;

j. Subject to the approval requirements of Section 5.3, sell, convey, mortgage, pledge, lease, exchange and otherwise dispose of Company assets;

k. Engage or hire agents or contractors of the Company, define their duties, and the establish their compensation;

l. Purchase liability and other insurance to protect the Company's property and business; and
in. File with the Secretary of State any annual reporting required under the Act.

r. Appoint officers of the Company (the "Officers") for the transaction of the business of the Company, which Officers may perform any acts or services for the Company as the Managing Member may approve; provided, however, that such delegation shall not release the Managing Member of its responsibility as to such matters.

Unless expressly authorized to do so by this Operating Agreement, no attorney-in-fact, employee or other agent of the Company other than the Managing Member or President of the Company, if any, shall have any power or authority to bind the Company in any way, to pledge its credit or to render it liable for any purpose. No Member shall have any power or authority to bind the Company unless the Member has been authorized to act as an agent of the Company in accordance with the previous sentence.

5.3 Major Decisions. The Managing Member's authority shall be limited such that prior approval of all Members shall be required for the following acts (each a "Major Decision"): 

a. Creation of any indebtedness;

b. Entering into an agreement to acquire any asset;

c. Selling any asset of the Company;

d. Distributing, or causing or permitting to be distributed, any funds received by the Company other than in accordance with the provisions of this Operating Agreement;

e. Dissolving or winding-up the Company;

f. Changing the nature of the business or purposes of the Company;

g. Doing any act in contravention of this Operating Agreement or which would make it impossible to carry on the ordinary business of the Company;

h. Granting consensual liens on any Company property;

i. Guaranteeing or agreeing to become liable for the indebtedness of any other Person;

j. Filing a voluntary petition or otherwise initiating proceedings to have the Company adjudicated bankrupt or insolvent, or consenting to the institution of bankruptcy or insolvency proceedings against the Company.
or filing a petition seeking or consenting to reorganization or relief of the Company as debtor under any applicable federal or state law relating to bankruptcy, insolvency, or other relief for debtors with respect to the Company, or seeking or consenting to the appointment of any trustee, receiver, conservator, assignee, sequestrator, custodian, liquidator (or other similar official) of the Company or of all or any substantial part of the assets of the Company, or making any general assignment for the benefit of creditors of the Company, or admitting in writing the inability of the Company to pay its debts generally as they become due or declaring or effecting a moratorium on the Company debt or taking any action in forbearance of any action.

k. Merging, combining or consolidating the Company with any other Person;

or,

Admitting additional members to the Company or issuing additional Membership Interests.

5.4 Liability for Certain Acts. The Managing Member shall perform his, her or its duties as in good faith, in a manner reasonably believed to be in the best interest of the Company, and with such care as an ordinarily prudent person in a like position would use under similar circumstances. A Managing Member who so performs the duties as Managing Member shall not have any liability to the Company or the other Members by reason of being or having been a Managing Member of the Company unless expressly stated herein. Unless prohibited by the Act, fraud, deceit, gross negligence, or willful misconduct in breach of this Operating Agreement shall be grounds for liability of such Managing Member to the Company or any Member.

5.5 Managing Member and Members Have No Exclusive Duty to Company. The Members and Managing Member may have other business interests and may engage in other activities in addition to those relating to the Company which are or are not in competition with the Company or any Affiliate or as otherwise specifically permitted by this Agreement. For a period of one (1) year from the removal or resignation of a Member from the Company or the purchase of a Member's interest pursuant to this Operating Agreement or otherwise, such Member (or the selling Member) shall not offer employment or any other business compensation arrangement to any employee or consultant of the Company or any Affiliate. Neither the Company nor any Member shall have any right, by virtue of this Operating Agreement, to share or participate in such other investments or activities of the Managing Member or Member or to the income or proceeds derived therefrom. The Members shall not incur any liability to the Company or to any of the Members or Assignees as a result of engaging in any other business or venture. Managing Member shall, despite other business interests and other engagements, give to the Company the attention and care necessary or desirable to perform its duties and obligations hereunder in good faith and with due care.
5.6 Insurance: Indemnity of the Managing Member, Members, Employees and Other Agents.

a. Managing Member shall maintain, at the Company’s expense, for the benefit of the Company, the Managing Member and the other Members, commercially reasonable and appropriate forms and amounts of insurance, including, without limitation, against claims brought by third parties against the Company, the Managing Member, the Members or the Officers in connection with the operations of the Company. If Managing Member employs an Affiliate, or any other entity in which Managing Member or an Affiliate of Managing Member owns an interest, hereunder in any capacity and for any purpose, any compensation to such Affiliate must be approved by the Board and shall be equal to or less than the fair market value that would be paid as compensation to an unrelated, third party provider, and all such relationships and the compensation paid shall be disclosed in advance to the Members and the Board.

b. The Company shall indemnify, defend and hold the Managing Member, Officers, the Members, their employees and other agents harmless from any civil liability and any associated loss, damage, or expense, including reasonable attorneys’ fees, incurred in connection with the ordinary and proper conduct of the Company’s business and the preservation of its business and property, or by reason of the fact that such Person is or was, a Managing Member or Member; provided (i) the Managing Member, Officers or Member acted in a manner such Managing Member, Officer or Member believed in good faith to be consistent with the provisions of this Operating Agreement, and (ii) the Managing Member’s, Officer’s or Member’s conduct did not constitute gross negligence, willful misconduct, or a breach of its fiduciary obligations to the Company or the Members. The termination of any action, suit or proceeding by judgment, order, settlement or its equivalent shall not of itself create a presumption that indemnification is not available hereunder. The obligation of the Company to indemnify the Managing Member, Officer and Members hereunder shall be satisfied out of the proceeds of insurance, if any, maintained by the Company and thereafter by Company assets only, and if the assets of the Company are insufficient to satisfy its obligation to indemnify any Managing Member, Officer or Member, such Managing Member, Officer or Member shall not be entitled to contribution from any Member. The expenses of a Member, Managing Member or Officer incurred in defending a civil or criminal action or proceeding shall be paid by the Company as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of the, Managing Member, Officer or Member to repay the amount if it is ultimately determined by a court of competent jurisdiction that such Member, Officer or Managing Member is not entitled to be indemnified by the Company. In addition to the above, no claim or suit against an Officer, Managing Member or a Member shall be settled or terminated without the written consent of such Officer, Managing Member or Member, which consent shall not be unreasonably withheld or delayed. In the event that a Managing Member, Officer or a Member incurs costs over and above the amount covered by insurance in a claim by a third party in which such Member is ultimately found not liable by a court or arbiter, the Company shall reimburse such Managing Member, Officer or Member for its actual and reasonable out-of-pocket costs in defending the action.
5.7 Removal or Resignation of Members.

a. A Member may not resign from such capacity without the approval of all other Members.

b. A Member may be removed only for Cause.

c. If the Managing Member is, at any time, removed or resigns, the Company shall hire a qualified Person to manage the Company and the resigning or removed Managing Member shall continue to be entitled to receive Distributions under Section 9.3 of this Operating Agreement less any actual damages sustained by the Company as a result of the conduct giving rise to the removal for Cause or by virtue of the resignation.

d. Member 2 must give written notice to Managing Member invoking this subsection of this Operating Agreement (which notice shall be copied to the other Members), and such notice shall be effective to remove the Managing Member fifteen (15) days after receipt of such written notice absent written objection by the Managing Member prior to the expiration of the fifteen (15) days. In the event of an objection, no removal shall take place pending a final court order. In the interim, a Receiver shall be appointed to run the Company.

e. If a Member is removed for Cause or resigns, then the Member shall thereafter have no Economic Interest only, and shall have no further approval or voting rights in the Company.

5.8 Vacancies.

Except as specified above, any vacancy occurring in the position of Managing Member of the Company shall be filled by the Person designated by the remaining Members.

5.9 Management Compensation and Reimbursement.

a. Any salaries of a Member or Officer appointed pursuant to this Agreement by the Managing Member shall be established by separate Resolution and must be approved by all of the Members.

b. The Members and Officers shall be entitled to reimbursement or payment from the Company for any expenses reasonably incurred in connection with the business of the Company.

ARTICLE 6

RIGHTS AND OBLIGATIONS OF MEMBERS

6.1 Limitation of Liability. Each Member's liability shall be limited as set forth in this Operating Agreement, the Act and other applicable law.

6.2 Company Debt Liability. A Member will not be personally liable for any debts or losses of the Company beyond his, her or its respective Capital Contributions, and any obligation
of the Members under Section 8.2 of this Operating Agreement to make Capital Contributions, except as otherwise required by law.

6.3 Lack of Authority of Members. No Member except the Managing Member shall have any power or authority to act for or on behalf of the Company, to do any act that would be binding on the Company, or to incur any debt or expenditures on behalf of the Company except as otherwise expressly stated herein.

6.4 No Right to Withdraw. No Member, following the contribution of its Capital Contribution, shall have the right to withdraw as a Member from the Company unless first approved by the Managing Member and by all of the Members.

ARTICLE 7
MEETINGS OF MEMBERS

7.1 Meetings of Members. The Company shall not hold regularly scheduled meetings of the Members. Special meetings of the Members may be called at any time by the Managing Member or by any Member who shall state the purpose or purposes of such meeting and the matters proposed to be acted on thereat.

7.2 Place and Manner of Meeting; Notice. All meetings of the Members shall be held at such reasonable time and place, within or outside the State of Arizona, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof. Any business to be transacted at a meeting of the Members must be described in the notice of meeting. Members may participate in such meetings by means of conference telephone or similar communications equipment by means of which all Persons participating in the meeting can hear each other, and participation in a meeting as provided herein shall constitute presence in person at such meeting, except where a Person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

7.3 Conduct of Meetings. All meetings of the Members shall be presided over by the chairman of the meeting, who shall be the party calling the meeting. The chairman of any meeting of the Members shall determine the order of business and the procedure at the meeting, including each regulation of the manner of voting and the conduct of discussion as seem to him, her or it in order.

7.4 Notice. Written or printed notice stating the place, day, hour and purpose or purposes for which the meeting is called, shall be delivered not less than five (5) nor more than sixty (60) days before the date of the meeting either personally or by mail, by or at the direction of the Managing Member or Member calling the meeting, to each Member entitled to vote at the meeting, provided that such notice may be waived as provided in this Operating Agreement. If mailed, such notice shall be deemed to be delivered three (3) business days after the date deposited in the United States mail addressed to the Member at his, her or its address as it appears on the records of the Company, certified mail, return receipt requested, with postage thereon prepaid.
7.5 Quorum of Members. The presence of both Member 1 and Member 2 shall be required to constitute a quorum at any meeting of Members. Managing Member is required to attend all meetings of Members.

7.6 Majority Vote: Withdrawal of Quorum. With respect to any matter when a quorum is present at any meeting, the affirmative vote of Members holding more than Fifty Percent (50%) of the Membership Percentage, present in person or represented by proxy, having voting power with respect to that matter, shall decide such matter brought before such meeting, unless the matter is one upon which, by express provision of the Certificate or this Operating Agreement, or by an express provision of the statutes which is applicable to such vote unless overridden by the Certificate, a different vote is required, in which case such express provision shall govern and control the decision of such matter. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

7.7 Action Without Meeting. Any action required by the Act to be taken at a meeting of the Members, or any action which may be taken at a meeting of the Members, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth such action as taken, shall have been signed by the holder or holders of all the Membership Percentage entitled to vote with respect to the action that is the subject matter of the consent, and such consent shall have the same force and effect as a unanimous vote of the Members. Any action required by the Act to be taken at any annual or special meeting of Members, or any action which may be taken at any annual or special meeting of Members, may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, setting forth such action as taken, shall be signed by the holder or holders of Membership Percentage having not less than the minimum number of votes that would be necessary to take such action at a meeting at which the holders of all Membership Percentages entitled to vote on the action were present and voted. Every written consent pursuant to this Section 7.7 shall be signed, dated and delivered in the manner required by, and shall become effective as of the time and remain effective for the period specified by, the Act. A telegram, telex, cablegram or similar transmission by a Member, or a photographic, photostatic, facsimile or similar reproduction of a writing signed by a Member, shall be regarded as signed by the Member for purposes of this Section 7.7. Prompt notice of the taking of any action by Member without a meeting by less than unanimous written consent shall be given to those Members who did not consent in writing to the action.

7.8 Proxies. At all meetings of Members a Member may vote in person or by proxy executed in writing by the Member or by a duly authorized attorney-in-fact. Such proxy shall be filed with the Managing Member of the Company before or at the time of the meeting. No proxy shall be valid after six (6) months from the date of its execution, unless otherwise provided in the proxy.

ARTICLE 8
CONTRIBUTIONS AND LOANS TO THE COMPANY

8.1 Members' Capital Contributions.

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a. Member 1 shall be deemed to have made a capital contribution in kind in the amount of One Thousand Dollars ($1,000.00) and shall receive a fifty percent (50%) membership interest in the Company.

b. Member 2 shall contribute One Million Two Hundred Thousand Five Hundred ($1,212,500.00) within five (5) business days of the execution of this Agreement, or by January 13, 2016 at the latest, and shall receive a fifty percent (50%) membership interest in the Company.

c. Except as is specifically provided for otherwise in this Agreement, the Members shall not be required to make additional Capital Contributions to the Company.

d. Any additional Capital Contributions made by a Member shall be added to its Adjusted Invested Capital.

8.2 Return of Contributions. Other than as provided in Section 9.3 or Section 13.2 of this Operating Agreement, a Member is not entitled to the return of any part of its Capital Contribution or to be paid interest in respect of either its Capital Account or its Capital Contribution. Any un-repaid Capital Contribution is not a liability of the Company or of the Managing Member or any Member.

8.3 Additional Contributions. To the extent the initial Capital Contributions of the Members are insufficient to meet the Company’s financial needs and requirements, the Managing Member shall provide to each Member notice of such insufficiency, at least five (5) business days prior to the need for any additional capital, and the anticipated amount of additional capital required for the ensuing 30 days (the “Deficiency Notice”). The Members shall have the first right (but not the obligation) to provide any additional capital referenced in the Deficiency Notice pro rata. If the Members have not provided the amounts set forth in a Deficiency Notice within five (5) business days of receipt thereof, Managing Member shall take such steps as are reasonably available to obtain the necessary funds from a third party on terms to be approved by the Members.

ARTICLE 9
ALLOCATIONS, INCOME TAX, DISTRIBUTIONS, ELECTIONS AND REPORTS

9.1 Allocations of Profits. Except as provided in Sections 9.3 and 9.4, the net profits of the Company shall be allocated to each Member and Assignee as follows:

a. First, to each Member or its Assignee, in proportion to and in the inverse order of the amounts by which cumulative net losses allocated to such Person pursuant to Sections 9.2 b-d exceed cumulative net profits allocated to such Member or Assignee under this Section 9.1 a, until cumulative net profits allocated to the Members and Assignees under this Section 9.1 a is equal to cumulative net losses allocated pursuant to Section 9.2 b-d to the Members and Assignees;

b. Second, to each Member or its Assignee to the extent of the amounts distributed to such Person pursuant to Section 9.3 b, of this Operating Agreement.

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c. Third, to each Member or its Assignee to the extent of any amounts distributed and/or accrued to such Member or Assignee pursuant to Section 9.5.a.i, and ii, of this Operating Agreement;

d. Fourth, to each Member or its Assignee to the extent of any amounts distributed and/or accrued to such Person pursuant to Section 9.5.a.iii, of this Operating Agreement;

e. Fifth, to each Member or its Assignee, to the extent of, and in proportion to, any amounts distributed and/or accrued to such Person pursuant to Section 9.5.a.iv, of this Operating Agreement.

f. Any additional net profits shall be allocated among the Members in accordance with their Membership Percentages.

9.2 Allocation of Losses. Except as provided in Sections 9.2.c. and 9.3.d, the net losses of the Company shall be allocated to each Member and Assignee as follows:

a. First, to the extent any net profits have been previously allocated to a Member or its Assignee under Section 9.1.e, with and have not been previously offset by allocations of net losses under this Section 9.2.a., net losses shall be allocated to such Person in the same percentage that the net profits were previously allocated with the most recent Fiscal Year's net profits being offset first.

b. Second, to the extent any net profits have been previously allocated to a Member or its Assignee under Section 9.1.d, with and have not been previously offset by allocations of net losses under this Section 9.2.a., net losses shall be allocated to such Person in the same percentage that the net profits were previously allocated with the most recent Fiscal Year's net profits being offset first.

c. Third, to the extent any net profits have been previously allocated to a Member or its Assignee under Section 9.1.c, and have not been previously offset by allocations of net losses under this Section 9.2.a., net losses shall be allocated to such Persons in the same percentage that the net profits were previously allocated with the most recent Fiscal Year's profits being offset first.

d. Fourth, to the extent any net profits have been previously allocated to a Member or its Assignee under Section 9.1.b and have not been previously offset by allocations of net losses under this Section 9.2.a., net losses shall be allocated to such Persons in the same percentage that the net profits were previously allocated with the most recent Fiscal Year's profits being offset first.

e. Any additional net losses shall be allocated among the Members in accordance with their Membership Percentages.

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9.3 Regulatory Allocations.

a. Qualified Income Offset. No Member shall be allocated losses or deductions if the allocation: (i) causes a Member to have an Adjusted Capital Account Deficit, or (ii) increases a Member's Adjusted Capital Account Deficit. If, notwithstanding the provisions of the preceding sentence, a Member receives an allocation of loss or deduction (or item thereof), or any Distribution, which: (i) causes the Member to have an Adjusted Capital Account Deficit or (ii) increases a Member's Adjusted Capital Account Deficit, at the end of any taxable year, then all items of income and gain of the Company (consisting of a pro rata portion of each item of Company income, including gross income and gain) for that taxable year shall be allocated to that Member before any other allocation is made of Company items for that taxable year, in the amount and proportion required to eliminate the deficit as quickly as possible. This Section 9.3.a is intended to comply with, and shall be interpreted consistently with, the “qualified income offset” provisions of the Regulations promulgated under Code Section 704(b).

b. Minimum Gain Chargeback. Except as set forth in Regulation Section 1.704-2(b)(2) through (5), if, during any taxable year, there is a net decrease in Minimum Gain, each Member, prior to any other allocation pursuant to this Article 9, shall be specially allocated items of gross income and gain for such taxable year (and, if necessary, subsequent taxable years) in an amount equal to his share of the net decrease of Minimum Gain, computed in accordance with Regulation Section 1.704-2(b). Allocations of gross income and gain pursuant to this Section 9.3.b shall be made first from gain recognized from the disposition of Company assets subject to nonrecourse liabilities to the extent of the Minimum Gain attributable to those assets, and thereafter, from a pro rata portion of the Company’s other items of income and gain for the taxable year. It is the intent of the parties hereto that any allocation pursuant to this Section 9.3.b shall constitute a “minimum gain chargeback” under Regulation Section 1.704-2(b).

c. Contributed Property. In accordance with Code Section 704(c) and the Regulations thereunder, as well as Regulation Section 1.704-1(b)(2)(iv)(d),(3), income, gain, loss and deduction with respect to any property contributed (or deemed contributed) to the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of the property to the Company for United States federal income tax purposes and its fair market value at the date of contribution (or deemed contribution). If the fair market value of any Company asset is adjusted as provided herein, subsequent allocations of income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for United States federal income tax purposes and its fair market value in the manner required under Code Section 704(c) and the Regulations thereunder. In making allocations of Code Section 704(c) items, the Company shall exclusively use the “traditional method” within the meaning of Regulation Section 1.704-3(b).

d. Code Section 754 Adjustment. To the extent an adjustment to the tax basis of any Company asset pursuant to Code Section 734(b) or 743(b) is required, pursuant to Regulation Section 1.704-1(b)(2)(iv)(n), to be taken into account in determining Capital Accounts, the amount of the adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such
basis), and the gain or loss shall be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to those sections of the Regulations.

e. **Gross Income Allocations.** To the extent that any Member has an Adjusted Capital Account Deficit at the end of any taxable year, then all items of income and gain of the Company (consisting of a pro-rata portion of each item of Company income, including gross income and gain) for that taxable year shall be allocated to that Member before any other allocation is made of Company items for that taxable year, in the amount and proportion required to eliminate the deficit as quickly as possible.

9.4 **Other Allocation and Distribution Rules**

a. **Authority of Managing Member.** The Managing Member is hereby authorized, upon the advice of the Company’s tax counsel, to amend this Article 9 to comply with the Code and the Regulations promulgated under Code Section 704(b), and otherwise make necessary adjustments in allocations of net profits and net losses so that the Capital Accounts reflect the distributions made or to be made to each Member; provided, however, that no such amendment shall materially affect the timing or amount of any Distributions to a Member without such Member’s prior written consent.

b. **Transfer of Membership Interest.** If any Membership Interest is issued, transferred or forfeited during any accounting period in compliance with the provisions of this Operating Agreement, profits, losses, such item thereof and all other items attributable to such Membership Interest for such period shall be divided and allocated between the transferor and the transferee by taking into account their varying Membership Interests during the period in accordance with Code Section 706(d), using any conventions permitted by law and selected by the Managing Member.

c. **Limitation on Distributions.** Notwithstanding anything herein to the contrary, the Company shall not make any Distributions to the extent such Distributions are prohibited under the Act or other applicable law.

d. **Guaranteed Payments.** Any fees, salary, or similar compensation payable to a Member for services to or on behalf of the Company pursuant to this Operating Agreement shall be deemed a guaranteed payment pursuant to Section 707 of the Code for federal income tax purposes and not a distribution to such Member for such purposes. Such payments to a Member shall not reduce the Capital Account of such Member, except to the extent of its distributive share of any net losses or other downward capital adjustment resulting from such payment.

9.5 **Distributions.**

a. Except with respect to Distributions upon dissolution of the Company, which are governed by Section 11.2 hereof, from the effective date of this Operating Agreement and throughout the Term of the Company, the Distributions of Distributable Cash, if any, by the Company shall be made no less frequently than quarterly as follows:

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iii. Second, 50% of the Distributable Cash shall be distributed to Member 1 and 50% of the Distributable Cash shall be distributed to Member 2 until such time as Member 2 has received distributions from twelve (12) harvests from each of the three greenhouses.

iii. Third, after the distribution requirements as to Member 2 under subsection (ii) above have been satisfied, 100% of the Distributable Cash shall be distributed to Member 1 and Member 2's membership interest in the Company shall be deemed transferred to Member 1 or its designee without the necessity of further documentation.

iv. In the event that Member 1 terminates the LOI between MKHS and Genovation Capital Corporation dated November 24, 2015 (the “MKHS-Genovation LOI”) without grounds as stated therein, or fails to execute a follow-on agreement as necessary whereby Genovation acquires both MKHS LLC and Valens Agritech Ltd. under the terms as substantially announced in its news release of December 14, 2015, or does not provide annual audited financial statements certified to by an independent certified public accountant under IFRS for MKHS, LLC (as well as access to MKHS, LLC’s detailed general ledger and standard accounting reports for the entire MKHS, LLC operating history since its formation, as required by Genovation’s Information Circular to be filed in accordance with regulatory requirements, in anticipation of the share exchange whereby MKHS, LLC will be 100% owned by Genovation) by January 31, 2016, and for this reason, Genovation elects to terminate the MKHS-Genovation LOI, the membership interest of Member 1 shall be deemed transferred to Genovation and Member 2 shall be deemed the managing member of the Company without the need for further documentation.

v. In the event the transaction described in the November 24, 2015 LOI between MKHS and Genovation, or the follow-on agreement whereby Genovation acquires both MKHS LLC and Valens Agritech Ltd. under the terms announced in its news release of December 14, 2015, does not close for any other reason, Member 1 shall be deemed to have transferred ten percent (10%) (for greater clarity, that is a 10/50’s or 1/5th interest) of its membership interest to Genovation without the need for further documentation and Genovation shall be deemed admitted as a Member and remain a Member until such time as Genovation has received distributions from the greater of twelve (12) harvests or for two years of harvests from each of the three greenhouses. After the distribution requirements as to Genovation under this subsection have been satisfied, 100% of the Distributable Cash shall be distributed to Member 1 and Genovation’s membership interest in the Company shall be deemed transferred to Member 1 or its designee without the necessity of further documentation.
vi. The parties hereto agree that Genovation is an intended third party beneficiary of this Agreement and that there are no other third party beneficiaries.

9.6 Company Books.

a. Managing Member shall be responsible for maintaining proper and complete books of account of the Company's business at the Company's principal place of business or such other place as approved by the Board. The books of account shall show all items of income and expense.

b. Each Member at his, her or its sole cost and expense shall have the right at all times during usual business hours to audit, examine and make copies of or extracts from the Company's books of account. Such right may be exercised through any agent or employee of such Member designated by the Member or by an independent certified public accountant designated by such Member. The Member exercising such right shall bear all expenses incurred in any such examination made on the Member's behalf.

9.7 The Board shall have the right to cause the Company, at the Company's cost and expense, to prepare annual audited financial statements certified to be independent certified public accountant or at such other times as it deems necessary.

9.8 Tax Returns. Managing Member shall prepare and deliver to the Members, within ninety (90) days of the end of each Fiscal Year, the requisite tax return for the Company and "K-1" tax forms for the Members of the Company.

9.9 Bank Accounts. Except as otherwise provided herein, all funds of the Company shall be deposited in a Company bank account or accounts to which Members shall have on-line access.

9.10 Online Reporting. Managing Member shall maintain, and the Members shall be granted on-line access to, a database containing the daily accounting of Company activity.

9.11 Loans to Company. Nothing in this Operating Agreement shall prevent any Member or Assignee from making secured or unsecured loans to the Company by agreement with the Company, provided that the Members have consented in writing to such loan and the terms thereof.

9.12 Tax Election. The Company shall be taxed as a partnership and shall not elect to be taxed as a corporation under the Code.

ARTICLE 10
TRANSFERABILITY

10.1 General. Neither a Member nor an Assignee shall have the right to sell, assign, transfer, exchange, pledge, encumber, or otherwise transfer for consideration, (collectively, "sell" or "sale"), or gift, bequeath or otherwise transfer for no consideration whether or not by operation of law, except in the case of bankruptcy or estate planning purposes (collectively "gift"
and together with "null" or "sale", "transfer") all or any part of its Membership Interest Without the prior written consent of all other Members, with due consideration for the terms and conditions between the parties as detailed in the Loan Agreement and Guarantee dated January 4, 2016. Each Member and Assignee hereby acknowledges the reasonableness of the restrictions on the transfer of Membership Interests imposed by this Operating Agreement in view of the Company purposes and the relationship of the Members and Assignees. Accordingly, the restrictions on transfer contained herein shall be specifically enforceable.

10.2 Restriction Against Transfer. The Members hereby acknowledge and agree that the Membership Interests have not been registered with the Securities and Exchange Commission (or, under the securities laws of any state), but have been issued pursuant to an exemption from registration under the Securities Act. Accordingly, notwithstanding anything contained herein to the contrary, the sale, transfer, pledge, hypothecation, or other disposition of any of said Membership Interests are restricted and may not be accomplished except in accordance with this Operating Agreement, and an appropriate registration or an opinion of counsel that registration is unnecessary.

10.3 Void Transfer. Any purported Transfer by a Member of all or any part of its interest in violation of this Article X shall be null and void and of no force or effect.

10.4 Transfer Documentation and Acceptance of this Agreement. Concurrently with the admission of any substitute or additional Member (such member, the "Transferee") as approved by the Members, the Members shall forthwith cause any necessary papers to be filed and recorded and notice to be given wherever and to the extent required showing the substitution of a Transferee as a Substitute Member in place of the Member transferring its Interest, or the admission of an additional Member, all at the expense, including payment of any professional and filing fees incurred, of such substituted or additional Member. The admission of any person as a substitute or additional Member shall be conditioned upon such person or entity's written acceptance and adoption of all the terms and provisions of this Agreement.

ARTICLE XI
Dissolution and Termination

11.1 Liquidating Events. Subject to Section 5.3 above, the Company shall dissolve and commence winding up and liquidating upon the first to occur of any of the following events (each a "Liquidating Event"):

a. The sale of all or substantially all of the Company's assets or the assets are otherwise transferred and the Company ceases business operations; provided that such Member may elect not to dissolve and liquidate the Company at such time if such Member reasonably determines that maintenance of the existence of the Company thereafter will assist in preserving and protecting the Company and Members from potential future liabilities;

b. The written approval of Managing Member and all other Members; or

c. (Required by the Act,

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The Members agree that the Company shall not dissolve prior to the occurrence of a Liquidating Event. As such, the Members may not take any action that would dissolve the Company or otherwise remove their interests from the Company without the express written consent of the Managing Member, at its sole discretion.

11.2 Winding Up, Liquidation and Distribution of Assets.

Upon dissolution, an accounting shall be made by the Company's independent accountants of the accounts of the Company and of the Company's assets, liabilities and operations, from the date of the last previous accounting until the date of dissolution. The Managing Member shall immediately proceed to wind up the affairs of the Company.

a. If the Company is dissolved and its affairs are to be wound up, the Managing Member shall:

i. Sell or otherwise liquidate all of the Company's assets as promptly as practicable and as approved in advance, in writing, by the Board and, with the prior written approval of the Board, to distribute any assets to the Members and Assignees in kind,

ii. Allocate any net profit or net loss resulting from such sales to the Members' and Assignees' Capital Accounts in accordance with Article 9 of this Operating Agreement,

iii. Discharge all liabilities of the Company, including liabilities to Members and Assignees who are also creditors, to the extent otherwise permitted by law, other than liabilities to Members and Assignees for Distributions and the return of capital, and establish such reserves as may be reasonably necessary to provide for contingent liabilities of the Company (for purposes of determining the Capital Accounts of the Members and Assignees, the amounts of such reserves shall be deemed to be an expense of the Company), and

iv. Distribute to the Members and Assignees the remaining assets in accordance with the provisions of Section 2.5.

b. Notwithstanding anything to the contrary in this Operating Agreement, if any Member or Assignee has a deficit balance in its Capital Account (after giving effect to all contributions, Distributions, allocations and other adjustments for all taxable years, including the year during which such liquidation occurs), such Member or Assignee shall have no obligation to make any Capital Contribution or to otherwise restore such deficit balance, and the negative balance of each Member's or Assignee's Capital Account shall not be considered a debt owed by such Member or Assignee to the Company or to any other Person for any purpose whatsoever.

c. Upon completion of the winding up, liquidation and distribution of the assets, the Company shall be terminated upon the filing of an appropriate certificate with the Secretary of State.
d. The Managing Member shall comply with any applicable requirements of applicable law pertaining to the winding up of the affairs of the Company and the final distribution of its assets.

11.3 Return of Contribution Nonassence to Other Members. Except as provided by law or as expressly provided in this Operating Agreement, upon dissolution, each Member and Assignee shall look solely to the assets of the Company for the return of its Capital Contribution. If the Company property remaining after the payment or discharge of the debts and liabilities of the Company is insufficient to return the cash contribution of one or more Members and Assignees, such Members or Assignees shall have no recourse against any other Member or Assignee.

ARTICLE 12
MISCELLANEOUS PROVISIONS

12.1 Waiver of Conflicts. The parties hereto acknowledge that this Operating Agreement was prepared for the Company at the request of Member I and that:

a. the parties hereto have been advised that a conflict exists among their individual interests;

b. the parties hereto have been advised to seek the advice of independent counsel;

c. the parties hereto have had the opportunity to seek the advice of independent counsel;

d. the parties hereto have been advised that, should anything contained within this Operating Agreement be deemed contrary to law or public policy, this Operating Agreement, in part or all, may be revoked or invalidated by law;

e. the parties hereto have received no representation about the tax consequences of this Operating Agreement;

f. the parties hereto have been advised that this Operating Agreement may have tax consequences;

g. the parties hereto have been advised to seek the advice of independent tax counsel;

h. the parties hereto have had the opportunity to seek the advice of independent tax counsel; and
12.7 Notices. Any notice, demand, or communication required or permitted to be given by any provision of this Operating Agreement shall be deemed to have been sufficiently given or served for all purposes if delivered personally or mailed to the party to whom the same is directed, or, if sent by registered or certified mail, postage and charges prepaid, addressed to the Member's, Assignee's, and/or Company's address, as appropriate, which is set forth in this Operating Agreement. Notice which is mailed, faxed, or hand delivered shall be effective upon delivery. Except as otherwise provided herein, any such notice shall be deemed to be given three (3) business days after the date on which it was deposited in a regularly maintained receptacle for the deposit of United States mail, addressed and sent as aforesaid.

12.3 Amendments. This Operating Agreement may not be amended except by the affirmative unanimous written vote of Members, and must have the consent of the Managing Member.

12.4 Governing Law and Jurisdiction. This Operating Agreement is made pursuant to the Act and shall be governed, construed and interpreted in accordance with the laws of the State of Arizona.

12.5 Captions. All captions contained in this Operating Agreement are for convenience only and shall not be deemed part of this Operating Agreement.

12.6 Heirs, Successors and Assigns. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Operating Agreement, their respective heirs, legal representatives, successors, and permitted assigns.

12.7 Creditors. None of the provisions of this Operating Agreement shall be for the benefit of or enforceable by any creditors of the Company.

12.8 Counterparts. This Operating Agreement may be executed in counterparts each of which shall be deemed an original but all of which shall constitute one and the same instrument.

12.9 Severability. If any part of this Operating Agreement or the application thereof, is for any reason held invalid or unenforceable, it shall be deemed severable and the validity of the remainder of this Operating Agreement or the applications of such provisions to other persons or circumstances shall not be affected thereby.

12.10 No Waiver. The failure to insist upon strict performance of any covenant hereunder or of any obligation hereunder, irrespective of the length of time for which such failure continues, shall not be a waiver to demand strict compliance in the future. No consent or waiver, express or implied, to or of any breach or default in the performance of any obligation hereunder,
shall constitute a consent or waiver to or of any other breach or default in the performance of the same or any other obligation hereunder.

12.11 Attorney's Fees. The prevailing party shall be entitled to reasonable attorney's fees and costs in any action brought to enforce or interpret this Operating Agreement.

12.12 Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the parties require.

[Signature page follows]
The undersigned hereby agree, acknowledge and certify that the foregoing Operating Agreement constitutes the Operating Agreement of MKV Ventures 1, LLC, an Arizona limited liability company, adopted by the Members of the Company as of the date first set forth above.

COMPANY:

MKV VENTURES 1, LLC,
an Arizona limited liability company

By: MKHS, LLC, an
Arizona limited liability company
Its: Managing Member

By: [Signature]
Its: President

MEMBER 1:

MKHS, LLC,
an Arizona limited liability company

By: [Signature]
Its: President

MEMBER 2:

Westland Capital Advisors S.A.,

By: [Signature]
Authorized signatory

LENDER:

Tyler Robert

By: [Signature]
Authorized signatory

Dave Gereaux

By: [Signature]
Authorized signatory

OPERATING AGREEMENT—Page 28
EXHIBIT A
CERTIFICATE
(see attached)
# Exhibit B

**List of Members, Addresses, Capital Contributions & Membership Percentages**

<table>
<thead>
<tr>
<th>Member</th>
<th>Adjusted Capital Invested as of January 15, 2016</th>
<th>Membership Percentage</th>
</tr>
</thead>
</table>
| MKHS, LLC  
9402 E. Golf Links Road, Unit 164  
Tucson, AZ 85730 | $1,000.00 | 50.00% |
| Westland Capital Advisors S.A.  
c/o 700, 1199 West Hastings Street,  
Vancouver, BC, Canada V6E 3T5 | $1,212,360.00 | 50.00% |
EXHIBIT C

MKHS STRUCTURE

Kittrell Children's Trust
Murphy R. Kittrell, Jr., Trustee

- 100% Sole Member

MKHS Holding Company, LLC
an Arizona limited liability company

- 100% Sole Member

MKHS, LLC
an Arizona limited liability company

MKHS Dispensary Services, LLC, an Arizona limited liability company
Manager
Greenned, Inc., an Arizona non-profit corporation

MKHS Cultivation Services, LLC, an Arizona limited liability company
Manager
Purplemed, Inc., an Arizona non-profit corporation

Manager
LOAN AGREEMENT AND GUARANTEE

THIS AGREEMENT dated for reference the 4th day of January, 2016,

AMONG: Tyler Robson and/or Dave Gervais, c/o 475 Wigglesworth Crescent, Kelowna, BC V1X 7N1 Canada, or nominee;
   (the "Lender")

AND: Westland Capital Advisors S.A. of PH Los Teleses, Mezzanine 44, Via Fernandez de Cordoba, Canasquilla, Panama City, Republica de Panama; C/O Gordon J. Fristad; Law Corporation, 700, 1199 West Hastings Street, Vancouver, BC,
   Canada V6E 3T5;
   (the "Borrower")

AND: MEV Ventures I, LLC. of 1200 N. El Dorado Plaza, Suite G 700, Tucson, Arizona
   85715;
   (the "Guarantor")

AND: Generation Capital Corp. of 700, 1199 West Hastings Street, Vancouver, BC,
   Canada V6E 3T5;
   ("Generation").

WHEREAS: The Lender has agreed to lend to the Borrower US$1,212,500 together with closing and
   attorney costs in accordance with the terms and conditions of the Operating Agreement
dated January 4, 2016 of MEV Ventures I, LLC (the "Loan");

WHEREAS: The Borrower has instructed the Lender to advance the proceeds of the Loan to
   Generation;

WHEREAS: Generation has agreed to advance the proceeds of the Loan to the Guarantor as an
   advance on a financing to be completed in the Guarantor to be arranged by Generation;

WHEREAS: In consideration of the receipt of the Loan proceeds and an indemnity to the Lender
to make the Loan the Guarantor has agreed to guarantee the repayment to the Lender the
Loan proceeds plus a bonus in accordance with the terms of this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that, pursuant to the
premises and in consideration of the mutual covenants hereinafter contained and the agreement of the
Lender to advance the Loan funds to Generation at the direction of the Borrower and in consideration of
Generation agreeing to advance the Loan funds to the Guarantor, the parties hereto covenant and agree as
follows:

1. LOAN

   1.01 The Lender has agreed to lend the Borrower US$1,212,500 together with closing and
      attorney costs associated with the Operating Agreement dated January 4, 2016 of MEV Ventures I, LLC
      and on the terms and conditions of this Agreement, and in accordance with the instructions of the
      Borrower will immediately advance to Generation US$1,212,500 at the Loan proceeds on execution of this
      Agreement and, on receipt of instructions by the Generation the Lender will advance to Generation the
      remaining US$1,177,500 of the Loan for a total amount outstanding of US$1,212,500 plus closing and
      attorney costs to be separately billed.

[Signatures]
2. ADVANCE TO THE GUARANTOR

2.01 The proceeds of the Loan will be advanced by Generation to the Guarantor as part of Generation's commitment to provide financing to MKVIS, LLC, and in consideration of the advance of the Loan proceeds to the Guarantor by Generation the Guarantor has agreed and does hereby agree to guarantee the repayment of the Loan in accordance with the terms and conditions of this Agreement and the Operating Agreement dated January 4, 2016 of MSV Venture I, LLC.

3. REPAYMENT TERMS

3.01 The Loan shall, subject to paragraph 3.02 below, be repaid to the Lender on behalf of the Borrower in accordance with the terms and conditions of the Operating Agreement dated January 4, 2016 of MSV Venture I, LLC.

3.02 The Lender may at all times for purposes of and in accordance with the terms and conditions of the Operating Agreement dated January 4, 2016 of MSV Venture I, LLC, be considered the Assignee of and for Member 2 as defined therein.

4. GUARANTEE

4.01 The Guarantor acknowledges that it has received consideration as a result of the Lender having made the Loan to the Borrower which was advanced to Generation and subsequently advanced by Generation to the Guarantor and the Guarantor hereby irrevocably and unconditionally guarantees, as a primary obligor and not merely as a surety, the performance and punctual payment when due of all payment obligations of the Borrower referred to in Section 3 of this Agreement.

5. DEFAULT

5.01 For the purposes of this Agreement an "Event of Default" shall be deemed to have occurred immediately upon the happening of any of the following events, namely:

(a) if the Borrower is in breach of any covenant, condition or proviso contained in this Agreement;

(b) if any process of execution or distress be levied or enforced upon or against the assets or any property of the Borrower or the Guarantor;

(c) if the Borrower or the Guarantor shall become insolvent or bankrupt or make an authorized assignment, or a bankruptcy petition be filed or presented against it;

5.02 Upon the happening of an Event of Default, the Lender may give notice thereof to the Borrower and the Guarantor and if the Event of Default is not remedied within 7 days after such notice, the Contributions owing as referred to in paragraph 3.01 shall become due and payable immediately at the option and determination of the Lender.

6. SECURITY

6.01 As security for the Loan as provided for in Section 3 of this Agreement and as security for the guarantee provided by the Guarantor herein the Guarantor will provide or has provided the Lender with the security outlined on Schedule "A" attached herein.

7. GENERAL
7.01 Time shall be of the essence of this Agreement and no waiver by the Lender of any obligation of the Borrower hereunder shall be valid unless in writing and no waiver by the Lender shall constitute a waiver of any other obligation of the Borrower.

7.02 Every notice given pursuant to or in connection with this Agreement shall be addressed to the intended recipient at the address first above written or at such other address as a party may advise by notice. Every such notice shall be deemed to have been given and received on the day of delivery, if delivered, and on the third day after posting in British Columbia, if mailed.

7.03 Each of the parties hereto hereby covenants and agrees to execute such further and other documents and instruments and to do such further and other things as may be necessary to implement and carry out the intent of this Agreement.

7.04 This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same document.

7.05 This Agreement shall not be assignable by either party without the prior written consent of the other and any attempt to assign the rights, duties or obligations hereunder without such consent shall be of no effect.

7.06 This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective permitted assigns.

7.07 This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto or by their successors or assigns.

7.08 This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia which shall be deemed to be the proper law hereof. The Courts of British Columbia shall have jurisdiction (but not exclusive jurisdiction) to entertain and determine all disputes and claims, whether for specific performance, injunction, declaration or otherwise, however both at law and in equity, arising out of or in any way connected with the construction, breach, or threatened, threatened or anticipated breach of this Agreement and shall have jurisdiction to hear and determine all questions as to the validity, existence or enforceability thereof.

7.09 Should any part of this Agreement be declared or held invalid by any reason, such invalidity shall not affect the validity of the remainder which shall continue in force and effect and be construed as if this Agreement had been executed without the invalid portion and it is hereby declared the intention of the parties hereto that this Agreement would have been executed without reference to any portion which may, for any reason, be hereafter declared or held invalid.

IN WITNESS WHEREOF the parties hereto have hereunto duly executed these presents as of the day and year below written.

SIGNED, SEALED AND DELIVERED by Tyler Robinson and Dave Gervais in the presence of:

[Signatures]

Witness

1762 Cory 1st
Address: VIP 114
Kelowna, B.C.

[Signature]
This Operating Agreement (the "Operating Agreement") of MKV VENTURES I, LLC, a limited liability company, formed and existing under the laws of the State of Arizona, with its principal mailing address at 1200 N. El Dorado Place, Suite C-700, Tucson, Arizona 85715 (the "Company" or the "LLC") is made and entered into as of January 4, 2016 by and between MKIS, LLC, an Arizona limited liability company ("Member 1" or "Managing Member"), and WestEnd Capital Advisors S.A. ("Member 2").
ADDENDUM TO OPERATING AGREEMENT OF MKV VENTURES 1, LLC, an Arizona limited liability company

This Addendum to Operating Agreement of MKV Ventures 1, LLC, an Arizona limited liability company (the “Company”) (this “Addendum”) is made and entered into this 12th day of January, 2016, by and between MKHS, LLC, an Arizona limited liability company (“Member 1”) and Westland Capital Advisors, S.A. (“Member 2”).

RECITALS

A. Member 1 and Member 2 are the only members of the Company.

B. The Members desires to add the provisions below in order to more clearly include such items as part of their agreement.

NOW THEREFORE, the Members agree that the following provisions shall be deemed a part of the Company Operating Agreement dated January 4, 2016 as if said provisions had been included in said Operating Agreement.

AGREEMENT

1. Incorporation of Recitals. The parties hereby agree that the Recitals set forth above are true and are hereby made a part of the operative provisions of this Addendum.

2. Crop Prioritizing. As between the existing 5,000 sf greenhouse on the Littletown property and any commercial product derived from operations on the existing Warehouse Property owned by Member 1, and the greenhouses to be acquired by the Company in accordance with the Operating Agreement and this Addendum being placed on the Littletown property, sales shall be made on a pro rata basis and prices shall not be established to result in either the Company’s or Member 1’s product having any competitive price advantage.

3. Right of First Refusal. In the event Member 1 desires to place additional greenhouses on either the Littletown or Warehouse property prior to both Members or any of their affiliates being acquired by Genovation Capital Corp. (“Genovation”), a British Columbia public corporation, such opportunity shall be offered to Member 2 which shall be required to decide if it will fund the acquisition on the same terms as are provided for in the Operating Agreement within ten (10) business days of the receipt of notice from Member 1 of its intention to purchase any additional greenhouse, prior to both Members or any of their affiliates being acquired by Genovation.
4. **Adjustments to Distribution Rights upon poor or failed harvests.** In the event the yield of any harvest is significantly below the Company’s projection for the yield from any greenhouse, such harvest shall either be excluded from the required minimum harvests from which Member 2 is entitled to profit distribution or shall be deemed to be applicable to the minimum harvests from which Member 2 is entitled to profit distribution based on such harvest’s percentage of success as compared to the projected yield, e.g., projected 1000, yielded 500 equals a fifty percent (50%) reduction against the minimum required harvests.

5. **Revised Sizes and Number of Greenhouses to be acquired.** The Operating Agreement and references to the “MKV Greenhouses” is amended to provide that the Company will purchase two 12,000 square foot greenhouses instead of three 5,000 square foot greenhouses, and all references therein are hereby changed accordingly. The funding amount and terms for repayment will remain the same.

6. **Minimum Sale Prices.** The Company will not sell a gram of medicine from a retail location for less than US$7.00 and will not sell a pound of medicine wholesale for less than US$1,500 without Member 2’s consent. In the event the members jointly decide to reduce the price, the number of harvests that Member 2 participates in shall be increased as necessary in order for Member 2 to recapture the discounted sales revenue lost.

7. **Miscellaneous.**

   7.1 **Amendment: Complete Agreement.** All amendments and supplements to this Addendum must be in writing and executed by all of the members.

   7.2 **Counterparts and Headings.** This Addendum may be executed in counterparts, each of which shall be an original, but all of which together shall constitute one agreement. The headings to sections of this Addendum are for convenience of reference only and shall not be used in interpreting this Addendum.

**IN WITNESS WHEREOF,** the Members do execute this Addendum on the first date written above.

**MEMBER 1:**

MKHS, LLC,
an Arizona limited liability company

By: 

Murphy Kilpatrick, Jr.
MEMBER 2:
Westland Capital Advisors S.A.

By: ____________________________
Authorized signatory

LENDER:

Tyler Robson

By: ____________________________
Authorized signatory

Dave Gervais

By: ____________________________
Authorized signatory
**Funds Receipt**

**Acknowledgment of Funds Received:**

**File Number:** 120710  
**Property Address:** 3310 East Golf Links Road, Tucson, AZ 85710

<table>
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<th>Payor</th>
<th>Received</th>
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<td>MKV Ventures 1, LLC, an Arizona limited liability company</td>
<td>1/21/2016</td>
<td>$68,000.00</td>
</tr>
</tbody>
</table>

Received: $68,000.00

The receipt of the above listed items in connection with this closing is acknowledged.

Received By: [Signature]  
Date: [Date]

---

**Metro Title Agency of AZ**
LOAN AGREEMENT AND GUARANTEE

THIS AGREEMENT dated for reference the 27th day of October, 2015,

AMONG: John Binder of 119 Eauclaire Close NW, Calgary, AB Canada T2G 3K3 (the "Lender")

AND Westland Capital Advisors S.A. of PH Los Tamarises, Maccacena #4
Via Fernandez de Cordoba, Caneruela, Pasarea City, Republic of Panama
(the "Borrower")

AND MCKHS investor LLC of 2200 E River Rd., Suite 120
Tucson, AZ, USA 85719
(the "Guarantor")

AND Genovation Capital Corp. of 700, 1199 West Hastings Street, Vancouver, BC,
Canada V6E 2T5
("Genovation")

WHEREAS: The Lender has agreed to lend to the Borrower US$200,000 (the "Loan");

WHEREAS: The Borrower has instructed the Lender to advance the proceeds of the Loan to Genovation;

WHEREAS: Genovation has agreed to advance the proceeds of the Loan to the Guarantor as an advance on a financing to be completed in the Guarantor to be arranged by Genovation;

WHEREAS: In consideration of the receipt of the Loan proceeds and as an inducement to the Lender to make the Loan, the Guarantor has agreed in guarantee the repayment of the Loan to the Lender in consideration of the terms and conditions of this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that, pursuant to the provisions and in consideration of the mutual covenants hereinafter contained and the agreement of the Lender to advance the Loan funds to Genovation at the direction of the Borrower and in consideration of Genovation agreeing to advance the Loan funds to the Guarantor, the parties hereto covenant and agree as follows:

1. LOAN

1.01 The Lender has agreed to lend the Borrower US$200,000 on the terms and conditions of this Agreement and in accordance with the instructions of the Borrower has previously advanced US$100,000 of the Loan proceeds and, upon execution of this Agreement and on receipt of instructions by the Borrower, the Lender will advance to Genovation the remaining US$100,000 of the Loan for a total amount outstanding of US$200,000.

2. ADVANCE TO THE GUARANTOR

2.01 The proceeds of the Loan will be advanced by Genovation to the Guarantor as part of Genovation's commitment to complete a financing in the Guarantor and in consideration of the advance of the Loan proceeds to the Guarantor by Genovation, the Guarantor has agreed and hereby agrees to guarantee the repayment of the Loan plus a bonus to the Lender on the terms and conditions of this Agreement.
3. **REPAYMENT TERMS**

3.01 The Loan plus US$60,000 for a total of US$200,000 shall, subject to paragraph 3.02 below, be paid to the Lender on or before July 26, 2016 as repayment of the Loan.

3.02 In the event that the Borrower fails to pay to the Lender the amount referred to in paragraph 3.01 within 10 days from July 26, 2016 the amount referred to in paragraph 3.01 shall be in default. In the event of a default, there shall be due to the Lender an additional US$35,000 bonus for each month that the Borrower fails to make such payments of the amount referred to in paragraph 3.01 and the amount owing under this paragraph 3.02 shall also be due and owing.

**GUARANTEE**

4.01 The Guarantor acknowledges that it has received consideration as a result of the Lender having made the Loan to the Borrower which was advanced to Gomme and subsequently advanced by Gomme to the Guarantor and the Guarantor hereby unconditionally and irrevocably guarantees, as a primary obligation and not merely as a surety, the performance and punctual payment when due of all payment obligations of the Borrower referred to in Section 3 of this Agreement.

5. **DEFAULT**

5.01 For the purposes of this Agreement an "Event of Default" shall be deemed to have occurred immediately upon the happening of any of the following events, namely:

   (a) if the Borrower is in breach of any covenant, condition or proviso contained in this Agreement;

   (b) if any process of execution or distress be levied or enforced upon or against the assets or any property of the Borrower or the Guarantor;

   (c) if the Borrower or the Guarantor shall become insolvent or bankrupt or make an authorised assignment, or a bankruptcy petition be filed or presented against it;

5.02 Upon the happening of an Event of Default, the Lender may give notice thereof to the Borrower and the Guarantor and if the Event of Default is not remedied within 7 days after such notice, the whole of the amount owing referred to in paragraphs 3.01 shall become due and payable immediately unless such Event of Default takes place after July 26, 2016 in which case the amount owing shall be as outlined in paragraphs 3.01 and 3.02.

6. **SECURITY**

6.01 As security for the Loan and the bonus to be repaid as provided for in Section 3 of this Agreement and as security for the guarantee provided by the Guarantor herein, the Guarantor will provide or has provided the Lender with the security outlined in Schedule "A" attached hereto.

7. **GENERAL**

7.01 Time shall be of the essence of this Agreement and no waiver by the Lender of any obligation of the Borrower hereunder shall be valid unless in writing and no waiver by the Lender shall constitute a waiver of any other obligation of the Borrower.
7.02 Every notice given pursuant to or in connection with this Agreement shall be addressed to the intended recipient at the address first above written or at such other address as may be advised by notice. Every such notice shall be deemed to have been given and received on the day of delivery, if delivered, and on the third day after posting in British Columbia, if mailed.

7.03 Each of the parties hereto hereby covenants and agrees to execute such further and other documents and instruments and to do such further and other things as may be necessary to implement and carry out the intent of this Agreement.

7.04 This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same document.

7.05 This Agreement shall not be assignable by either party without the prior written consent of the other and any attempt to assign the rights, duties or obligations hereunder without such consent shall be of no effect.

7.06 This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective permitted assignees.

7.07 This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto or by their successors or assigns.

7.08 This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia which shall be deemed to be the proper law hereof. The Courts of British Columbia shall have jurisdiction (but not exclusive jurisdiction) to entertain and determine all disputes and claims, whether for specific performance, injunction, declaration or otherwise however both at law and in equity, arising out of or in any way connected with the construction, breach, or alleged, threatened or anticipated breach of this Agreement and shall have jurisdiction to hear and determine all questions as to the validity, existence or enforceability hereof.

7.09 Should any part of this Agreement be declared or held invalid for any reason, such invalidity shall not affect the validity of the remainder which shall continue in force and effect and be construed as if this Agreement had been executed without the invalid portion and it is hereby declared the intention of the parties hereto that this Agreement would have been executed without reference to any portion which may, for any reason, be hereafter declared or held invalid.

IN WITNESS WHEREOF the parties hereto have heretofore duly executed these presents as of the day and year below written.

SIGNED, SEALED AND DELIVERED
by John Bunker in the presence of:

Monica Sadi

John Bunker

Kendrick Street
Address
Calgary, AB.

[Signature]

[Signature]
Westland Capital Advisers S.A.

Per: [Signature]

Authorized Signatory

Genovation Capital Corp.

Per: [Signature]

Authorized Signatory

MKBS Investor LLC

Per: [Signature]

Authorized Signatory
Schedule "A"

1. LOAN AND SECURITY AGREEMENT

This Loan and Security Agreement (the "Agreement") is made on October 17, 2015, by and among MKHS, LLC, an Arizona limited liability company ("MKHS" or "Borrower"), MKHS Cultivation Services, LLC, an Arizona limited liability company and MKHS Dispensary Services, LLC, an Arizona limited liability company (collectively the "Pledgor"), John Binder (the "Lender") and Jeffrey H. Greenburg (the "Escrow Agent").

2. PLEDGE AND SECURITY AGREEMENT

This PLEDGE AND SECURITY AGREEMENT is made on the 27th day of October, 2015 by and among MKHS, LLC, an Arizona limited liability company ("MKHS" or "Borrower"), MKHS Cultivation Services, LLC, an Arizona limited liability company and MKHS Dispensary Services, LLC, an Arizona limited liability company (collectively the "Pledgor"), and John Binder (hereinafter, together with its successors and assigns, referred to as "Lender").

3. Promissory Note for $200,000 dated October 27, 2015 from MKHS, LLC, an Arizona limited liability company.

For value received, the undersigned (collectively, "Makers") promises to pay to the order of John Binder ("Holder") at 119 Havenside Close NW, Calgary, AB Canada T3G 5K5 at such place as the Lender or the Holder of this Promissory Note (the "Note") may from time to time designate in writing, the principal sum of Two Hundred Thousand and 00/100 Dollars ($200,000.00), (hereinafter, the "Loan") with interest as set forth herein.

4. CONSENT TO PLEDGE

Greenwood, Inc., an Arizona non-profit corporation ("Greenwood"), for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, hereby (i) consents to the execution and performance of the Pledge and Security Agreement of even date herewith by and among MKHS, LLC, an Arizona limited liability company ("MKHS" or "Borrower"), MKHS Cultivation Services, LLC, an Arizona limited liability company and MKHS Dispensary Services, LLC, an Arizona limited liability company (collectively the "Pledgor"), and John Binder (hereinafter, together with its successors and assigns, referred to as "Lender"); (ii) agrees to perform in accordance with its provisions; and (iii) represents and warrants that this Consent to Pledge has been duly authorized and executed by the Greenwood.