THC BIOMED INTL LTD.

Management Discussion and Analysis

For the Three Months Ended October 31, 2016

(Expressed in Canadian Dollars)

INTRODUCTION

This Management Discussion and Analysis ("MD&A") of the operating results and financial condition of THC BioMed Intl Ltd. (the "Company") for the three months ended October 31, 2016 should be read in conjunction with the condensed interim consolidated financial statements for the three months ended October 31, 2016 and the audited annual consolidated financial statements for the year ended July 31, 2016, which are prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements include the accounts of the Company and its two subsidiaries, THC BioMed Ltd. and THC Meds Inc. (the "THC Companies"), on a consolidated basis after elimination of intercompany transactions and balances. Subsidiaries are entities the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures, and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board of Director's Audit Committee meets with management quarterly to review the financial statements and the MD&A and to discuss other financial, operating, and internal control matters. The reader is encouraged to review the Company's statutory filings on www.sedar.com.

This MD&A is prepared as at December 30, 2016. All dollar figures stated herein are expressed in Canadian dollars unless otherwise noted.

Readers should use the information contained in this report in conjunction with all other disclosure documents including those filed on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. All statements, other than statements of historical fact, made by the Company that address activities, events ,or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by, or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance, or business developments. These statements speak only as of the date they are made and are based on information currently available and on the Company's then current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance, or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the availability of financing opportunities, risks associated with economic conditions, dependence on management, and conflicts of interest;
- market competition and agricultural advances of competitive products;

- the timing and availability of the Company's products, its ability to expand production space, and acceptance of its products by the market;
- the progress and the successful and timely receipt of a sales license from Health Canada;
- the progress and success of the Company's research and development program; and
- the ability to successfully market, sell, and distribute the products, and to expand the Company's customer base.

Actual results or events could differ materially from the plans, intentions, and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties, and other factors such as those described above and in "Risks and Uncertainties" below. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

DESCRIPTION OF THE BUSINESS

THC BioMed Intl Ltd. (the "Company") was formed by a reverse take-over ("RTO") on January 14, 2015, by the shareholders of THC BioMed Ltd. and THC Meds Inc. (collectively the "THC Companies").

THC BioMed Intl Ltd. is a public company incorporated under the Company Act of British Columbia on February 2, 1982. The Company traded on the TSX Venture Exchange from February 4, 2010 until December 22, 2014 when the Company requested the Company's common shares be delisted. The Company also consolidated its share capital on a six old for one new basis on December 23, 2014. All references to share and per share amounts in the consolidated financial statements and MD&A have been adjusted to reflect the share consolidation on a retrospective basis. On April 29, 2015, the Company was relisted and began trading on the Canadian Securities Exchange ("CSE") under the symbol C.THC. On November 22, 2016, the Company's shares began trading on the Over the Counter ("OTC") QB market.

In 2013, Health Canada announced the regulatory regime, the *Marihuana for Medical Purposes Regulations* ("MMPR"). Pursuant to the MMPR, companies are eligible to apply as a Licensed Producer ("LP") of medical marijuana. This license permits a company to lawfully cultivate, possess, and sell medical marijuana in conformance with the MMPR. Due to the regulatory barrier to entry, the anticipated growth in demand in the consumption of medical marijuana and the potential return on investment, a MMPR license is highly coveted.

On February 18, 2016, THC BioMed Ltd. received its license to grow medical marijuana. THC BioMed Ltd. intends to cultivate medical marijuana and conduct scientific research and development in order to offer products and services through two revenue streams: (a) medical marijuana sales to other MMPR licensed producers; and (b) products and services related to medical marijuana to patients. On May 24, 2016 the Company's license was amended to include the production of fresh marijuana, cannabis oil, and cannabis resin. On October 17, 2016, the Company had its license amended again to be able to sell its products to other licensed producers. On December 19, 2016, Health Canada amended THC BioMed Ltd.'s license to allow the sale of "starting materials" or marijuana plants immediately to legally authorized patients under the Access to Cannabis for Medical Purposes Regulations ("ACMPR ").

On September 26, 2016, the Company announced that it has signed a Letter of Intent to purchase 100% of Clone Shipper LLC, a US based company specializing in the packaging products used to transport live plants, for US$1,000,000. On October 27, 2016, the Company signed a Distribution Agreement with Clone Shipper LLC. Under this agreement, the Company has the distribution rights for all Clone Shipper products in Canada. The Distribution Agreement is for a period of two years for which the Company paid US$75,000.

The Company's corporate office and principal place of business is at Unit 27 – 2550 Acland Road, Kelowna, British Columbia, Canada, V1X 7L4.

HISTORY OF THE BUSINESS

On May 13, 2014, the Company announced that it entered into a Production and Branding Agreement with Trans-Medica Ltd. to provide consulting services and utilize Trans-Medica Ltd.'s proprietary Vertical Grow System for total consideration of $700,000 to the Company.

On February 18, 2016, THC BioMed Ltd. received its license to grow medical marijuana.

On March 22, 2016, the Company announced it had entered into a joint venture agreement with Supra Research and Development Inc. ("Supra") to create Supra THC Services Inc. ("Supra THC"), a Health Canada licensed cannabis testing lab. Given the Company's current facilities, equipment, and staff, this agreement was terminated on December 19, 2016 as THC BioMed Ltd. is able to carry out its own research and development.

On May 24, 2016 the Company's license was amended to include the production of fresh marijuana, cannabis oil, and cannabis resin.

On September 26, 2016, the Company announced that it signed a Letter of Intent to purchase 100% of Clone Shipper LLC, a US based company specializing in the packaging products used to transport live plants, for US$1,000,000. This is a strategic acquisition to allow the Company to penetrate the US and International cannabis market along with the ability to securely ship live plants with the increased legalization of medical marijuana. Clone Shipper is currently the only device that meets the legal requirements governing the transportation of controlled live plants. Clone Shipper products are currently available for sale at gardening supply outlets throughout the US and on popular sites like Amazon.com.

On September 20, 2016, the Company entered into a lease to expand its growing facility. The term is for 3 years commencing September 1, 2016 with the option to lease for a further two terms of three years each.

On October 17, 2016, the Company had its license amended again to be able to sell its products to other licensed producers.

As an interim step until the acquisition of Clone Shipper LLC is completed, the Company signed a Distribution Agreement with Clone Shipper LLC on October 27, 2016. The Distribution Agreement is for a period of two years and the Company paid Clone Shipper LLC US$75,000 for the Company to have the distribution rights for all Clone Shipper products in Canada.

On December 19, 2016, Health Canada amended THC BioMed Ltd.'s license to allow the sale of "starting materials" or marijuana plants immediately to legally authorized patients under the Access to Cannabis for Medical Purposes Regulations ("ACMPR ").

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The Company has also set the foundation for another entity, Seeds R Us, to focus on establishing a national supply chain for cannabis genetics. The Company is in possession of a diverse selection of seeds imported from Holland. The imported genetics are listed on the Company's website, www.thcbiomed.com, under the Seeds R Us tab and include high CBD and high THC producing strains. Profiling for both genotypes and phenotypes for each of the 29 strains is currently underway.

The Company aims to become a leader in the industry by producing a product of high quality and reliable quantity. The Company expects to be selling its medical marijuana product and earning revenues by concentrating on:

1. Target market: the Company intends to sell its products and services, including medical marijuana, to other MMPR Licensed Producers, patients, and physicians;

2. Marketing and branding: the Company will develop recognition of its brand and quality through a high quality web presence and participation in industry events. The Company has developed the website www.thcbiomed.com . The Company intends to comply with all advertising prohibitions and marketing restrictions of the Food and Drug Act, the Narcotic Control Regulations, and the MMPR;

3. Personnel: the Company intends to engage new professionals as required for its board of directors, sales and marketing to fulfill the Company's current business objectives, and to prepare the Company for changes and developing opportunities in the industry; and

4. Monitoring and development of growing plan: the Company intends to continuously monitor and attempt to maximize the quantity and quality of its medical marijuana products. The Company further intends to continue to develop technologies, products, and services that will assist the Company and other MMPR Licensed Producers to grow the best product possible, in sufficient quantity, and for reasonable costs.

SUMMARY OF QUARTERLY RESULTS

	Quarter Ended	Revenue	Net Income (Loss)	Income (Loss) Per Share
Q1/2017	October 31, 2016	$ -	$ 691,706	$0.01
Q4/2016	July 31, 2016	$ -	$ (46,301)	$0.00
Q3/2016	April 30, 2016	$ 250,000	$ (6,376)	$0.00
Q2/2016	January 31, 2016	$ 250,000	$ 63,090	$0.00
Q1/2016	October 31, 2015	$ -	$ (296,753)	$0.00
Q4/2015	July 31, 2015	$ -	$ (1,193,440)	($0.03)
Q3/2015	April 30, 2015	$ -	$ (409,685)	($0.01)
Q2/2015	January 31, 2015	$ -	$ (1,279,854)	($0.04)
Q1/2015	October 31, 2014	$ -	$ (179,077)	$0.00

RESULTS OF OPERATIONS

The Company's net income for the three months ended October 31, 2016 was $691,706 compared to a net loss of $296,753 for the three months ended October 31, 2015.

For the Three Months Ended October 31, 2016

At October 31, 2016, the Company's biological assets and inventory was valued at $1,418,268 (July 31, 2016 - $Nil) which produced a gain on changes in fair value of biological assets of $1,224,581 (October 31, 2015 - $Nil) for the three months ended October 31, 2016. The Company only had a license to produce medical marijuana previously and not a license to sell product from Health Canada; accordingly, all biological assets and inventory were previously valued at $Nil.

General and administrative expenses increased to $505,061 (October 31, 2015 - $238,770) as a result of 1,000,000 common shares issued for consulting services valued at $250,000 during the first quarter of the current fiscal year.

Depreciation increased to $12,498 (October 31, 2015 - $3,400) for the three months ended October 31, 2016 as all the assets became "in use" upon the license received by Health Canada effective May 1, 2016.

Share-based compensation decreased to $Nil (54,664 – October 31, 2015) for the three months ended October 31, 2016 as no stock options were granted during the period.

LIQUIDITY

At October 31, 2016, the Company's cash on hand increased to $727,647 (July 31, 2016 - $109,101) with a number of stock options and warrants exercised during the period.

The Company had working capital of $1,434,084 at October 31, 2016 compared to a working capital deficiency of $391,110 at July 31, 2016.

The Company's current asset balance of $2,520,203 (July 31, 2016 - $454,528) is comprised of cash of $727,647 (July 31, 2016 - $109,101), amounts receivable of $107,265 (July 31, 2016 - $137,051), goods and services tax receivable from the Canada Revenue Agency of $17,395 (July 31, 2016 - $6,607), advances to related parties of $68,242 (July 31, 2016 - $75,613), biological assets and inventory of $1,418,268 (July 31, 2016 - $Nil) and prepaid expenses and deposits of $181,386 (July 31, 2016 - $126,156).

The Company's current liabilities total $1,086,119 (July 31, 2016 - $845,638) consisting of accounts payable and accrued liabilities of $404,363 (July 31, 2016 - $473,118); the current portion of the mortgages payable of $252,094 (July 31, 2016 - $23,802); promissory note payable of $135,000 (July 31, 2016 - $135,000); and advances from related parties of $294,662 (July 31, 2016 - $213,718).

The Company's long term liabilities total $170,282 (July 31, 2016 - $404,668) consisting of a mortgage payable.

OPERATING LEASE COMMITMENTS

The Company signed a 36 month lease for high performance liquid chromatography equipment for the laboratory. The lease began on October 31, 2013 with monthly payments of $2,651.

The Company signed a 36 month lease for a Toyota Venza. A vehicle is to be available to the Responsible Person in Charge at all times in case of an emergency, as stipulated in the MMPR. The lease began on October 1, 2014 with monthly payments of $757.

The Company signed a 36 month lease to expand its facility in Kelowna, BC by renting an adjacent unit to the current property. The lease began on September 1, 2016 with monthly payments of $2,104. The lease includes an option for a further two terms of 36 months each.

(Expressed in Canadian Dollars)

PROPOSED TRANSACTIONS

There are no proposed assets or business acquisitions or dispositions, other than those in the ordinary course of business as disclosed herein, before the board of directors for consideration.

OFF-BALANCE SHEET ARRANGEMENTS

None

TRANSACTIONS WITH RELATED PARTIES

The Company has identified certain directors and senior officers as key management personnel. The following table lists the compensation costs paid to key management personnel and companies owned by key management personnel for the three months ended October 31, 2016 and 2015:

	Accounting	**Consulting**	**Director Fees**	**Office and Administration**	**Salaries and Benefits**	**October 31, 2016 Total**
BUA Capital Management Ltd.	$ -	$ 15,000	$ -	$ -	$ -	$ 15,000
BUA Group Holdings Ltd.	-	-	-	12,300	-	12,300
George Smitherman	-	-	1,500	-	-	1,500
Hee Jung Chun	-	-	1,500	-	15,600	17,100
John Miller	-	-	1,500	-	15,600	17,100
	$ -	**$ 15,000**	**$ 4,500**	**$ 12,300**	**$ 31,200**	**$ 63,000**

		Consulting		Office and Administration	Salaries and Benefits	October 31, 2015 Total
BUA Capital Management Ltd.	$ -	$ 22,500	$ -	$ -	$ -	$ 22,500
BUA Group Holdings Ltd.	-	-	-	12,300	-	12,300
GRW Inc.	-	9,000	-	-	-	9,000
Hee Jung Chun	-	-	-	-	15,600	15,600
John Miller	-	-	-	-	50,100	50,100
T. St. Denis, Inc.	15,000	-	-	-	-	15,000
	$ 15,000	$ 31,500	$ -	$ 12,300	$ 65,700	$ 124,500

BUA Capital Management Ltd. provided consulting services to the Company. It is a private company controlled by a director, Jason Walsh. On October 26, 2015, BUA Capital Management Ltd. was issued 250,000 Units (note 9a) at $0.06 for $15,000 in debt. At October 31, 2016, the Company owed $86,198 (July 31, 2016 - $70,448) to BUA Capital Management Ltd. which is included in advances from related parties, and $135,000 (July 31, 2016 - $150,000) which is included in the promissory note payable.

BUA Group Holdings Ltd. provided administration services to the Company. It is a private company controlled by a director, Jason Walsh. At October 31, 2016, the Company owed $19,584 (July 31, 2016 - $6,679) to BUA Group Holdings Ltd.

GRW Inc. provided consulting services to the Company until November 30, 2015. It is a private company controlled by the former Chief Financial Officer, Geoff Watson.

Hee Jung Chun is the Chief Financial Officer, a director of the Company, and co-founder of the THC Companies. Ms. Chun receives a salary from the THC Companies of $5,200 per month. At October 31, 2016, $46,800 (July 31, 2016 - $36,400) in accrued salaries to Ms. Chun is included in accounts payable and accrued liabilities. At October 31, 2016, the Company also owed Ms. Chun $177,518 (July 31, 2016 - $125,239), which is included in advances from related parties.

John Miller is the President and Chief Executive Officer of the Company, a director, and co-founder of the THC Companies. Mr. Miller receives a salary from the THC Companies of $5,200 per month. At October 31, 2016, $46,800 (July 31, 2016 - $36,400) in accrued salaries to Mr. Miller is included in accounts payable and accrued liabilities.

T. St. Denis, Inc. is a private accounting firm owned by the former Chief Financial Officer, Tracey A. St. Denis. T. St. Denis, Inc. provides accounting services to the Company. On October 26, 2015, T. St. Denis, Inc. was issued 250,000 Units (note 9a) at $0.06 for $15,000 of debt.

International Ranger Corp. is a public company with common directors. At October 31, 2016, the Company is owed $1,881 (July 31, 2016 - $1,881) from International Ranger Corp. which is included in advances to related parties.

Thelon Diamond Company Limited is a public company with a common director, Jason Walsh. At October 31, 2016, the Company owes Thelon Diamond Company Limited $1,000 (July 31, 2016 - $1,000) which is included in advances from related parties.

At October 31, 2016, the Company owed $10,352 (July 31, 2016 - $10,352) to Thelon Diamonds Ltd., a private company controlled by a director of the Company, Jason Walsh. The amount is included in advances from related parties.

At October 31, 2016, the Company was owed $5,850 (July 31, 2016 - $5,850) from 1177129 Alberta Ltd., a private company controlled by a director of the Company, Jason Walsh. The amount is included in advances to related parties.

At October 31, 2016, the Company was owed $66 (July 31, 2016 - $66) from 782618 B.C. Ltd., a private company controlled by a director of the Company, Jason Walsh. The amount is included in advances to related parties.

At October 31, 2016, the Company was owed $613 (July 31, 2016 - $613) from United Zeolite Ltd., a private company with common directors. The amount is included in advances to related parties.

At October 31, 2016, the Company was owed $59,832 (July 31, 2016 - $67,203) from Zadar Ventures Ltd., a public company with common directors. The amount is included in advances to related parties.

Amounts due to or from related parties are unsecured, do not bear interest, and are classified as a current asset or liability due to their nature and expected time of repayment.

CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

CONTINGENCY

During the year ended July 31, 2016, a Notice of Civil Claim was received by the Company from Jacob Securities Inc. (the "Complainant") claiming that the Company is in breach of a settlement agreement dated September 10, 2015 (the "Settlement Agreement"). The Complainant alleges it is owed delivery of certain original share certificates from the Company and possible damages. The Complainant alleges that pursuant to the Settlement Agreement, it was entitled to 4,660,000 common shares of the Company plus an additional 1,600,000 shares on the occurrence of certain events. The Complainant acknowledges it received from the Company and sold 1,165,000 shares but alleges at a later date that 3,495,000 of the remaining shares in its possession were represented by copies and not original share certificates. The Company intends to vigorously defend itself from this lawsuit as it believes it has meritorious defences to this action. Although it is not possible to predict the outcome of the pending litigation, the Company believes that the action will not have a material adverse effect upon the results of operations, cash flow, or financial condition of the Company.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The carrying values of cash, amounts receivable, advances due to/from related parties, accounts payable and accrued liabilities, promissory note payable, and mortgage payable approximate their carrying values due to the immediate or short-term nature of these instruments.

Fair value hierarchy

IFRS 13, Fair Value Measurement, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash, amounts receivable, and advances to related parties. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. For amounts receivable, the Company limits its exposure to credit risk by dealing with what management believes to be financially sound counterparties. The Company's financial assets are not subject to material credit risk as it does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments, or the proposed transaction. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through debt or equity financing. Cash on hand at July 31, 2016 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate risk.

Current financial assets and financial liabilities are generally not exposed to significant interest rate risk because of their short-term nature, fixed interest rates, and maturity. The Company is not exposed to interest rate risk on the promissory note payable as it is without interest.

The Company is exposed to interest rate risk when the mortgages payable mature if there is not significant cash available at that time and a mortgage renewal is required.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities area denominated in a foreign currency.

At October 31, 2016, the Company is exposed to foreign currency risk with respect to its US denominated bank accounts. At October 31, 2016, financial instruments were converted at a rate of $1.00 US to Canadian $1.3403. At October 31, 2016, the cash in US denominated bank accounts was minimal.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

OTHER RISKS AND UNCERTAINTIES

The Company is the development stage with respect to its medical marijuana business.

In conducting its business, the Company is subject to a number of risks and uncertainties that could have a material adverse effect on the Company's business prospects or financial condition that could result in a delay or indefinite postponement in the development of the Company's business. The following risk factors should be carefully considered in evaluating the Company. The risks presented below may not be all of the risks that the Company may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. The market in which the Company currently competes is very competitive and changes rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements.

Profitability of operations

The Company does not have profitable operations at this time and it should be anticipated that it will operate at a loss until such time as revenue is achieved or if a profit is in fact ever achieved. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

Going concern

The Company's consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its on-going commitments and further its medical marijuana business.

Reliance on license

The Company's ability to grow, store, and sell medical marijuana in Canada is dependent on the license under the MMPR from Health Canada. Failure to comply with the requirements of the license or any failure to maintain this license would have a material adverse impact on the business, financial condition, and operating results of the Company.

Regulatory risks

The activities of the Company are subject to regulation by governmental authorities, particularly Health Canada. 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 are subject to a variety of 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 to the knowledge of management, the Company is currently in compliance 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 operations.

Limited operating history

The Company has yet to generate revenue from the sale of products. 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 likelihood of success must be considered in light of the early stage of operations.

Reliance on management

The success of the Company is dependent upon the ability, expertise, judgment, discretion, and good faith of its management. 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 outfitting the facility 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 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 not have product or sufficient product available for shipment to meet the anticipated demand or to meet future demand when it arises.

The Company has a history of net losses, may incur significant net losses in the future, and may not achieve or maintain profitability

The Company has incurred losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable.

Additional financing

The building and operation of the Company's facilities and business 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, and/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. The Company will require additional financing to fund its operations to the point where it is generating positive cash flows.

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 operates, 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 remain 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 involves 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 will grow its products indoors under climate controlled conditions and carefully monitors the growing conditions with 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

The Company's medical marijuana growing operations will consume considerable energy, making the Company 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 the Company's products, 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 the Company's 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 the Company's 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, the 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 faces 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 the Company's 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 the Company's products 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 our results of operations and financial condition of the Company. 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 labeling disclosure. If any of the Company's 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 has 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 significant brands 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 is 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 has insurance to protect its assets, operations, and employees. While the Company believes its insurance coverage addresses all material risks to which it is 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 its ability to continue operating and the market price for the Company's common shares and could use significant Company resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Environmental and employee health and safety regulations

The Company's operations are 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.

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.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following accounting pronouncements have been released but have not yet been adopted by the Company:

(Expressed in Canadian Dollars)

IFRS 9 *Financial Instruments*

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 *Financial Instruments* (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's financial statements.

IFRS 15 *Revenue Recognition*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* (IFRS 15). The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Management has not yet determined the potential impact the adoption of IFRS 15 will have on the Company's financial statements.

CAPITAL RESOURCES

Common shares

	Issued Number		Amount
Balance, July 31, 2015	75,674,620	$	1,734,048
Shares issued for cash	10,675,000		1,090,500
Shares issued for debt	8,359,924		906,516
Shares issued for finder fees	240,000		(38,900)
Stock options exercised	1,250,000		125,000
Fair value of stock options exercised	-		48,249
Balance, July 31, 2016	96,199,544	$	3,865,413
Shares issued for services	1,000,000		250,000
Stock options exercised	916,000		104,100
Fair value of stock options exercised	-		46,389
Warrants exercised	4,983,915		1,096,037
Balance, December 30, 2016	**103,099,459**	**$**	**5,361,939**

Pursuant to the Share Exchange Agreement, a Restriction Agreement was signed by certain shareholders holding 52,717,728 common shares collectively. The Restriction Agreement includes the following vesting provisions:

(Expressed in Canadian Dollars)

Release Date	Proportion of Shares Released
On the date the Company's securities are listed on a Canadian exchange (the "Listing Date")	1/10 of the stock
6 months after the Listing Date	1/6 of the remainder of the stock
12 months after the Listing Date	1/5 of the remainder of the stock
18 months after the Listing Date	1/4 of the remainder of the stock
24 months after the Listing Date	1/3 of the remainder of the stock
30 months after the Listing Date	1/2 of the remainder of the stock
36 months after the Listing Date	The remainder of the stock

Escrow Shares

Currently 690 shares (July 31, 2016 – 690) are held in escrow.

Warrants

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2015	5,233,333	$ 0.30/$0.60
Warrants issued	11,859,583	0.21
Balance, July 31, 2016	17,092,916	$ 0.33
Warrants exercised	(4,983,915)	0.15
Warrants expired	(12,109,001)	0.38
Balance, December 30, 2016	**-**	**$ -**

(Expressed in Canadian Dollars)

Stock Options

	Number of Options		Weighted Average Exercise Price
Balance, July 31, 2015	4,083,334	$	0.30
Options granted	1,000,000		0.10
Options cancelled/expired	(2,333,334)		0.44
Options exercised	(1,250,000)		0.10
Balance, July 31, 2016	1,500,000	$	0.11
Options exercised	(916,000)	$	0.11
Balance, December 30, 2016	**584,000**	**$**	**0.10**

Date of Grant	Expiry Date	Remaining Life (Years)	Number of Options Exercisable	Number of Options Outstanding		Exercise Price
October 5, 2015	October 5, 2017	0.76	584,000	584,000	$	0.10

DIRECTORS AND OFFICERS

The Company’s directors and officers as of the date of this MD&A are:

John Miller	President, Chief Executive Officer, Director
Hee Jung Chun	Chief Financial Officer, Director
Jason Walsh	Independent Director, Chairman of the Board, Chair of the Audit Committee
George Smitherman	Independent Director

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.