PharmaCan Capital Corp. (dba Cronos Group)

Amended Management's Discussion & Analysis

For the Three And Nine Months Period Ended September 30, 2016 and 2015

Introduction

This Amended Management Discussion and Analysis ("MD&A") provides relevant information on the interim condensed results of operations and financial condition of PharmaCan Capital Corp. (dba Cronos Group) (the "Company") for the three and nine months period ended September 30, 2016 and up to and including November 28, 2016. This MD&A should be read in conjunction with the interim condensed financial statements for the three and nine months periods ended September 30, 2016 in addition to the audited consolidated financial statements for the year ended December 31, 2015.

This MD&A has been amended and re-filed to include with respect to the Company:

- an analysis of year-to-date results including a comparison of financial performance and cash flows to the corresponding period in the previous year;
- an analysis of the year-to-date (and comparative to corresponding period in the previous year) material components of (a) exploration and evaluation assets or expenditures; (b) expensed research and development costs; (c) intangible assets arising from development; (d) general and administration expenses; and (e) any material costs, whether expensed or recognized as assets, not referred to in (a) through (d).

The originally filed management discussion and analysis for the same period only included a discussion concerning the above matters, for the three month period ending September 30, 2016. For greater certainty and clarification, no adjustments or revisions were required in respect of the financial statements for the three month period ending September 30, 2016 and the corresponding notes.

This discussion contains forward looking information that is qualified by reference to, and should be read in conjunction with the Caution Regarding Forward Looking Statements below.

This MD&A provides information that the management of the Company believes is important to assess and understand the interim results of operations and financial condition of the Company. Our objective is to present readers with a view of the Company from management's perspective by interpreting the material trends and activities that affect the operating results, liquidity and financial position of the Company. All monetary amounts herein are expressed in Canadian dollars unless otherwise specified.

This MD&A is current as of November 28, 2016.

The Company's interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

Caution Regarding Forward-Looking Statements

Certain information in this MD&A contains or incorporates comments that constitute "forward-looking" statements within the meaning of applicable securities legislation. Forward-looking statements are not historical facts and involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled **"Risk and Uncertainties".**

Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "continue", "anticipates" or "does not anticipate", or "believes" or variation 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". All forward looking statements are based on our beliefs and assumptions based on information available at the time the assumption was made. While the Company considers its assumptions to be reasonable and appropriate based on the current information available, there is a risk that they may not be accurate.

All forward-looking information is provided as of the date of this MD&A. 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 the forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.

Business of the Company

Company Overview

PharmaCan Capital Corp. dba Cronos Group was incorporated under the Business Corporations Act (Ontario) on August 21, 2012 as 2339498 Ontario Inc., changed its name on October 18, 2012 to Searchtech Ventures Inc. and was classified as a Capital Pool Company as defined pursuant to Policy 2.4 of the TSX Venture Exchange. During the year, the shareholders of Hortican Inc. ("Hortican") completed a reverse takeover of PharmaCan Capital Corp. (formerly Searchtech Ventures Inc.). For purposes of accounting for the Transaction, Hortican is considered the acquirer, and thus, the interim condensed financial statements are a continuation of the financial statements of Hortican. These interim condensed financial statements include the accounts of PharmaCan Capital Corp. and its wholly owned subsidiaries, Hortican Inc., In the Zone Produce Ltd. ("In the Zone"), and Peace Naturals Project Inc. ("Peace"). The Company began rebranding itself as Cronos Group on October 6, 2016.

The Company's business has grown into two segments. The first segment is the business of investing in companies either licensed, or actively seeking a license, to produce medical marijuana pursuant to the Access to Cannabis for Medical Purposes Regulations, ("ACMPR"), which replaced the Marijuana for Medical Purposes Regulations ("MMPR"). The second segment is the operation and continued development of entities which are already licensed under the ACMPR.

The Company has made investments in several companies that are either licensed or in the process of seeking a license (collectively, the "Investees"). In the case of the Investees that have not yet acquired a license, additional investment is conditional upon receipt of an ACMPR license being obtained, depending on timing of receipt.

Access to Cannabis for Medical Purposes Regulations

The ACMPR was developed in response to the February 2016 Federal Court of Canada decision in Allard v. Canada, which ruled that restricting individuals to obtaining marijuana only from licensed producers violated individual protected rights. The new legislation enables an individual to produce their own marijuana for personal use, or designate someone to produce it for them. Under the new regiment, licenses and license applications consolidate the MMPR license requirements. In addition, the ACMPR enables the production and sale of starting materials, including marijuana seeds and plants.

Health Canada estimates that within a decade, the medical marijuana marketplace will grow to at least 400,000 registered patients, generating annual sales of approximately $1.3 billion. As of November 28, 2016, thirty-six companies are listed on the Heath Canada website as licensed authorized producers of medical cannabis.

Investments

As at September 30, 2016, the Company has invested in and made loans to:

(a) *Whistler Medical Marijuana Corporation ("Whistler")* ($2,534,103 equity). Whistler is a corporation incorporated under the laws of British Columbia, and is a licensed producer and seller of medical marijuana with operations in Whistler, British Columbia.

(b) *Vert/Green Medical Inc. ("Vert")* ($92,912 equity, and $375,000 loan receivable outstanding as of September 30, 2016). Vert is a corporation incorporated under the laws of Canada, and is in the final stages of seeking its license to produce medical marijuana with facility and operations in Drummondville, Quebec. The Company recorded an impairment loss on the full amount of this loan and investment in fiscal 2015 because management assessed that it was not probable that this investee would obtain a Health Canada license or additional financing in the foreseeable future. During the three months ended September 30, 2016, management has re-assessed the recoverability of the loan and the investment, and has reversed the prior impairment loss on the loan receivable, and has revalued the investment to $92,912, with the resulting gain of $92,912 being recorded in other comprehensive income. Subsequent to September 30, 2016, the Company divested of its equity interest in Vert/Green Medical Inc. As a result of the transaction, the Company acquired through its wholly-owned subsidiary Hortican Inc., 7,374 shares of Canopy Growth Corporation, and may acquire up to an additional 29,498 additional shares of Canopy Growth Corporation conditional on licensing and facility expansion milestones of Vert.

(c) *Evergreen Medicinal Supply Inc. ("Evergreen")* ($300,000 equity, and $264,500 loan receivable as of September 30, 2016). Evergreen is a corporation incorporated under the laws of British Columbia and is in the final stages of seeking its license to produce medical marijuana with facility and operations in Victoria, British Columbia. The Company recorded an impairment loss on the full amount of this loan and investment in fiscal 2015 because management had assessed that it was not probable that this investee would obtain a Health Canada license or additional financing in the foreseeable future. During the three months ended September 30, 2016, management has re-assessed the recoverability of the loan and the investment, and has reversed the prior impairment loss on the loan receivable. The balance of the investment remains on the statement of financial position at $Nil.

(d) *AbCann Medicinals Inc. ("AbCann")* ($1,500,090 equity). AbCann is a privately-held corporation incorporated under the laws of Ontario which has obtained a license for cultivation and sale of medical cannabis from Health Canada.

(e) *CannMart Inc. ("CannMart")* ($25,000 deposit on investment). CannMart is a privately-held corporation incorporated under the laws of Ontario. CannMart has applied for a license to distribute medical cannabis from its facility in Ontario. The Company recorded an impairment loss on the full amount of this deposit in fiscal 2015 because management had assessed that it was not probable that this investee would obtain a Health Canada license or additional financing in the foreseeable future. This assessment has not changed as at September 30, 2016.

(f) *The Hydropothecary Corporation ("Hydropothecary")* ($375,003 equity). Hydropothecary is a privately-held corporation incorporated under the laws of Canada which has obtained a license for cultivation and sale of medical cannabis and a license to produce cannabis oil from Health Canada. During the three months ended September 30, 2016, management re-assessed the fair value of this investment, and recorded a gain of $125,003 in other comprehensive income.

Acquisition of Peace

On September 6, 2016, the Company acquired all issued and outstanding shares of Peace Naturals Project Inc., a company headquartered in Stayner, Ontario and incorporated under the laws of Canada. Peace is a licensed producer and seller of medical cannabis from its facility in Ontario. Consideration for the acquisition includes $6,247,543 in cash and $2,590,367 to be paid at a future date. As the Company previously held shares of Peace, the acquisition is considered a step acquisition and resulted in a loss due to fair value re-measurement. The purchase price allocation for this acquisition is shown below:

Fair value of consideration transferred:	
Cash	$ 6,247,543
Holdback payable	2,590,367
	8,837,910
Fair value of previously held interest:	
Fair value of interest held immediately before acquisition	3,314,960
Loss due to fair value re-measurement	(346,970)
	2,967,990
	$ 11,805,900
Fair value of net assets acquired:	
Cash	109,443
Accounts receivable	50,647
Prepaid and deposits	29,000
Loans receivable	16,167
Inventory	1,194,417
Biological assets	865,452
Property and equipment	10,281,935
License	9,595,824
Goodwill	1,400,000

Accounts payable	(2,876,239)
Loans payable	(7,460,836)
Deferred tax liability	(1,400,000)
	$ 11,805,900

Due to the complexities in identifying certain intangible assets, such as licenses and intellectual property, and assigning fair values, the Company has yet to finalize its assessment of the purchase price allocation. The allocation of the consideration paid will be adjusted once a valuation of certain intangible assets has been finalized. Management expects to complete the assessment within the next fiscal year.

Overall Performance

The Company's efforts have been focused on operating In the Zone, finalizing the purchase of all of the outstanding shares of Peace Naturals Project Inc., establishing international distribution channels, and optimizing production.

During the three months period ended September 30, 2016, the Company incurred approximately $112,116 (three months period ended September 30, 2015 - $319,418) of capital expenditures, the majority of which related to the production facility and hard servicing costs for its real property in British Columbia, used in the production of medical marijuana.
During the nine months period ended September 30, 2016, the Company incurred approximately $181,729 (nine months period ended September 30, 2015 - $641,327) of capital expenditures, the majority of which related to real property in British Colombia.

The renovation of the existing facilities at In the Zone was completed during fiscal 2015, and Health Canada performed an inspection, enabling In the Zone to produce medicinal marijuana in its upgraded facility. In the Zone continued production in Q3 2016.

The Company finalized the purchase of all of the remaining outstanding shares of Peace Naturals Project Inc., providing the Company with 100% of the common shares. The cash consideration paid by the Company was $6,247,543 plus an additional amount to be paid at a later date of $2,590,367. Prior to the acquisition, the Company owned 25.1% of Peace (27.3% prior to the exercise of options at the acquisition date). As a result of the acquisition, the Company acquired $10,281,935 in property and equipment and $865,542 of biological assets. Since Peace was already operating as a licensed producer and seller, the Company reported $123,647 in product sales in its Q3 2016 statement of operations, representing Peace's sales only from the date of acquisition of September 6 to 30, 2016.

During the three months period ended September 30, 2016, the convertible loans payable of $115,000 was converted into 1,150,000 common shares of the Company. In addition, during the nine months period ended September 30, 2016, the Company repaid the $200,000 deposit payable owing to the former potential purchaser on In The Zone, the $950,000 promissory note payable, and the $500,000 mortgage payable secured by the property of In The Zone. The convertible loans payable were converted during the three months period ended September 30, 2016.

During the three months period ended September 30, 2016, the Company issued 42,857,140 common shares in three tranches of a private placement offering, at $0.35 per share. In addition, during the nine months period ended September 30, 2016, the Company issued 32,432,425 units in two tranches of a private placement offering. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.245 per share for a period of five years following the closing of the offering.

Results of Operations

Select Financial Information

The following table provides a summary of the interim results of the company for the three and nine month period ended September 30, 2016, and the comparative three and nine months period ended September 30, 2015:

Interim Statements of Operations and Comprehensive Income	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Total Revenues	$ 1,031,082	$ (54,482)	$ (257,430)	$ (307,858)
Total Expenses	1,321,689	438,852	2,463,806	1,499,820
Net Loss	(227,607)	(493,334)	(2,560,236)	(1,807,678)
Weighted average number of outstanding shares, basic and diluted	64,067,295	34,774,355	64,067,295	34,811,359
Basic and diluted loss per share	(0.00)	(0.01)	(0.04)	(0.05)

The net loss decreased from Q3 2015 to Q3 2016, representing an increase in revenues in Q3 2016.

Total Revenues

Revenue for the quarter ended September 30, 2016 and 2015 was $1,031,082 and ($54,482), respectively. The increase in revenue, period over period, was attributable to the acquisition of Peace, share of income from equity accounted investment, and the reversal of impairment loss on loans receivable.

Peace has a license to produce and sell medicinal marijuana, and therefore, the Company earned $123,647 in revenue from product sales made by Peace from the date of acquisition to September 30, 2016. During Q3 2016, the Company earned $134,638 in income from its equity accounted investment, Whistler, in which the Company owns 21.5%, as Whistler began to generate income from its operations and had a substantial increase in the fair value of its biological assets in the three months ended September 30, 2016. The Company reported a gain on the revaluation of biological assets of $392,405, representing an increase in the fair value of the medicinal marijuana plants of both Peace and In the Zone. During Q3 2016, the Company reassessed the recoverability of its loans receivable from Vert and Evergreen, and concluded that it is probable that these loans will be repaid. As a result, the impairment loss previously recorded was reversed during the quarter. As a result of the step acquisition of Peace, the original investment in Peace, previously classified as available-for-sale, was required to be revalued to fair value prior to accounting for the acquisition. As a result, this generated a loss of $346,970 during the quarter.

Revenue in the nine months ended September 30, 2016 totaled ($257,430) as compared to ($307,858) in the same period last year.

Total Expenses

Expenses for the quarter ended September 30, 2016 and 2015 was $1,321,689 and $438,852, respectively. The increase in expenses, period over period, was attributable to increase in stock based compensation, general and administration expenses, and production costs.

Salaries and benefits have decreased during the quarter, offset by an increase in stock-based compensation. There were 1,225,000 options issued during the quarter, with a total fair value of $287,366. The Company also revised its estimate of salaries to be paid for previous quarters, resulting in a decrease to salaries and benefits of approximately $65,000. Salaries and benefits only relate to the investment segment of the business. Salaries and benefits associated with the operational segment of the business are included in Production costs and General and administration. Production costs have increased during the quarter, as In the Zone continues to increase production, and for Peace's ongoing production from the date of acquisition to September 30, 2016. Interest expense in Q3 2016 represents the interest on Peace's $4,000,000 mortgage, which is guaranteed by the Company. The interest expense in Q3 2015 represents interest on the mortgage that was originally payable to Liz and Barry Sky, and the interest on the promissory note payable. These loans were settled in Q2 2016. The gain on the revaluation of investments represents the increase in fair value of Hydropothecary and Vert during the period, recorded in other comprehensive income, as these are available-for-sale investments.

Expenses in the nine months ended September 30, 2016 totaled $2,463,806 as compared to $1,499,820 in the same period last year. The increase in expenses, period over period, was attributable to increase in stock based compensation, general and administration expenses, production costs and interest expense.

The following table provides a summary of the interim financial position of the Company as at September 30, 2016 and as at December 31, 2015:

Interim Statements of Financial Position	**As at September 30, 2016**	**As at December 31, 2015**
Total assets	$ 39,610,271	$ 14,723,846
Total liabilities	9,041,293	3,021,991
Working capital (deficiency)	1,553,124	(1,101,906)
Share capital	32,896,945	14,799,821
Accumulated deficit	7,585,734	5,025,498
Accumulated other comprehensive income	$ 217,915	$ Nil

Total assets

Total assets increased from December 31, 2015 to September 30, 2016 primarily due to the acquisition of Peace and the Company's equity raises. The acquisition of Peace resulted in additional biological assets of $865,542, and additional inventory of $1,194,417. Further, the acquisition resulted in the recognition of Peace's Health Canada license to produce and sell medicinal marijuana at a fair value of $9,595,824 and the recognition of goodwill of $1,400,000. Additionally, Peace has been operating in its current facility and is in the process of building another facility, resulting in the addition of $10,281,935 in property, plant, and equipment as a result of the acquisition. From December 31, 2015 to September 30, 2016, the Company also generated $20,799,967 through its private placements, contributing to the increase in cash from $1,127,340 at December 31, 2015 to $5,779,354 at September 30, 2016.

Total liabilities

Total liabilities increased from December 31, 2015 to September 30, 2016 primarily due to the acquisition of Peace. As a result of the acquisition, the Company acquired Peace's $4,000,000 mortgage payable due in June 2017. In addition, as part of the purchase price, the Company has recorded a holdback payable of $2,590,367 to be paid to the previous shareholders of Peace upon finalization of the purchase price. Due to the recognition of Peace's license as part of the acquisition, this generated a temporary taxable difference, resulting in the recognition of a deferred tax liability of $1,400,000. Offsetting the increase, the Company repaid various debt obligations, including the $200,000 deposit payable to a potential purchaser of In the Zone and the promissory note payable of $950,000, and settled the convertible loans payable through a conversion to common shares.

Share capital

Share capital increased from December 31, 2015 to September 30, 2016, as a result of the private placements in May and August, resulting in the issuance of 75,289,565 common shares, increasing share capital by $17,967,938. In addition, there were various stock options and warrants exercised during the period, increasing share capital by $132,972 and $42,927 respectively. In addition, through the conversion of the convertible debt, 1,150,000 common shares were issued and share capital increased by $115,000.

Accumulated deficit

Accumulated deficit continues to increase as the Company generated a net loss during the period. There were no dividends declared or paid in the period, and no other transactions with shareholders impacting accumulated deficit.

Accumulated other comprehensive income

This balance includes the fair value increase in the investment in Vert and Hydropothecary based on new information available during the period, which is included in other comprehensive income since the investments are classified as available-for-sale.

Discussion of Operations

In The Zone

During the quarter, In the Zone continued production of medicinal marijuana. There were minimal improvements to the facility, as most efforts during the quarter were focused on production, yielding biological assets valued at $107,536 and inventory of $76,953. Subsequent to September 30, 2016, the Company has completed a second harvest and has completed their sale license inspection with Health Canada. In addition, the Company completed a transaction to acquire approximately 17 acres of land adjacent to the existing In the Zone property. The newly acquired property includes an artesian well that will provide a source of free water for the commercial production operations. The transaction closed on October 24, 2016 for a total consideration of $600,000 and the Company is currently in the process of amalgamating the two properties under the existing In the Zone address and updating the license for a total of approximately 31 acres of land under license.

Peace Naturals Project Inc.

The share purchase agreement between the Company and Peace closed on September 6, 2016, and the Company acquired all issued and outstanding shares of Peace. As a result, the investment was revalued using fair value as of the date of acquisition, and resulted in a gain recognized on the fair value adjustment of the investment. Subsequently, Peace is accounted for on a consolidated basis. From the date of acquisition to September 30, 2016, Peace continued to produce and sell medicinal marijuana, and generated product sales of $123,647 from the date of acquisition to September 30, 2016.

Immediately after the acquisition of Peace, the Company completed critical upgrades to the electrical power system on the Peace property. The power upgrade will enable sufficient electricity to supply not only the existing production facilities and two new buildings currently under construction, but will also supply enough power for an additional 3 production facilities currently in the planning phase. Prior to the power upgrade, Peace had a limited supply of electricity which resulted in a rate limiting factor in ramping up production output. Peace's current license size of 2,500 kg per year will be consumed by the anticipated output from the existing production facility and the two newly constructed facilities coming on line by the end of 2016 and early 2017. Peace will be required to amend the size of it's license upon further planned expansion.

Subsequent to the Peace acquisition, the Company has also been focused on patient acquisition and commencing outreach programs with educational and access centers, hosting community based patient supply groups, and onboarding new clients at an accelerated rate. Peace has registered over 3,400 patients since being granted its license.

Subsequent to the quarter end, on October 11, 2016 Peace shipped its first export of premium medicinal marijuana to Germany under a license and supply agreement with Pedanios GmbH. This export marks an important milestone in the Company's strategic global expansion.

Summary of Quarterly Results

	Q3 Three month period ended September 30, 2016	**Q2 Three month period ended June 30, 2016**	**Q1 Three month period ended March 31, 201**
Net loss	$ (227,607)	$ (1,842,499)	$ (490,130)
Total comprehensive loss	$ (9,692)	$ (1,842,499)	$ (490,130)
Basic and diluted loss per share	$ (0.00)	$ (0.04)	$ (0.01)

	Q4 Three month period ended December 31, 2015	**Q3 Three month period ended September 30, 2015**	**Q2 Three month period ended June 30, 2015**
Net income (loss)	$ 2,193,844	$ (493,334)	$ (556,799)

Basic earnings (loss) per share	$ 0.06	$ (0.01)	$ (0.02)
Diluted earnings (loss) per share	$ 0.05	$ (0.01)	$ (0.02)

Through quarters one through three of fiscal 2015, the net loss and basic and diluted loss per share remained relatively consistent. There were significant changes in Q4, specifically related to the reclassification of Peace from equity-accounted to available-for-sale, which resulted in a gain of $4,590,321. Further, there was various impairment losses recognized in Q4, $1,448,292 on Evergreen and Vert. Diluted earnings per share in Q4 was calculated using a weighted average number of shares of 44,309,871. In quarters one through three of 2015, the weighted average number of shares for basic and diluted loss per share remained consistent, because the Company was in a net loss position, and therefore all instruments were anti-dilutive. In Q4, the Company was in a net income position, and as a result, there were dilutive instruments included in the calculation. In Q1 2016, the net loss returned to the consistent position as the three first quarters of 2015, as there were no significant changes in the quarter. In Q2 2016, the loss increased due to the revaluation of Peace, resulting in a $1,325,984 loss recognized. In Q3, the Company was in a loss position, but the loss is significantly less than in previous quarters due to the reversal of impairment losses, the gain on revaluation of biological assets, and product sales generated through the acquisition of Peace.

Liquidity

The Company may seek to raise additional funds so that it may fund its expansion of operations, which represent the Company's working capital requirements, and fund new investment opportunities. The amount and timing of raising additional funds will depend on variables such as, the state of the capital markets, investor interest in medical cannabis companies, and investment opportunities available.

During Q3 2016, the Company raised $20,799,967 in cash through its private placements.

Based on the current investee group, the Company estimates that its annual expenses are expected to be approximately $5.5 million (or $458,000 per month), the major components of which include production costs ($2,500,000 per year or $208,000 per month), payroll ($875,000 per year or $73,000 per month), professional fees (approximately $432,000 per year or $36,000 per month), and general and administrative costs ($1,000,000 per year or $83,000 per month).

The Company has committed to make equity investments between $2 million and $2.8 million subject to Investees obtaining licenses to produce and distribute medical marijuana provided it is able to raise capital to support those investments.

Subsequent to September 30, 2016, the Company divested of its equity interest in Vert/Green Medical Inc. As a result of the transaction, the Company acquired through its wholly-owned subsidiary Hortican Inc., 7,374 shares of Canopy Growth Corporation, and may acquire up to an additional 29,498 additional shares of Canopy Growth Corporation conditional on licensing and facility expansion milestones.

The Company must raise additional debt and/or equity financing or divest non-core investment assets to fund operations and investment opportunities.

Capital Resources

The Company manages its capital with the objective of maximizing shareholder value and ensuring that it has appropriate resources to foster the growth and development of the business.

Prior to purchasing 100% of In the Zone in November 2014, the Company's primary uses for capital were to make investments in companies that had or were seeking to obtain an ACMPR license from Health Canada. From that date through Q2 2016, the primary use of funds has been to renovate and enhance the production capability of In the Zone.

During Q2 2015 and Q3 2015, the Company received $450,000 of deposits from a potential purchaser of ITZ. The transaction was terminated during Q3 2015. During Q2 2016, the Company repaid the former potential purchaser $200,000 plus $65,000 in reimbursement of costs, settling the liability.

During Q2 2015 the Company obtained a one year $750,000 bridge loan which was to be repaid at the earlier of the closing of the In the Zone transaction, completion of $750,000 or greater financing, or June 26, 2016. Based on the term of the agreement, the promissory note became payable on demand during the fourth quarter of 2015, due to the issuance of new shares; the Company completed a non-brokered private share offering resulting in the issuance of an additional 7,892,454 units, each unit comprising of one common share and one share purchase warrant, and raised an aggregate funds of approximately $2.25 million. As of June 30, 2016, the promissory note payable plus accrued interest was repaid in full.

In May 2016, the Company issued 32,432,425 units in two tranches of a private placement offering. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.245 per share for a period of five years following the closing of the offering.

As of the date of this MD&A, the Company's authorized share capital is an unlimited number of common shares of which 121,459,895[1] are issued and outstanding. The Company also has 5,446,594 stock options[2], and 46,528,020 warrants outstanding[3].

The Company has committed to additional investments of $750,000 for an additional 20.8% equity interest in Vert, $900,000 for an additional 18.75% equity interest in Evergreen, and $325,000 for a 2.5% equity interest in CannMart. The Company has committed to these investments if the entities are able to obtain a license from Health Canada. Further, the Company has guaranteed a $4,000,000 loan made by a lender to Peace. The Company does not anticipate any payment to be required, thus, no amount has been accrued at September 30, 2016.

[1] Subsequent to September 30, 2016, the Company issued 32,009 shares upon the exercise of stock options, and issued 1,544,824 shares upon the exercise of warrants. As a result of the agreement with ITZ's founders as described in Note 15(a)(i) of the consolidated financial statements for the year ended December 31, 2015, 426,780 shares were effectively repurchased for cancellation during Q3 2015. An aggregate of 298,746 of the shares are held in escrow as of the date of this MD&A and will be cancelled immediately upon release from escrow.

[2] Subsequent to September 30, 2016, 32,009 options were exercised at an exercise price of $0.23, and the Company granted 300,000 options at an exercise price of $1.50, 182,000 options at an exercise price of $1.84, and 2,887,500 options at an exercise price of $1.23.

[3] Subsequent to September 30, 2016, 661,504 warrants were exercised at an exercise price of $0.24. 460,887 warrants were exercised at an exercise price of $0.31, and 422,443 warrants were exercised at an exercise price of $0.08.

Transactions between Related Parties

The Company reversed the previously recorded amount of $65,045 ($61,287 expense – three month period ended September 30, 2015) in salaries and benefits owing to key management based on a change in estimate. In addition, there was $16,950 in professional fees accrued during Q3 2016 ($12,985 – three month period ended September 30, 2015). In addition, 487,500 options were granted to a member of management of the Company. The share-based compensation was valued at $114,360. Key management is compensated for providing planning, directing and controlling activities to the Company.

On August 5, 2016, 250,000 options were issued to directors of the Company. These options had an exercise price of $0.50, and a fair value of approximately $59,000.

Additional Disclosure for Venture Issuers without Significant Revenue

General and Administrative and Other Expenses

Interim Statements of Operations and Comprehensive Income	**Three months ended September 30, 2016**	**Three months ended September 30, 2015**	**Nine months ended September 30, 2016**	**Nine months ended September 30, 2015**
Salary and benefits	$ 310,401	$ 76,840	$ 635,197	$ 254,837
Advertising and promotion	3,930	1,929	14,665	10,232
Consulting fees	11,463	72,439	85,032	126,477
Professional fees	538,045	39,777	859,855	529,967
Office expenses	72,311	51,398	144,260	168,970
Interest expense	24,554	29,767	108,801	48,517
Travel	14,329	20,678	43,869	67,414
Other	346,656	146,034	572,127	293,406
	$ 1,321,689	**$ 438,862**	**$ 2,463,806**	**$ 1,499,820**

The quarter over quarter increase in salary and benefits in the amount of $233,561 is mainly due to the stock-based compensation provided during Q3 2016. 1,225,000 options were issued at an exercise price of $0.50, recorded at the fair value of $287,366. For the nine months ended September 30, 2016, the increase in salary and benefits is mainly due to the stock-based compensation identified in Q3 2016 plus a one-time $150,000 payment provided to an officer of the Company upon resignation in Q2 2016.

For the three months and nine months ended September 30, 2016 the year over year increase in professional fees in the amount of $498,268 and $329,888, respectively is due to legal fees on the acquisition of Peace during the quarter.

The interest expense in Q3 2015 relates to the mortgage payable for In the Zone and the promissory note payable. These loans were settled in Q2 2016. The interest expense in Q3 2016 relates to the $4,000,000 mortgage payable for Peace, which was acquired by the Company at fair value when the acquisition took place. For the nine months ended September 30, 2016 the increase of $60,284 is also due to the interest costs on the promissory note and the additional $15,000 in early settlement fees paid on the repayment of the mortgage in Q2 2016.

The year over year increase in other expenses in the amount $200,622 is primarily related to increased depreciation expense of $45,877 due to the depreciation of additional property, plant, and equipment on the acquisition of Peace and on the completion of the production facility by In the Zone. In addition, production costs increased by $219,125 as In the Zone began producing medicinal marijuana in Q2 2016 and Peace was in full production from the date of the acquisition through September 30, 2016. For the nine months ended September 30, 2016 the increase in other expenses of $278,721 is also due to the increased depreciation and production costs at In The Zone.

<u>Share capital – Outstanding Share Data</u>

As of the date of this MD&A, the Company's authorized share capital is an unlimited number of common shares of which 121,459,895[4] are issued and outstanding. The Company also has 5,446,594 stock options[5], and 46,528,020 warrants outstanding[6].

New Accounting Pronouncements

The International Accounting Standards Board has not issued any new standards, amendments to standards, or interpretations that impact the Company during the three month period ended September 30, 2016. The Company's evaluations of previously issued new standards, amendments to standards, and interpretations are consistent with those disclosed in note 3 of the Company's September 30, 2016 interim condensed financial statements. New accounting pronouncements not yet mandatorily effective have not been applied in preparing these interim condensed financial statements.

[4] Subsequent to September 30, 2016, the Company issued 32,009 shares upon the exercise of stock options, and issued 1,544,824 shares upon the exercise of warrants. As a result of the agreement with ITZ's founders as described in Note 15(a)(i) of the consolidated financial statements for the year ended December 31, 2015, 426,780 shares were effectively repurchased for cancellation during Q3 2015. An aggregate of 298,746 of the shares are held in escrow as of the date of this MD&A and will be cancelled immediately upon release from escrow.

[5] Subsequent to September 30, 2016, 32,009 options were exercised at an exercise price of $0.23, and the Company granted 300,000 options at an exercise price of $1.50, 182,000 options at an exercise price of $1.84, and 2,887,500 options at an exercise price of $1.23.

[6] Subsequent to September 30, 2016, 661,504 warrants were exercised at an exercise price of $0.24. 460,877 warrants were exercised at an exercise price of $0.31, and 422,443 warrants were exercised at an exercise price of $0.08.

Estimates and critical judgments by management

The preparation of these interim condensed financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Items for which actual results may differ materially from these estimates are described in the following section.

Warrants and options

In calculating the value of the warrants and options, management is required to make various assumptions and estimates which are susceptible to uncertainty, including the volatility of the share price, expected dividend yield and expected risk-free interest rate.

Useful lives of property and equipment

Depreciation of property and equipment is dependent upon estimates of useful lives, which are determined through exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of the assets.

Biological assets

Biological assets, consisting of cannabis plants and agricultural produce consisting of cannabis, are measured at fair value less cost to sell up to the point of harvest. Determination of the fair values of the biological assets and the agricultural produce requires the Company to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to the level of effort required to bring the cannabis up to the point of harvest, sales price, risk and expected future yields for the cannabis plant.

Impairment of cash-generating units and goodwill

The impairment test for CGUs to which goodwill is allocated is based on the value in use of the CGU, determined in accordance with the expected cash flow approach. The calculation is based primarily on assumptions used to estimate future cash flows, the cash flow growth rate and the discount rate used.

Fair value of financial assets available for sale

Financial assets available for sale consist of privately held investments. Determination of the fair values of privately held investments requires the Company to make various assumptions about the future prospects of the investees, the economic, legal, and political environment in which the investees operate, and the ability of the investees to obtain financing to support their operations. As a result, any value estimated may not be realized or realizable, and the values may differ from values that would be realized if a ready market existed.

Risks and Uncertainties

Any investment in the securities of the Company is speculative, due to the nature of its business and its general stage of development. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward looking statements relating to the Company. In addition to the usual risks associated with investment in a business, investors should carefully consider the following risk factors:

Strategic Risks

(a) Management of Growth

Any expansion of the Company's business may place a significant strain on its financial, operational and managerial resources. There can be no assurance that the Company will be able to implement and subsequently improve its operations and financial systems successfully and in a timely manner in order to manage any growth it experiences. There can be no assurances that the Company will be able to manage growth successfully. Any inability of the Company to manage growth successfully could have a material adverse effect on the Company's business, financial condition and operational results.

The Company Investees are all currently in early development stages. The Company's growth strategy contemplates outfitting Investee 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 can be adversely affected by a variety of factors.

(b) Competition

There is potential that the Company and the Company Investees 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 Investees or the Company.

Industry Risks

(c) Risks Inherent in an Agricultural Business

The business of the Company Investees involves the growing of medical cannabis, an agricultural product. As such, the business is subject to the risks inherent in the agricultural industry.

(d) Political Risks

A change in government could result in meaningful changes to the regulatory regime under which the Company operates, which could negatively impact its operations.

(e) Vulnerability to Rising Energy Costs

The Company Investees' medical cannabis growing operations consume considerable energy, making the Company vulnerable to rising energy costs.

(f) Transportation Disruptions and Costs

Due to the perishable and premium nature of the Company Investee products, fast and efficient courier services will be necessary to distribute product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of the Company Investees.

(g) Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company Investees 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.

(h) 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 with adverse impact on the Company Investees and the Company.

(i) Unfavourable Publicity or Consumer Perception

The Company believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical cannabis produced. Consumer perception of the Company Investees' products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical cannabis 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 cannabis market or any particular product, or consistent with earlier publicity.

Operational Risks

(j) Limited Operating History

The Company began carrying on business in 2013 and the Investees are also newly operational. They are therefore subject to many of the risks common to early-stage enterprises.

(k) Reliance on Key Inputs

The Company Investees' businesses are dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, access to skilled labour, equipment, parts, and components, as well as electricity, water and other local utilities.

(l) Compliance with Regulations of ACMPR and Health Canada

The activities of the Company Investees are subject to regulation by governmental authorities, particularly Health Canada. Achievement of the Company's business objectives are contingent, in part, upon Investee compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals. If any of the Company Investees becomes a producer, it would need to comply with the ACMPR, and in particular any Canadian based project would need to meet stringent requirements as outlined by Health Canada. Under the ACMPR, any entity applying for a license from Health Canada would need to be an indoor facility equipped with physical barriers which prevent unauthorized entry in to the facility and further physical barriers to all growing areas are required. The cost of security measures will be considerable and the readiness of each facility will factor into any the Company investment decision. Failure to comply with the requirements of the license or any failure to maintain this license could have a material adverse impact on the business, financial condition and operating results of the Company.

(m) Environmental and Employee Health and Safety Regulations

The Company Investees' 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.

(n) Reliance on Management

Both the success of the Company and the success of the Company Investees are dependent upon the ability, expertise, judgment, discretion and good faith of their respective senior management. 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.

(o) 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.

Financial Risks

(p) No History of Profits

There is no assurance that the Company will earn profits in the future, or that profitability will be sustained. The success of the Company ultimately depends upon its ability to generate significant revenues to finance operations and its ability to secure additional funding. There is no assurance that future revenues will be sufficient to generate the funds required to continue operations without external funding. If the Company does not have sufficient capital to fund its operations, it may be required to forego certain business opportunities.

(q) Future Capital Requirements

The Company may require additional financing in order to grow and expand its operations. Additional financing could include the incurrence of debt and the issuance of additional equity securities, which could result in substantial dilution to existing shareholders. It is possible that required future financing will not be available, or if available, will not be available on favourable terms. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to take advantage of opportunities or otherwise respond to competitive pressures and remain in business. There can be no assurances that the Company will be able to raise additional capital if its capital resources are exhausted.

(r) Market Risks

The market price of the Company's shares may be subject to wide fluctuations in response to various factors. There can be no assurance that an active and liquid market for the Company's shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

(s) Dividends

The Company has no dividend record to date, and does not anticipate paying any dividends on the common shares in the foreseeable future.