No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only to persons permitted to sell such securities.

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "US Securities Act") or any state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, a US person (within the meaning of Regulation S under the US Securities Act) except pursuant to an exemption from the registration requirements of the US Securities Act and applicable state securities laws. See "Plan of Distribution".

PROSPECTUS

Initial Public Offering

December 21, 2016

CanniMed® Therapeutics Inc.

$60,000,000
5,000,000 Common Shares

This prospectus qualifies the initial public offering (the "**Offering**") of 5,000,000 common shares (the "**Common Shares**") of CanniMed Therapeutics Inc. ("**we**", "**us**", "**CMED**" or the "**Company**") at a price of $12.00 per Common Share (the "**Offering Price**").

The Offering is being underwritten by AltaCorp Capital Inc., Canaccord Genuity Corp., Clarus Securities Inc., Mackie Research Capital Corporation and Haywood Securities Inc. (collectively, the "**Underwriters**"). If the Over-Allotment Option defined below is exercised in full, an additional 750,000 Common Shares will be offered by the Company.

There is currently no market through which the Common Shares may be sold and purchasers may not be able to resell the Common Shares purchased under this prospectus. This may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Common Shares, and the extent of issuer regulations. See "Risk Factors". The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Common Shares under the symbol "CMED", subject to us fulfilling all the listing requirements of the TSX on or before March 14, 2017, including the distribution of the Common Shares to a minimum number of public holders. See "Plan of Distribution". An investment in the Common Shares is subject to a number of risks that should be considered by a prospective purchaser. Investors should carefully consider the risk factors described under "Risk Factors" before purchasing the Common Shares.

In connection with the Offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. See "Plan of Distribution".

$12.00 per Common Share

	Price to the Public	Underwriters' Commissions	Net Proceeds to the Company[1]
Per Common Share	$ 12.00	$ 0.72	$ 11.28
Total Offering[2]	$60,000,000	$3,600,000	$56,400,000

Notes:

(1) After deducting the Underwriters' commissions payable by the Company but before deducting the expenses of the Offering. The Underwriters have waived commissions in respect of up to $5,000,000 of Common Shares in connection with the issuance of Common Shares sold to purchasers introduced to the Offering by the Company (collectively, the "President's List"), provided that certain sales of Common Shares to President's List purchasers sold by Mackie Research Capital Corporation are subject to a commission equal to 1.5% of such sales, with such commission in aggregate limited to $30,000. The expenses of the Offering are estimated to be approximately $1,000,000 (not including expenses relating to the Reorganization) and will be paid by the Company out of the proceeds of the Offering.

(2) The Company has granted to the Underwriters an over-allotment option, exercisable, in whole or in part, at the sole discretion of the Underwriters, for a period of 30 days from the closing of the Offering (the "**Closing**"), to purchase up to an additional 750,000 Common Shares (the "**Over-Allotment Shares**"), representing 15% of the Common Shares offered under this prospectus. The Over-Allotment Shares will be sold on the same terms as set out above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Commissions" and "Net Proceeds to the Company" will be approximately $69,000,000, $4,140,000 and $64,860,000, respectively. This prospectus qualifies the distribution of the Over-Allotment Shares. A purchaser who acquires Common Shares forming part of the Underwriters' over allocation position acquires those securities under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

The following table sets out the number of Common Shares that may be sold by the Company to the Underwriters pursuant to the Over-Allotment Option.

	Number of Common Shares Available	Exercise Period	Exercise Price
Over-Allotment Option	750,000	Up to 30 days following Closing	$12.00 per Common Share

Unless otherwise indicated, all information in this prospectus assumes that the Over-Allotment Option will not be exercised.

The Underwriters, as principals, conditionally offer the Common Shares, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions contained in the underwriting agreement dated December 21, 2016 (the "**Underwriting Agreement**") referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by Borden Ladner Gervais LLP and on behalf of the Underwriters by Stikeman Elliott LLP. **The Underwriters may offer the Common Shares at a lower price than stated above. See "Plan of Distribution".**

Subscriptions will be received subject to rejection or allotment in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. It is expected that the Closing will occur on or about December 29, 2016, or such later date as the Company and the Underwriters may agree, but in any event not later than February 1, 2017. The Common Shares, other than in certain limited circumstances, will be deposited with CDS Clearing and Depository Services Inc. ("**CDS**") in electronic form on the Closing Date through the non-certificated inventory system administered by CDS. A purchaser of Common Shares will receive only a customer confirmation from the registered dealer from or through which the Common Shares are purchased. See "Plan of Distribution".


CanniMed®
Therapeutics Inc.


CanniMed
12·0
Dried Marihuana
Marihuana Séchée
30 g

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GENERAL MATTERS

Unless otherwise noted or the context indicates otherwise "we", "us", "our", "CMED" or the "Company" refer to CanniMed Therapeutics Inc. and its direct and indirect subsidiaries.

Certain capitalized and other terms and phrases used in this prospectus are defined in the "Glossary of Terms" beginning on page 103.

Prospective purchasers should rely only on the information contained in this prospectus. We have not, and the Underwriters have not, authorized any other person to provide prospective purchasers with additional or different information. If anyone provides prospective purchasers with additional or different or inconsistent information, including information or statements in media articles about the Company, prospective purchasers should not rely on it. The Company is not, and the Underwriters are not, making an offer to sell or seeking offers to buy Common Shares in any jurisdiction where the offer or sale is not permitted. Prospective purchasers should assume that the information appearing in this prospectus is accurate only as at its date, regardless of its time of delivery or of any sale of Common Shares. The Company's business, financial conditions, results of operations and prospects may have changed since that date.

The Company presents its consolidated financial statements in Canadian dollars. Amounts in this prospectus are stated in Canadian dollars unless otherwise indicated.

FINANCIAL STATEMENT PRESENTATION IN THIS PROSPECTUS

The following financial statements of the Company and its subsidiaries (the "**Consolidated Financial Statements of PPS**") prepared in accordance with IFRS have been included in this prospectus (see "Index to Financial Statements"):

(a) Audited statement of financial position of the Company as at October 31, 2016 the ("**Statement of Financial Position**",

(b) Audited consolidated financial statements of Prairie Plant Systems Inc. as at October 31, 2015, and October 31, 2014 and for each year of the three year period ended October 31, 2015, and

(c) Condensed consolidated financial statements of Prairie Plant Systems Inc. as at July 31, 2016 and for the three and nine month periods ended July 31, 2016 and 2015.

In addition, unaudited pro forma financial statements of the Company for the fiscal years ended October 31, 2015, 2014 and 2013 and for the three and nine months ended July 31, 2016 and 2015 prepared on a basis giving effect to the Reorganization (as described below – see "Corporate Structure – *Reorganization*") as if it had occurred on November 1, 2013 and to exclude the results of operations of P.M. Power Group, Inc., formerly an indirect subsidiary of Prairie Plant Systems Inc. (the "**Pro forma Statements**") are included in this prospectus.

The Company was formed on October 31, 2016 and on November 1, 2016 it acquired all of the shares of Prairie Plant Systems Inc. in exchange for the issuance of 14,670,780 Common Shares to the former shareholders of Prairie Plant Systems Inc. Also on October 31, 2016, Prairie Plant Systems Inc. distributed to its shareholders all of the shares of common stock of PM Power Group Holdings Ltd. ("**PM Power Holdings**") upon the exchange of their then-issued Class "A" shares of Prairie Plant Systems Inc. These transactions are referred to in this prospectus as the "**Reorganization**". See "Corporate Structure – *Reorganization*". The Pro forma Statements have been prepared on a pro forma basis to exclude the results of operations of P.M. Power Group, Inc., formerly an indirect subsidiary of Prairie Plant Systems Inc. The Pro forma Statements reflect the financial position and the historical results of operations of Prairie Plant Systems Inc. as at and for the periods indicated, excluding the operations of P.M. Power Group, Inc. The pro forma statements of Operations and Comprehensive Income reflect the results of operations of Prairie Plant Systems Inc.'s biopharmaceutical products segment as detailed in note 22 to the Consolidated Financial Statements of PPS. The adjustments to the Consolidated Financial Statements of PPS made to derive the pro forma financial position and results of operations set our in the Pro Forma Statements are described in note 4 to the Pro Forma Statements. The Company believes that the exclusion of the results of operations of P.M. Power Group, Inc. in the presentation of the Pro forma Statements properly reflects the historical financial results of the Company's current

operations. Prairie Plant Systems Inc.'s wholly-owned subsidiary, PPS USA Holdings, Inc., acquired P.M. Power Group, Inc. on August 23, 2014. P.M. Power Group, Inc. operates the White Pine power generating station in Michigan. As a result of the Reorganization, the Company no longer has any ownership interest in PM Power Holdings or any of its subsidiaries or assets. PM Power Holdings was incorporated on October 31, 2016 to acquire the shares of PPS USA Holdings, Inc., then owned by Prairie Plant Systems Inc.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that relate to the Company's current expectations and views of future events. The forward-looking statements are contained principally in the sections entitled "Prospectus Summary", "Our Business", "Use of Proceeds", "Management's Discussion and Analysis" and "Risk Factors".

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict" or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- The successful completion of this Offering
- the Company's expectations regarding its revenue, expenses and operations
- the Company's anticipated cash needs, its needs for additional financing, changes to its dividend policies and the use of the net proceeds from this Offering
- the Company's intention to grow the business and its operations
- the Company's intention to build a pharmaceutical brand and cannabis products focussed on addressing specific needs of patients and the medical community
- the expected growth in the number of patients using the Company's products and the number of physicians prescribing the Company's products
- medical benefits, viability, safety, efficacy and dosing of cannabis or isolated phytocannabinoids
- the Company's expansion plans into the United States and internationally
- expectations with respect to future production costs and capacity
- expectations with respect to the renewal and/or extension of the Company's licenses
- market reception of cannabis oils and gelcaps and other new delivery mechanisms produced by the Company for use by patients
- expectations with respect to the future growth of its medical cannabis products, including delivery mechanisms
- expectations with respect to the number of patients who will successfully apply to the Minister of Health to grow their own cannabis
- expectations regarding the amount of cannabis each patient would be prescribed and/or use
- the Company's competitive position and the regulatory environment in which the Company operates
- any commentary related to the legalization of medical cannabis and the timing related to such commentary or legalization

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, prospective purchasers of Common Shares should not place undue reliance on these forward-looking statements. Whether actual

results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "Risk Factors", which include:

- dependency of our business on the Licenses
- ongoing compliance with regulatory requirements relating to our business
- changes in laws, regulations and guidelines relating to our business
- reliance on current research regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated phytocannabinoids
- a history of losses
- the Reorganization requiring the Company to pay additional taxes
- reliance on two key facilities
- reliance on Management and loss of members of Management or other key personnel or an inability to attract new management team members
- inability to realize growth targets
- requirement of additional financing
- certain limitations and financial covenants under our credit facilities
- competition in our industry
- inability to acquire and retain new clients
- inability to develop new technologies and products and the obsolescence of existing technologies and products
- inherent risks associated with the agricultural business
- vulnerability to rising energy costs
- SubTerra's dependency on a third party provider for energy
- dependence on third party transportation services to deliver our products
- unfavorable publicity or consumer perception
- product liability claims and product recalls
- reliance on key inputs and their related costs
- dependence on suppliers and skilled labour
- difficulty associated with forecasting demand for products
- operating risk and insurance coverage
- inability to manage growth
- conflicts of interest among our officers and directors
- environmental regulations and risks
- managing damage to our reputation and third party reputational risks
- changes to safety, health and environmental regulations
- exposure to information systems security threats
- management of additional regulatory burdens
- volatility in the market price for the Common Shares

- no dividends for the foreseeable future
- future sales of Common Shares by existing shareholders causing the market price for the Common Shares to fall
- the issuance of Common Shares in the future causing dilution

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Information contained in forward-looking statements in this prospectus is provided as of the date of this prospectus, and we disclaim any obligation to update any forward-looking statements, whether as a result of new information or future events or results, except to the extent required by applicable securities laws. Accordingly, potential investors should not place undue reliance on forward-looking statements or the information contained in those statements.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunities and market share, is based on information from independent industry organizations, other third-party sources (including industry publications, surveys and forecasts) and management studies and estimates.

Unless otherwise indicated, our estimates are derived from publicly available information released by independent industry analysts and third-party sources as well as data from our internal research, and include assumptions made by us which we believe to be reasonable based on our knowledge of our industry and markets. Our internal research and assumptions have not been verified by any independent source, and we have not independently verified any third-party information. While we believe the market position, market opportunity and market share information included in this prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry and markets in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the heading “Forward-Looking Statements” and “Risk Factors”.

TRADEMARKS AND TRADE NAMES

This prospectus includes trademarks and trade names, such as “CanniMed”, which are protected under applicable intellectual property laws and are the property of the Company. Solely for convenience, our trade-marks and trade names referred to in this prospectus may appear without the ® symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks, and trade names. See “Our Patents and Trademarks – *Trademarks*”. All other trademarks used in this prospectus are the property of their respective owners.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

Certain of our directors reside outside of Canada. The persons named below have appointed the following agent for service of process:

Name of Person	Name and Address of Agent
Dr. Brandon Price, Director . . .	Borden Ladner Gervais LLP, Bay Adelaide Centre, East Tower, 22 Adelaide Street West, Toronto, Ontario, M5H 4E3
Dr. Bruce Mackler, Director . . .	Borden Ladner Gervais LLP, Bay Adelaide Centre, East Tower, 22 Adelaide Street West, Toronto, Ontario, M5H 4E3
Richard Hoyt, Director	Borden Ladner Gervais LLP, Bay Adelaide Centre, East Tower, 22 Adelaide Street West, Toronto, Ontario, M5H 4E3

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (as each term is defined in National Instrument 41-101 – *General Prospectus Requirements*) that are utilized by the Underwriters in connection with the Offering are not part of this prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this prospectus. In addition, any template version of any marketing materials filed under our profile on the SEDAR website at www.sedar.com after the date of this prospectus but before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated into this prospectus. The marketing materials may be viewed under our profile on SEDAR at www.sedar.com.

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms and phrases used in this prospectus are defined in the "Glossary of Terms" beginning on page 103.

OUR BUSINESS

Overview

The Company is a Canadian-based, international plant biopharmaceutical company and a leader in the Canadian medical cannabis industry, with 15 years' of pharmaceutical cannabis cultivation experience, a state-of-the-art, GMP-compliant plant production process, including 281 points of quality control, and world class research and development platforms with a wide range of pharmaceutical-grade cannabis products. In addition, the Company has an active plant biotechnology research and product development program focused on the production of plant-based materials for pharmaceutical, agricultural and environmental applications.

The Company has three wholly owned subsidiaries: Prairie Plant Systems, Inc. ("**PPS**"), CanniMed Ltd. ("**CanniMed**") and SubTerra LLC ("**SubTerra**"). The Company was incorporated under the laws of Canada. PPS and CanniMed were both incorporated under the laws of Saskatchewan. The Company, PPS and CanniMed are all headquartered in Saskatoon, Saskatchewan. SubTerra was incorporated under Michigan law and is located in White Pine, Michigan.

PPS and CanniMed are each Licensed Producers under the *Access to Cannabis for Medical Purposes Regulations* (Canada) (the "**ACMPR**") by continuation of the Licenses granted to PPS and CanniMed under the *Marihuana for Medical Purposes Regulations* (Canada) (the "**MMPR**") and the exemptions granted pursuant to section 56 of the Controlled Drugs and Substances Act (Canada) ("**CDSA**"). PPS was also the sole producer of cannabis for the Government of Canada for more than 13 years under the predecessor *Marihuana Medical Access Regulations* (Canada) (the "**MMAR**").

CMED cultivates and sells pharmaceutical-grade cannabis products in both dried herbal and oil form to Canadians registered under the ACMPR. CMED is also a leader in the development of pharmaceutical products containing phytocannabinoids and other compounds found in cannabis. Management believes the emergence of cannabis-based products, particularly cannabis oils and gelcaps, will have a significant impact on the global pain management market and represents a significant commercial opportunity for the Company.

History

The Company was established in 1988 as a privately-held plant biotechnology company with a focus on research and development. The Company's initial research goal was to develop fruit trees hardy enough to survive and thrive in the harsh Canadian climate. Initial research efforts concentrated on development of micro-propagation protocols and *in vitro* rooting techniques for the saskatoon berry tree and a number of other small-fruited trees native to Western Canada.

In 1989, research efforts continued and, by 1990, the Company had cultured 29 different horticultural crops and several medicinal plant species. Proprietary protocols and successful technologies made us an obvious partner for contracting services to other organizations, including the former Plant Biotechnology Institute of the National Research Council, Agriculture Canada, and later research institutions and mining companies seeking agriculture and environmental restoration services.

In an effort to more precisely control and reproduce growing conditions for its crops, the Company entered into a joint venture with Hudson Bay Mining & Smelting Co., Limited in 1990 to establish a growth chamber 365 metres below the ground in an abandoned mine located in Flin Flon, Manitoba. The success of this project and the accompanying media coverage resulted in international recognition and provided further opportunities for diversification and expansion of services into plant-based biosynthesis of active pharmaceutical ingredients ("**APIs**").

In December 2000, based in part on the success and security of the underground facility, Health Canada awarded PPS a five-year, approximately $5.7 million contract to develop comprehensive operations for the growing and cultivation of medical cannabis (the "**Health Canada Contract**"). This began the Company's long history of cannabis cultivation, with the first crops being grown in the biosecure underground growth chamber in Flin Flon, Manitoba. In 2001, PPS became a Licensed Dealer under the *Narcotic Control Regulations* (Canada) (the "**NCR**") and the sole authorized source of dried marijuana for Health Canada under the MMAR. After being awarded its license, the Company engaged in an extensive research and development effort to gain a detailed understanding of cannabis genealogy, to identify, catalogue and cultivate an extensive number of cannabis strains, to design and build proprietary growing technologies and to refine its cultivation process to ensure consistent output and maximize yields. The Company began selling dried marijuana to the Government of Canada in early 2004. With the introduction of the MMPR in 2013, Health Canada no longer purchases medical cannabis from the Company as its sole supplier. Instead, under the regulations, patients may obtain medical cannabis directly from the existing pool of Licensed Producers. Accordingly, the Health Canada Contract, which was renewed by Health Canada three times from December 2002 to March 2014, was not renewed.

As the Company's research and development efforts continued as a Licensed Dealer, Management increasingly recognized the significant potential for medical cannabis to aid patients in dealing with a large number of medical conditions, including chronic pain. The use of medical cannabis in pain management is supported by studies demonstrating that medical cannabis use over a one-year period is associated with improvements in pain, function, quality of life and neurocognitive function. In particular, Management believed that medical cannabis products that were manufactured to a pharmaceutical-grade standard would ultimately be accepted in the medical community as a safe and effective treatment option that offers fewer side effects than existing, more aggressive, medications such as opiates that are frequently used to manage chronic pain.

In light of the Company's experience and the industry's evolution, the Company constructed its own quality control laboratories and developed and validated various methods of testing cannabinoids, including a first-of-its-kind high-performance liquid chromatography methodology. Subsequently, between 2009 and 2011, the Company employed seven patented growing technologies, processes and other trade secrets, and expanded its cultivation infrastructure with a newly constructed 35,000 sq. ft. above-ground facility in Saskatoon, Saskatchewan. Production in this facility is compliant with current "Good Manufacturing Practices" ("**GMP**"), which are the same standards and procedures that pharmaceutical companies must adhere to in manufacturing their products in North America. To CMED's knowledge, it is the only Licenced Producer that meets GMP manufacturing standards. In the hierarchy of manufacturing standards, GMP compliant quality control processes are very stringent and exceed the Good Production Practices required by Health Canada for growing and cultivating medical cannabis. Management believes CMED's GMP compliant processes for its plant production, including strict adherence to a process with 281 points of quality control, provide CMED with a unique and important competitive advantage that it expects will become particularly relevant if new distribution channels, such as pharmacies, are used.

The MMPR came into force on June 19, 2013 and on September 19, 2013, CMED's two subsidiaries, PPS and CanniMed, became the first two Licensed Producers under the MMPR.

CMED cultivates and sells pharmaceutical-grade cannabis products, including dried marijuana and cannabis oil, under the current ACMPR. Management believes that its continued focus on providing pharmaceutical-grade products in traditional pharmaceutical forms (i.e., oils and gelcaps) best positions the Company for acceptance in the medical community and the rapidly-growing number of patients seeking safe and effective treatment alternatives, particularly in pain management.

Consistent with its high-quality cultivation capabilities, the Company has also focused on developing a suite of medical cannabis products that are packaged, branded and labelled in a manner similar to conventional pharmaceutical products in an effort to better enable physicians to understand dosing regimens and standardize treatments. The Company has also invested in and supported the first Phase IIA clinical trial conducted with dried marijuana that has been approved by Health Canada. The Company's medical cannabis product portfolio is also packaged, labelled and marketed with a professional, informative and consistent approach that facilitates market acceptance by more conservative patients and physicians who are unfamiliar or uncomfortable with street, image-based or frivolous names for strains of cannabis.

Medical Cannabis

Medical cannabis refers to the use of cannabis and its constituent cannabinoids to treat disease or improve symptoms such as pain, muscle spasticity, nausea and other indications. Cannabinoids is a blanket term covering a family of complex chemicals, both natural and man-made, that bind with cannabinoid receptors (protein molecules on the surface of cells) and effect a wide number of responses. Cannabinoid receptors in the human body are part of a system called the Endocannabinoid System. This system produces chemicals called endocannabinoids, which also bind with cannabinoid receptors. Cannabinoid receptors are found in the brain and throughout the body. Scientists have found that cannabinoid receptors in the Endocannabinoid System are involved in a vast array of functions in our bodies, including helping to modulate brain and nerve activity (including memory and pain), energy metabolism, heart function, the immune system and even reproduction.

While there are a large number of active cannabinoids found in cannabis, the two most common currently used for medical purposes are THC (tetrahydrocannabinol) and CBD (cannabidiol). Although no clinical trials have been completed in Canada to validate the effectiveness of THC or CBD in managing disease and improving symptoms, scientific studies have identified that they, alone and/or in combination, have potential to provide treatment benefits for a large number of medical conditions. For example, THC, a psychotropic cannabinoid, has been shown to activate pathways in the central nervous system which work to block pain signals and has shown potential to assist patients with Post-Traumatic Stress Disorder (PTSD) and stimulate appetite in patients following chemotherapy. CBD, on the other hand, is non-psychotropic and has shown potential to relieve convulsion and inflammation.

Various third-party studies suggest that medical cannabis (with varying dosages of THC and CBD) has shown, or has the potential to show, efficacy for the treatment of Alzheimer's disease, anxiety, arthritis, brain injuries, cancer (chemotherapy), chronic nausea, chronic pain, eating disorders, epilepsy, fibromyalgia, glaucoma, Hepatitis C, HIV/AIDS, migraines, Multiple Sclerosis, muscle spasms, Parkinson's disease and PTSD.

Changing Regulatory Landscape

The medical cannabis industry in Canada has changed considerably between 2001 and 2016 and particularly since 2013 with the introduction of the MMPR. Between 2001 and 2013, approximately 15 percent of patients approved under the MMAR purchased products from Health Canada, which PPS produced and distributed. The remaining patients under the MMAR largely grew their own cannabis and any commercial aspects to collaborations with "designated persons" growing for patients under the MMAR were very restricted. Other than the Company, all of the Licensed Producers currently operating in Canada began growing and/or selling cannabis in 2013 or later. The Company entered the MMPR program with expertise developed from over 13 years of growing cannabis for Health Canada using its state-of-the-art production facilities and GMP-compliant plant production processes.

Under the MMAR, the Company provided the Government of Canada with dried marijuana that met a strict set of government-prescribed characteristics. Under the MMPR, CanniMed and other Licensed Producers were initially

licensed to sell dried marijuana only, and no other forms of cannabis, to clients. The Supreme Court of Canada judgment in *R* v *Smith* (2015 SCC 34) found this restriction to be contrary to the Canadian Charter of Rights and Freedoms (the "**Charter**") and struck down portions of the CDSA to the extent that these portions of the CDSA prevent a person with a medical authorization from possessing cannabis derivatives for medical purposes. While *R* v *Smith* was considered in the context of the MMAR, the exemption under the CDSA is equally applicable to the MMPR.

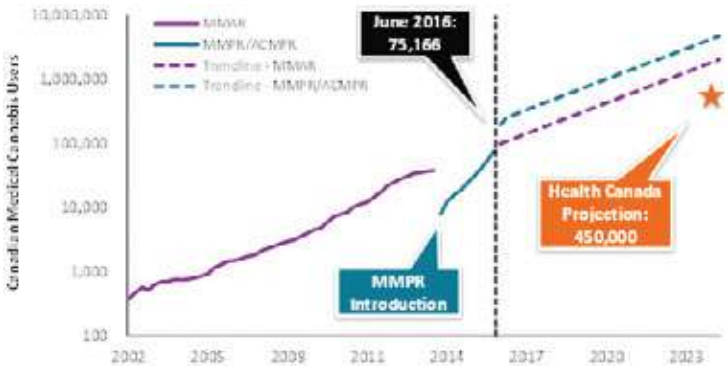
In response to *R* v *Smith*, Health Canada issued a class exemption under s. 56 of the CDSA for Licensed Producers who met defined criteria and issued corresponding supplementary licenses for production and sale of cannabis oil to Licensed Producers who met the criteria. Health Canada released a statement with details to this effect July 7, 2015. The Health Canada statement includes requirements that essentially prevent production of cannabis oil suitable for vaporization or smoking. The only permitted dosage form for cannabis oil is a capsule or similar dosage form (sale of liquid oil in a container – i.e., no dosage form, is also permitted). The sale of foods or beverages infused with cannabis oil was not permitted under the Health Canada statement. The sale of cannabis oil, including restrictions to dosage forms, is now expressly provided for in the ACMPR.

Following the hearing of the constitutional challenge to the MMPR, the Federal Court rendered its decision on February 24, 2016 in *R* v *Allard* (2016 FC 236). The Court repealed the MMPR as contrary to the plaintiff's Charter rights by unduly restricting access to medical cannabis. The repeal of the MMPR was suspended for six months to allow the Government of Canada to amend the MMPR or issue new regulations. On August 24, 2016, the ACMPR came into force, replacing the MMPR as the regulations governing Canada's medical cannabis program.

Licensed Producers and Patients

As of the date of this prospectus, there are 36 Licensed Producers with a license to sell cannabis to patients (not accounting for co-branded and/or affiliated Licensed Producers). According to Health Canada, as of June 30, 2016, there were a total of 75,166 patients registered with these 36 Licensed Producers, indicating a growth rate of 40% quarter over quarter. As of the date of this prospectus, over 17,000 patients are registered with the Company which is up from 10,224 patients as at the end of the second quarter of 2016. According to Health Canada, the total number of patients in the ACMPR or successor programs is expected to reach approximately 450,000 by 2024. Growth of the total number of patients is currently tracking well ahead of Health Canada's growth estimates, with historical growth trends indicating a market potential increase in excess of 1,000,000 patients by 2024:

Medical Cannabis Registered Patients in Canada



Source: This chart was developed based on Health Canada data with the trend line developed based on Management estimates calculated to reflect a projected growth rate consistent with the historical growth rate of the MMAR trendline.

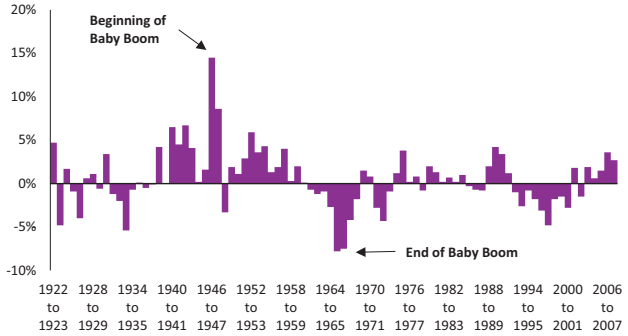
According to Health Canada, sales of dried marijuana and cannabis oils in the 12 calendar months leading up to and including the second quarter of 2016 were 11,473 kg and 2,084 kg, respectively, compared to 8,807 kg and 584 kg for the 12 months leading up to and including the first quarter of 2016. This represents a 31% quarter over quarter

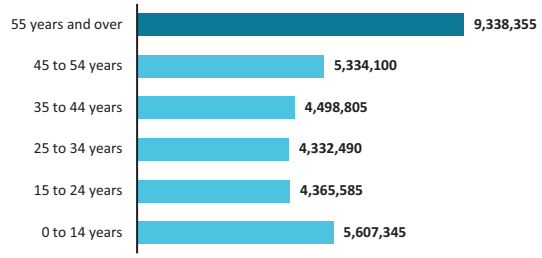
growth in total volume of dried marijuana and cannabis oil and a 157% quarter over quarter growth in cannabis oil volume. A total of 6,704 kg of dried marijuana were sold in 2015 (no information is available with respect to the sales of cannabis oils for 2015).

Shifting Demographics

Market growth in the Canadian medical cannabis industry is driven by a number of factors. First, the legislative and political environments are generally more favorable towards medical cannabis than in the past. Second, physician and patient awareness of the benefits of medical cannabis is increasing and is expected to continue to grow over time. Third, stigmas generally associated with cannabis use are fading in Canada, the United States and elsewhere, especially as alternative delivery mechanisms are made available. Last, there is a significant increase in demand for pain relief driven by a rapidly aging population – the "baby boomers" – suffering from chronic ailments and looking to maintain their quality of life.

A baby boom is, by definition, a sudden rise in the number of births observed from year to year. A baby boom ends when a sudden drop in the number of births is observed. The annual variation in the number of births is used to define the post-World War II baby boom in Canada, which saw the largest annual increase in the number of births between 1945 and 1946 and the largest decrease in the number of births between 1964 and 1965.





Source: Statistics Canada, Health Statistics Division, Vital Statistics

Accordingly, the baby boom lasted for 20 years in Canada and during that time more than 8.2 million babies were born. According to the 2011 Census, 9.6 million persons, or close to three Canadians out of every 10 (29%), are "baby boomers". Baby boomers have begun to reach the age of 65, markedly accelerating population aging in Canada. According to the 2011 Census, by 2031, all baby boomers will have reached the age of 65 and the proportion of seniors could reach up to 23% of the Canadian population (8.9 – 9.4 million), compared to 15% in 2011.

Chronic Pain and Opioid Usage

With an aging population, the incidence of chronic pain increases. According to the Canadian Pain Society, pain is the most common reason for seeking health care and, as a presenting complaint, accounts for up to 78% of visits to emergency departments. Studies demonstrate that approximately one in five Canadian adults suffer from chronic pain (Moulin, D. et. al, *Chronic Pain in Canada, Prevalence, Treatment, Impact and the Role of Opioid Analgesia*, Pain Research and Management, Vol. 7, pps 179-184 (2002)). Canadians spent $219.1 billion on health care in 2015, up from $193.2 billion in 2010. The Canadian Pain Coalition and the Education Special Interest Group estimated in 2010 that chronic pain costs more than $6 billion annually, more than cancer, heart disease and HIV combined. Including productivity losses, chronic pain costs are estimated to exceed $37 billion.

Although human studies on the therapeutic effects of cannabis have been significantly limited to date (largely due to restrictive legal regimes), Management believes that opportunities for use of medical cannabis in the treatment of chronic pain are significant. Evidence is growing that cannabis can be an effective treatment for chronic pain, presenting a safe and viable alternative or adjuvant treatment to pharmaceutical treatments currently used for chronic pain conditions, including non-opioid analgesics, opioid analgesics, anticonvulsants, antimigraine drugs, tricyclic antidepressants, anti-inflammatories and steroids.

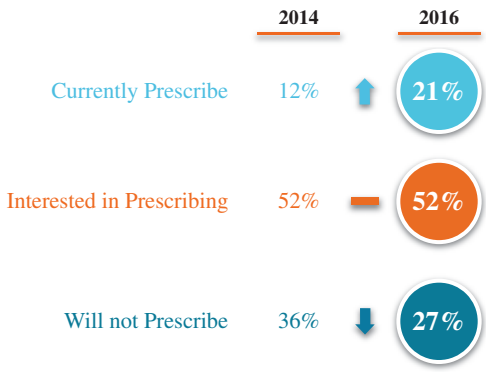
In Canada, chronic pain is primarily treated through the use of prescription opioid medications. While opioid medications are considered effective pain treatments, they pose potential risks of abuse, addiction and fatal overdose. The prevalence of prescribing opiates in Canada increased markedly between 2010 and 2014, with approximately 22 million opiates prescribed in 2014, up from approximately 18 million in 2010. According to the Canadian Centre on Substance Abuse, the rate of opioids used as a pain reliever among Canadian seniors (aged 65+) was 16% in 2013. Addiction to pharmaceutical opiates has been observed by the medical community as one of the common side-effects of extended use by patients (such as those suffering from chronic pain), with this addiction markedly increasing the incidence of overdose and mortality (Lucas, P., *Cannabis as an Adjunct to or Substitute for Opiates in the Treatment of Chronic Pain*, Journal of Psychoactive Drugs, 44 (2), pps 125-133 (2012)). Data from the Office of the Chief Coroner of Ontario shows that opiate deaths in Ontario have increased dramatically from 2004 to 2011. The overall opiate-related mortality increased in Ontario by 242% between 1991 and 2010. In the United States, the National Institute on Drug Abuse estimates, based on data from the Centers for Disease Control and Prevention, that the rate of death from accidental opiate overdoses among baby boomers in the United States was 12,000 in 2013 – more than the number of baby boomers who died in car accidents or from influenza and pneumonia combined in the same year. The Canadian Pain Society has expressed concern that inadequate pain assessment and treatment is a growing problem in Canada, while the Canadian Federal Health Minister has recently called on doctors to reduce prescriptions for opiates.

There is mounting evidence that is changing long-standing perceptions in the medical community and quickly opening a significant market opportunity for companies such as CMED to provide safe, pharmaceutical-grade medical cannabis products. The advent of alternative delivery mechanisms is adding to this momentum. In particular, sale of cannabis oil and gelcaps avoids issues and stigmas associated with smoking or vaporizing cannabis and helps distinguish cannabis-based medical products from non-medical products, facilitating physician and patient acceptance, particularly in aging populations.

Prescribing Physician Trends

Currently, approximately 7,000 of Canada's roughly 75,000 physicians are prescribing medical cannabis to patients. Of these, approximately 3,161, or 45% of prescribing physicians, report recommending CMED products which is an increase from 2,385 prescribing physicians as at the end of the second quarter of 2016. This represents an increase of over 100% compared to the 1,505 prescribing physicians that recommended CMED products to patients in 2014.

The Company commissioned an independent third-party study in July 2014 to examine attitudes and behaviours related to medical cannabis among Canadian physicians (the "**2014 Physician Survey**"). The study, completed by Rogers Insights Custom Research Group, invited practicing physicians to complete an online survey. A random 200-physician sample was drawn from the online panel of participants. The 2014 Physician Survey measured physician prescribing habits, current views, concerns, knowledgeability, interest and attitudes towards governing bodies and available clinical information. A second study was commissioned by the Company in October 2016 (the "**2016 Physician Survey**"). The 2016 Physician Survey, completed by Leger Research Intelligence Group, posed the identical questions as the 2014 Physician Survey to an online panel of practicing physicians in Canada and also drew a random 200-physician sample.

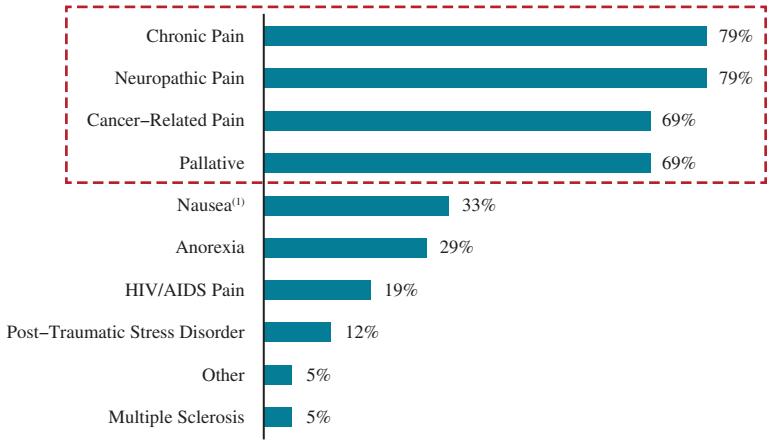


The differences in prescribing details between the 2014 Physician Survey results and the 2016 Physician Survey results suggest a shift in attitudes and prescribing practices among Canadian physicians, with the number of physicians currently prescribing medical cannabis up 9 percentage points over a two-year period and the number of physicians who will not prescribe medical cannabis under any circumstances down 9 percentage points over the same period.

Surveyed physicians that are interested in prescribing but have not done so yet or require more information before prescribing remained the same between 2014 and 2016, at 52%. Similarly, 32% of physicians feel that they are properly informed on medical cannabis, with the similar questions resulting in 31% in the 2014 Survey. Physicians are

increasingly being approached by patients about prescribing medical cannabis with 78% indicated having been approached in the past 6 months, versus 48% in the 2014 Physician Survey.

According to the 2016 Physician Survey, chronic pain and neuropathic pain were cited by prescribing physicians as the most common conditions for which medical cannabis would be prescribed by them.



(1) Not including nausea relating to pregnancy.

In 2015, an average of approximately 310 patients registered as patients with CMED per month. This number increased to over 800 per month since CMED began selling cannabis oils in the first quarter of 2016.

Our Cannabis Products

The Company produces seven strains of CanniMed herbal cannabis (dried marijuana) and three varieties of CanniMed cannabis oil. CMED also sells vaporizers, consumable vaporizer accessories (e.g., valves, screens, etc.) and herb mills for using CanniMed® herbal cannabis products.

In 2016 or early 2017, the Company plans to begin producing CanniMed cannabis oil gelcaps with 10 mg total phytocannabinoid dosages of CMED's current cannabis oil varieties. The Company believes that liquid oils and gelcaps are ideally suited for palliative care and hospitalized patients who are prohibited or unable to smoke or vaporize their prescribed doses of medical cannabis. Further, Management believes that gelcaps are likely to be more appealing than dried marijuana or bottled oil to physicians and patients, including the largest market segment of baby boomers who are looking for a safe and unobtrusive way to manage their chronic pain symptoms and maintain an active lifestyle. Relative to dried cannabis, cannabis oils (including gelcaps) are value-added products with higher prices, higher margins and a greater market opportunity.

The CanniMed dried cannabis products are not categorized or sold using "street" names often associated with strains marketed by other Licensed Producers. Rather, CanniMed dried cannabis products are identified by the percentages of THC and CBD they contain to better enable physicians to understand dosing regimens and standardize treatments for their patients. The Company's current dried cannabis product portfolio includes the following:

Colour and Name	THC	CBD
1·13	0.7%	13.0%
4·10	4.0%	10.0%
9·9	9.0%	9.5%
12·0	12.5%	<0.5%
15·5	15.0%	5.0%
17·1	17.0%	0.7%
22·1	22.0%	0.7%

The container in which the dried cannabis is delivered in includes professional branding similar to branding often used in association with pharmaceutical products. The container is compliant with the ACMPR, the FDR, and the Canadian Standards Association ("**CSA**") guidelines.

CanniMed dried cannabis products are provided to patients in 10 g increments of milled dried cannabis. The Company combines and mills flowers from different locations on the plant to account for any differences due to differing growing conditions along the stem of the plants. This allows for more accurate quality control and consistency than would otherwise be the case if intact flowers were provided to patients.

The Company also supplies patients with three varieties of cannabis oil which are marketed and sold under a similar naming convention to its herbal products. Patients are able to obtain CanniMed cannabis oil in in 60 ml increments:

Colour and Name	THC (mg/ml)	CBD (mg/ml)	Total THC (mg)	Total CBD (mg)
1·20	1.0	20.0	60	1200
10·10	9.8	9.9	588	594
18·0	18.3	0.2	1098	12

CanniMed cannabis oils are sold in containers compliant with the ACMPR, the FDR, and the CSA guidelines. A dropper is included for easily measuring the oil for dosing.

CanniMed cannabis oils are made using only dried cannabis flowers. No leaf, trimmings or waste material is used in the Company's production process. This industry-leading process ensures product consistency, meaning that patients can be confident that each order will be delivered with the same level of active ingredients, allowing than to administer a consistent dose.

Management believes that, unlike all other cannabis products on the market, CanniMed cannabis oils are made using a food-grade alcohol process. This process produces a tighter and more segmented cannabinoid profile than can be achieved using CO_2 extraction (Management believes that the CO_2 extraction process is the process used by other Licensed Producers). More specifically, CMED's food-grade alcohol process enables the extraction of a more purified compound and, ultimately, the production of a purer product with greater dose flexibility than can be achieved through CO_2 extraction. The use of alcohol is a well-established method for extraction of essential oils from cannabis and other plant matter. During production of CanniMed cannabis oils, food-grade alcohol is pumped through compressed cannabis flower, extracting THC and CBD and other medicinal ingredients (e.g., terpenoids, phenylpropanoids, etc.) The alcohol and excess water is then removed through evaporation, resulting in a pure cannabis resin.

All CanniMed cannabis oils are produced in accordance with GMP standards. The consistency with which the Company produces its products and the concentrations of cannabinoids in its products provide great choice to patients in terms of both dried cannabis and cannabis oil at different standardized dosing levels. Each product is designed with specific benefits in mind to address each patient's requirements. The quality and branding applied to both CanniMed cannabis oils and CanniMed dried cannabis products promotes doctor confidence and supports more consistent dosages. The branding also increases comfort levels of clients who are unfamiliar with "street" names for strains of cannabis.

Our Facilities

The Company operates two biosecure growth facilities totalling a combined 247,000 sq. ft. The first facility, located in Saskatoon, Saskatchewan, is comprised of a 97,000 sq. ft. above-ground production facility and a 96,000 sq. ft. support building. The 97,000 sq. ft. facility houses 30 large individual production growth chambers and has a total growing capacity of 7,000 kg. The 96,000 sq. ft. support building houses the Company's administrative infrastructure, including laboratories, quality control facilities, maintenance areas, a customer care centre and shipping and distribution facilities. The Saskatoon facility is equipped with a robust state-of-the-art security system, with over 400 separate security devices, including over 160 cameras capturing approximately five terabytes of recorded data per month. In compliance with the ACMPR, the footage recorded by our cameras is stored for two years. The Saskatoon facility also houses five separate Level 7 security compliant vaults, which are required for the storage of controlled substances. This facility is a "seventh generation" facility that has benefitted from the technologies and innovations advanced over the course of seven distinct facility builds.

The Michigan facility consists of 35,000 sq. ft. of production and office space, as well as 19,000 sq. ft. of underground growth chambers that are currently under construction. In addition, the Michigan facility has a 35 square mile underground footprint that is currently used as undeveloped warehouse space but which Management believes could be readily developed into a manufacturing facility with the potential to support over 50,000 kg of growing capacity per annum. Management estimates that, subject to the currently-available power supply, of the approximately 35 square miles of underground footprint available, approximately 600,000 sq. ft. to 800,000 sq. ft. could feasibly be developed by it for production purposes. Any such development would occur in phases. The Company's plans for the development of its Michigan facility into a large-scale production facility are in early stages and estimates of the time and cost required to develop the Michigan facility are not currently available.

The facility in Saskatoon is focused primarily on the commercialization of medical cannabis, as well as the research and development of new strains of cannabis. The procedures at this facility place a heavy emphasis on patient safety, with a 281-point quality control process.

Management believes that the Michigan facility is a key strategic asset in the Company's longer term strategy to service a potential medical cannabis market in the U.S. Management also believes that the Michigan facility is ideally suited for CMED's patented and proprietary cultivation equipment and processes, potentially representing over 50,000 kg of growing capacity.

Our Growth Strategy

U.S. and International Expansion

Cannabis is presently a Schedule I controlled substance in the United States and, accordingly, U.S. federal law outlaws all non-research related use of cannabis. However, at the state level, as of the date of this prospectus, 28 states and the District of Columbia no longer prosecute individuals for the possession or sale of medical cannabis, provided that the individuals are in compliance with the state's medical cannabis sale regulations.

In the State of Michigan, the Company has worked closely with legislators on Senate Bill 660 ("**Bill 660**"), now Public Act 268 of 2013, which provides a framework for the State of Michigan to regulate large-scale cannabis growers and sale by pharmacies of pharmaceutical-grade cannabis to individuals with a debilitating medical condition. While Bill 660 took effect on December 30, 2013, the State of Michigan made its implementation contingent on the rescheduling of cannabis from a Schedule I controlled substance to a Schedule II controlled substance at the

U.S. federal level. Specifically, Bill 660 amended Michigan's Public Health Code to accommodate a rescheduling of cannabis as a Schedule II controlled substance fit for medical use and provides for the licensing of facilitates that manufacture and cultivate pharmaceutical-grade cannabis. Bill 660 also allows facilities to sell pharmaceutical-grade cannabis to pharmacies and permits pharmaceutical-grade cannabis prescriptions upon the rescheduling of cannabis at the federal level.

As of October 2016, over one million patients, after receiving recommendations from their physicians, have registered in the U.S. to gain access to medical cannabis or cannabis derivatives. Retail sales of cannabis in the U.S. is expected to rise over the next three years, from an estimated US$4.0 to US$5.5 billion in 2017 to US$6.1 to US$11.0 billion in 2020.

On August 11, 2016, the Drug Enforcement Agency ("**DEA**") announced that cannabis will remain a Schedule I controlled substance in the near term. However, facing increased pressure, the DEA also said it plans to increase the supply of medical cannabis for research purposes.

The Company, through its wholly-owned subsidiary SubTerra, is in the process of applying to the DEA for a license to supply medical cannabis to third parties for clinical research purposes. In connection with this application process, SubTerra was required to first obtain a Michigan research license for the production of medical cannabis. SubTerra has completed this application process and is awaiting approval. The Company expects to receive feedback on the status of its application by early 2017. The Company intends to leverage the security and other benefits of its underground facility and to pursue research opportunities in cooperation with the DEA mandate to increase the supply of medical cannabis for research purposes. The Company also intends to leverage this research and development infrastructure and begin preparation of is underground facility in anticipation of the rescheduling of medical cannabis to a Schedule II controlled substance.

The Company believes that a rescheduling of cannabis from a Schedule I controlled substance to a Schedule II controlled substance is likely and that the Company's seventh generation production facility is expected to provide it with a "first mover" advantage in providing pharmaceutical-grade medical cannabis space in the U.S.

In the European Union (the "**EU**"), although member states are permitted to set their own national drug policies, all member states are parties to the United Nations 1961 Single Convention on Narcotic Drugs (the "**UN Convention**"), which defines THC as a Schedule IV illicit drug. During the recent Special Session of the United Nations General Assembly on the World Drug Problem (April 19-21, 2016), however, a growing number of government representatives advocated for changes to the treatment of cannabis, citing new evidence and changing attitudes regarding its medicinal use. In addition, there are some EU member states which, despite the UN Convention, are moving toward making medical cannabis available to their citizens. For instance, doctors in the Netherlands have been able to prescribe medical cannabis for over 10 years. In 2013, Italy authorized the use of cannabis for patient prescriptions. Similarly, in Germany the Federal Institute for Drugs and Medical Devices has allowed the medical use of cannabis in special cases. Spain, while lagging behind the Netherlands, Italy and Germany with respect to access to cannabis for medical use, has decriminalized cannabis. In all, the future of medical cannabis in EU member states remains uncertain at this time, but Management believes that the trend exhibited at the national level by EU member states and at the international level through the United Nations suggests a shift towards greater accessibility to medical cannabis.

Like Canada, the U.S. baby boomer generation is expected to have a considerable impact on the American population. Baby boomers began turning 65 in 2011 and are now accelerating growth at the older ages of the American population. According to the U.S. Census Bureau, 89 million Americans are aged 55 years and older, representing 29% of the population in the U.S. In 2014, the U.S. Census Bureau reported that by 2029 – when all baby boomers will be 65 years and over – more than 20% of the U.S. population will be over the age of 65, up from 14% in 2012. According to the Pew Research Center in 2010, 10,000 baby boomers will turn 65, every day, from January 1, 2011 – 2030.

The impact of an aging population is expected to also have a significant impact on the population of the EU. As of January 2015, Eurostat estimated the EU population at 508.5 million, with a median age of the 42.4 years and 161 million people aged 55 years and older. By 2080, Eurostat projects that persons aged 65 and older will account for approximately 29% of the EU population.

With aging populations in both the United States and the EU, the incidence of chronic pain is increasing. Like Canada, prescription opiates are medications most often used to treat chronic pain. Medicare data released in 2014 showed that 8.5 million Americans aged 65 or older were prescribed opiates from their physicians. According to the National Centre for Health Statistics, in 2014 opioids were involved in 28,647 deaths, or 61% of all overdose deaths. The US Centres for Disease Control and Prevention have declared the current conditions an "epidemic" of overdoses (US Centres for Disease Control and Prevention, *CDC Grand Rounds: Prescription Drug Overdoses – A U.S. Epidemic*, Morbidity Mortality Weekly Report, vol. 61(1) (2012)).

The Company expects that the increased reliance on prescription opioids in the United States and the EU to treat chronic pain, along with changes in long-standing perceptions in the medical communities on medical cannabis in these jurisdictions, may create a significant market opportunity for companies such as CMED to provide safe, pharmaceutical-grade medical cannabis products.

Cannabis Oil

Management believes that the introduction of cannabis oils into the Canadian market will be a significant factor in the rising acceptance of medical cannabis as a legitimate treatment alternative for patients with chronic pain and other medical conditions. Furthermore, Management believes that the Company is well positioned to take advantage of this higher margin opportunity, given its GMP-compliant plant production processes, 281-point quality control process and its ability to routinely cultivate plants with consistent cannabinoid profiles. While the Company adheres to GMP in the production of its cannabis oils, the GMP certification process has not been completed in respect of its oil production, although Management expects this certification process to be completed by early 2017.

Since the introduction of its Cannabis oil products in February 2016, the Company has seen the number of doctors prescribing CanniMed products increase significantly, from 2,053 at the end of January 2016 to 3,167 (or 54.3% growth – 4.9% month-over-month) at the end of October 2016. The quantity of cannabis oil sold demonstrates similar growth, from 55.0 litres in February 2016 to 152.7 litres in October 2016 (or 177.6% growth – 14.0% month-over-month). Management believes the Company's current market share in cannabis oils to be over 70.0%.

Growth in sales of cannabis oil is continuing to accelerate and Management expects this will continue over the near term, particularly as new delivery mechanisms, such as gelcaps, are made available in the market.

Cannabis Oil Gelcaps

CMED has completed the development of, and plans to begin producing, CanniMed cannabis oil gelcaps in late 2016. It is anticipated that the first sales of CanniMed cannabis oil gelcaps will occur early in 2017. Gelcaps are vegetable gelatin capsules containing 10 mg total phytocannabinoid dosages of the Company's current cannabis oil varieties. The Company believes that cannabis oil, particularly when in a gelcap dosage form, is and gelcaps are ideally suited for palliative care and hospitalized patients that are either prohibited or unable to smoke or vaporize their prescribed doses. Furthermore, Management believes that gelcaps are likely to be more appealing than dried cannabis flowers or bottled oil to physicians and patients, including the largest market segment of baby boomers who are looking for a safe, accessible and unobtrusive way to manage their chronic pain symptoms with consistent dosing and maintain an active lifestyle. CanniMed cannabis oil gelcaps are simpler for physicians to prescribe and instruct their patients on a succinct and repeatable dosing regimen that can be followed in any location without smoking or vaporizing.

Management believes that the introduction of CanniMed cannabis oil gelcaps to the Canadian medical cannabis marketplace is an important step in the evolution of the acceptance of medical cannabis as substitute for prevailing pharmaceutical treatment alternatives, since gelcaps represent a familiar delivery mechanism for the baby boomer population that is consistent with current conventions.

Clinical Trials

As a plant biopharmaceutical company, research is an important priority to further the Company's scientific understanding of medical cannabis and, ultimately, to the breeding and production of new strains of cannabis for

application in treatment of a wide spectrum of medical conditions. To that end, the Company expects to continue to invest significant resources towards clinical trials focussed on validating medical cannabis as a safe and effective pain relief option.

The Company has invested over $1 million into its Health Canada-approved Cannabinoid Profile Investigation of Vaporized Cannabis in Patients with Osteoarthritis of the Knee (the "**CAPRI Trial**"). The CAPRI Trial is a randomized, double-blind, placebo controlled, proof-of-concept Phase IIA clinical trial, which seeks to examine the varying ratios of THC and CBD to help determine whether high THC, high CBD, or a combination of the two, has the greatest impact on the treatment of osteoarthritis of the knee. The expected completion date for the CAPRI Trial is November 2017. The Company is also exclusively providing the cannabis used in the CAPRI Trial.

To the knowledge of the Company, the CAPRI Trial was the first Health Canada approved medical cannabis clinical trial and is being conducted with researchers at both the McGill University Health Centre and Dalhousie University. The Company believes that the CAPRI Trial and future trials like it will significantly advance medical research in Canada by answering important questions that physicians and other health care professionals have regarding dosing, as well as short term safety and efficacy relating to specific ratios of cannabinoids. The answers to these questions will contribute to the evolving dialogue about the safety and efficacy of prescribing medical cannabis to patients as a viable alternative to present treatment options.

THE OFFERING

Issuer:	CanniMed Therapeutics Inc.
Offering:	$60,000,000
Offering Price per Common Share:	$12.00.
Aggregate Number of Shares Offered:	5,000,000 Common Shares.
Common Shares Outstanding:	14,843,505 Common Shares are issued and outstanding as of the date of this prospectus, and 19,843,505 Common Shares will be issued and outstanding immediately after the Offering (in each case, excluding Common Shares that may be issued upon exercise of Options, Warrants or Convertible Debentures). See "Description of Share Capital".
Over-Allotment Option:	The Company has granted to the Underwriters an Over-Allotment Option exercisable for a period of 30 days from the Closing Date to purchase up to an additional 750,000 Common Shares (representing 15% of the Common Shares offered under this prospectus) at the offering price to cover over-allocations, if any. See "Plan of Distribution".
Use of Proceeds:	The Company will receive approximately $55.4 million in net proceeds from the Offering ($63.9 million if the Over-Allotment Option is exercised in full), after deducting fees payable by us to the Underwriters in connection with the Offering and the estimated expenses of the Offering. We intend to use the net proceeds from the Offering as follows: • Approximately $21.0 million to fund the expansion of production at our Saskatoon, Saskatchewan facilities, • Approximately $8.0 million to fund the development of an additional cannabis oils manufacturing facility and related equipment, • Approximately $5.0 million to fund the purchase of additional equipment, • Approximately $6.0 million to fund the expansion of SubTerra facility in White Pine, Michigan, and • Approximately $3.0 million to fund further clinical trials. The remaining net proceeds are expected to be used for working capital and general corporate purposes. See "Use of Proceeds".
Lock-Up Arrangements	We expect (i) each member of Management; (ii) each director of the Company; and (iii) those persons identified and mutually agreed upon between the Underwriters and the Company, to agree, subject to certain customary exceptions, to not, directly or indirectly, offer, sell, contract to sell, secure, pledge, grant or sell any option, right or warrant to purchase, or otherwise lend, transfer or dispose of any equity securities of the Company or make any short sale, engage in any hedging transaction or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of equity securities of the Company during a period commencing on the Closing Date and ending on the date which is 180 days after the closing of the Offering. See "Plan of Distribution – *Lock-Up Arrangements*".
Dividend Policy:	The Company has not paid dividends to its shareholders to date and does not anticipate paying cash dividends on the Common Shares in the foreseeable future. The Company's current policy is to retain cash flows to finance the development and enhancement of its products and to otherwise reinvest in the Company's business.

RISK FACTORS

An investment in the Common Shares is speculative and involves a high degree of risk. Prospective purchasers should carefully consider the information set out under "Risk Factors" beginning on page 86 and the other information in this prospectus before purchasing Common Shares.

SUMMARY PRO FORMA FINANCIAL INFORMATION

The following sets out summary financial information of the Company for the years ended October 31, 2015, 2014 and 2013 and for the nine months ended July 31, 2016 and 2015 giving effect to the Reorganization as if it had occurred on November 1, 2013 and to exclude the results of operations of P.M. Power Group, Inc., formerly an indirect subsidiary of Prairie Plant Systems Inc. Prairie Plant Systems Inc., through its wholly owned subsidiary, PPS USA Holdings, Inc, acquired P.M. Power Group, Inc. on August 23, 2014. As a result of the Reorganization, Prairie Plant Systems Inc. disposed of its interest in P.M. Power Group, Inc, effective October 31, 2015. This summary financial information has been derived from and should be read in conjunction with the Pro forma Statements and the Consolidated Financial Statements of PPS, the related notes thereto and Management's Discussion and Analysis included elsewhere in this prospectus. The Consolidated Financial Statements of PPS have been prepared in accordance with IFRS. The adjustments to the Consolidated Financial Statements of PPS made to derive the pro forma financial position and results of operations set out in the Pro forma Statements and the assumptions underlying such adjustments are described in note 4 to the Pro forma Statements. The Pro Forma Statements of Operations and Comprehensive Income reflect the results of operations of PPS's biopharmaceutical products segment as detailed in note 22 of the Consolidated Financial Statements of PPS. The Pro forma Statements and the selected pro forma financial information set out below are not necessarily indicative of the results that may be achieved in the future. See "Financial Statement Presentation in this Prospectus" for a description of the financial statements in this prospectus. The operating statistics do not form part of the Consolidated Financial Statements of PPS or the Pro Forma Statements.

	Nine Months Ended July 31, 2016	Nine Months Ended July 31, 2015	Year Ended October 31, 2015	Year Ended October 31, 2014	Year Ended October 31, 2013[5]
	$000	$000	$000	$000	$000
Pro Forma Statement of Operations Highlights					
Revenue	6,635	4,297	5,788	6,746	11,446
Unrealized gain from changes in fair value of biological assets[1]	4,059	2,676	3,509	3,058	—
Gross margin, including unrealized gain and changes in fair value of biological assets	5,578	4,482	5,656	5,539	7,505
Expenses	(6,428)	(6,500)	(8,528)	(7,041)	(3,786)
(Loss) profit from operations	(850)	(2,018)	(2,872)	(1,502)	3,719
Net income (loss) before tax	(1,344)	(2,054)	(3,424)	(1,830)	3,745
Operating Statistics					
Dried marijuana sold (000 g)	548	425	582	306	
Revenue per gram	$ 8.33	$ 8.85	$ 8.81	$ 8.12	
Oils sold (000 ml)	655	—	—	—	
Revenue per ml	$ 2.50	—	—	—	
Total dried marijuana equivalent sold (000 g)[2]	657	425	582	306	
Revenue per gram	$ 9.44	$ 8.85	$ 8.81	$ 8.12	

	As at October 31, 2015	As at October 31, 2014
	$000	$000
Pro Forma Balance Sheet Highlights (at period end)		
Current assets	11,073	14,995
Total assets	49,692	48,743
Current liabilities[3]	23,639	21,785
Total liabilities[3],[4]	30,378	28,826
Shareholders' equity	19,314	19,917

Notes:

(1) Unrealized gain from changes in fair value of biological assets represents their fair value less cost to sell up to the point of harvest.

(2) Dried equivalent marijuana is calculated on the basis of 60 ml oils equivalent to 10 g of dried material.

(3) Subsequent to October 31, 2015, the Company entered into a facility agreement with its lender which renewed and amended existing credit facilities. As a result, the maturity of outstanding loans that were included for accounting presentation purposes in Current Liabilities, totaling approximately $12,787 at October 31, 2015, was extended to November 2017.

(4) Total liabilities includes convertible debentures issued by Prairie Plant Systems Inc. and which mature on December 15, 2018 (the "**Convertible Debentures**"). As at December 31, 2015, Convertible Debentures with a total principal amount of $2,053 were included in Total Liabilities. In July, 2016, an additional $8,461 principal amount of Convertible Debentures was issued and the total amount of Convertible Debentures outstanding as at July 31, 2016 was included in Total Liabilities. After July 31, 2016, a further $1,030 of Convertible Debentures were issued and certain debenture holders converted $900 of Convertible Debentures into 40,908 fully paid Class "A" common shares of PPS. Pursuant to the Reorganization, the Class "A" common shares of PPS were converted into Class "D" common shares and the resulting Class "D" common shares were then exchanged on a 4:1 basis for shares of CanniMed Therapeutics Inc., for a total of 163,632 common shares of CanniMed Therapeutics Inc. The remaining Convertible Debentures in total are convertible into 1,935,240 Common Shares for a period of 30 days following closing of the Offering based on a price of $5.50 per Common Share after giving effect to the Reorganization. If the Convertible Debentures are converted in full, the Company's shareholders' equity will increase by $10,644 and the total liabilities will decrease by $10,644 as at the date of the conversion. See "Options to Purchase Common Shares – *Convertible Debentures*".

(5) In 2013 the Company's business involved carrying out activities under contract to Health Canada, which owned all medical cannabis materials and accordingly, the Company did not own or sell medical cannabis materials.

OUR BUSINESS

Overview

The Company is a Canadian-based, international plant biopharmaceutical company and a leader in the Canadian medical cannabis industry, with 15 years' of pharmaceutical cannabis cultivation experience, a state-of-the-art, GMP-compliant plant production process, including 281 points of quality control, and world class research and development platforms with a wide range of pharmaceutical-grade cannabis products. In addition, the Company has an active plant biotechnology research and product development program focused on the production of plant-based materials for pharmaceutical, agricultural and environmental applications.

The Company has three wholly owned subsidiaries: Prairie Plant Systems, Inc. ("**PPS**"), CanniMed Ltd. ("**CanniMed**") and SubTerra LLC ("**SubTerra**"). The Company was incorporated under the laws of Canada. PPS and CanniMed were both incorporated under the laws of Saskatchewan. The Company, PPS and CanniMed are all headquartered in Saskatoon, Saskatchewan. SubTerra was incorporated under Michigan law and is located in White Pine, Michigan. See "Corporate Structure".

PPS and CanniMed are each Licensed Producers under the Access to Cannabis for Medical Purposes Regulations (Canada) (the "**ACMPR**") by continuation of the Licenses granted to PPS and CanniMed under the *Marihuana for Medical Purposes Regulations* (Canada) (the "**MMPR**") and the exemptions granted pursuant to section 56 of the *Controlled Drugs and Substances Act* (Canada) ("**CDSA**"). PPS was also the sole producer of cannabis for the Government of Canada for more than 13 years under the predecessor *Marihuana Medical Access Regulations* (Canada) (the "**MMAR**").

CMED cultivates and sells pharmaceutical-grade cannabis products in both dried herbal and oil form to Canadians registered under the ACMPR. CMED is also a leader in the development of pharmaceutical products containing phytocannabinoids and other compounds found in cannabis. Management believes the emergence of cannabis-based products, particularly cannabis oils and gelcaps, will have a significant impact on the global pain management market and represents a significant commercial opportunity for the Company. To its knowledge, the Company is the only Licensed Producer collaborating with other groups in a Health Canada-approved Phase IIA clinical trial related to osteoarthritis of the knee and in pre-clinical animal studies related to multiple sclerosis and neuropathic pain. CMED staff has extensive experience in a number of biopharmaceutical areas providing the Company with a wide base of capabilities to develop new cannabis products, improve existing technologies and to service customers. See "Our Growth Strategy".

CMED also provides laboratory services to third-parties and propagates plants on a contract basis. The Company has developed a proprietary cloning technique for a variety of native fruit trees, which it currently uses in its propagation techniques for many nutraceutical plants including cannabis.

CMED also has the capability to manufacture a variety of plant-based active pharmaceutical ingredients ("**APIs**"), such as high-value proteins (including enzymes and cytokines) and phytochemicals (including purified phytocannabinoids). CMED sells these compounds as research chemicals and is currently optimizing a multiple expression platform for cultivating human and nonhuman proteins in transgenic plants. CMED, through SubTerra, has applied for a license in the State of Michigan for the manufacture of cannabis for research purposes. CMED operates a facility located in White Pine, Michigan, which currently operates a Level 2 biosecure growth chamber developed in an approximately 35 square mile underground footprint. This site is ideally suited for development to support significant additional growing capacity. Management estimates that the Michigan facility could be developed to support over 50,000 kg of cannabis growing capacity per annum and believes that the Michigan facility is a key strategic asset that provides an ideal platform for CMED to expand into Michigan (and further into the U.S.) with its pharmaceutical-grade cannabis products, if cannabis is ultimately rescheduled from Schedule I to Schedule II under the *Controlled Substance Act* (United States). If such a change occurs, the Company expects to expand rapidly and introduce its entire product line in the U.S. See "Our Products – *BioPharm Division*" and "Our Growth Strategy – U.S. and International Expansion".

History

The Company was established in 1988 as a privately-held plant biotechnology company with a focus on research and development. The Company's initial research goal was to develop fruit trees hardy enough to survive and thrive in the harsh Canadian climate. Initial research efforts concentrated on development of micro-propagation protocols and *in*

vitro rooting techniques for the saskatoon berry tree and a number of other small-fruited trees native to Western Canada. This initial research program resulted in commercially-available disease-clean trees, which are critical for commercial saskatoon berry tree orchards.

In 1989, research efforts continued and, by 1990, the Company had cultured 29 different horticultural crops and several medicinal plant species. Proprietary protocols and successful technologies made us an obvious partner for contracting services to other organizations, including the former Plant Biotechnology Institute of the National Research Council, Agriculture Canada, and later research institutions and mining companies seeking agriculture and environmental restoration services.

In an effort to more precisely control and reproduce growing conditions for its crops, the Company entered into a joint venture with Hudson Bay Mining & Smelting Co., Limited in 1990 to establish a growth chamber 365 metres below the ground in an abandoned mine located in Flin Flon, Manitoba. The success of this project and the accompanying media coverage resulted in international recognition and provided further opportunities for diversification and expansion of services into plant-based biosynthesis of APIs.

In December 2000, based in part on the success and security of the underground facility, Health Canada awarded PPS a five-year, approximately $5.7 million contract to develop comprehensive operations for the growing and cultivation of medical cannabis (the "**Health Canada Contract**"). This began the Company's long history of cannabis cultivation, with the first crops being grown in the biosecure underground growth chamber in Flin Flon, Manitoba. In 2001, PPS became a Licensed Dealer under the *Narcotic Control Regulations* (Canada) (the "**NCR**") and the sole authorized source of dried marijuana for Health Canada under the MMAR. After being awarded its license, the Company engaged in an extensive research and development effort to gain a detailed understanding of cannabis genealogy, to identify, catalogue and cultivate an extensive number of cannabis strains, to design and build proprietary growing technologies and to refine its cultivation process to ensure consistent output and maximize yields. The Company began selling dried marijuana to the Government of Canada in early 2004. With the introduction of the MMPR in 2013, Health Canada no longer purchases medical cannabis from the Company as its sole supplier. Instead, under the regulations, patients may obtain medical cannabis directly from the existing pool of Licensed Producers. Accordingly, the Health Canada Contract, which was renewed by Health Canada three times from December 2002 to March 2014, was not renewed.

As the Company's research and development efforts continued as a Licensed Dealer, Management increasingly recognized the significant potential for medical cannabis to aid patients in dealing with a large number of medical conditions, including chronic pain. The use of medical cannabis in pain management is supported by studies demonstrating that medical cannabis use over a one-year period is associated with improvements in pain, function, quality of life and neurocognitive function (for example: Ware, M. et. al, *Cannabis for the Management of Pain: Assessment of Safety Study*, Journal of Pain, Volume 16, Issue 12, pps 1233 – 1242 (December 2015). In particular, Management believed that medical cannabis products that were manufactured to a pharmaceutical-grade standard would ultimately be accepted in the medical community as a safe and effective treatment option that offers fewer side effects than existing, more aggressive, medications such as opiates that are frequently used to manage chronic pain.

In light of the Company's experience and the industry's evolution, the Company constructed its own quality control laboratories and developed and validated various methods of testing cannabinoids, including a first-of-its-kind high-performance liquid chromatography methodology. Subsequently, between 2009 and 2011, the Company employed seven patented growing technologies, processes and other trade secrets, and expanded its cultivation infrastructure with a newly constructed 35,000 sq. ft. above-ground facility in Saskatoon, Saskatchewan. Production in this facility is compliant with current "Good Manufacturing Practices" ("**GMP**"), which are the same standards and procedures that pharmaceutical companies must adhere to in manufacturing their products in North America. In the pharmaceutical context, GMP are the part of quality assurance that ensures that drugs are consistently produced and controlled to meet quality standards appropriate to their intended use. To CMED's knowledge, it is the only Licenced Producer that meets GMP manufacturing standards. In the hierarchy of manufacturing standards, GMP compliant quality control processes are

very stringent and exceed the Good Production Practices required by Health Canada for growing and cultivating medical cannabis. Management believes CMED's GMP-compliant processes for its plant production, including strict adherence to a process with 281 points of quality control, provide CMED with a unique and important competitive advantage that it expects will become particularly relevant if new distribution channels, such as pharmacies, are used.

Some of the GMP requirements are as follows:

- manufacturing processes must be clearly defined and controlled to ensure consistency and compliance with approved specifications
- critical manufacturing processes and major changes to the process must be validated
- operators must be properly trained to deliver and record procedures
- records must be made of manufacturing, labelling, packaging, testing, distribution, importation, and wholesaling
- storage, handling, and transportation of product must be properly controlled
- a system must be in place for recalling distributed products
- all necessary key elements for GMP are provided for, including, qualified and trained personnel, appropriate premises and space, appropriate equipment and services, accurate materials and containers, approved procedures and instructions, and suitable storage and transport

The Canadian Federal Health Products and Food Branch Inspectorate of Health Canada (the "**HFBI**") has the role of delivering a national compliance and enforcement program through inspections of GMP facilities. The purpose of the inspections is to ensure compliance with GMP requirements mandated by applicable regulations. Periodic inspections of facilities are performed by the HFBI to ensure compliance. The rate of inspections vary with the nature and risk associated with the licensees' operations and products. CMED's Saskatchewan facilities have been inspected an average of six times a year and the Company has a long-standing record of compliance.

CMED completed a further expansion in 2016 with a state-of-the-art 62,000 sq. ft. building at its Saskatchewan facility. The new building includes a number of new and updated proprietary technologies developed by the Company and production in this new facility is expected to be GMP compliant by January 2017.

The MMPR came into force on June 19, 2013 and on September 19, 2013, CMED's two subsidiaries, PPS and CanniMed, became the first two Licensed Producers under the MMPR. A license to produce, possess, and destroy cannabis was issued to PPS (the "**Cultivation License**"). A license to sell dried marijuana was issued to CanniMed (the "**Commercial License**").

CMED's subsidiaries remained the only Licensed Producers under the MMPR until the third MMPR license was issued to a third party on October 31, 2013. As of the date of this prospectus, a total of 36 licenses have been issued to Licensed Producers under the MMPR or the ACMPR. Licenses and Licensed Producer status granted under the MMPR were continued under the ACMPR, which replaced the MMPR on August 24, 2016.

PPS and CanniMed were the only Licensed Producers granted a two-year license and, as such, renewal of both of these licenses are not up for renewal until September 19, 2017. Both of these licenses were amended on January 12, 2016 to include the production and sale of cannabis oil.

CMED cultivates and sells pharmaceutical-grade cannabis products, including dried marijuana and cannabis oil, under the current ACMPR. Management believes that its continued focus on providing pharmaceutical-grade products in traditional pharmaceutical forms (i.e., oils and gelcaps) best positions the Company for acceptance in the medical community and the rapidly-growing number of patients seeking safe and effective treatment alternatives, particularly in pain management.

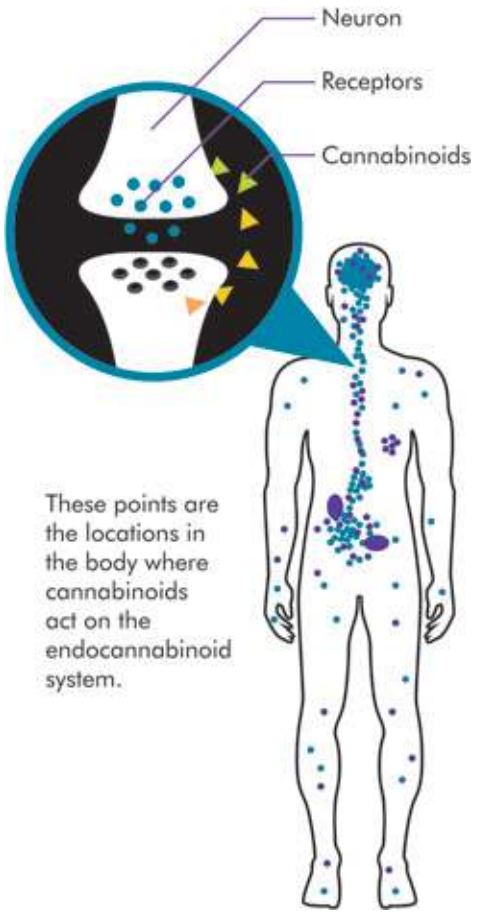
Consistent with its high-quality cultivation capabilities, the Company has also focused on developing a suite of medical cannabis products that are packaged, branded and labelled in a manner similar to conventional

pharmaceutical products in an effort to better enable physicians to understand dosing regimens and standardize treatments. The Company has also invested in and supported the first Phase II clinical trial conducted with dried marijuana that has been approved by Health Canada. In addition, the Company continues to collaborate in clinical and pre-clinical research relating to cannabis. The Company's medical cannabis product portfolio is also packaged, labelled and marketed with a professional, informative and consistent approach that facilitates market acceptance by more conservative patients and physicians who are unfamiliar or uncomfortable with street, image-based or frivolous names for strains of cannabis.

Outside of cannabis, the Company has recently made improvements in several plant biotechnology systems for producing and purifying APIs. The Company has also had recent successes in selling APIs as research chemicals. Protein therapeutics being developed by the Company could complement the cannabinoid-based products CMED produces, since they are designed to help manage inflammation in patients. Both protein therapeutics and presentation of cannabinoid derivatives is currently in use in, and being well-received by, various international markets.

The Company expects that in the current fiscal year (ending October 31, 2017) the changes to its business will consist of the completion of the Offering and the listing of the Common Shares on the TSX as well as the Saskatoon Expansion and the construction of the Michigan Pilot Facility and the development of an additional cannabis oils manufacturing facility. See "Use of Proceeds".

MEDICAL CANNABIS



Medical cannabis refers to the use of cannabis and its constituent cannabinoids to treat disease or improve symptoms such as pain, muscle spasticity, nausea and other indications. Cannabinoids is a blanket term covering a family of complex chemicals, both natural and man-made, that bind with cannabinoid receptors (protein molecules on the surface of cells) and effect a wide number of responses. Cannabinoid receptors in the human body are part of a system called the Endocannabinoid System. This system produces chemicals called endocannabinoids, which also bind with cannabinoid receptors. Cannabinoid receptors are found in the brain and throughout the body. Scientists have found that cannabinoid receptors in the Endocannabinoid System are involved in a vast array of functions in our bodies, including helping to modulate brain and nerve activity (including memory and pain), energy metabolism, heart function, the immune system and even reproduction (Chiurchiu, V., *Endocannabinoids and Immunity*, Cannabis and Cannabinoid Research, Vol. 1.1 (2016) and Russo, E., *Clinical Endocannabinoid Deficiency Reconsidered: Current Research Supports the Theory in Migraine, Fibromyalgia, Irritable Bowel, and Other Treatment-Resistant Syndromes*, Cannabis and Cannabinoid Research, Vol. 1.1 (2016)).

While there are a large number of active cannabinoids found in cannabis, the two most common currently used for medical purposes are THC (tetrahydrocannabinol) and CBD (cannabidiol). Published reviews of clinical trials indicate the potential benefits of the use of THC or CBD in managing disease and improving symptoms. These are scientific studies that have identified that they, alone and/or in combination, have potential to provide treatment benefits for a large number of medical conditions. (See M.E. Lynch and F. Campbell, Br. J. of Clinical Pharmacology: 2011:72; 735-744: Cannabinoids for treatment of chronic non-cancer pain: a systematic review of randomized trials). For example, THC, a psychotropic cannabinoid, has been shown to activate pathways in the central nervous system which work to block pain signals, and has shown potential to assist patients with PTSD and stimulate appetite in patients following chemotherapy. CBD, on the other hand, is non-psychotropic and has shown potential to relieve convulsion and inflammation. Plant strains referred to as sativas, indicia or hybrid varieties produce both THC and CBD and are available in varying potencies. Hybrids commonly available can be heavily dominated by either THC or CBD or relatively balanced, such as varieties sometimes referred to as "50/50" or "balanced" strains.

Various third-party studies suggest that medical cannabis (with varying dosages of THC and CBD) has shown, or has the potential to show, efficacy for managing disease and symptoms:

Medical Condition	Observed Medical Impact[1]
Alzheimer's Disease	Slowed formation of amyloid plaques by blocking the enzyme in the brain that makes them[2]
Anxiety	Reduced agitation[3]
Arthritis	Reduced inflammation and pain[4]
Brain injuries	Reduced inflammation / swelling[5]
Cancer (chemotherapy)	Aided in pain management and enhances appetite; also shown to reduce growth of some cancer cells[6]
Chronic nausea	Reduced nausea[7]
Chronic pain	Binded to receptors on nerves to relieve pain[8]
Eating disorders	Stimulated appetite[9]
Epilepsy	Controlled seizures[10]
Fibromyalgia	Reduced inflammation and pain[11]
Glaucoma	Decreased pressure inside the eye[12]
Hepatitis C	Reduced treatment side effects such as nausea and muscle aches[13]
HIV/AIDS	Stimulated appetite[14]
Migraines	Reduced pain[15]
Multiple Sclerosis	Binded to receptors in the nerves and muscles to relieve pain[16]
Muscle spasms	Reduced inflammation and pain[17]
Parkinson's	Reduced pain and tremors and improves sleep[18]
PTSD	Reduced flashbacks, agitation and nightmares[19]

Notes:

(1) See "Risk Factors – *Medical Research of Phytocannabinoids*".

(2) See, for example: Currais et al., *Amyloid proteotoxicity initiates an inflammatory response blocked by cannabinoids*, NPJ Aging and Mechanisms of Disease (2016) 2, 16012: doi:10.1038/npjamd.2016.12.

(3) See, for example: K.A. Belendiuk et al., *Narrative review of the safety and efficacy of marijuana for the treatment of commonly state approved medical and psychiatric disorders*, Addiction Science and Clinical Practice (2015)10:10.

(4) See, for example: S.L. Dunn et al., *Expression of cannabinoid receptors in human osteoarthritic cartilage: Implications for future therapies*, Cannabis and Cannabinoid Research (2016) 1 (1): 3-15.

(5) See, for example: K.P. Hill, *Medical marijuana for treatment of chronic pain and other medical and psychiatric problems: a clinical review*, JAMA (2015) 313:2474 – 2483.

(6) See, for example: D.I. Abrams, *Integrating cannabis into clinical cancer care*, Current Oncology (2016) 23 (2) Suppl. S8-S14.

(7) See, for example: E. Rock et al., *Cannabinoid regulation of acute and anticipatory nausea*, Cannabis and Cannabinoid Research (2016) 1 (1): 113-121.

(8) See, for example: B. Costa et al., *The non-psychoactive cannabis constituent cannabidiol is an orally effective therapeutic agent in rat chronic inflammatory and neuropathic pain*, European Journal of Pharmacology. (2007) 556 (1-3): 75-83.

(9) See, for example: A. Andries et al., *Dronabinol in severe, enduring anorexia nervosa: A randomized controlled trial*, International Journal of eating Disorders (2014) 47: 18-23.

(10) See, for example: N.A. Jones et al., *Cannabidiol displays antiepileptiform and antiseizure properties in vitro and in vivo*, Journal of Pharmacology and Experimental Therapeutics (2010) 332: 569-577.

(11) See, for example: E. Russo, *Clinical Endocannabinoid Deficiency Reconsidered: Current Research Supports the Theory in Migraine, Fibromyalgia, Irritable Bowel, and Other Treatment-Resistant Syndromes*, Cannabis and Cannabinoid Research (2016) 1 (1): 154-165.

(12) See, for example: T. Jarvinen et al., *Cannabinoids in the treatment of glaucoma*, Pharmacology & Therapeutics (2002) 95:203 – 220.

(13) See, for example: D.L. Sylvestre et al., *Cannabis use improves retention and virological outcomes in patients treated for Hepatitis C*, European Journal of Gastroenterology and Hepatology (2006) 18 (10): 1057-1063.

(14) See, for example: Molina, Patricia E., et al., *Modulation of Gut-Specific Mechanisms by Chronic Δ9-Tetrahydrocannabinol Administration in Male Rhesus Macaques Infected with Simian Immunodeficiency Virus*: *A Systems Biology Analysis*, AIDS Research and Human Retroviruses, June 2014, 30(6): 567-578.

(15) See, for example: E.P. Baron, *Comprehensive review of medicinal marijuana, cannabinoids, and therapeutic implications in medicine and headache: what a long strange trip it's been*, Headache (2015) 55: 885-916.

(16) See, for example: D. Baker et al., *Endocannabinoids control spasticity in a multiple sclerosis model*, The FASEB Journal (2001) 15:300 – 302.

(17) See, for example: Y.Y. Syed et al., *Delta-9-tetrahydrocannabiol (sativex): a review of its use in patients with moderate to severe spasticity due to multiple sclerosis*, Drugs (2014) 74:563.

(18) See, for example: A. Pisani et al., *High endogenous cannabinoid levels in the cerebrospinal fluid of untreated Parkinson's disease patients*, Annals of Neurology (2005) 57:777 – 779.

(19) See, for example: A. Neumeister et al., *Translational evidence for a role of endocannabinoids in the etiology and treatment of posttraumatic stress disorder*, Psychoneuroendocrinology (2015) 51:577D584.

Medical cannabis can be administered using a variety of methods, including liquid tinctures, vaporizing or smoking dried buds, cannabis edibles, capsules, lozenges, dermal patches or oral/dermal sprays. Smoking is currently the most common means of administration of medical cannabis in Canada. However, the potential for adverse effects from smoke inhalation makes smoking a less healthy option than ingestion or other preparations and Management believes the association with smoking is a key factor in the stigma attached to medical cannabis in both the medical community and with otherwise healthy patients looking to manage specific pain or other symptoms. Management believes cannabis oil, particularly when sold in gelcaps, will significantly transform the industry, making medical cannabis accessible to a broader, rapidly-growing patient market. See "Our Growth Strategy – *Cannabis Oil*" and "Our Growth Strategy – *Cannabis Oil Gelcaps*".

Recreational use of cannabis is illegal in most parts of the world, but the medical use of cannabis or cannabis derivatives is legal to varying degrees in some countries, including Austria, Canada, Columbia, Czech Republic, Finland, Germany, Israel, Italy, the Netherlands, Portugal and Uruguay. Australia is currently in the process of passing legislation which would allow the use of marijuana for medical and scientific purposes. In the United States, cannabis is a Schedule I drug and federal law prohibits all cannabis use. However, 28 states and the District of Columbia no longer prosecute individuals for the possession or sale of medical cannabis, as long as the individuals are in compliance with the state's medical cannabis sale regulations. See "Our Growth Strategy – *U.S. and International Expansion*".

CANADIAN INDUSTRY BACKGROUND AND TRENDS

Changing Regulatory Landscape

The medical cannabis industry in Canada has changed considerably between 2001 and 2016 and particularly since 2013 with the introduction of the MMPR. Between 2001 and 2013, approximately 15 percent of patients approved under the MMAR purchased products from Health Canada, which PPS produced and distributed. The remaining patients under the MMAR largely grew their own cannabis and any commercial aspects to collaborations with "designated persons" growing for patients under the MMAR were very restricted. Other than the Company, all of the Licensed Producers currently operating in Canada began growing and/or selling cannabis in 2013 or later. The Company entered the MMPR program with expertise developed from over 13 years of growing cannabis for Health Canada using its state-of-the-art production facilities and GMP-compliant plant production processes.

Under the MMAR, the Company provided the Government of Canada with dried marijuana that met a strict set of government-prescribed characteristics. Under the MMPR, CanniMed and other Licensed Producers were initially licensed to sell dried marijuana only, and no other forms of cannabis, to clients. The Supreme Court of Canada judgment in *R* v *Smith* (2015 SCC 34) found this restriction to be contrary to the *Canadian Charter of Rights and Freedoms* (the "**Charter**") and struck down portions of the CDSA to the extent that these portions of the CDSA prevent a person with a medical authorization from possessing cannabis derivatives for medical purposes. While *R* v *Smith* was considered in the context of the MMAR, the exemption under the CDSA is equally applicable to the MMPR.

In response to *R* v *Smith*, Health Canada issued a class exemption under s. 56 of the CDSA for Licensed Producers who met defined criteria and issued corresponding supplementary licenses for production and sale of cannabis oil to Licensed Producers who met the criteria. Health Canada released a statement with details to this effect July 7, 2015. The Health Canada statement includes requirements that essentially prevent production of cannabis oil suitable for vaporization or smoking. The only permitted dosage form for cannabis oil is a capsule or similar dosage form (sale of liquid oil in a container – i.e., no dosage form, is also permitted). The sale of foods or beverages infused with cannabis oil was not permitted under the Health Canada statement. The sale of cannabis oil, including restrictions to dosage forms, is now expressly provided for in the ACMPR.

The MMPR was initially introduced on June 19, 2013 then subsequently repealed on March 31, 2014. At that time, patients already licensed to grow cannabis under the MMAR were allowed to continue growing following an injunction issued on March 21, 2014 in the context of a constitutional challenge to the MMPR (*R* v *Allard* (2014 FC 280; amended order published December 30, 2014 in 2014 FC 1260)). Following repeal of the MMAR, patients who continued growing under the *Allard* injunction were unable to change any aspects of their licenses, including the limitation to processing cannabis into dried or cured flowers only and the location at which the patient or their designated person was growing cannabis.

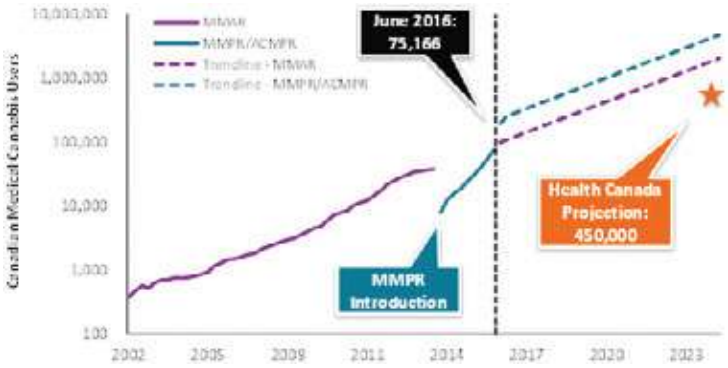
Following the hearing of the constitutional challenge to the MMPR, the Federal Court rendered its decision on February 24, 2016 in *R* v *Allard* (2016 FC 236). The Court repealed the MMPR as contrary to the plaintiff's Charter rights by unduly restricting access to medical cannabis. The repeal of the MMPR was suspended for six months to allow the Government of Canada to amend the MMPR or issue new regulations. On August 24, 2016, the ACMPR came into force, replacing the MMPR as the regulations governing Canada's medical cannabis program. Under the ACMPR, patients have three options for obtaining cannabis: (i) they can continue to access quality-controlled cannabis by registering with a Licensed Producers, such as the Company; (ii) they can register with Health Canada to produce a limited amount for their own medical purposes; or (iii) they can designate someone else to produce it for them (starting materials, such as plants or seeds, are to be obtained from Licensed Producers only). While it is possible that (ii) and (iii) could significantly reduce the addressable market for the Company's products and could materially and adversely affect the business, financial condition and results of operations of the Company, Management believes that relatively few patients will be able to obtain prescriptions from their physicians to produce their own cannabis, given physician concerns about the quality and consistency of cannabis grown by individuals privately, as well as the fact that cannabis produced in a home-grown setting is unlikely to produce the right cannabinoid to treat a specific symptom. Management also believes that the potential liability faced by physicians prescribing under the grow-your-own regime may also encourage physicians to prescribe safe and effective medical cannabis alternatives such as alternatives that are presently available from the Company. See "Risk Factors".

The ACMPR essentially combined the MMPR, the MMAR and the section 56 class exemptions relating to cannabis oil (including Health Canada's restrictions preventing smokable or vaporizable oil and preventing sale of infused foods or beverages) into one set of regulations. In addition, among other things, the ACMPR sets out the process patients are required to follow to obtain authorization from Health Canada to grow cannabis and to acquire seeds or plants from Licensed Producers to grow their own cannabis.

Licensed Producers and Patients

As of the date of this prospectus, there are 36 Licensed Producers with a license to sell cannabis to patients (not accounting for co-branded and/or affiliated Licensed Producers). According to Health Canada, as of June 30, 2016, there were a total of 75,166 patients registered with these 36 Licensed Producers, indicating a growth rate of 40% quarter over quarter. As of the date of this prospectus, over 17,000 patients are registered with the Company which is up from 10,224 patients as at the end of the second quarter of 2016. According to Health Canada, the total number of patients in the ACMPR or successor programs is expected to reach approximately 450,000 by 2024. Growth of the total number of patients is currently tracking well ahead of Health Canada's growth estimates, with historical growth trends indicating a market potential increase in excess of 1,000,000 patients by 2024:

Medical Cannabis Registered Patients in Canada



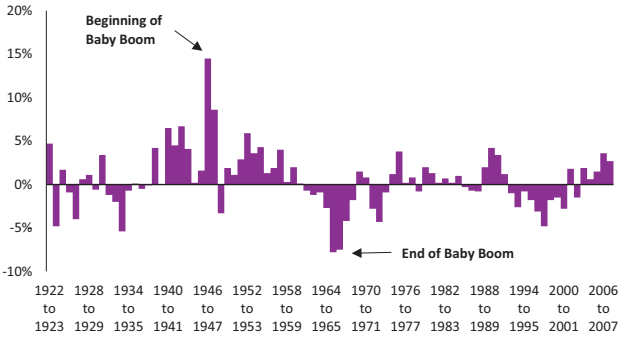
Source: This chart was developed based on Health Canada data with the trend line developed based on Management estimates calculated to reflect a projected growth rate consistent with the historical growth rate of the MMAR trendline.

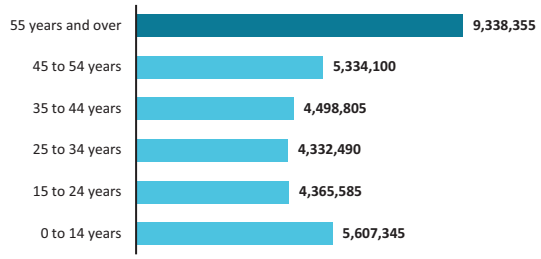
According to Health Canada, sales of dried marijuana and cannabis oils in the 12 calendar months leading up to and including the second quarter of 2016 were 11,473 kg and 2,084 kg, respectively, compared to 8,807 kg and 584 kg for the 12 months leading up to and including the first quarter of 2016. This represents a 31% quarter over quarter growth in total volume of dried marijuana and cannabis oil and a 157% quarter over quarter growth in cannabis oil volume. A total of 6,704 kg of dried marijuana were sold in 2015 (no information is available with respect to the sales of cannabis oils for 2015).

Shifting Demographics

Market growth in the Canadian medical cannabis industry is driven by a number of factors. First, the legislative and political environments are generally more favorable towards medical cannabis than in the past. Second, physician and patient awareness of the benefits of medical cannabis is increasing and is expected to continue to grow over time, supported by a number of available studies and the expected completion of clinical trials, including the CAPRI Trial commissioned by the Company (see "Our Growth Strategy – *Clinical Trials*"). Third, stigmas generally associated with cannabis use are fading in Canada, the United States and elsewhere, especially as alternative delivery mechanisms are made available. Last, there is a significant increase in demand for pain relief driven by a rapidly aging population – the "baby boomers" – suffering from chronic ailments and looking to maintain their quality of life.

A baby boom is, by definition, a sudden rise in the number of births observed from year to year. A baby boom ends when a sudden drop in the number of births is observed. The annual variation in the number of births is used to define the post-World War II baby boom in Canada, which saw the largest annual increase in the number of births between 1945 and 1946 and the largest decrease in the number of births between 1964 and 1965.





Source: Statistics Canada, Health Statistics Division, Vital Statistics

Accordingly, the baby boom lasted for 20 years in Canada and during that time more than 8.2 million babies were born. According to the 2011 Census, 9.6 million persons, or close to three Canadians out of every 10 (29%), are "baby boomers". Baby boomers have begun to reach the age of 65, markedly accelerating population aging in Canada. According to the 2011 Census, by 2031, all baby boomers will have reached the age of 65 and the proportion of seniors could reach up to 23% of the Canadian population (8.9 – 9.4 million), compared to 15% in 2011.

Chronic Pain and Opioid Usage

With an aging population, the incidence of chronic pain increases. According to the Canadian Pain Society, pain is the most common reason for seeking health care and, as a presenting complaint, accounts for up to 78% of visits to emergency departments. Studies demonstrate that approximately one in five Canadian adults suffer from chronic pain (Moulin, D. et. al, *Chronic Pain in Canada, Prevalence, Treatment, Impact and the Role of Opioid Analgesia*, Pain Research and Management, Vol. 7, pps 179-184 (2002)). Canadians spent $219.1 billion on health care in 2015, up from $193.2 billion in 2010. The Canadian Pain Coalition and the Education Special Interest Group estimated in 2010 that chronic pain costs more than $6 billion annually, more than cancer, heart disease and HIV combined. Including productivity losses, chronic pain costs are estimated to exceed $37 billion.

Although human studies on the therapeutic effects of cannabis have been significantly limited to date (largely due to restrictive legal regimes), Management believes that opportunities for use of medical cannabis in the treatment of chronic pain are significant. Evidence is growing that cannabis can be an effective treatment for chronic pain, presenting a safe and viable alternative or adjuvant treatment to pharmaceutical treatments currently used for chronic pain conditions, including non-opioid analgesics, opioid analgesics, anticonvulsants, antimigraine drugs, tricyclic antidepressants, anti-inflammatories and steroids.

In Canada, chronic pain is primarily treated through the use of prescription opioid medications. While opioid medications are considered effective pain treatments, they pose potential risks of abuse, addiction and fatal overdose. The prevalence of prescribing opiates in Canada increased markedly between 2010 and 2014, with approximately 22 million opiates prescribed in 2014, up from approximately 18 million in 2010. According to the Canadian Centre on Substance Abuse, the rate of opioids used as a pain reliever among Canadian seniors (aged 65+) was 16% in 2013. Addiction to pharmaceutical opiates has been observed by the medical community as one of the common side-effects of extended use by patients (such as those suffering from chronic pain), with this addiction markedly increasing the incidence of overdose and mortality (Lucas, P., *Cannabis as an Adjunct to or Substitute for Opiates in the Treatment of Chronic Pain*, Journal of Psychoactive Drugs, 44 (2), pps 125-133 (2012)). Data from the Office of the Chief Coroner of Ontario shows that opiate deaths in Ontario have increased dramatically from 2004 to 2011. The overall opiate-related mortality increased in Ontario by 242% between 1991 and 2010. In the United States, the National Institute on Drug Abuse estimates, based on data from the Centers for Disease Control and Prevention, that the rate of death from accidental opiate overdoses among baby boomers in the United States was 12,000 in 2013 –more than the number of baby boomers who died in car accidents or from influenza and pneumonia combined in the same year. The Canadian Pain Society has expressed concern that inadequate pain assessment and treatment is a growing problem in Canada, while the Canadian Federal Health Minister has recently called for a reduction of opioid prescriptions and for doctors to watch for problematic drug use.

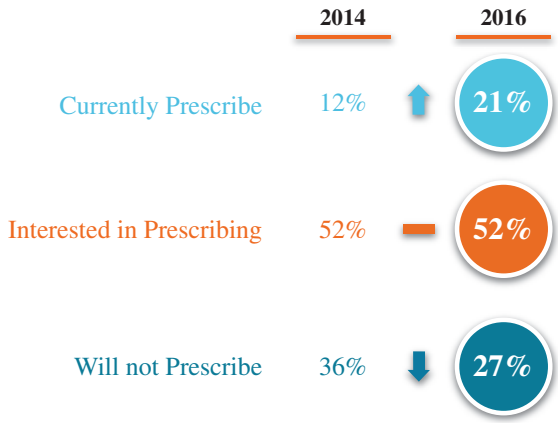
A modelling study published by the American Medical Association in 2015 found that there may be a link between medical cannabis laws and lower opioid overdose mortality. Although the exact mechanism is unclear, states with laws allowing the use of medical cannabis experienced a decline in opioid overdose mortality that strengthened over time, reaching a mean decline of 24.8%. Additionally, a July 2016 study in Health Affairs has found that Americans residing in states with laws that allow patients access to medical cannabis are seeing fewer prescriptions per doctor for pharmaceutical drugs in several disease categories where cannabis is a potential treatment (Bradford, A. and Bradford, W.D., *Medical Marijuana Laws Reduce Prescription Medication Use in Medicare Part D*, Health Affairs, vol. 35, no. 7, pps 1230-1236 (2016)).

These and other studies are part of the mounting evidence that is changing long-standing perceptions in the medical community and quickly opening a significant market opportunity for companies such as CMED to provide safe, pharmaceutical-grade medical cannabis products. The advent of alternative delivery mechanisms is adding to this momentum. In particular, sale of cannabis oil and gelcaps avoids issues and stigmas associated with smoking or vaporizing cannabis and helps distinguish cannabis-based medical products from non-medical products, facilitating physician and patient acceptance, particularly in aging populations.

Prescribing Physician Trends

Currently, approximately 7,000 of Canada's roughly 75,000 physicians are prescribing medical cannabis to patients. Of these, approximately 3,161, or 45% of prescribing physicians, report recommending CMED products which is an increase from 2,385 prescribing physicians as at the end of the second quarter of 2016. This represents an increase of over 100% compared to the 1,505 prescribing physicians that recommended CMED products to patients in 2014.

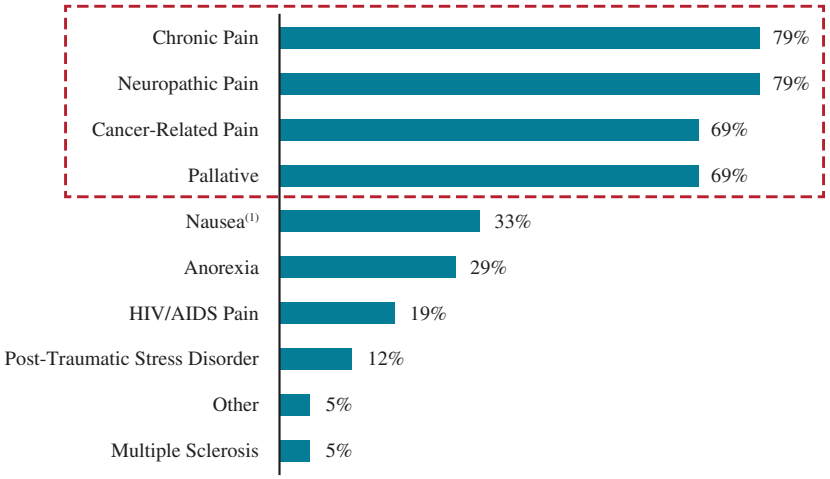
The Company commissioned an independent third-party study in July 2014 to examine attitudes and behaviours related to medical cannabis among Canadian physicians (the "**2014 Physician Survey**"). The study, completed by Rogers Insights Custom Research Group, invited practicing physicians to complete an online survey. A random 200-physician sample was drawn from the online panel of participants. The 2014 Physician Survey measured physician prescribing habits, current views, concerns, knowledgeability, interest and attitudes towards governing bodies and available clinical information. A second study was commissioned by the Company in October 2016 (the "**2016 Physician Survey**"). The 2016 Physician Survey, completed by Leger Research Intelligence Group, posed the identical questions as the 2014 Physician Survey to an online panel of practicing physicians in Canada and also drew a random 200-physician sample.



The differences in prescribing details between the 2014 Physician Survey results and the 2016 Physician Survey results suggest a shift in attitudes and prescribing practices among Canadian physicians, with the number of physicians currently prescribing medical cannabis up 9 percentage points over a two-year period and the number of physicians who will not prescribe medical cannabis under any circumstances down 9 percentage points over the same period:

Surveyed physicians that are interested in prescribing but have not done so yet or require more information before prescribing remained the same between 2014 and 2016, at 52%. Similarly, 32% of physicians feel that they are properly informed on medical cannabis, with the similar questions resulting in 31% in the 2014 Survey. Physicians are increasingly being approached by patients about prescribing medical cannabis with 78% indicated having been approached in the past 6 months, versus 48% in the 2014 Physician Survey.

According to the 2016 Physician Survey, chronic pain and neuropathic pain were cited by prescribing physicians as the most common conditions for which medical cannabis would be prescribed by them.



Note:

(1) Not including nausea relating to pregnancy.

In 2015, an average of approximately 310 patients registered as patients with CMED per month. This number increased to over 800 per month since CMED began selling cannabis oils in the first quarter of 2016. Recreational use of cannabis is not currently legal in Canada. On June 30, 2016, the Government of Canada appointed a Task Force on Marijuana Legalization and Regulation. The mandate of the task force is available from Health Canada online and is entitled "*Toward the Legalization, Regulation and Restriction of Access to Marijuana*". The task force is proposing to provide a report to the Government of Canada in November 2016 regarding the design of a new legislative system. It is generally expected that legislation permitting recreational and other non-medical adult use will be tabled in 2017 and take effect in 2018 or 2019. See "Canadian Regulatory Environment – *Background*". The Company is focussed on the medical cannabis industry and does not intend to operate in the non-medical cannabis industry. The impact of this potential development is unknown at this time but if implemented it may affect the medical cannabis market.

OUR PRODUCTS

Cannabis Products

The Company produces seven strains of CanniMed herbal cannabis (dried marijuana) and three varieties of CanniMed cannabis oil. CMED also sells vaporizers, consumable vaporizer accessories (e.g., valves, screens, etc.) and herb mills for using CanniMed herbal cannabis products.

In 2016 or early 2017, the Company plans to begin producing CanniMed cannabis oil gelcaps with 10 mg total phytocannabinoid dosages of CMED's current cannabis oil varieties. The Company believes that liquid oils and gelcaps are ideally suited for palliative care and hospitalized patients who are prohibited or unable to smoke or vaporize their prescribed doses of medical cannabis. Further, Management believes that gelcaps are likely to be more appealing than dried marijuana or bottled oil to physicians and patients, including the largest market segment of baby boomers who are looking for a safe and unobtrusive way to manage their chronic pain symptoms and maintain an active lifestyle. Relative to dried cannabis, cannabis oils (including gelcaps) are value-added products with higher prices, higher margins and a greater market opportunity.

The CanniMed dried cannabis products are not categorized or sold using "street" names often associated with strains marketed by other Licensed Producers. Rather, CanniMed dried cannabis products are identified by the percentages of THC and CBD they contain to better enable physicians to understand dosing regimens and standardize treatments for their patients. The Company's current dried cannabis product portfolio includes the following:

Colour and Name	THC	CBD
1·13	0.7%	13.0%
4·10	4.0%	10.0%
9·9	9.0%	9.5%
12·0	12.5%	<0.5%
15·5	15.0%	5.0%
17·1	17.0%	0.7%
22·1	22.0%	0.7%

The container in which the dried cannabis is delivered in includes professional branding similar to branding often used in association with pharmaceutical products. The container is compliant with the ACMPR, the FDR, and the Canadian Standards Association ("**CSA**") guidelines. The Company expects that in February 2017 minor adjustments will be made to the labelling of its products in response to anticipated changes to the regulations under the ACMPR.

CanniMed dried cannabis products are provided to patients in 10 g increments of milled dried cannabis. The Company combines and mills flowers from different locations on the plant to account for any differences due to

differing growing conditions along the stem of the plants. This allows for more accurate quality control and consistency than would otherwise be the case if intact flowers were provided to patients.

The Company also supplies patients with three varieties of cannabis oil which are marketed and sold under a similar naming convention to its herbal products. Patients are able to obtain CanniMed cannabis oil in in 60 ml increments:

Colour and Name	THC (mg/ml)	CBD (mg/ml)	Total THC (mg)	Total CBD (mg)
1·20	1.0	20.0	60	1200
10·10	9.8	9.9	588	594
18·0	18.3	0.2	1098	12

CanniMed cannabis oils are sold in containers compliant with the ACMPR, the FDR, and the CSA guidelines. A dropper is included for easily measuring the oil for dosing.

CanniMed cannabis oils are made using only dried cannabis flowers. No leaf, trimmings or waste material is used in the Company's production process. This industry-leading process ensures product consistency, meaning that patients can be confident that each order will be delivered with the same level of active ingredients, allowing them to administer a consistent dose.

Management believes that, unlike all other cannabis products on the market, CanniMed cannabis oils are made using a food-grade alcohol process. This process produces a tighter and more segmented cannabinoid profile than can be achieved using CO_2 extraction (Management believes that the CO_2 extraction process is the process used by other Licensed Producers). More specifically, CMED's food-grade alcohol process enables the extraction of a more purified compound and, ultimately, the production of a purer product with greater dose flexibility than can be achieved through CO_2 extraction. The use of alcohol is a well-established method for extraction of essential oils from cannabis and other plant matter. During production of CanniMed cannabis oils, food-grade alcohol is pumped through compressed cannabis flower, extracting THC and CBD and other medicinal ingredients (e.g., terpenoids, phenylpropanoids, etc.) The alcohol and excess water is then removed through evaporation, resulting in a pure cannabis resin.

Olive oil is added to the pure cannabis resin. The dissolved resin is heated to decarboxylate the phytocannabinoids, including THC and CBD. Decarboxylated phytocannabinoids are active when eaten or absorbed through mucosa. Additional olive oil is added prior to being bottled to ensure the correct concentrations of THC and CBD. Olive oil was selected as a carrier agent because it is a very unlikely product to trigger sensitivities or allergies.

All CanniMed cannabis oils are produced in accordance with GMP standards. The consistency with which the Company produces its products and the concentrations of cannabinoids in its products provide great choice to patients in terms of both dried cannabis and cannabis oil at different standardized dosing levels. Each product is designed with specific benefits in mind to address each patient's requirements. The quality and branding applied to both CanniMed cannabis oils and CanniMed dried cannabis products promotes doctor confidence and supports more consistent dosages. The branding also increases comfort levels of clients who are unfamiliar with "street" names for strains of cannabis.

We have completed shelf life stability testing on our herbal cannabis. This testing concluded that the potency of our herbal cannabis remains static for approximately 20 months. In consultation with Health Canada, we elected to set the shelf life for our herbal cannabis products at 12 months once it is bottled. We are currently completing shelf life stability tests for cannabis oils, which we anticipate will have a longer shelf life than herbal cannabis.

BioProducts Division

The BioProducts Division plays an important role supporting the germ plasm preservation of cannabis or other species of plants, as well as breeding and developing new strains of cannabis using tissue culture and other biotechnology techniques. Simultaneously, the BioProducts Division produces a number of horticulture products on a small scale by employing similar biotechnology techniques used to breed and develop new strains of cannabis.

BioPharm Division

SubTerra is committed to the production of APIs, such as high value proteins and phytochemicals. The significant expense and in some cases failure of animal cell culture systems has contributed to a resurgence of drug products produced in plants.

The Company continues to effectively execute on its strategy, applying the strengths of GMP plant-based manufacturing within the biosecure underground growth chamber to produce therapeutic and industrial proteins. The Company has established a Plant-Made Product ("**PMP**") platform. The PMP platform has provided strong expression levels of a selected protein, which the Company believes may have therapeutic value in the future.

Research and development activities include exploring three ways for transforming the plant used as an expression medium. Two of these approaches are completely new and may represent a new platform. The team has made excellent progress in creating new promoters which is expected to greatly improve tuber expression when using the PMP platform.

For example, the Company is optimizing a system for producing cytokines, specifically Interleukin 37 in tobacco, Interleukin 10 and Interleukin 37 in *Lupinus mutabilis Sweet* (tarwi), which are involved in potentially managing inflammation. The Company believes that the pipeline of potential drugs resulting from the research and development activities of the Company's BioPharm Division could augment the various treatments used in association with cannabinoids.

The Company's BioProducts and BioPharm divisions have the benefit of five laboratories independent from the Company's principal operations in Saskatoon, Saskatchewan and also benefit from separate, dedicated research teams. This allows the Company to effectively pursue new opportunities to enhance and complement its existing suite of products and services.

OUR FACILITIES

The Company operates two biosecure growth facilities totalling a combined 247,000 sq. ft. The first facility, located in Saskatoon, Saskatchewan, is comprised of a 97,000 sq. ft. above-ground production facility and a 96,000 sq. ft. support building. The 97,000 sq. ft. facility houses 30 large individual production growth chambers and has a total growing capacity of 7,000 kg. The 96,000 sq. ft. support building houses the Company's administrative infrastructure, including laboratories, quality control facilities, maintenance areas, a customer care centre and shipping and distribution facilities. The Saskatoon facility is equipped with a robust state-of-the-art security system, with over 400 separate security devices, including over 160 cameras capturing approximately five terabytes of recorded data

per month. In compliance with the ACMPR, the footage recorded by our cameras is stored for two years. The Saskatoon facility also houses five separate Level 7 security compliant vaults, which are required for the storage of controlled substances. This facility is a "seventh generation" facility that has benefitted from the technologies and innovations advanced over the course of seven distinct facility builds.

The second facility is located in White Pine, Michigan and presently provides support to the Company's BioProducts and BioPharm divisions. The Michigan facility consists of 35,000 sq. ft. of production and office space, as well as 19,000 sq. ft. of underground growth chambers that are currently under construction. In addition, the Michigan facility has an approximately 35 square mile underground footprint that is currently used as undeveloped warehouse space but which Management believes could be readily developed into a manufacturing facility with the potential to support over 50,000 kg of growing capacity per annum. Management estimates that, subject to the currently-available power supply, of the approximately 35 square miles of underground footprint available, approximately 600,000 sq. ft. to 800,000 sq. ft. could feasibly be developed by the Company for production purposes. Any such development would occur in phases. The Company's plans for the development of its Michigan facility into a large-scale production facility are in early stages and estimates of the time and cost required to develop the Michigan facility are not currently available. The Company expects that the development of its Michigan facility into a large-scale production facility will only occur if a reclassification of cannabis as a Schedule II controlled substance occurs and the Company is licensed to produce cannabis in Michigan. See "Our Growth Strategy – *U.S. and International Expansion*".

The facility in Saskatoon is focused primarily on the commercialization of medical cannabis, as well as the research and development of new strains of cannabis. The procedures at this facility place a heavy emphasis on patient safety, with a 281-point quality control process.

Management believes that the Michigan facility is a key strategic asset in the Company's longer term strategy to service a potential medical cannabis market in the U.S. Management also believes that the Michigan facility is ideally suited for CMED's patented and proprietary cultivation equipment and processes, potentially representing over 50,000 kg of growing capacity. See "Our Growth Strategy – *U.S. and International Expansion*".

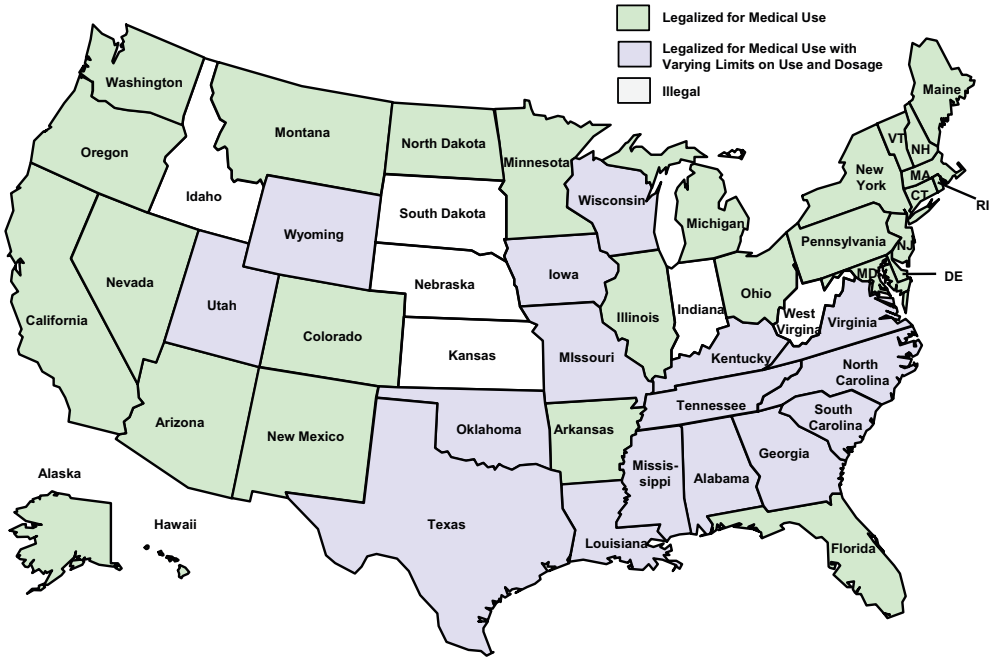
While traditional growing methods, including greenhouses, are limited by soil conditions and climate, the Company's facilities are unique in the industry in that all crops are grown in its patented biosecure growth chambers, resulting in several key benefits:

- *Controlled Environment*: Conditions are completely controlled through automation of light, heat and water. With no drought, floods, wind, insects or harsh natural elements, plants are afforded uninterrupted and optimized growing cycles, resulting in maximal product yields and consistent product quality on a continuous basis.
- *Rapid Plant Growth*: Plants often grow faster and stronger in biosecure facilities than they do in fields or greenhouses, potentially as a result of slightly higher carbon dioxide levels in biosecure facilities.
- *Quality Control*: The stable environment facilitates the Company's thorough application of GMP, Good Agricultural Practices, Good Production Practices and Good Laboratory Practices.
- *No Pesticides or Herbicides*: With no threat of insect, pests, or the plant diseases they can carry, there is no need for pesticides or herbicides and no residues on unpurified bulk material from the Company's plants. This provides at least two benefits. First, facilitating regulatory compliance by eliminating the need to quantify unwanted material residue throughout the production process, also resulting in cost savings. Second, end-user/consumer perception in the markets that the Company's customers are attracting may have a preference for material prepared without any contact with pesticides or herbicides.
- *Secrecy*: At the Michigan facility, being underground is a natural barrier to unwanted observation or surveillance of the site and provides a limited number of secure entry and exit points. These features facilitate protecting trade secrets and other intellectual property relating to high-value plants. An advanced intrusion alarm system further ensures plant safety.

OUR GROWTH STRATEGY

U.S. and International Expansion

Cannabis is presently a Schedule I controlled substance in the United States and, accordingly, U.S. federal law outlaws all non-research related use of cannabis. However, at the state level, as of the date of this prospectus, 28 states and the District of Columbia no longer prosecute individuals for the possession or sale of medical cannabis, provided that the individuals are in compliance with the state's medical cannabis sale regulations. The figure below shows those U.S. states where individuals are not prosecuted for the possession or sale of medical cannabis:



Source: National Conference of State Legislatures updated to reflect the results of the 2016 Presidential election

Notes:

(1) States that are categorized as "Legal for Medical Use with Varying Limits on Use and Dosage" have different parameters for what patient conditions may be prescribed medical cannabis, as well as the form of cannabis and delivery method.

(2) U.S. federal law outlaws all non-research related use of cannabis.

In the State of Michigan, the Company has worked closely with legislators on Senate Bill 660 ("**Bill 660**"), now Public Act 268 of 2013, which provides a framework for the State of Michigan to regulate large-scale cannabis growers and sale by pharmacies of pharmaceutical-grade cannabis to individuals with a debilitating medical condition. While Bill 660 took effect on December 30, 2013, the State of Michigan made its implementation contingent on the rescheduling of cannabis from a Schedule I controlled substance to a Schedule II controlled substance at the U.S. federal level. Specifically, Bill 660 amended Michigan's Public Health Code to accommodate a rescheduling of cannabis as a Schedule II controlled substance fit for medical use and provides for the licensing of facilitates that manufacture and cultivate pharmaceutical-grade cannabis. Bill 660 also allows facilities to sell pharmaceutical-grade cannabis to pharmacies and permits pharmaceutical-grade cannabis prescriptions upon the rescheduling of cannabis at the federal level.

As of October 2016, over one million patients, after receiving recommendations from their physicians, have registered in the U.S. to gain access to medical cannabis or cannabis derivatives. Retail sales of cannabis in the U.S. is expected to rise over the next three years, from an estimated US$4.0 to US$5.5 billion in 2017 to US$6.1 to US$11.0 billion in 2020.

On August 11, 2016, the Drug Enforcement Agency ("**DEA**") announced that cannabis will remain a Schedule I controlled substance in the near term. However, facing increased pressure, the DEA also said it plans to increase the supply of medical cannabis for research purposes.

The Company, through its wholly-owned subsidiary SubTerra, is in the process of applying to the DEA for a license to supply medical cannabis to third parties for clinical research purposes. In connection with this application process, SubTerra was required to first obtain a Michigan research license for the production of medical cannabis. SubTerra has completed this application process and is awaiting approval. The Company expects to receive feedback on the status of its application by early 2017. SubTerra will only be permitted to grow or sell medical cannabis once it receives its license. There can be no assurance that a license will be granted to SubTerra or that, once licensed, any prospective plans to supply medical cannabis to third parties for clinical research purposes will be successfully initiated or completed. The Company intends to leverage the security and other benefits of its underground facility and to pursue research opportunities in cooperation with the DEA mandate to increase the supply of medical cannabis for research purposes. The Company also intends to leverage this research and development infrastructure and begin preparation of its underground facility in anticipation of the rescheduling of medical cannabis to a Schedule II controlled substance. The Company expects that the development of its underground facility into a large-scale production facility will only occur if a reclassification of cannabis as a Schedule II controlled substance occurs and the Company is licensed to produce cannabis in Michigan.

The Company believes that a rescheduling of cannabis from a Schedule I controlled substance to a Schedule II controlled substance is likely and that the Company's seventh generation production facility is expected to provide it with a "first mover" advantage in providing pharmaceutical-grade medical cannabis space in the U.S.

In the European Union (the "**EU**"), although member states are permitted to set their own national drug policies, all member states are parties to the United Nations 1961 Single Convention on Narcotic Drugs (the "**UN Convention**"), which defines THC as a Schedule IV illicit drug. There are some EU member states which, despite the UN Convention, are moving toward making medical cannabis available to their citizens. For instance, doctors in the Netherlands have been able to prescribe medical cannabis for over 10 years. In 2013, Italy authorized the use of cannabis for patient prescriptions. Similarly, in Germany the Federal Institute for Drugs and Medical Devices has allowed the medical use of cannabis in special cases. Spain, while lagging behind the Netherlands, Italy and Germany with respect to access to cannabis for medical use, has decriminalized cannabis. In all, the future of medical cannabis in EU member states remains uncertain at this time, but Management believes that the trend exhibited at the national level by EU member states and at the international level through the United Nations suggests a shift towards greater accessibility to medical cannabis.

Like Canada, the U.S. baby boomer generation is expected to have a considerable impact on the American population. Baby boomers began turning 65 in 2011 and are now accelerating growth at the older ages of the American population. According to the U.S. Census Bureau, 89 million Americans are aged 55 years and older, representing 29% of the population in the U.S. In 2014, the U.S. Census Bureau reported that by 2029 – when all baby boomers will be 65 years and over – more than 20% of the U.S. population will be over the age of 65, up from 14% in 2012. According to the Pew Research Center in 2010, approximately 10,000 baby boomers will turn 65, every day, from January 1, 2011 – 2030.

The impact of an aging population is expected to also have a significant impact on the population of the EU. As of January 2015, Eurostat estimated the EU population at 508.5 million, with a median age of the 42.4 years and 161 million people aged 55 years and older. By 2080, Eurostat projects that persons aged 65 and older will account for approximately 29% of the EU population.

With aging populations in both the United States and the EU, the incidence of chronic pain is increasing. Like Canada, prescription opiates are medications most often used to treat chronic pain. Medicare data released in 2014 showed that 8.5 million Americans aged 65 or older were prescribed opiates from their physicians. According to the National Centre for Health Statistics, in 2014 opioids were involved in 28,647 deaths, or 61% of all overdose deaths. The US Centres for Disease Control and Prevention have declared the current conditions an "epidemic" of overdoses (US Centres for Disease Control and Prevention, *CDC Grand Rounds: Prescription Drug Overdoses – A U.S. Epidemic*, Morbidity Mortality Weekly Report, vol. 61(1) (2012)).

The Company expects that the increased reliance on prescription opioids in the United States and the EU to treat chronic pain, along with changes in long-standing perceptions in the medical communities on medical cannabis in these jurisdictions, may create a significant market opportunity for companies such as CMED to provide safe, pharmaceutical-grade medical cannabis products.

The Company is presently working on becoming the leader in supplying cannabinoid pharmaceutical ingredients to international markets, including to markets in Australia, Germany, Japan and Switzerland. On November 17, 2016, the Company entered into a letter of intent with Creso Pharma Ltd., a publicly-listed company in Australia developing cannabis and hemp-derived therapeutic products, pursuant to which Creso Pharma Ltd. will represent the Company in the EU for the purpose of marketing CanniMed® medical cannabis brand products to governments, authorized importers and distributors, institutions, pharmacies and individuals.

Cannabis Oil

Management believes that the introduction of cannabis oils into the Canadian market will be a significant factor in the rising acceptance of medical cannabis as a legitimate treatment alternative for patients with chronic pain and other medical conditions. Furthermore, Management believes that the Company is well positioned to take advantage of this higher margin opportunity, given its GMP-compliant plant production processes, 281-point quality control process and its ability to routinely cultivate plants with consistent cannabinoid profiles. While the Company adheres to GMP standards in the production of its cannabis oils, the GMP certification process has not been completed in respect of its oil production, although Management expects this certification process to be complete by early 2017. See "Our Business – *History*".

Since the introduction of its cannabis oil products in February 2016, the Company has seen the number of doctors prescribing CanniMed products increase significantly, from 2,053 at the end of January 2016 to 3,167 (or 54.3% growth – 4.9% month-over-month) at the end of October 2016. The quantity of cannabis oil sold demonstrates similar growth, from 55.0 litres in February 2016 to 152.7 litres in October 2016 (or 177.6% growth – 14.0% month-over-month). Management believes the Company's current market share in cannabis oils to be over 70.0%.

Growth in sales of cannabis oil is continuing to accelerate and Management expects this will continue over the near term, particularly as new delivery mechanisms, such as gelcaps, are made available in the market. See "Our Growth Strategy – *Cannabis Oil Gelcaps*".

Cannabis Oil Gelcaps

CMED has completed the development of, and plans to begin producing, CanniMed cannabis oil gelcaps in early 2017. It is anticipated that the first sales of CanniMed cannabis oil gelcaps will occur early in 2017. Gelcaps are vegetable gelatin capsules containing 10 mg total phytocannabinoid dosages of the Company's current cannabis oil varieties. The Company believes that cannabis oil, particularly when in a gelcap dosage form, is ideally suited for palliative care and hospitalized patients that are either prohibited or unable to smoke or vaporize their prescribed doses. Furthermore, Management believes that gelcaps are likely to be more appealing than dried cannabis flowers or bottled oil to physicians and patients, including the largest market segment of baby boomers who are looking for a safe, accessible and unobtrusive way to manage their chronic pain symptoms with consistent dosing and maintain an active lifestyle. CanniMed cannabis oil gelcaps are simpler for physicians to prescribe and instruct their patients on a succinct and repeatable dosing regimen that can be followed in any location without smoking or vaporizing.

Management believes that the introduction of CanniMed cannabis oil gelcaps to the Canadian medical cannabis marketplace is an important step in the evolution of the acceptance of medical cannabis as substitute for prevailing pharmaceutical treatment alternatives, since gelcaps represent a familiar delivery mechanism for the baby boomer population that is consistent with current conventions.

In addition to the benefits from a patient perspective, relative to dried cannabis, liquid oils and gelcaps are value-added products with higher prices, higher margins, and a greater market opportunity for the Company.

Management believes that CMED's use of cannabis flowers, rather than plant trimmings, food-grade alcohol extraction and GMP-compliant plant production processes, including 281 points of quality control has given CMED a significant competitive advantage in the production of CanniMed cannabis oils and also provides a first mover advantage in the release of CanniMed cannabis oil gelcaps, which Management believes will be a game changer in the industry and greatly facilitate broader acceptance of cannabinoid therapies in the treatment of pain and other conditions.

Clinical Trials

As a plant biopharmaceutical company, research is an important priority to further the Company's scientific understanding of medical cannabis and, ultimately, to the breeding and production of new strains of cannabis for application in treatment of a wide spectrum of medical conditions. To that end, the Company expects to continue to invest significant resources towards clinical trials focussed on validating medical cannabis as a safe and effective pain relief option.

The Company has invested over $1 million into its Health Canada-approved *Cannabinoid Profile Investigation of Vaporized Cannabis in Patients with Osteoarthritis of the Knee* (the "**CAPRI Trial**"). The CAPRI Trial is a randomized, double-blind, placebo controlled, proof-of-concept Phase IIA clinical trial, which seeks to examine the varying ratios of THC and CBD to help determine whether high THC, high CBD, or a combination of the two, has the greatest impact on the treatment of osteoarthritis of the knee. The expected completion date for the CAPRI Trial is November 2017. The Company is also exclusively providing the cannabis used in the CAPRI Trial.

To the knowledge of the Company, the CAPRI Trial was the first Health Canada approved medical cannabis clinical trial and is being conducted with researchers at both the McGill University Health Centre and Dalhousie University. The Company believes that the CAPRI Trial and future trials like it will significantly advance medical research in Canada by answering important questions that physicians and other health care professionals have regarding dosing, as well as short term safety and efficacy relating to specific ratios of cannabinoids. The answers to these questions will contribute to the evolving dialogue about the safety and efficacy of prescribing medical cannabis to patients as a viable alternative to present treatment options.

CANADIAN REGULATORY ENVIRONMENT

Background

The Company's activities related to medical cannabis are regulated by the CDSA and regulations pursuant to the CDSA, including the ACMPR and the NCR.

Cannabis is subject to unique and specific regulation in Canada. Cannabis is a controlled substance listed in schedule II of the CDSA. Cannabis is a narcotic scheduled in and subject to the NCR. Cannabis is defined in both the CDSA and the NCR as including cannabis resin and cannabis (marihuana). "Cannabis resin" includes extracts of plant matter, such as CO_2 or ethanol extracts dissolved in a carrier oil. "Cannabis (marihuana)", has the same meaning as "marihuana" in the ACMPR and includes dried or cured cannabis flowers (dried marijuana as used elsewhere in this prospectus). THC, CBD and cannabinol ("**CBN**") as pure compounds also each specifically fall within the definition of "cannabis".

Sale of cannabis as a drug would, as with any substance, be subject to the provisions of the *Food and Drug Act* ("**FDA**") and to Part C of the *Food and Drug Regulations* (Canada) ("**FDR**"). Sativex® buccal spray, which includes THC and CBD, and Marinol® capsules, which include THC, are examples of drugs in compliance with the FDR that include cannabis.

Unlike drugs including THC and/or CBD, cannabis itself is not authorized for sale as a drug by Health Canada under the FDR. However, Canadian Courts have ruled that individuals with a demonstrated need for cannabis for medical purposes are entitled to a legal source of cannabis (recognized in *R* v *Smith* and *R* v *Allard* and in earlier decisions, including *R* v *Parker* (Ontario Court of Appeal, (2000), 146 C.C.C. (3d) 193)). Sale of cannabis by Licensed Producers to clients, other Licensed Producers or other identified groups in accordance with the ACMPR is exempt from the application of the FDR by the *Cannabis Exemption (Food and Drugs Act) Regulations* issued pursuant to the FDA. The ACMPR includes provisions regulating production, processing, and labelling of cannabis to ensure that quality, safety and predictability of effect are available. The provisions of the ACMPR in this respect are unique to cannabis and distinct from similar provisions applicable to drugs in the FDR.

Access to cannabis includes the option for clients to purchase dried marijuana or cannabis oil from Licensed Producers, which is delivered to the patients in the mail (the ACMPR do not provide for retail sales of cannabis). Access also includes growing by or on behalf of individuals remaining under the MMAR through the *Allard* injunction.

Cultivation for personal use is also permitted under the ACMPR, with Licensed Producers now being permitted by the ACMPR to provide seeds or plants to clients who are approved by Health Canada. The amounts of cannabis, seeds and plants that a client may be provided with per month is determined with reference to a permitted daily amount of cannabis, normalized to the number of grams of dried marijuana per day, specific to the patient.

Recreational use of cannabis is not currently legal in Canada. On April 20, 2016, the Government of Canada announced that legalization, regulation, and restriction to access cannabis for non-medical adult use may be proposed in a bill in early 2017. On June 30, 2016, the Government of Canada appointed a Task Force on Marijuana Legalization and Regulation. After taking consultations until August 29, 2016, the Task Force prepared and tabled their report on December 13, 2016 to the Minister of Public Safety and Emergency Preparedness, the Minister of Justice and Attorney General of Canada and the Minister of Health. As anticipated, the report, entitled "*A Framework for the Legalization of Cannabis in Canada*", outlines a framework for a new system to legalize, regulate and restrict access to cannabis. The report contains more than 80 recommendations to federal, provincial, territorial and municipal governments on how to promote and protect public health and safety, particularly among young Canadians. Among other things, the report recommends:

- establishing a minimum age of access, as well as restrictions on advertising and promotion
- a well-regulated production, manufacturing and distribution infrastructure that can displace the illegal market and provide appropriate safeguards, such as testing, packaging and labelling
- maintaining a separate medical access framework to support patients using medical cannabis and evaluating such medical access framework in five years
- supporting the development and dissemination of information and tools for the medical community and patients on the appropriate use of medical cannabis

The advice presented in the Task Force's report will be considered by the Government of Canada as it proceeds to develop legislation for the legalization of cannabis. A new legislative system is not expected to be in place until 2019. The impact of any such new legislative system on the medical cannabis industry and the Company's business plan and operations is uncertain. See "Risk Factors".

MMPR Licenses Continued under the ACMPR

As described in "Our Business – *History*", the Cultivation License and the Commercial License were each initially granted in 2013 and subsequently renewed. The Licenses are continued under the ACMPR.

The Cultivation License allows the Company to:

- possess, produce, provide, ship, deliver, transport and destroy dried cannabis or cannabis oil
- possess, produce, and destroy cannabis in its natural form, other than marijuana or cannabis oil, for the purpose of producing cannabis oil
- possess and destroy cannabis, other than marijuana or cannabis oil, for the purpose of conducting in vitro testing that is necessary to determine the cannabinoid content of marijuana or cannabis oil

The Cultivation License restricts the Company to providing, shipping, delivering, and transporting only on behalf of CanniMed.

The Commercial License allows CanniMed to sell dried marijuana and cannabis oil and for PPS to provide the same on behalf of CanniMed to:

- a client of CanniMed or an individual who is responsible for the client
- a hospital employee, if the purpose is in connection with their employment
- another Licensed Producer
- a Licensed Dealer
- the Minister
- a person to whom an exemption relating to the substance has been granted under section 56 of the CDSA

The Cultivation License allows the Company to apply for an import permit to import dried marijuana cannabis, other than marijuana or cannabis oil, for the purpose of conducting in vitro testing that is necessary to determine the cannabinoid content of marijuana or cannabis oil. The Cultivation License also allows the Company to apply for an export permit to export dried marijuana or cannabis other than marijuana or cannabis oil, for the purpose of conducting in vitro testing that is necessary to determine the cannabinoid content of marijuana or cannabis oil. Last, the Cultivation License allows the Company to ship dried marijuana or cannabis oil to a health care practitioner in the case referred to in subparagraph 130(1)(f)(iii) of the ACMPR.

The ACMPR also provide for licenses and import permits relating to fresh marijuana. The Licenses do not currently include this permission.

The ACMPR provides that cannabis in its natural form, other than marijuana or cannabis oil, for the purpose of producing cannabis oil, may be provided, shipped, delivered or transported if it was obtained or produced for that purpose.

The ACMPR provides that cannabis, other than marijuana or cannabis oil, for the purpose of conducting in vitro testing that is necessary to determine the cannabinoid content of marijuana or cannabis oil may be provided, shipped, delivered, transported cannabis if it was obtained or produced for that purpose.

Statutory Reporting Requirements

With respect to the management and administration of the Company, the ACMPR requires that:

(a) In order to confirm any information submitted in support of an application for a license or an amendment or renewal of a license, an inspector may, at a time during normal business hours and with the reasonable assistance of the Company or CanniMed, inspect the site in respect of which the application was made.

(b) If the Company experiences a theft of cannabis or an unusual waste or disappearance of cannabis that cannot be explained on the basis of normally accepted business activities, the Company must report the occurrence to a member of a police force within 24 hours after becoming aware of it and provide a written report to the Minister within 10 days after becoming aware of the occurrence.

(c) The Company and CanniMed apply for and obtain the Minister's approval before making a change involving the replacement or the addition of (i) the senior person in charge, (ii) the responsible person in charge and, if applicable, the alternate responsible person in charge, (iii) an officer or director, or (iv) an individual authorized to place an order for cannabis on behalf of the licensed producer.

(d) The Minister be notified not later than five days after the event, if a person ceases to be an officer or director of the Company or CanniMed.

(e) The Minister be notified not later than the next business day if the responsible person in charge of the Company or CanniMed ceases to carry out their duties and there is no person designated as an alternate responsible person in charge.

(f) The Company or CanniMed notify the Minister, within five days after such change, of any change to the method used for keeping records or the telephone number, the facsimile number, or the email address for the Company's site or each building within the site where the activities are conducted under the Cultivation License or the Commercial License.

With respect to clients of CanniMed and products provided by the Company or sold by CanniMed, the ACMPR requires that:

(a) In respect of fresh or dried marijuana or cannabis oil provided by PPS or sold by CanniMed, the Minister be provided with a case report for each serious adverse reaction to the substance within 15 days after the day on which the Licensed Producer becomes aware of the reaction.

(b) The Company and CanniMed annually prepare and maintain a summary report that contains a concise and critical analysis of all adverse reactions to fresh or dried marijuana or cannabis oil provided by the Company or sold by CanniMed that have occurred during the previous 12 months (the serious adverse reaction reports and annual summary reports must be retained for a period of 25 years after the day on which they were made).

(c) The Company report any new dried marijuana equivalency factor determined under section 79 of the ACMPR, and the method used to determine it, at least 10 days before CanniMed sells or the Company provides fresh cannabis, dried marijuana or cannabis oil, in respect of which the label referred to in section 84 or 88 of the ACMPR indicates the new factor, to a client.

(d) CanniMed, if provided with the given name, surname, date of birth and gender of an individual by a member of a Canadian police force who requests information in the course of an investigation under the CDSA or the ACMPR, verify in a reasonable manner that the person requesting the information is a member of a Canadian police force. If the person is verified as a member of a Canadian police force, CanniMed must provide as soon as feasible, within 72 hours after receiving the request, the following information to that Canadian police force:

(i) an indication of whether or not the individual is one of CanniMed's clients or an individual who is responsible for one of CanniMed's clients,

(ii) in the case of a CanniMed client, whether the client is registered with the Minister under Part 2 of the ACMPR and, if so, whether the client's registration with the producer is for the purpose of obtaining an interim supply of fresh or dried marijuana or cannabis oil, marijuana plants or seeds, or both, and

(iii) the daily quantity of dried marijuana that is specified in the medical document supporting the client's registration or that is specified in that individual's registration with the Minister made under Part 2 of the ACMPR.

(e) The Company or CanniMed provide the Minister with any information that the Minister may require in respect of the records, documents and information referred to in Division 2 of the ACMPR, in the form and at the times that the Minister specifies.

Reporting Requirements from the Licenses

In addition to the above general reporting requirements of the ACMPR, the Licenses require that the Company and CanniMed, as applicable, report the following additional information to the Office of Controlled Substances of Health Canada on a monthly basis, unless otherwise stated:

(a) The total amount of dried marijuana (kg) tested, approved and ready for sale, produced by the Company during the reporting period.

(b) The total amount of dried marijuana (kg) transferred to the Company from other Licensed Producers during the reporting period.

(c) The total amount of dried marijuana (kg) sold by CanniMed during the reporting period to (i) registered clients, (ii) other Licensed Producers, (iii) Licensed Dealers, and (iv) other clients.

(d) The total number of marijuana plants sold during the reporting period.

(e) The number of CanniMed clients at the end of the reporting period, including only those clients whose registrations were valid on the last day of the reporting period, and the total number new clients of CanniMed registered during the reporting period.

(f) The number of CanniMed clients who attempted to register with CanniMed during the reporting period, but could not be registered, regardless of the reason.

(g) The number of CanniMed clients who placed orders or tried to place orders that could not be filled during the reporting period, regardless of the reason.

(h) The total amount of the following that the Company has in stock on the final day of the reporting period (i) number of harvested plants in the drying process, (ii) cannabis (kg) that has been dried but not tested, (iii) cannabis (kg) that has been dried and tested but not approved for sale, (iv) cannabis (kg) that has been dried, tested, approved and ready for sale, (v) cannabis (kg) held as samples, (vi) number of marijuana plants identified as ready to be destroyed, (vii) dried marijuana (kg) identified as ready to be destroyed, and (ix) number of live marijuana plants.

(i) The total amount of dried marijuana (kg) that CanniMed imported and exported during the reporting period.

(j) The total amount of dried marijuana (g) lost and/or stolen during the reporting period.

(k) The total amount of dried marijuana (g) destroyed during the reporting period, specifying the reason(s) and amount(s) of each (e.g., contaminated, past expiration date, recalled).

(l) The total amount of waste marijuana (e.g., plants, leaves, twigs) destroyed during the reporting period (g).

(m) The total number of shipments from the Company to the following in each province or territory during the reporting period (i) registered clients, (ii) other Licensed Producers, (iii) Licensed Dealers, and (iv) other clients.

(n) The average and median daily amounts of dried marijuana (g) supported by healthcare practitioners to be used by CanniMed's registered clients during the reporting period for all clients whose registrations were valid on the last day of the reporting period.

(o) The average and median amounts of dried marijuana (g) shipped to CanniMed's registered clients during the reporting period.

(p) The 10 highest and ten lowest amounts of dried marijuana shipped to registered clients during the reporting period.

(q) The total number of shipments of dried marijuana to registered clients categorized into 10-gram ranges increasing in size from 0 to 10 g to 141 to 150 g.

(r) A list of all healthcare practitioners who provided a medical document for a registered client in the reporting period, the location of the healthcare practitioner and the number of medical documents the healthcare practitioner signed during the reporting period.

(s) The amount of dried marijuana (kg) that the Company expects to produce during each month of the upcoming three months.

(t) The amount of dried marijuana (kg) that the Company expects to have in inventory during each month of the upcoming three months.

OUR PATENTS AND TRADEMARKS

The Company has developed over 30 proprietary technologies and processes. These proprietary technologies and processes include germ plasm lines, the PMP platforms, extraction techniques, growing and cultivating equipment and irrigations systems. A number of these technologies have been patented or are patent pending (see below). In other cases, the Company relies on confidentiality to protect its proprietary technologies and processes. The nature of the Company's facilities contributes to maintaining confidentiality. See "Our Facilities".

The Company has invested considerable efforts into presenting branding consistent with the pharmaceutical industry and the medical profession. To protect this branding, eight trademarks have been registered, including the "CanniMed" name itself and the icon used on the CanniMed smart phone and tablet application.

Patents

The Company owns pending patent applications and issued patents for six technologies in multiple jurisdictions as of the date of this prospectus:

- **Cannabinoid Crystalline Derivatives and Process of Cannabinoid Purification** is protected by patent nos. 2,504,743 (Canada), 7,402,686 (United States), 603 24 011.9-08 (Germany), 1560819 UK (United Kingdom), 1560819 FR (France), EP1560819 (Netherlands), 219273 (India) and 264327 (Mexico). A related technology, "**Cannabinoid Esters**", is protected by Canadian patent no. 2,770,448.
- **Method and Apparatus for the Scheduled Production of Plant Extracts** is protected by patent nos. 2,506,877 (Canada) and 7,934,340 (United States). European patent application no. 06705263.9 for the same technology is pending.
- **Process for Preparation of (+)-P-mentha-2,8-diene-1-ol** is protected by patent nos. 2,523,419 (Canada), 7,323,607 (United States), 228825 (India) and 264654 (Mexico).
- **Energy Efficient Lighting Apparatus and Use Thereof** is protected by patent nos. 2,383,182 (Canada) and 6,988,816 (United States).

- Patent applications (co-owned with the National Research Council of Canada) entitled "**Methods for Transforming Tarwi and for Producing Molecular Farming Products in Transgenic Tarwi Seed**" are pending in Canada (patent application no. 2,830,548) and the United States (patent application no. 14/056,297 published as 2014/0186924).
- Canadian patent application no. 2,751,741, entitled "**Process for the Preparation of (-)-Delta 9-Tetrahydrocannabinol**", is pending.

Trademarks

The Company has protected its branding with the following registered Canadian trademarks as of the date of this prospectus:

- **CanniMed Application Icon LOGO** was registered as TMA943,131 on July 13, 2016 in association with "An informational service, namely an informational service whereby medical marijuana patients can obtain product information about medical marijuana using a smartphone device; a product ordering service, namely a product ordering service whereby eligible medical marijuana patients can order medical marijuana using a smartphone device". Renewal Date: July 13, 2031.

- **CanniMed Application Icon LOGO** was registered as TMA944,778 on August 2, 2016 in association with "An informational service, namely an informational service whereby medical marijuana patients can obtain product information about medical marijuana using a smartphone device; a product ordering service, namely a product ordering service whereby eligible medical marijuana patients can order medical marijuana using a smartphone device". Renewal Date: August 2, 2031.

- **CanniMed Application Icon LOGO (RX)** was registered as TMA944,782 on August 2, 2016 in association with "An informational service, namely an informational service whereby medical marijuana patients can obtain product information about medical marijuana using a smartphone device; a product ordering service, namely a product ordering service whereby eligible medical marijuana patients can order medical marijuana using a smartphone device". Renewal Date: August 2, 2031.

- **CANNIMED** was registered as TMA616,375 on August 6, 2004 in association with "Medicines derived from cannabis, namely, anti-inflammatories, analgesics, sedatives, appetite stimulants, anti-nauseants, intraocular pressure reducers, anti-tumors, antioxidants, antidepressants and antihypertensives". Renewal Date: August 6, 2019.
- **CANNIMED** was registered as TMA883,957 on August 13, 2014 in association with "Pharmaceutical cannabis, namely medical marihuana". Renewal Date: August 13, 2029.
- **TACEBEROL** was registered as TMA950,358 on September 23, 2016 in association with "Pharmaceutical cannabis oil in edible pills". Renewal Date: September 23, 2031.
- **VAPEREADY** was registered as TMA944,819 on August 2, 2016 in association with "Pharmaceutical cannabis, namely medical marihuana". Renewal Date: August 2, 2031.
- **VAPORIZER READY** was registered as TMA944817 on August 2, 2016 in association with "Pharmaceutical cannabis, namely medical marihuana". Renewal Date: August 2, 2031.

OUR EMPLOYEES

As of November 12, 2016, the Company has 132 employees at its Saskatoon, Saskatchewan facility and five employees at the SubTerra facility in White Pine, Michigan. The employees are distributed among the following departments:

Biopharmaceutical	**Number of Employees**
Operations (Cultivation and Processing)	57
Marketing and Customer Service	23
Research and Development/Quality	10
Administration, IT and Communications	23
BioProducts	
Greenhouse and Laboratory	7
SubTerra	
Operations and Administration	5

We believe in equal opportunity employment and we recruit, hire and promote individuals that are best qualified for each position without regard to race, color, creed, sex, national origin or handicap. We pride ourselves on using a selection process that recruits people who are trainable, co-operative and share our core values as a Company. Our employees are highly-talented individuals who have educational achievements ranging from Ph.D, Masters, and undergraduate degrees in a wide range of disciplines, as well as staff who have been trained on the job to uphold the highest standards set as a Company.

The Company recruits based on a rigorous interview process to ensure the right candidates are selected for the Company and the individual team. As a result, our annualized turnover rate for 2016 is 15%, which is relatively low in view of the rapid growth and change the Company has experienced.

Above all of the Company's core values, we act with integrity, constantly striving to uphold the highest professional standards.

In addition, the safety of our employees is a priority and the Company is committed to the prevention of illness and injury through the provision and maintenance of a healthy workplace. The Company takes all reasonable step to ensure staff are appropriately informed and trained to ensure the safety of themselves as well as others around them. In 2016, our recordable incident frequency and our injury severity rate is 'nil'. We take pride in the fact that all of our employees have been able to continually return home safe at the end of the day as a result of our commitment to safety.

COMPETITION

In the near term, the Company expects to compete with other Licensed Producers in Canada. On products that CMED sells internationally, the Company expects to compete with both other exporting Canadian Licensed Producers and local foreign producers. There are currently 36 Licensed Producers cultivating and selling medical cannabis in Canada. Of those, 17 licenses are held directly or indirectly by publicly-listed Canadian companies, while the remainder are held by privately-held Canadian companies. Furthermore, 25 Licensed Producers (including the Company) are licensed to both cultivate and sell finished product to registered patients. Another 9 are licensed only for cultivation of medical cannabis, and 2 have are licensed only for sale of finished products to registered patients. In addition, as of June 28, 2016, there are 416 license applications awaiting review by Health Canada and approximately 20 new applications are being submitted to Health Canada each month. A full list of Licensed Producers can be found on Health Canada's website at www.hc-sc.gc.ca.

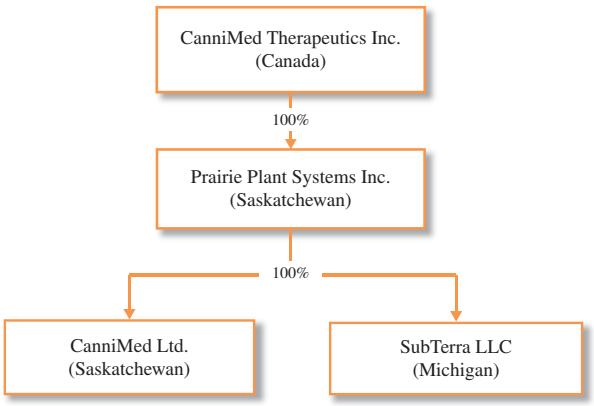
The Company believes that, due to the extensive regulatory restrictions and significant financing required for operations, the number of Licensed Producers is expected to remain relatively small in the short term. However, as the demand for medical cannabis increases and the applications currently awaiting Health Canada are processed and approved, the Company believes new competitors will enter the market.

Management believes its focus on providing pharmaceutical-grade products and services best positions it to be the supplier of choice in the medical community and with patients looking for a consistent, high quality medical cannabis, particularly cannabis oils and gelcaps. As the only Licensed Producer with GMP compliant plant production processes, including 281-points of quality control, the Company will have the operational flexibility to take advantage of new delivery methods, such as gelcaps, as well as new distribution channels, such as pharmacies (who require GMP production protocols) and new markets, including a large "baby boomers" demographic, who are looking for better ways to manage and maintain an active lifestyle.

Looking to the future, Management believes that the Company's competition will evolve to include pharmaceutical companies with other products focused on pain management, particularly as clinical trials confirming the effectiveness of medical cannabis are completed.

CORPORATE STRUCTURE

CanniMed Therapeutics Inc. was incorporated under the *Canada Business Corporations Act* (the "**CBCA**") on October 31, 2016. The following chart identifies the Company's material subsidiaries (including jurisdiction of formation or incorporation of the various entities) as of November 1, 2016:



The head and registered office of the Company, PPS and CanniMed is located at #1 Plant Technology Road, Saskatoon, Saskatchewan, S7K 3J8. The registered office of SubTerra is located at 104 Wilcox Rd White Pine MI 49971.

Reorganization

CanniMed Therapeutics Inc. became the sole direct and indirect shareholder of each of the Company's three subsidiaries (PPS, CanniMed and SubTerra) on November 1, 2016 as a result of an internal corporation reorganization (the "**Reorganization**"). The Reorganization also resulted in PPS distributing to its shareholders effective October 31, 2016 all of the shares of a former subsidiary, PPS USA Holdings, Inc., a Michigan company that indirectly owns the White Pine electric generator located in Michigan's Upper Peninsula. In addition, shareholders of PPS exchanged their shares for shares of CanniMed Therapeutics Inc. in anticipation of the Offering, such that PPS and its two subsidiaries, CanniMed and SubTerra, became wholly-owned subsidiaries of CanniMed Therapeutics Inc., effective November 1, 2016. See "Management's Discussion and Analysis – The Reorganization" for a further description of the Reorganization.

The Board of Directors determined that the operations of the White Pine electric generator were not strategic to the CanniMed business and the interests of the shareholders of PPS would be better served by having the White Pine electric generator operated separately under the ownership of the then shareholders of PPS, rather than by CanniMed Therapeutics Inc.

In connection with the Reorganization, SubTerra entered into the Power Purchase Contract, pursuant to which PM Power Group, Inc. has agreed to distribute electricity to the SubTerra facility in accordance with the terms of the Power Purchase Contract. See "Risk Factors – SubTerra will be dependent on the Power Purchase Contract for electricity".

PM Power Group, Inc. and its parent companies, PPS USA Holdings, Inc. and PM Power Holdings, have agreed, subject to the terms and conditions of an indemnification agreement, to indemnify the Company and PPS in respect of liabilities for taxes and certain other costs incurred by the Company or PPS in connection with the Reorganization. See "Risk Factors – *the Reorganization resulted in a taxable transaction for the Company's subsidiary and other potential liabilities*".

USE OF PROCEEDS

We will receive approximately $55.4 million in net proceeds from the Offering ($63.9 million if the Over-Allotment Option is exercised in full), after deducting fees payable by us to the Underwriters in connection with the Offering and the estimated expenses of the Offering.

We intend to use the net proceeds from the Offering as follows:

- Approximately $21.0 million to fund the expansion of production at our Saskatoon, Saskatchewan facilities (the "**Saskatoon Expansion**"),
- Approximately $8.0 million to fund the development of an additional cannabis oils manufacturing facility and related equipment,
- Approximately $5.0 million to fund the purchase of additional equipment,
- Approximately $6.0 million to fund the expansion of SubTerra facility in White Pine, Michigan (the "**Michigan Pilot Facility**"), and
- Approximately $3.0 million to fund further clinical trials.

The remaining net proceeds are expected to be used to fund working capital and general corporate purposes.

The Saskatoon Expansion is expected to include the engineering, design and construction of an approximately 60,000 sq. ft. production and processing facility. This proposed single-story, concrete structure is expected to be located within the 100 acre site of the Company's existing Canadian production, processing and administrative facilities. Design and construction is expected to take approximately 18 to 24 months. When completed, the facility is expected to consist of growth chambers and related processing capacity designed to add approximately 5,000 kg of annual production capacity to the Company's existing production and processing facilities.

We intend to spend approximately $8.0 million of the net proceeds to fund the development (including possible property acquisition, engineering, design and construction) of a facility suitable for the production of cannabis oils and equip such facility with the necessary manufacturing equipment. Development plans are at an early stage, and the land, building and equipment required for such facility have not yet been identified or costs in this respect finally determined.

We intend to spend approximately $5.0 million of the net proceeds from the Offering to purchase additional processing, analytical and bottling equipment for our production and processing facilities. An estimated $4.0 million is expected to be spent on equipment for our Saskatchewan facility. The balance of approximately $1.0 million is expected to be spent on equipment for our Michigan facility.

The Michigan Pilot Project will expand the SubTerra underground facility with the engineering, design and construction of a 16,000 sq. ft. pilot production and processing facility.

While we currently anticipate that we will use the net proceeds of the Offering as set forth above, we may re-allocate the net proceeds from time to time depending upon our growth strategy relative to market and other conditions in effect at the time. Until we use the net proceeds, we will hold them in cash and to invest them in short-term, interest-bearing, investment-grade securities. See "Risk Factors – *Use of Proceeds"*.

DIVIDEND POLICY

We have not declared dividends on our Common Shares in the past. Following the Offering, we currently intend to reinvest all future earnings in order to finance the development and growth of our business. As a result, we do not intend to pay dividends on our Common Shares in the foreseeable future. Any future determination to pay dividends will be at the discretion of our Board of Directors and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of dividends and any other factors that the Board of Directors deems relevant.

SELECTED PRO FORMA FINANCIAL INFORMATION

The following sets out selected financial information of the Company for the years ended October 31, 2015, 2014 and 2013 and for the nine months ended July 31, 2016 and 2015, presented on a pro forma basis giving effect to the Reorganization (as described below – see "Corporate Structure – *Reorganization*") as if it had occurred on November 1, 2013 and to exclude the results of P.M. Power Group, Inc., formerly an indirect subsidiary of PPS. PPS, through its wholly-owned subsidiary, PPS USA Holdings, Inc., acquired P.M. Power Group, Inc. on August 23, 2014. As a result of the Reorganization, PPS disposed of its interest in P.M. Power Group, Inc. effective October 31, 2015. This selected financial information has been derived from and should be read in conjunction with the Pro forma Statements and the Consolidated Financial Statements of PPS, the related notes thereto and Management's Discussion and Analysis included elsewhere in this prospectus. The Consolidated Financial Statements of PPS have been prepared in accordance with IFRS. The adjustments to the Consolidated Financial Statements of PPS made to derive the pro forma financial position and results of operations set out in the Pro forma Statements and the assumptions underlying such adjustments are described in note 4 to the Pro forma Statements. The Pro forma Statements of Operations and Comprehensive Income reflect the results of operations of PPS's biopharmaceutical products segment as detailed in note 22 of the Consolidated Financial Statements of PPS. The Pro forma Statements and the selected pro forma financial information set out below are not necessarily indicative of the results that may be achieved in the future. See "Financial Statement Presentation in this Prospectus" for a description of the financial statements in this prospectus. The operating statistics do not form part of the Consolidated Financial Statements of PPS or the Pro Forma Statements.

	Nine Months Ended July 31, 2016	Nine Months Ended July 31, 2015	Year Ended October 31, 2015	Year Ended October 31, 2014	Year Ended October 31, 2013
	$000	$000	$000	$000	$000
Pro Forma Statement of Operations Highlights					
Revenue	6,635	4,297	5,788	6,746	11,446
Unrealized gain from changes in fair value of biological assets[1]	4,059	2,676	3,509	3,058	—
Gross margin, including unrealized gain and changes in fair value of biological assets	5,578	4,482	5,656	5,539	7,505
Expenses	(6,428)	(6,500)	(8,528)	(7,041)	(3,786)
(Loss) profit from operations	(850)	(2,018)	(2,872)	(1,502)	3,719
Net income (loss) before income tax	(1,344)	(2,054)	(3,424)	(1,830)	3,745
Operating Statistics					
Dried marijuana sold (000 g)	548	425	582	306	
Revenue per gram	$ 8.33	$ 8.85	$ 8.81	$ 8.12	
Oils sold (000 ml)	655	—	—	—	
Revenue per ml	$ 2.50	—	—	—	
Total dried marijuana equivalent sold (000 g)[2]	657	425	582	306	
Revenue per gram	$ 9.44	$ 8.85	$ 8.81	$ 8.12	

	As at October 31, 2015	As at October 31, 2014
	$000	$000
Pro Forma Balance Sheet Highlights (at period end)		
Current assets	11,073	14,995
Total assets	49,692	48,743
Current liabilities[3]	23,639	21,785
Total liabilities[3],[4]	30,378	28,826
Shareholders' equity	19,314	19,917

Notes:

(1) Unrealized gain from changes in fair value of biological assets represents their fair value less cost to sell up to the point of harvest.

(2) Dried equivalent marijuana is calculated on the basis of 60 ml oils equivalent to 10 g of dried material.

(3) Subsequent to October 31, 2015, the Company entered into a facility agreement with its lenders which renewed and amended existing credit facilities. As a result, the maturity of outstanding loans that were included for accounting presentation purposes in Current Liabilities, totaling approximately $12,787 at October 31, 2015, was extended to November 2017.

(4) Total liabilities includes convertible debentures issued by PPS which mature on December 15, 2018 (the "**Convertible Debentures**"). As at December 31, 2015, Convertible Debentures with a total principal amount of $2,053 were included in Total Liabilities. In July, 2016, an additional $8,461 principal amount of Convertible Debentures was issued and the total amount of Convertible Debentures outstanding as at July 31, 2016 was included in Total Liabilities. After July 31, 2016, a further $1,030 of Convertible Debentures were issued and certain debenture holders converted $900 of Convertible Debentures into 40,908 fully paid Class "A" common shares of PPS. Pursuant to the Reorganization, the Class "A" common shares of PPS were converted into Class "D" common shares and the resulting Class "D" common shares were then exchanged on a 4:1 basis for shares of CanniMed Therapeutics Inc., for a total of 163,632 common shares of CanniMed Therapeutics Inc. The remaining Convertible Debentures in total are convertible into 1,935,240 Common Shares for a period of 30 days following closing of the Offering based on a price of $5.50 per Common Share after giving effect to the Reorganization. If the Convertible Debentures are converted in full, the Company's shareholders' equity will increase by $10,644 and the total liabilities will decrease by $10,644 as at the date of the conversion. See "Options to Purchase Common Shares – *Convertible Debentures*".

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis of financial condition as at October 31, 2015 and 2014 and as at July 31, 2016 and results of operations for the years October 31, 2015, 2014 and 2013, and for the three and nine month periods ended July 31, 2016 and 2015 (the ***"MD&A"****) should be read in conjunction the Consolidated Financial Statements of PPS included in this prospectus. This MD&A is presented as of the date of this prospectus and is current to that date unless otherwise stated. The financial information presented in this MD&A is derived from the Consolidated Financial Statements of PPS. Certain of the information presented in this MD&A is derived from the segmented information for the Company's Biopharmaceutical products, corresponding to the information presented in the Proforma Statements, and does not include the results of the P.M. Power Group, Inc. This MD&A contains forward-looking statements that involve risks, uncertainties and assumptions, including statements regarding anticipated developments in future financial periods and our plans and objectives. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on such forward-looking statements. See "Forward-Looking Statements" and "Risk Factors" in this prospectus.*

This MD&A refers to certain non-IFRS financial measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use EBITDA, a non-IFRS financial measure, as a supplemental measure of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. Our management also uses this non-IFRS financial measure to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements. See "Selected Annual Information" and "Non-IFRS Financial Measure Reconciliation in this MD&A".

Unless otherwise stated all dollar amounts in this MD&A are in thousands of Canadian dollars (other than per share amounts and operating statistics).

References to "PPS" refer to Prairie Plant Systems Inc. and its direct and indirect subsidiaries as at October 31, 2016. "PM Power Group" refers to P.M. Power Group, Inc., PPS' indirect wholly-owned subsidiary until October 31, 2016, which indirectly owns an electric power generating facility located at White Pine, Michigan.

Overview

PPS is a Canadian based plant biotechnology company. Since its incorporation in 1988 the Company has been involved in plant biotechnology research, product development and production of plant based materials for biopharmaceutical, agricultural and environmental market applications. PPS is a licensed producer and distributor of medical cannabis pursuant to the provisions of the Access to Cannabis for Medical Purposes Regulations ("ACMPR") and the Controlled Drugs and Substances Act and its Regulations.

Information about PM Power Group is provided because it was owned by PPS until October 31, 2016. PM Power Group provides a backup source of power in Michigan, USA to the Company's biotechnology research and growth facility which operates nearby. PM Power Group is also involved in the generation and sale of power to third-party customers. On October 31, 2016, the Company completed a corporate reorganization (the "Reorganization") which resulted in ownership of PM Power Group being transferred from the Company to shareholders of the Company. The Reorganization is described more fully in the "*Corporate Developments*" section of this MD&A.

The Reorganization

On October 31, 2016, PPS completed the Reorganization. The significant effects of the Reorganization were the transfer of the PM Power Group power utility business to the shareholders of PPS, and the creation of a new company, CanniMed Therapeutics Inc. ("**CMED**") to be the sole owner of PPS. In the Reorganization, described in more detail below, each of the shareholders of PPS exchanged their shares of PPS for shares in CMED.

Prior to the Reorganization, shareholders of PPS held 3,667,695 Class "A" common shares in the capital of PPS (the "**Old Shares**") and PPS owned all of the shares of PPS USA Holdings, Inc., the parent company of PM Power Group. Also, prior to the Reorganization, PPS created a new wholly-owned subsidiary, PM Power Group Holdings Ltd. ("**PM Power**") which acquired all of the shares of PPS USA Holdings, Inc. Another holding company, CanniMed Therapeutics Inc., was also created. Pursuant to a share exchange agreement entered into with each of its shareholders (the "**Share Exchange Agreements**"), PPS shareholders transferred to PPS their Old Shares effective on October 31, 2016 in exchange for one Class "D" share of PPS (the "**New Shares**") and one common share of PM Power (the "**PM Shares**") for each Old Share held by the PPS shareholders.

On November 1, 2016, CMED acquired 100 percent of the Class "D" shares of PPS by executing a share exchange transaction on a 4:1 basis where CMED issued 14,670,780 CanniMed Therapeutics Inc. common shares to PPS' shareholders in exchange for their 3,667,695 Class "D" shares of PPS. As a result of this transaction, former shareholders of PPS hold 100 percent of the common shares of CMED, and CMED became the holder of 100 percent of the issued and outstanding shares of PPS. In addition, CMED has been authorized to issue four CMED shares to each holder of PPS' Class "D" shares, provided that these Class "D" shares were acquired pursuant to the conversion of convertible debentures described below or the exercise of the options and warrants described below. At October 31, 2016 prior to giving effect to the Reorganization, PPS also had up to 524,718 Class "A" shares issuable on the conversion of convertible debentures; up to 633,197 Class "A" shares issuable on the exercise of stock options and; up to 46,654 Class "A" shares issuable on the exercise of warrants. At the conclusion of the Reorganization as outlined above, the option holders held a right to acquire four Common Shares and the exercise price was adjusted to reflect the distribution of the PM Shares to shareholders of PPS. Similarly, as a result of the Reorganization and subsequent to the conversion of the convertible debentures and the exercise of the warrants, each respective debenture holder and warrant holder will hold four Common Shares and a PM Share in lieu of the prior right to receive PPS shares. See "Options to Purchase Common Shares".

The distribution of shares of PM Power will be accounted for as a distribution of capital and a discontinued operation in comparative financial statements accompanying future financial statements of CMED.

2015 Highlights

- Continued construction of new biosecure growth chambers to augment its existing growth facilities with a new 62,000 sq. ft. growing building, completed in August, 2016.
- Sold 582,000 g of medical cannibis at an average selling price of $8.81 per gram.
- Established the capability to produce concentrated cannabis oils, which are expected to have an average selling price of approximately $140 to $150 per 60 ml bottle.
- Achieved a Total Recordable Incident Rate[1], of zero

Results of Operations for the 2015, 2014 and 2013 fiscal years

Unless otherwise noted, the results presented and referred to below include the results of the Company's biopharmaceutical products division and of PM Power Group. As a result of the Reorganization, the Company no longer has any interest in the PM Power Group. Accordingly, future results will not include the results of the PM Power Group.

Selected Annual Information

	Year ended October 31		
	2015	**2014**	**2013**
	$	**$**	**$**
Financial Data			
Revenue	**19,530**	10,252	11,446
Cost of sales, net of unrealized gain from changes in fair value of biological assets	**(9,235)**	(2,317)	(3,941)
Net (loss) income	**(2,256)**	8,927	2,748
(Loss) Earnings per share (basic) ($ per share)	**(0.62)**	2.62	0.83
(Loss) Earnings per share (diluted) ($ per share)	**(0.62)**	2.48	0.80
Cash from (used in) operations	**7,223**	(6,437)	4,829
Total assets	**78,041**	73,917	
Total non-current financial liabilities	**6,871**	7,041	
EBITDA[2]	**866**	11,095	4,525
Biopharmaceutical products – Selected Financial and Operating Data			
Revenue	**5,788**	6,746	11,446
Cost of sales, net of the unrealized gain on changes in fair value of biological assets	**9,235**	2,317	3,941
Gross margin, including unrealized gain from changes in fair market value of biological assets	**5,656**	5,539	7,505
Net income (loss) before income tax	**(3,392)**	9,380	(3,745)
Operating Statistics			
Dried marijuana sold (000 g)	**582**	306	n/a[3]
Revenue per gram	**$ 8.81**	$ 8.12	n/a[3]

Year ended October 31, 2015 vs Year ended October 31, 2014

Net Income/Net Loss

Net loss of $2,256 was for the year ended October 31, 2015 compared to net income of $8,927 in the previous year. The fair value adjustment from business combination of $9,868 represented a one-time effect on the previous year and accounted for the major portion of the reduction in net income (see *Power Utility* in this MD&A). Loss per share as calculated based on the weighted number of shares of PPS outstanding during the relevant periods and does not reflect the four for one share exchange of shares of PPS for shares of CMED as part of the Reorganization.

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(1) The Company uses the Total Recordable Incident Rate ("**TRIR**") metric, a rating that is used to determine the number of serious injuries (medical incidents and higher) for every 200,000 hours worked. The TRIR metric considers all incidents that have caused serious harm to the Company's workforce, thereby enabling the Company to be more proactive with its policies and procedures designed to improve and maintain safety.

(2) See description and description of non-IFRS measure in the "Non-IFRS Financial Measure and Reconciliation" section of this MD&A.

(3) In 2013 PPS's business involved carrying out activities under contract to Health Canada, which was the owner of all medical cannabis materials and accordingly, PPS did not own or sell medical cannabis materials.

Revenue

Revenue of $19,530 for the year ended October 31, 2015 was $9,278 higher than in the prior year, and included $13,742 in revenues from PM Power Group during its first full year under PPS's ownership. During the year ended October 31, 2015, revenues from the Company's Biopharmaceutical products division were $5,788 which was $958 lower than in 2014. In 2015, all of PPS's medical cannabis sales were made to patients under the MMPR, and total sales for the biopharmaceutical products division were $5,788, including $5,505 in medical cannabis sales, whereas medical cannabis sales of $2,493 in the year ended October 31, 2014 were supplemented by revenues of $3,449 from contracted activities for Health Canada that ended in that year. The quantity of medical cannabis sold to patients during the year ended October 31, 2015 increased 90% from the prior year to 582 kg.

Cost of Sales

Cost of sales in the year ended October 31, 2015 was $9,235, compared to $2,317 in the prior year. Cost of sales of biopharmaceutical products was $132, net of unrealized gain from changes in fair value of biological assets, compared to $1,207 net of $3,058 unrealized gain from similar changes in fair value in the preceding year.

General and Administrative Expense

General and administrative expense of $4,770 for the year ended October 31, 2015 was $868 higher than 2014. This variance is attributable to increased permitting fees, professional fees and utilities.

Sales and Marketing Expense

For the year ended October 31, 2015, sales and marketing expense was $3,120 (2014 – $1,346). The increase was due to increased expenditures on advertising and promotion as the transition from a single customer to full sales to patients was completed.

Research and Development

Research and development costs for the year ended October 31, 2015 were $1,271 (2014 – $973). The Company's research and development activities in both years were directed towards medical cannabis and plant-made pharmaceuticals.

Depreciation and amortization

Depreciation and amortization for the year ended October 31, 2015 was $3,129 (2014 – $1,351). Depreciation and amortization relating to the biopharmaceutical products division was $855, compared to $1,351 in the previous year. The balance of depreciation and amortization in the year ended October 31, 2015 related to PM Power Group and depreciation and amortization was nominal for the period of the prior year in which PM Power Group was owned by the Company.

Share-based compensation

During the year ended October 31, 2015, there were no grants of share-based compensation, and the expense of $571 related to the vesting terms of previously granted options. In the previous year, share-based compensation expense was $732 relating primarily to the granting of 198,000 options during the year.

Finance Costs

Finance costs include bank and credit card charges, interest expense, if any. For the year ended October 31, 2015, finance costs were $1,129 (2014 – $364). The increase was attributable to higher interest charges and increased credit card charges associated with the processing of a higher volume of product sales.

Income Tax

Net income tax recovery for the year ended October 31, 2015 was $1,136 (2014 – net tax expense of $453). This recovery is primarily related to the loss incurred during the year. During the previous year taxes were significantly reduced by the non-taxable gain on business combination.

Capital Projects

After October 31, 2015, the Company completed construction of its new 62,000 square foot POD plant growth and production facility. Plant growth began in POD during the fourth quarter of 2016. This facility provides the Company with increased production capacity to meet growing market demand. POD is located on the site of the Company's Saskatchewan operations. Capital expenditures on the POD project were $12,740 in 2014 and $4,240 in 2015.

Power Utility

For the year ended October 31, 2015, revenues from PM Power Group were $13,742, representing a full year of operation, compared to revenues of $3,506 for the two-month period of the Company's ownership during the previous year. Cost of sales was $9,103, compared to cost of sales of $1,110 in the preceding year. The bargain purchase gain on business combination of $9,868 accounted for the majority of the Company's net income in 2014.

Year ended October 31, 2014 vs Year ended October 31, 2013

Net income for the year ended October 31, 2014 was $10,400 compared to $2,748 in the previous year. The Company's financial results during the year were affected by the transition of the medical cannabis market to the MMPR from the MMAR which preceded it, and by the acquisition of PM Power Group.

Revenue

Revenue of $10,252 for the year ended October 31, 2014 fell by $1,194 from the previous year. Revenue for 2013 was derived entirely from sale of biopharmaceutical products, primarily as the sole supplier of medical cannabis under contract to Health Canada under the MMAR. Revenue in 2014 included $6,746 from biopharmaceutical products (2013 – $11,446) and power utility revenues of $3,506. The MMPR, which became effective in June, 2013, introduced a competitive marketplace for medical cannabis, and the Company began selling to patients directly in early 2014. Biopharmaceutical product segment revenue includes $2,943 sales to patients and $3,449 in revenues from the contract with Health Canada under MMAR. Under MMAR, the Company was paid for activities including growing and delivering plants and plant derived materials, destroying surplus materials and delivering regular reports and therefore, in the year ended October 31, 2013 there were no sales to patients.

Cost of Sales

Cost of sales was $2,317 in the year ended October 31, 2014, compared to $3,941 in the prior year. Costs included production costs of $3,787 relating to biopharmaceutical products, partially offset by $3,058 unrealized gain from changes in fair value of biological assets[(1)]. No corresponding adjustment was made in 2013 since, prior to the implementation of the MMPR, medical cannabis inventory was the property of Health Canada under the MMAR framework.

General and Administrative Expense

General and administrative expense of $3,902 for the year ended October 31, 2014 was $1,579 higher than in 2013. This variance is attributable to increased permitting and professional fees relating to the transition to operating under the MMPR.

Note:

(1) Medical cannabis plants that are in pre-harvest are considered biological assets and are capitalized on the Company's Statement of Financial Position at fair market value. As the biological assets continue to grow through the pre-harvest stages, a corresponding unrealized gain on changes in fair value of biological assets is recognized in income through cost of sales. At harvest, the biological assets are transferred to inventory at their fair value, which becomes the deemed cost for inventory. Inventory is expensed to cost of sales when sold. Together, the gain from changes in the fair value of biological assets, inventory expensed and the cost of production representing overheads and other costs of growing and selling biological assets, comprise cost of sales.

Sales and Marketing Expense

For the year ended October 31, 2014, sales and marketing expense was $1,346 (2013 – $355). The increase of $991 is due to the commencement of marketing activities by the Company, which were not required in the prior year.

Research and Development

Research and development costs for the year ended October 31, 2014 were $973 (2013 – $899). The Company's research and development activities in both years were directed towards medical cannabis and plant-made pharmaceuticals.

Depreciation and amortization

Depreciation and amortization for the year ended October 31, 2014 was $1,351 (2014 – $669). The increase is attributable to additions to buildings and equipment at the Company's biopharmaceutical product growing facility.

Share-based compensation

For the year ended October 31, 2014, share-based compensation expense was $732 (2013 – $117). The increase is attributable to the timing of stock option grants and the scheduling of the corresponding expense according to the vesting terms of the respective option agreements.

Finance Costs

Finance expense includes bank and credit card charges, interest expense and derivative losses, if any. For the year ended October 31, 2014, Finance expense was $364 (2013 – $111). This increase was attributable to higher interest charges relating to the net proceeds from loans and borrowings and finance leases of $18,198 in 2014.

Taxation

Net income tax expense for the year ended October 31, 2014 was $453 (2013 – $997). The effective tax rate of 5% in 2014 differs from the rate of 25% in Saskatchewan, primarily as a result of the non-taxable gain related to the acquisition of PM Power Group, partly offset by higher rates applicable to subsidiaries operating in other jurisdictions.

Power Utility

On August 23, 2014, PPS acquired PM Power Group to support anticipated future expanded growing operations at the Company's Michigan location. For the year ended October 31, 2014, revenues from the power utility segment for the period of the Company's ownership were $3,506. Based on an independent appraisal of PM Power Group, in the year ended October 31, 2014, PPS recorded a fair value adjustment from business combination (bargain purchase gain) of $9,868.

Liquidity and Capital Resources as at October 31, 2015 and 2014 and for the 2015, 2014 and 2013 fiscal years

At October 31, 2015, cash and cash equivalents were $1,791 (October 31, 2014 – $3,286 and October 31, 2013 – $11,477). Operating cash flow, equity financings and debt financings are the Company's primary source of liquidity.

Operating Activities

The principal use of operating cash flow is to fund the Company's operating and capital expenditures at its production facilities, its general and administrative costs and its debt service payments. During 2015, PPS' cash flows from operations were $7,223 (2014 – cash flows used in operations $6,437). Year over year, this variance is largely attributable to changes in non-cash working capital, primarily a $5,472 reduction in accounts receivable and concurrent $2,485 buildup of accounts payable compared to an increase of $5,403 in accounts receivable in 2014.

Cash flows of $4,829 from operations in 2013 resulted from revenue generated by activities under contract to Health Canada under the MMAR. These activities required lower overhead expenditures and negligible sales and marketing expenditures as compared to operations under the MMPR which started in 2014.

Investing Activities

Cash used in investing activities during the year ended October 31, 2015 was $7,935, compared to $24,308 in 2014 and $6,404 in 2013. Expenditures during 2015 included $8,458 of additions to property, plant and equipment, primarily the POD construction project, and investment in deferred development of $533. In the previous year $15,639 was invested in property, plant and equipment with the majority for the POD project, and $7,893 was invested in PM Power Group, net of cash acquired. In 2013 $5,784 was invested in property, plant and equipment, the majority of which was for the POD project. Proceeds of $1,038 for the disposal of certain property, plant and equipment were received during the year ended October 31, 2015 (2014 and 2013 – nil).

Financing Activities

Cash of $783 was used in the PPS' financing activities during the year ended October 31, 2015, compared to $22,554 generated by financing activities in the previous year and $9,181 generated in 2013. Debt proceeds of $2,711, including $2,053 of convertible debentures, were offset by $2,308 of debt repayment and $1,129 of interest paid during 2015. During the previous year, the Company raised $9,826 from issuance of common shares and redeemed common shares for $5,106 and borrowed $18,198, net of repayments, on its bank facilities. In 2013 the Company raised net proceeds from equity financings less redemptions of common shares, of $9,735.

Liquidity

The Company monitors its liquidity on a continuous basis to ensure there is sufficient capital to meet business requirements and to provide adequate returns to shareholders and benefits to other stakeholders. The Company manages the capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may, where necessary, control the amount of working capital, pursue financing, manage the timing of it capital and exploration expenditures, or sell assets. The Company is not subject to externally imposed capital requirements.

PPS' capital structure is comprised of a combination of debt and shareholders' equity. Set out below is a schedule of the capital structure of PPS as at October 31, 2015 and 2014.

Schedule of Capital Structure of PPS

	October 31, 2015	October 31, 2014
	$	$
Debt[(1)]	**24,654**	23,853
Shareholders' equity	**45,840**	44,054
Debt to equity	**54%**	54%

(1) Includes convertible debentures of $2,053 at October 31, 2015, nil as at October 31, 2014.

At October 31, 2015 and October 31, 2014, PPS was not in compliance with certain financial covenant requirements within the Credit Agreement with its lender. As such, the amortized cost of these facilities was reclassified to a current liability for financial statement presentation purposes. On October 13, 2016, PPS entered into a Credit Agreement with its lender which renewed and amended existing credit facilities. See "Description of Material Indebtedness" in this prospectus. The Credit Agreement includes the following loans and interest rates:

Credit Facility	Facility Type	Amount Available	Amount Drawn[1]	Interest Rate
Operating Loan	Demand revolving	$1.0 million	$nil	Bank Prime plus 0.75%
Capital Loan Line	Demand revolving	$0.5 million	$0.4 million	Bank Prime plus 1.00%
Capital Loan	Non-revolving committed facility	$8.7 million	$8.7 million	Bank Prime plus 0.75%
Property Loan	Non-revolving committed facility	$3.3 million	$3.3 million	Bank Prime plus 1.75%
US Acquisition Loan	Non-revolving committed facility	$2.8 million USD	$2.8 million USD	For amounts not payable pursuant to BAs, interest is payable at the Bank's US Base Rate plus 1.75%
Capital Lease Line	Revolving lease line	$0.2 million	$nil	

Note:

(1) Amount drawn is as at the date of Credit Agreement, October 13, 2016.

PPS had a working capital deficiency as at October 31, 2015 and 2014, principally as a result of the fact that all amounts due under the Credit Facility described above were due on demand. On October 13, 2016, PPS renewed and amended a Credit Agreement with a Canadian chartered bank (the "**Credit Agreement**"). See "Description of Material Indebtedness". Under the terms of the Credit Agreement, certain payments in respect of the Capital Loan, Property Loan and US Acquisition Loan which had been due on demand and therefore reported as current liabilities ($17,144 as at October 31, 2015 and $15,989 as at July 31, 2016) were rescheduled to become payable as to approximately $160,000 on a monthly basis, with the balance due on November 1, 2017 becoming due on demand on that date. As a result of the rescheduling of principal and interest payments under the Credit Agreement, the Company did not have a working capital deficiency as at October 31, 2016.

Financial and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, derivatives and loans and borrowings. The Company does not believe that it is exposed to significant currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term nature. Note 20 to the consolidated financial statements discloses risks related to interest rates, credit and liquidity. The fair value of these financial instruments approximates their carrying value due to their short-term nature.

The Company's exposure to the risk of changes in market interest rates relates primarily to the long-term debt obligations with floating interest rates. The Company has entered into interest rate swaps to fix its exposure to variable interest rates on approximately one half of its long-term debt. The Company enters into derivative contracts to fix its risk associated with interest rates and commodity transactions. At October 31, 2015 and 2014, the notional values of the following derivatives contracts were included in term loans and the related derivative instrument liabilities were included in accounts payable and accrued liabilities in the statement of financial position in liabilities.

	Average fixed rate	2015 Notional Value	2015 Sum of derivative instrument liabilities and notional value	2015 Derivative instrument liabilities	2014 Notional Value	2014 Sum of derivative instrument liabilities and notional value	2014 Derivative Instrument liabilities
Interest rate swaps	**2.88%**	**$9,067**	**$9,629**	**$562**	$9,500	$9,976	$476

Key Sensitivities

Earnings from the Company's consolidated operations are sensitive to fluctuations in and currency exchange rates. Currency risk arises as a result of the Company's investment in its U.S. subsidiaries, Subterra, LLC and PPS USA Holdings Inc. Management believes this risk is reduced by the fact that these U.S. subsidiaries operate in a politically and economically stable foreign country. Sensitivities of net income (loss) and equity for transactions denominated in USD using a sensitivity rate of 10% amounted to $(25) and $415 for 2015 ($980 and $153 for 2014).

Contractual Obligations

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital, cash flows and the issuance of share capital. The Company has access to lines of credit with available borrowings of $1,500 at October 31, 2015 and cash and cash equivalents totaling $1,791 (including restricted cash of $1,000). The Company is obligated to the following contractual maturities of undiscounted cash flows at October 31 for the following financial liabilities:

	Total	2016	2017	2018	2019 and after
	$	$	$	$	$
Demand loans	17,644	17,644	—	—	—
Current debt	1,254	1,254	—	—	—
Long-term debt	3,867	1,179	1,185	1,099	314
Finance lease obligations	76	57	19	—	—
Total	22,841	20,224	1,204	1,099	314

Subsequent to October 31, 2015 the Company entered into a facility agreement with its lender which renewed and amended existing credit facilities. As a result the maturity of outstanding loans, totaling approximately $12,787 at October 31, 2015, was extended to November 2017.

After October 31, 2015, PPS completed a convertible debenture offering (the "**Convertible Debenture Offering**"). The Convertible Debenture Offering, which closed in two separate tranches (July and September 2016), consisted of a total of 9,491 Convertible Debenture units, at a price of $1,000 per Unit, for gross proceeds of $9,500. As a result of the Reorganization, each Convertible Debenture is convertible into Common Shares at $5.50 per Common Share, at the option of the Convertible Debenture holder for a period ending 30 days after the Closing of the Offering. The Convertible Debentures mature on December 15, 2018, upon which time the Convertible Debentures which are then outstanding shall be repaid by the Company in twenty equal quarterly payments for the Convertible Debenture amount at the option of the Convertible Debenture holder. The term of the Convertible Debentures is subject to early redemption provisions. The Convertible Debentures pay interest at a rate of 10.0% per annum, with interest to be paid monthly and the principal to be paid upon maturity. The Convertible Debentures are subordinate to all of the Company's other short-term and long-term loans and borrowings.

Statements of Financial Position as at October 31, 2015 and 2014

Select Consolidated Statements of Financial Position Data

	Years ended October 31	
	2015	2014
	$	$
Total assets	**78,041**	73,917
Current liabilities	**25,330**	22,822
Non-current liabilities	**6,871**	7,041

Assets

The Company's asset base primarily consists of cash and cash equivalents, accounts receivable, inventories, property, plant and equipment and intangible assets consisting of deferred development costs, deferred patent costs and

other intangible assets. The $4,124 increase in the asset base resulted largely from increases of: $2,749 in inventory and $7,799 in plant property and equipment related to the POD construction project. These increases were partially offset by decreases of: $1,495 in cash and cash equivalents and $5,472 in accounts receivable, attributable to the timing sales and receipt of funds.

Liabilities

Total current and non-current liabilities were $32,201 at October 31, 2015, an increase of $2,338 from October 31, 2014. This result was largely attributable to increases of $2,009 in accounts payable.

Shareholders' Equity

PPS' shareholders' equity increased by $1,786 to $45,840 at October 31, 2015, from $44,054 at October 31, 2014. This result is mainly attributable to a $2,256 decrease to retained earnings, a result of the net loss for 2015, which was offset by an increase of $571 in share-based compensation reserves and an increase of $3,364 in accumulated other comprehensive income due to the exchange difference on translating foreign operations.

Third Quarter 2016 Highlights

- Continued construction of new biosecure growth chambers to augment its existing growth facilities with a new 62,000 sq. ft. growing building, which was completed in August 2016.
- Sold 195,000 g of dried medical cannabis at an average price of $8.32/g during the third quarter and 548,000 g during the nine months ended July 31, 2016 at an average price of $8.33/g.
- Commenced sales of concentrated cannabis oils and sold 361,000 mL of oils at an average price of $2.46/ml during the third quarter and 655,000 ml at an average price of $2.50/ml during the nine months ended July 31, 2016.
- Achieved a Total Recordable Incident Rate[(1)] of zero.

Events Subsequent to Quarter End

On October 31, 2016, PPS completed the Reorganization. The significant effects of the Reorganization were the transfer of the PM Power Group power utility business to the shareholders of PPS, and CanniMed Therapeutics Inc. becoming the sole shareholder of PPS. See "The Reorganization" section in this MD&A.

On August 25, 2016, the Company received a notice from MISO requesting to terminate the Company's System Support Resource Agreement ("SSR Agreement") by way of a 90 day notice period. The notice to terminate the agreement was approved by the Federal Energy Regulatory Commission in November 2016. The Company's turbine still remains a source of back up-power for the grid and the Company's operations. Management assessed and concluded that the receipt of the notice was not indicative of an impairment that existed as at July 31, 2016. Management is currently assessing the impact of the termination of the SSR Agreement on future reporting periods.

On December 20, 2016, certain debenture holders converted $900 of convertible debentures into 40,908 fully paid Class "A" common shares of PPS. In addition, on December 20, 2016, a total of 2,273 warrants were converted into 2,273 Class "A" common shares of PPS for gross proceeds of $50. Pursuant to the Reorganization, the Class "A" common shares of PPS, pursuant to these conversions, were converted into Class "D" common shares of PPS and the resulting Class "D" common shares of PPS were then exchanged on a 4:1 basis for shares of CanniMed Therapeutics Inc., for a total of 172,724 common shares of CanniMed Therapeutics Inc.

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(1) The Company utilizes the TRIR metric, a rating that is used to determine the number of serious injuries (medical incidents and higher) for every 200,000 hours worked. The TRIR metric considers all incidents that have caused serious harm to the Company's workforce, thereby enabling the Company to be more proactive with its policies and procedures designed to improve and maintain safety.

Results of Operations for the three and nine months ended July 31, 2016 and 2015

Unless otherwise noted, the results presented and referred to below include the results of the Company's biopharmaceutical products division and of PM Power Group. As a result of the Reorganization, the Company no longer has any interest in the PM Power Group. Accordingly, future results will not include the results of the PM Power Group.

Selected Information

	Three months ended July 31,		Nine months ended July 31,	
	2016	2015	2016	2015
	$	$	$	$
Financial Data				
Revenue	**5,036**	4,817	**14,770**	14,141
Gross margin, including unrealized gain on changes in fair value of biological assets	**3,029**	2,210	**8,804**	8,677
Net loss	**(413)**	(678)	**(944)**	(312)
Loss per share (basic and diluted) ($ per share)	**(0.11)**	(0.18)	**(0.26)**	(0.09)
Cash generated by operations			**546**	2,429
EBITDA[1]	**618**	188	**1,871**	1,766
Biopharmaceutical products – Selected Financial and Operating Data				
Revenue	**2,650**	1,593	**6,635**	4,297
Gross margin, including unrealized gain from changes in fair market value of biological assets	**2,143**	885	**5,578**	4,982
Operating Statistics				
Sales, dried medical marijuana (000 g)	**195**	149	**548**	425
Revenue per gram	**$ 8.32**	$ 8.79	**$ 8.33**	$ 8.85
Sales of oils (000 mL)	**361**	nil	**655**	nil
Average selling price per mL	**$ 2.46**	n/a	**$ 2.50**	n/a
Total dried marijuana equivalent sold[2] (000 g)	**255**	149	**657**	425
Revenue per gram of marijuana equivalent	**$ 9.84**	$ 8.79	**$ 9.44**	$ 8.85

Financial Results of Operations

Net Loss

For the three months ended July 31, 2016, net loss of $413 ($0.11 per share) was improved versus the net loss of $678 ($0.18 per share) for the same period in 2015. Year to date, net loss of $944 ($0.26 per share) increased from the net loss of $312 reported for the first nine months of 2015. Loss per share is calculated based on the weighted number of shares of PPS outstanding during the relevant periods and does not reflect the four-for-one share exchange of shares of PPS for shares of CMED as part of the Reorganization.

Revenue

Total revenue of $5,036 for the three months ended July 31, 2016 was relatively unchanged period over period. The biopharmaceutical products division contributed $2,650 in revenue during the third quarter compared to $1,593 for the same period in 2015. This increase was attributable to increased sales volume, largely attributable to the first sales of concentrated cannabis oils in January 2016.

Revenue from PM Power Group for the three months ending July 31, 2016 was $2,386, a 26 percent decrease from $3,224 as reported for the same period in 2015. This reduction was attributable to a decrease in MISO revenue.

Notes:

(1) See description of non-IFRS measure in the "Non-IFRS Financial Measure and Reconciliation" section of this MD&A.

(2) Dried equivalent of medical marijuana is calculated on the basis of 60 ml oils equivalent to 10 g of dried medical marijuana.

Year to date, total revenue increased five percent to $14,770 from $14,141 in the first nine months of 2015. Biopharmaceutical sales contributed $6,635 to this amount (YTD 2015 – $4,297). This increase was attributable to increased sales.

Year to date, revenue from PM Power Group was $8,135, a 17 percent decrease from the $9,844 reported for the comparable period in 2015. This reduction was attributable to a decrease in MISO revenue.

Cost of Sales

Cost of sales, net of the unrealized gain on changes in fair value of biological assets, in the three months ended July 31, 2016 was $2,007 compared to $2,607 for the same period in the prior year. Cost of sales for the nine-month period ended July 31, 2016 was $5,966, compared with $5,464 for the same period in 2015.

Production quantities during the quarter were approximately 74% of the quantities in the same period of the prior year. Production costs were further reduced by the portion of production that was oils, which have a lower unit cost resulting from a shorter production process. Oils accounted for approximately one third of sales on a dried equivalent basis during the quarter, while no oils were produced or sold during the same period in the prior year. The unit cost of oil production was reduced by the absence of several production steps that are required for dried product. Inventory expensed to cost of sales increased by $1,447 to $3,461 as a result of higher unit sales in the period versus the prior year.

Production quantities in the nine months ended July 31, 2016 were higher than in the same period of the prior year, with cost increases mitigated by the oils component, production of which commenced at the start of the 2016 fiscal year and built up gradually during the nine months ended July 31, 2016, accounting for approximately one sixth of sales on a dried equivalent basis during the nine-month period. The increase of $1,347 in inventory expensed to cost of sales resulted from significantly higher unit sales in the period versus the prior year.

Production costs of the PM Power Group business segment, included in the above figures, were $1,480 for the three months ended July 31, 2016 (Q3 2015 – $1,899) and $4,909 for the nine months ended July 31, 2016 (YTD 2015 – $6,149).

General and Administrative Expense

General and administrative expense of $1,441 for the three months ended July 31, 2016 was $506 higher than the comparable period of 2015. This variance is attributable to higher professional fees and utilities, partly offset by lower permitting fees. Year to date, general and administrative expenses of $3,868 were slightly higher than in the comparable period of 2015.

Sales and Marketing Expense

For the three months ended July 31, 2016, sales and marketing expense increased 13 percent to $816, compared to $723 in 2015. Year to date, this expense was $2,412, an increase of nine percent over the comparable period of 2015. Period over period and year over year, this increase is due to increased expenditures on advertising and promotion.

Share-based compensation

For the three months ended July 31, 2016, share-based compensation expense was $81, compared to $183 for the corresponding period in 2015. Year to date, this expense was $248 versus $557 in the first nine months of 2015. These decreases are attributable to the timing of option grants and the scheduling of the corresponding expense according to the vesting terms of the respective option agreements.

Finance Costs

For the three months ended July 31, 2016, finance costs were $298 compared to $193 in the corresponding period of 2015. Year to date, finance costs were $893 versus $603 in the first nine months of 2015. This increase was attributable to higher interest charges on the Company’s borrowings and increased credit card charges associated with the processing of a higher volume of product sales.

Income Tax

Net income tax recovery for the three months ended July 31, 2016 was $138, compared to $117 net tax expense in the comparable period of 2015. Year to date, deferred tax recovery was $342, compared to $119 expense in the first nine months of 2015. The recoveries are largely related to the losses incurred during the respective periods.

Capital Projects

After July 31, 2016, the Company completed construction of its new 62,000 square foot POD plant growth and production facility. Plant growth began in POD during the fourth quarter of 2016. This facility provides the Company with increased production capacity to meet growing market demand. Capital expenditures on the POD project for the nine-month period to July 31, 2016 were $1,105 (2015 – $3,652).

Liquidity and Capital Resources as at July 31, 2016 and October 31, 2015 and for the periods ended July 31, 2016 and 2015

At July 31, 2016, the Company had cash and cash equivalents of $5,851 (October 31, 2015 – $1,791). Operating cash flow, equity financings and debt financings are the Company's primary source of liquidity.

Operating Activities

The principal use of operating cash flow is to fund the Company's operating and capital expenditures at its production facilities, its general and administrative costs and its debt service payments. During the nine months ended July 31, 2016, PPS' cash flow from operations was $546 (YTD 2015 – $2,429). The reduction of $1,883 was primarily the result of non-cash movements of biological assets in inventories.

Investing Activities

Cash used in investing activities during 2016 was $4,165. Expenditures included $3,749 of additions to property, plant and equipment, primarily the POD construction project.

Financing Activities

Cash of $7,679 was generated by the Company's financing activities during the nine months ended July 31, 2016. Proceeds of $8,441 received from the issuance of convertible debentures was offset by $1,320 repayment of bank debt and finance lease payments.

Liquidity

The discussion under "Liquidity and Capital Resources" for the years ended October 31, 2015 and 2014 in this MD&A is applicable to the periods ended July 31, 2016 and 2015.

PPS' capital structure is comprised of a combination of debt and shareholders' equity. Set out below is a schedule of the capital structure of PPS as at July 31, 2016 and 2015.

Schedule of Capital Structure of PPS

	Jul 31 2016	Oct 31 2015
	$	$
Debt[1]	**31,539**	24,654
Shareholders' equity	**44,081**	45,840
Debt to equity	**72%**	54%

(1) Includes convertible debentures of $10,494 at July 31, 2016 and $2,053 at October 31, 2015.

At July 31, 2016, PPS was not in compliance with certain financial covenant requirements within the Credit Agreement with its lender. As such, the amortized cost of these facilities was reclassified to a current liability for

financial statement presentation purposes. See the discussion under "Liquidity and Capital Resources" for the years ended October 31, 2015 and 2014 in this MD&A and "Description of Material Indebtedness" in this prospectus for a description of the Credit Agreement. Effective October 13, 2016, the repayment dates of the Capital Loan, Property Loan and US Acquisition Loan were rescheduled to November 1, 2017 under the Credit Agreement and as a result, the Company did not have a working capital deficiency as at October 31, 2016.

The Company's biopharmaceutical sales in the nine months ended July 31, 2016 showed an improvement over the same period of 2015 and its net loss during the 2016 period was reduced as compared to the nine months ended July 31, 2015 (see "Financial Results of Operations"). Management believes the cash flow from its biopharmaceutical products operations (see "Operating Activities") resulting from improved sales in the nine months ended July 31, 2016 (as compared to the nine months ended July 31, 2015) and availability under its Operating Loan will continue to be sufficient to maintain the Company's operating capacity and fund its operations, and with the proceeds of the Offering, sufficient to fund planned growth and development activities.

Financial and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, derivatives and loans and borrowings. The Company does not believe that it is exposed to significant interest, currency or credit risk arising from these financial instruments.

The Company's exposure to the risk of changes in market interest rates relates primarily to the long-term debt obligations with floating interest rates. The Company has entered into interest rate swaps to fix its exposure to variable interest rates on approximately one half of its long term debt. The Company enters into derivative contracts to fix its risk associated with interest rates and commodity transactions. At July 31, the notional and fair values of the following derivatives contracts were included in the statement of financial position in liabilities.

	July 31, 2016				October 31, 2015		
	Average fixed rate	Notional Value	Sum of derivative instrument liabilities	Derivative instrument liabilities	Notional Value	Sum of derivative instrument liabilities	Derivative instrument liabilities
Interest rate swaps	**2.88%**	**$8,727**	**$9,190**	**$463**	**$9,067**	**$9,629**	**$562**

Contractual Obligations

At July 31, 2016, there were no significant changes to PPS' contractual obligations from those reported in the Management's Discussion and Analysis for the year ended October 31, 2015.

Statements of Financial Position

Select Consolidated Statements of Financial Position Data

	Jul 31 2016	Oct 31 2015	Change
Total assets	**$81,319**	$78,041	4%
Current liabilities	**22,454**	25,330	(11%)
Non-current liabilities	**$14,784**	$ 6,871	106%

Assets

PPS's asset base primarily consists of cash and cash equivalents, accounts receivable, inventories, property, plant and equipment and intangible assets consisting of deferred development costs and other intangible assets. The $3,278 increase in the asset base during the first nine months of 2016 resulted largely from increases of: $4,060 in cash and cash equivalents, attributable to the debenture financing that was completed in July 2016 partly offset by investments in property, plant and equipment.

Liabilities

Total current and non-current liabilities were $37,238 at July 31, 2016, up $4,437 from October 31, 2015. This result was largely attributable to the completion of the debenture financing during the third quarter of 2016, offset by a reduction in accounts payable and accrued liabilities and repayment of other loans and borrowings.

Shareholders' Equity

PPS' shareholders' equity reduced by $1,759 to $44,081 at July 31, 2016 from $45,840 at October 31, 2015. This result is mainly attributable to a reduction in accumulated other comprehensive income (which reflects exchange differences on translating foreign operations).

Accounting Estimates

Certain of the Company's accounting policies require that management make decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. PPS's significant accounting estimates are contained in Note 4 to the consolidated financial statements. The following is a discussion of the accounting estimates that are critical in determining the Company's financial results.

Business combinations

In determining the allocation of the purchase price in a business combination, including any acquisition related contingent consideration, estimates including market based and appraisal values are used. Judgement is used in determining whether an acquisition is a business combination or an asset acquisition.

Revenue Recognition

The Company considered the detailed criteria for the recognition of revenue from the sale of power set out in IAS 18, specifically whether the amount of revenue can be measured reliably. Under contracts with the Midcontinent Independent System Operator ("MISO"), the entity is reimbursed for the cost of operating and maintaining its natural gas power plant. The costs that are ultimately reimbursed under the MISO contracts can be subject to change as a result of regulatory processes or subsequent adjustments for actual costs incurred. Management makes judgements regarding whether the amount of revenue can be measured reliably and has determined that the revenue recognized under these contracts can be measured reliably.

Impairment of Goodwill, intangibles and long-lived assets

Determining whether impairment of goodwill, intangible assets and long-lived assets exists requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Valuation of Biological Assets and Inventories

Biological assets, consisting of plants are measured at fair value less costs to sell up to the point of harvest.

Determination of the fair values of the biological assets 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 plants up to the point of harvest, sales price, risk, and expected remaining future yields for the plants. As the valuation of biological assets becomes the basis for the cost of finished goods inventories after harvest, this is also a significant estimate for the valuation of inventories.

Estimated Useful lives of Property and Amortization of Plant and Equipment and Intangible Assets

Depreciation and amortization of property and equipment and finite-life intangible assets is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets.

Share-based Compensation

In calculating the share-based compensation expense, key estimates such as the value of the common shares, the rate of forfeiture of options granted, the expected life of the option, the volatility of the value of the Company's common shares and the risk-free interest rate are used.

Warrants

In calculating the value of the warrants, key estimates such as the value of the common shares and the risk free interest rate are used.

Taxes

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with tax planning strategies.

Future Accounting Pronouncements

These are the changes that the Company reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 15 – Revenue from contracts with customers

In May 2014, IFRS 15 was issued by the International Accounting Standards Board ("IASB") which provides a comprehensive framework for recognition, measurement, and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and must be applied retrospectively. Early adoption is permitted. The Company is currently assessing the potential impacts of IFRS 15.

IFRS 9 – Financial Instruments

IFRS 9 was issued by IASB in November 2009 and October 2010 and will replace IAS 39. 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. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss and amortized cost. Financial liabilities held-for-trading are measured at fair value through profit or loss, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. The effective date of IFRS 9 is January 1, 2018, with earlier adoption permitted. The Company is currently assessing the potential impact of IFRS 9.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

This amendment provides guidance regarding the accounting for bearer plants by providing a definition of bearer plants and brings bearer plants within the scope of IAS 16 from IAS 41. The amendment is effective for annual reporting periods beginning on or after January 1, 2016, and must be applied retrospectively. Early adoption is permitted. The Company does not anticipate a significant change from its current policy as the carrying cost of bearer plants is negligible.

Disclosure Initiative (Amendments to IAS 1)

On December 18, 2014, the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to the Company's current practices, but should facilitate improved financial statement disclosures. The Company will adopt these amendments in its financial statements for the year beginning on November 1, 2016.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 16 has also been adopted. The Company is currently assessing the potential impact of IFRS 16.

IFRS 2 Share-Based Payment

In June 2016, the IASB issued amendments to IFRS 2. These amendments provide clarification on how to account for certain types of share-based payment transactions. The amendments are effective for the annual period beginning on or after January 1, 2018. The extent of the impact of the adoption of the amendments has not yet been determined.

IFRS 10 Consolidated Financial Statements

In September 2014, IFRS 10 was amended to clarify an inconsistency between this standard and IAS 28, Investments in Associates and Joint Ventures. The amendment requires that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if the assets are housed in a subsidiary. The amendments are effective for transactions occurring in annual periods beginning on or after January 1, 2016. The extent of the impact of the adoption of these amendments has not yet been determined.

IAS 7 Statement of Cash Flows

As part of their disclosure initiative, the IASB has issued amendments to IAS 7 Statement of Cash Flows requiring a reconciliation of liabilities arising from financing activities to enable users of the financial statements to evaluate both cash flow and non-cash changes in the net debt of a Company. The amendments to IAS 7 are effective for annual periods beginning on or after January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

IAS 12 Income Taxes

In January 2016, the IASB issued amendments to IAS 12 to provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. Adoption of the amendments to IAS 12 is required for the annual period beginning on or after January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

Non-IFRS Financial Measure and Reconciliation

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")

The term EBITDA does not have any standardized meaning under IFRS. Therefore, it may not be comparable to similar measures presented by other companies.

Management uses EBITDA to evaluate the performance of our business as it reflects its ongoing profitability. We believe that certain investors and analysts use EBITDA to measure a company's ability to service debt and to meet other payment obligations or as a common measurement to value companies in the biopharmaceutical industry. EBITDA has no directly comparable IFRS financial measure. Such information is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The Company measures EBITDA as net earnings plus income taxes, interest expense and depreciation and amortization.

The following table provides a reconciliation of earnings as determined under IFRS to EBITDA.

Calculation of EBITDA	Three Months Ended July 31		Nine Months Ended July 31		October 31		
	2016	2015	2016	2015	2015[1]	2014[1]	2013
	$	$	$	$	$	$	$
Net (loss) income	(413)	(678)	(944)	(312)	(2,256)	8,927	2,748
Net income tax (recovery) expense	(138)	117	(342)	(119)	(1,136)	453	997
Finance costs[2]	298	193	893	603	1,129	364	111
Depreciation and amortization	871	556	2,264	1,594	3,129	1,351	669
EBITDA	618	188	1,871	1,766	866	11,095	4,525

Notes:

(1) Results for 2015 and 2014 and the nine months ended July 31, 2016 include results of PM Power Group and are therefore not directly comparable to results for 2013.

(2) Finance costs include certain credit card costs which are deemed to be finance costs for purposes of calculating EBITDA.

Disclosure Controls and Internal Controls over Financial Reporting

Internal Control Over Financial Reporting

In accordance with National Instrument 52-109 of the Canadian Securities Administrators, management is responsible for establishing and maintaining adequate Disclosure Controls and Procedures ("DCP") and Internal Control Over Financial Reporting ("ICFR"). If and when the Company becomes a reporting issuer in Canada its CEO and CFO will be required to file certifications relating to DCP and ICFR for the Company in connection with its interim and annual filings, commencing with its first reporting period after becoming a publicly traded company.

Changes in Internal Control Over Financial Reporting

During the year ended October 31, 2016, PPS engaged a new Chief Financial Officer and, to fill a newly created position, a Director of Finance to better align its capabilities with the growth profile of the Company. There have been no other significant changes made to the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the President and Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty,

and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

DESCRIPTION OF SHARE CAPITAL

Common Shares

Holders of Common Shares are entitled to receive notice of, attend and vote at meetings of the shareholders (other than meetings at which only holders of another class or series of shares are entitled to vote separately as a class or series). Each Common Share carries the right to one vote. The holders of Common Shares are entitled to receive any dividends declared by the Company in respect of the Common Shares, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares ranking in priority to the Common Shares with respect of the payment of dividends. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, holders of Common Shares are also entitled to receive, on a pro rata basis, the remaining property and assets of the Company available for distribution after payment of all of its liabilities and subject to the rights of the holders of any other class of shares ranking in priority to the Common Shares. For a description of the Company's dividend policy, see "Dividend Policy".

Preferred Shares

The Preferred Shares may at any time and from time to time be issued in one or more series. Before any Preferred Shares of a particular series are issued, the Board may fix the number of Preferred Shares in such series and shall determine the designation, rights, privileges, restrictions and conditions attaching to the Preferred Shares in such series. Each holder of Preferred Shares shall be entitled to vote as specified in each series or upon any separate vote at a special meeting of, the Company shareholders. The holders of Preferred Shares will be entitled to receive, in priority to the holders of the Common Shares, such dividends, if, as and when declared by the Board out of profits, capital or otherwise. On liquidation, dissolution or winding up of the Company, the holders of the Preferred Shares will be entitled to receive, in priority to the holders of the Common Shares, the property of the Company, set out in the conditions attaching to the Preferred Shares, remaining after payment of all outstanding debts on a pro rata basis. There are no pre-emptive, redemption or conversion rights attaching to the Preferred Shares.

DESCRIPTION OF MATERIAL INDEBTEDNESS

Credit Facilities

On October 13, 2016, PPS renewed and amended a credit agreement with a Canadian chartered bank (the "**Credit Agreement**"). The Credit Agreement includes a demand revolving loan in the amount of $1,000,000 (the "**Operating Loan**"), a non-revolving committed facility to November 1, 2017 in the amount of $8,652,168 (the "**Capital Loan**"), a non-revolving committed facility to November 1, 2017 in the amount of $3,265,051 (the "**Property Loan**") and a non-revolving committed facility to November 1, 2017 in the amount of US$2,809,523 (the "**U.S. Loan**", and collectively with the Operating Loan, the Capital Loan and the Property Loan, the "**Credit Facilities**"). As at October 13, 2016, the aggregate amount outstanding under the Credit Facilities was approximately $16,000,000 ($400,000 under the Operating Loan, $8,700,000 under the Capital Loan, $3,300,000 under the Property Loan, and US$2,800,000 under the U.S. Loan).

Each of the Credit Facilities has various interest rate charge options that are based on Canadian prime rates, fixed rates and U.S. base rates plus the applicable margin from time to time in effect, which, as of the date of this prospectus, range from 0.75% to 1.75% per annum.

The Credit Agreement provides for cross-guarantees by us and our subsidiaries (the "**Credit Facility Guarantors**"). The Company and each of the Credit Facility Guarantors provided a first priority security interest over all personal property to collateralize the obligations under the Credit Agreement. The Credit Agreement also imposes certain restrictions on the payment of dividends by the Company.

The Credit Agreement contains restrictive covenants that are customary for credit facilities of this nature, including restrictions on the Company, subject to certain exceptions, to maintain certain ratios of assets to liabilities, to incur capital expenditures exceeding $5,000 in any fiscal year, to grant liens, merge, amalgamate or consolidate with other companies, transfer, lease or otherwise dispose of all or substantially all of its assets, declare or pay dividends on its shares, repurchase or redeem any of its shares or reduce its capital to repay any shareholders' advances, ensure property tax or strata fee compliance or become guarantor or endorser or otherwise become liable upon any note or other obligation other than in the normal course of business. The Company is currently in compliance with all covenants contained in the Credit Agreement and no material breach of such agreement has occurred or been waived.

CONSOLIDATED CAPITALIZATION

Described below is the Company's capitalization as at July 31, 2016, prepared on a pro forma basis to give effect to the Reorganization as at November 1, 2016, before and after giving effect to the Offering.

	As at July 31, 2016, after giving effect to the Reorganization	As at July 31, 2016, after giving effect to the Reorganization and the Offering[1]
	$000	$000
Cash and Cash Equivalents	**5,615**	**61,015**
Debt (including current maturities)		
Convertible Debentures of PPS	10,494	10,494
Loans and Borrowings	21,045	21,045
Total Debt[2]	**31,539**	**31,539**
Total Equity[2]	**16,447**	**71,847**
Total Capitalization	**47,986**	**103,386**

Notes:

(1) Assumes that the Over-Allotment Option is not exercised. Assumes net proceeds of $55.4 million based on estimated aggregate gross proceeds of approximately $60.0 million less the underwriters' fee of approximately $3.6 million and estimated expenses of the offering.

(2) Does not include Common Shares issuable on the exercise of options and warrants and conversion of the Convertible Debentures.

OPTIONS TO PURCHASE COMMON SHARES

Options

The Board of Directors will adopt a stock option plan (the "**Stock Option Plan**") under which options may be granted to the Company's directors, officers, employees and consultants. The Company's subsidiary, PPS, previously adopted stock option plans for its employees (the "**PPS Option Plans**"). No additional options will be granted under the PPS Option Plans. As a result of the Reorganization, the options under the PPS Option Plans entitle the holder to acquire Common Shares at the exercise price noted below.

As of the date of this prospectus, 2,532,788 options are granted and outstanding under the PPS Option Plans. The following table sets out information regarding the outstanding options to purchase Common Shares as of the date of this prospectus.

Holder of Options	Number of Optionees	Common Shares Underlying Options	Exercise Price	Expiry Date
Executive Officers	4	1,707,200	$0.6825 – $4.6825	June 26, 2018 – October 31, 2018
Directors (other than those who are also Executive Officers)	8	93,056	$ 1.68 – $4.6825	October 31, 2018
Other Current and Former Employees	14	732,532	$0.6825 – $4.6825	June 26, 2018 – October 31, 2018
Total		2,532,788		

Warrants

The Company's subsidiary, PPS, previously granted warrants to purchase shares of PPS in connection with the issue and sale of convertible debentures as described below. As a result of the Reorganization and subsequent to the exercise of the warrants to purchase shares of PPS, the respective warrant holder will hold four Common Shares and one common share of PM Power Holdings. The terms of the warrants are set forth in the following table.

Number of Warrants	Securities Underlying Warrants	Expiry Date	Number of Common Shares into which Warrant may be Exercised	Pro Forma Exercise Price per Common Share[1]
44,381	Common Shares	December 15, 2018	177,524	$5.50

Note:

(1) The exercise price of the warrants to purchase shares of PPS is the lesser of $5.50 and 90% of the Offering Price. The pro forma exercise price is calculated as one quarter of the exercise price of the warrants to purchase shares of PPS.

Convertible Debentures

The Company's subsidiary, PPS, previously issued the Convertible Debentures. As a result of the Reorganization and subsequent to the conversion of the convertible debentures, the respective debenture holder will hold four Common Shares and a common share of PM Power Holdings. The terms of the Convertible Debentures are set forth in the following table.

Date of Issuance	Principal Amount	Exercise Price per Common Share[1]	Expiry Date[2]	Number of Common Shares into which Convertible Debentures May be Converted[3]
October 29, 2015	$1,952,714.00	$5.50	December 15, 2018	355,032
June 30, 2016	$ 292,060.00	$5.50	December 15, 2018	53,096
July 15, 2016	$7,368,924.00	$5.50	December 15, 2018	1,339,788
August 31, 2016	$1,030,300.00	$5.50	December 15, 2018	187,324

Notes:

(1) The conversion price of the Convertible Debentures is the lesser of $5.50 and 90% of the Offering Price. The conversion price of the Convertible Debentures is calculated as one quarter of the conversion price of the Convertible Debentures convertible into shares of PPS.

(2) The Convertible Debentures may only be converted for a period ending 30 days after the Closing.

(3) The number of Common Shares into which Convertible Debentures may be converted is calculated on the basis of the subscription amount per subscriber. The agreements governing the terms of the Convertible Debentures stipulate that any fractional shares will be rounded down with the remainder being paid to the subscriber in cash, in accordance to a prescribed formula.

PRIOR SALES

The following table summarizes details of the shares issued by the Company during the 12-month period prior to the date of this prospectus.

Date of Issuance	Description of Transaction	Price per Security	Number of Securities
October 31, 2016	Common Share issued upon incorporation	$1.00	1
November 1, 2016	Common Shares issued in connection with Reorganization	— (1)	14,670,780
December 20, 2016	Common Shares issued upon conversion of Convertible Debentures	$5.50	163,632
December 20, 2016	Common Shares issued upon exercise of warrants	$5.50	9,092

Note:

(1) The Common Shares were issued as consideration for the sale by the former shareholders of PPS of all of their shares of PPS to the Company.

PRINCIPAL SHAREHOLDERS

As of the date of this prospectus, to the knowledge of the directors and officers of the Company, no person beneficially owns or exercises control or direction over Common Shares carrying more than 10% of the votes attached to Common Shares, except for the following:

Name	Type of Ownership	Number of Common Shares Owned before the Offering	Number of Common Shares Owned after the Offering	Percentage of Outstanding Shares after the Offering
Golden Opportunities Fund Inc. . .	Beneficial and of record	3,684,128	3,684,128	18.57%(1)

Note:

(1) In addition, Golden Opportunities Fund Inc. holds Convertible Debentures convertible into 294,544 Common Shares representing a percentage security holding on a fully diluted basis of 19.87%. If the Over-Allotment Option is exercised in full, such holder will own 17.89% (19.16% on a fully diluted basis) of the issued and outstanding Common Shares after the Offering.

MANAGEMENT

The following table sets out, for each of our directors and executive officers, the person's name, age, province or state and country of residence, position with us, principal occupation and, if a director, the date on which the person became a director. Our directors are expected to hold office until our next annual general meeting of shareholders. Our directors are elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders. As a group, the directors and executive officers beneficially own, or control or direct, directly or indirectly, a total of 1,289,872 Common Shares, representing 6.4% of the Common Shares outstanding immediately following the Closing (not including Common Shares that may be issuable on exercise of the Over-Allotment Option).

Directors and Executive Officers

Name and Province or State and Country of Residence	Age	Position with the Company	Director Since	Principal Occupation
Donald Ching[3], [9] Saskatoon, Saskatchewan, Canada	75	Chairman and Director	1998	Director, Golden Opportunities Fund Inc., venture capital corporation
Brent Zettl[2] Saskatoon, Saskatchewan, Canada	54	President, Chief Executive Officer and Director	1988	President, CEO and Director of the Company
John L. Knowles Winnipeg, Manitoba, Canada	61	Chief Financial Officer, Director and Corporate Secretary	2008	CFO and Director of the Company
Doug Banzet[1], [3], [9] Saskatoon, Saskatchewan, Canada	66	Director	2001	CFO and director, Golden Opportunities Fund Inc., venture capital corporation
Rob Duguid[1], [6], [9] Regina, Saskatchewan, Canada	52	Director	2001	Vice President, PFM Capital Inc., investment management firm
Marianne Greer[2], [4], [9] Saskatoon, Saskatchewan, Canada	63	Director	2003	Retired, Director of the Company
Richard Hoyt[8], [9] Webster Groves, Missouri, United States	63	Director	2012	Vice President, Business Development, Mallinckrodt PLC, pharmaceutical company
Dwayne L. Lashyn[5], [9] Calgary, Alberta, Canada	51	Director	2004	Vice President, Quantico Capital Corp., private equity and venture capital firm
Bruce F. Mackler[4], [9] Bethseda, Maryland, United States	74	Director	2016	Retired, Director of the Company
Brandon J. Price[4], [7], [9] San Juan Cosalá, Jalisco, Mexico	68	Director	2004	Executive Vice President, Business Development, Nascent Biotech Inc. and President, Director of Biogenin, S.A.P.I., de C.V.
Gulwant Bajwa Ottawa, Ontario, Canada	54	Vice President, Business Development and Regulatory Affairs	—	Vice President, Business Development and Regulatory Affairs of the Company
Larry Holbrook Saskatoon, Saskatchewan, Canada	69	Chief Research Officer	—	Chief Research Officer of the Company

Notes:
(1) Member of the Audit Committee.
(2) Member of the CGC.
(3) Member of the CC.
(4) Member of the TPCC.

(5) Chair of the Audit Committee.
(6) Chair of the CGC.
(7) Chair of the CC.
(8) Chair of the TPCC.
(9) Independent.

Biographies

The following are brief profiles of our executive officers and directors, including a description of each individual's principal occupation within the past five years.

Donald Ching, *Chairman and Director*

Mr. Ching has been a retired businessman since December 2007 and currently serves as a Director of Golden Opportunities Fund Inc. He was President and CEO of Areva Resources Canada Inc., one of the world's leading uranium exploration, mining and milling companies, from 2005 to 2007, and President and CEO of Saskatchewan Telecommunications Holding Corporation (SaskTel) from 1996 to 2004. Prior to this, Mr. Ching practiced law in Saskatoon, Saskatchewan for 16 years with the former firm Walker, Romanow and Ching.

Brent Zettl*, President, Chief Executive Officer and Director*

Mr. Zettl co-founded the Company in 1988. In 1991, Brent became President and CEO of the Company and, in 1992, led the development of the Company's first biosecure underground growth chamber in Flin Flon, Manitoba. In February 2003, he founded SubTerra (and the Company's second biosecure underground growth chamber) at White Pine, Michigan and, in 2004, acquired the 35 square mile mine site for biopharmaceutical production. Under his leadership, both PPS and CanniMed became the first two Licensed Producers under the MMPR in 2013. In 2016, CMED was awarded one of the first licenses for the production and sale of medical cannabis oils. Brent contributes to the community through his involvement as director of the Canadian Environmental Technology Advancement Corporation – West, Chair of Harvest Community Inc., a non-profit assisting people with intellectual disabilities, and past Chair of Ag-West Bio Inc., an organization supporting growth in the agricultural biotechnology industry. In 2014, Brent was awarded the Ernst and Young Entrepreneur of the Year Award for the Prairies Business-to-Consumer category. In December 2013, he was a Special Advisor to Michigan Legislature in respect of Senate Bill 660, which created a new "pharmaceutical grade" cannabis program to operate in conjunction with the State's existing medical cannabis program. Brent received a Bachelor of Science & Agriculture degree with distinction from the University of Saskatchewan.

John L. Knowles*, Chief Financial Officer, Director and Corporate Secretary*

Mr. Knowles has over 30 years of experience in Canadian and international resource companies including several years in Ghana, West Africa. From 2007 to 2016, he was President and CEO of LiCo Energy Metals Inc. (formerly Wildcat Exploration Ltd.), a mineral exploration company. He has served as a senior officer of several publicly listed companies, including Aur Resources Inc., where he was Executive Vice President and CFO, and Hudbay Minerals Inc., where he was Vice President and CFO. Mr. Knowles has been a Director of Roxgold Inc. since September 2012 and was previously on the boards of Hudbay Minerals Inc. from March 2009 to May 2015 and LiCo Energy Metals Inc. from June 2007 to September 2016, Augyva Mining Resources Inc. from August 2011 to April 2013 and Tanzania Minerals Corp. from March 2011 to April 2013. He is a Chartered Professional Accountant and holds a Bachelor of Commerce from Queen's University.

Doug Banzet*, Director*

Mr. Banzet is the CFO and Director of Golden Opportunities Fund Inc. and Chief Operating Officer and Director of Westcap Management Ltd. From March 1993 to June 1995, Mr. Banzet was an independent management consultant to a variety of small and medium-sized Saskatchewan businesses. Prior to March 1993, he held various senior management positions with several of large Canadian trust companies. Mr. Banzet has over 40 years of experience in the financial service and asset management fields. His experience includes investment valuations of both private and public businesses, feasibility analysis, risk assessment, commercial loan financing, administration, budgeting, planning and management of large commercial loan portfolios. Mr. Banzet also serves as a Director of a number of private Canadian companies involved in life sciences, oil and gas exploration, biotech, value added processing, health care and service industries.

***Rob Duguid**, Director*

Mr. Duguid is a partner in PFM Capital entities and holds positions of Vice-President, Investments and CFO for the general partner of Prairie Ventures Fund Limited Partnership. He is the Vice President, CFO and Corporate Secretary of SaskWorks Venture Fund Inc., a Director of StorageVault Canada Inc., Vice President Investments, Corporate Secretary and CFO of Saskatchewan Entrepreneurial Fund and of the general partner of Apex Investment Fund.

***Marianne Greer**, Director*

Marianne Greer, Ph.D., is an independent pharmacist consultant. Since graduating with a Bachelor of Science in Pharmacy in 1975, she has practised the profession in the hospital, community, academic and pharmaceutical industry settings. Dr. Greer served as the Director of the Saskatchewan Drug Research Institute, an affiliate of the University of Saskatchewan, where she led a team dedicated to facilitating pharmaceutical research in the province. Her pharmaceutical industry experience was as a Director of Global Health Economics, employed by three major international pharmaceutical companies.

***Richard Hoyt**, Director*

Mr. Hoyt is the Vice President of Business Development and Licensing at Mallinckrodt PLC, a leading provider of controlled substances and specialty pharmaceuticals. During his 40-year career at Mallinckrodt PLC, in addition to his current role, Mr. Hoyt has also served as Vice President of Asset and Portfolio Management, Vice President and General Manager of New Products and Technology and Vice President of Active Pharmaceutical Ingredient Commercial Operations. His professional experiences include corporate strategy, financial and strategic assessment of acquisition opportunities, leadership of research and development and commercial management. Outside of his role at Mallinckrodt PLC, Mr. Hoyt serves on a number of community boards and was a Director of the Biotechnology Research and Development Corporation.

***Dwayne L. Lashyn**, Director*

Mr. Lashyn has been a Managing Director and Vice President of Quantico Capital Corp., a private investment company, from June 1992 to date. Prior to that, Mr. Dwayne Lashyn, a Chartered Professional Accountant, held positions with large public accounting firms with responsibilities in the audit, tax, receivership and valuation areas. Mr. Lashyn has over 25 years of experience in public and private debt and equity markets as well as principal investments in real estate and associated activities. His experience includes the areas of asset management, business valuations, corporate reorganizations and mergers, debt and equity structuring, property acquisitions, dispositions and management as well as personal and corporate tax. Mr. Lashyn also serves and has served on a number of not-for-profit boards and private boards and committees in the real estate, biotech and oil and gas exploration industries.

***Dr. Bruce F. Mackler**, Director*

Dr. Bruce Mackler is an investor in biomedical ventures and consultant in FDA, USDA and EPA regulatory processes. He has been in management and Board positions in several Biomedical Companies. Previously, Dr. Mackler, who holds a M.S., and Ph.D. in Microbiology/Immunology, held academic research positions and over 100 publications, before becoming an attorney practicing in the US regulatory processes and was Chairman of the Regulatory Practices at an international law firm before retiring. He has been a successful entrepreneur starting several pharmaceutical companies and raising funds and continues on the boards of several biomedical companies. Dr. Mackler continues to meet with US, Canadian and European regulatory authorities to navigate new products through the regulatory processes. Dr. Mackler is currently on the National Heart, Blood and Lung Institute's Small Business Innovation Research and Small Business Technology Transfer review committee, which enables small businesses to engage in research and development on innovative and commercially promising products.

***Dr. Brandon J. Price**, Director*

Dr. Price has more than 30 years of experience in the biopharmaceutical industry. Recently, he co-founded Biogenin, a Mexican company that licenses, develops and registers human and veterinary products for Latin American markets. He is also the Ben J. Rogers Chair in Entrepreneurism of the College of Business at Lamar University (Beaumont, Texas). Dr. Price has been CEO of five biotechnology start-ups and has held senior management positions at Cardinal Health and Ortho Diagnostic Systems (a Johnson & Johnson company). He has served as Board Chair of the Virginia Biotechnology Association and Maryland's counterpart, MdBIO. He currently sits on the board of

directors of four companies and chairs the Advisory Board for the Professional Science Management Program in Bioinformatics at Virginia Commonwealth University (Richmond, Virginia). He holds the B.S. and Ph.D. degrees in Biophysics from the University of Michigan in Ann Arbor and is the author of more than 50 articles in the scientific and business literature. Dr. Price served as CEO of GalenBio, Inc. from 2007 to 2012 and was a principle at Falcon Ridge Associates, Inc. from 2005 to 2013. He has been President and Director of Biogenin SAPI de CV since 2012 and has and has been a Director and Executive Vice president of Nascent Biotech, Inc. since 2014.

***Gulwant Bajwa**, Vice President, Business Development and Regulatory Affairs*

Mr. Bajwa joined the Company in December 2015 as Manager, Government Relations and International Business Development. Prior to joining the Company, he was employed with Health Canada as a Senior Program Manager in the former Bureau of Medical Cannabis between January 2011 and September 2014, where he managed the Production and Authorizations and Licensing Divisions. Gulwant was responsible for streamlining the operations of these divisions to restore service standards. Gulwant was awarded the Queen's Diamond Jubilee Medal, Deputy Minister Award for Creativity and Innovation and two Assistant Deputy Minister Awards for his achievements working in these divisions. Gulwant also worked between 2003 and 2010 as a Policy Analyst in the Intellectual Property and Technology Transfer Office of Health Canada. Before joining the federal public service, Gulwant worked in the private sector, with his last position being Director of Operations at JDS Uniphase Corporation between 1998 and 2003. Gulwant holds a Bachelor's degree in Social Sciences with specialization in Public Policy and Public Management and Political Science from University of Ottawa and is currently working towards completing his Masters of Business Administration.

***Larry Holbrook**, Chief Research Officer*

Dr. Holbrook is a senior research scientist and currently Chief Research Officer of the Company, with expertise in cellular and basic molecular biology experimentation and more than 35 years of experience in research and application related to the genetic modification of crop plants with diverse agricultural biotechnology experience in both government and industry. His extensive plant research includes tissue culture, plant breeding, genetic transformation, microscopy, phytohormone and senescence biochemistry. Dr. Holbrook was an associate adjunct professor at the University of Calgary, Department of Biological Sciences from 1997 to 2003 and has authored or co-authored nearly 40 publications, reviews or invited papers in international journals and books. His experience includes leadership roles in four agricultural biotechnology start-up companies in Canada and as a committee member on a North American industry group, BIO, he assisted in developing industry points to consider in white paper proposals for producing plant-made pharmaceuticals (PMPs). He has worked in the medical marijuana field for the past 13 years at the Company leading research developments plus associations with clinical studies initiatives and the QA/QC department functions. Dr. Holbrook holds B.Sc., M.Sc. and a Ph.D. in Neuropharmacology and Developmental Biology from the University of Toronto and postdoctoral research at the UCLA School of Medicine, Brain Research Institute.

Corporate Cease Trade Orders

None of our directors or executive officers has, within the 10 years prior to the date of this prospectus, been a director, chief executive officer or chief financial officer of any company (including us) that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

Corporate Bankruptcies

Other than as set out below, none of our directors or executive officers has, within the 10 years prior to the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, been a director or executive officer of any company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Doug Banzet was a director of Phenomenome Discoveries Inc. until August 2016. Phenomenome Discoveries Inc. was placed into receivership in February 2016 while Mr. Banzet was a director. Mr. Banzet was also a director of

NorAmera BioEnergy Corporation until May 2015 and a director of NorAmera Technologies Inc. until May 2015. Both NorAmera BioEnergy Corporation and NorAmera Technologies Inc. were placed into receivership in November 2015.

Penalties or Sanctions

No director or executive officer of the Company or shareholder holding sufficient securities of the Company to affect materially the control of the Company has:

- been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

To the best of our knowledge, there are no known existing or potential conflicts of interest among us and our directors, officers or other members of Management as a result of their outside business interests except that certain of our directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director or officer of such other companies.

Advance Notice By-Law

We have included an advance notice by-law with respect to the election of our directors in our by-laws. The Advance Notice By-Law provides for an advance notice requirement by any shareholder who intends to nominate any person for election as director of the Company, other than pursuant to (a) a requisition of a meeting made pursuant to the provisions of the CBCA, or (b) a shareholder proposal made pursuant to the provisions of the CBCA.

Among other things, the Advance Notice By-Law sets a deadline by which such shareholders must notify the Company in writing of an intention to nominate directors prior to any meeting of shareholders at which directors are to be elected and set forth the information that the shareholder must include in the notice for it to be valid.

In the case of an annual meeting of shareholders, notice to the Company must be made not less than 30 days and not more than 65 days prior to the date of the annual meeting; provided, however, that if the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement.

EXECUTIVE COMPENSATION

Introduction

The following discussion describes the significant elements of our executive compensation program, with particular emphasis on the process for determining compensation payable to the Company's CEO and CFO and each of the Company's other two most highly-compensated executive officers, or the two most highly compensated individuals acting in a similar capacity (collectively, the "**Named Executive Officers**" or "**NEOs**"). The NEOs are:

- Brent Zettl, President and CEO
- John Knowles, CFO
- Gulwant Bajwa, Vice President, Business Development and Regulatory Affairs
- Larry Holbrook, Chief Research Officer

Overview

Our Board of Directors, with the recommendation of the CC, makes decisions regarding all forms of compensation, including salaries, bonuses and equity incentive compensation for our President and CEO and our CFO, as well as approves corporate goals and objectives relevant to their compensation. Our CC makes decisions in conjunction with feedback from the President and CEO and the CFO regarding the performance of the Company's other executive officers. Finally, the CC, in tandem with the President and CEO and the CFO, also administers employee incentive compensation, including the Stock Option Plan.

Compensation Discussion and Analysis

Our Compensation Objectives

Our compensation practices are designed to retain, motivate and reward our executive officers for their performance and contribution to our long-term success. The Board of Directors seeks to compensate executive officers by combining short-term and long-term cash and equity incentives. It also seeks to reward the achievement of corporate and individual performance objectives and to align executive officers' incentives with the Company's performance. The Company seeks to tie individual goals to the area of the senior executive officer's primary responsibility. These goals may include the achievement of specific financial or business development goals. Company performance goals are based on our financial performance during the applicable financial year.

In order to achieve our growth objectives, attracting and retaining the right team members is critical. A key part of this is a well-thought out compensation plan that attracts high performers and compensates them for continued achievements. Many of the Company's team members will participate in the Stock Option Plan, driving retention and ownership. Communicating clear and concrete criteria and process for merit-based increases and bonuses will also motivate the entire team to achieve individual and corporate goals.

Elements of Compensation Program

Our executive compensation consists primarily of three elements: base salary, annual bonuses and long-term equity incentives.

Base Salary

Base salaries for executive officers are established based on the scope of their responsibilities and their prior relevant experience, taking into account compensation paid by other companies in the industry for similar positions and the overall market demand for such executives at the time of hire. The Company does not actively benchmark its compensation to other companies, but has reviewed the public disclosure available for other comparable medical marihuana companies to assist in determining the competitiveness of base salary, bonuses, benefits and stock options paid to the executive officers of the Company. An executive officer's base salary is determined by reviewing the executive officer's other compensation to ensure that the executive officer's total compensation is in line with the Company's overall compensation philosophy.

Base salaries are reviewed annually and increased for merit reasons, based on the executive's success in meeting or exceeding individual objectives and/or for market competitiveness. Additionally, base salaries can be adjusted as warranted throughout the year to reflect promotions or other changes in the scope or breadth of an executive's role or responsibilities, as well as for market competitiveness.

Bonus Plans

Our compensation program includes eligibility for annual incentive cash bonuses. The range of potential bonuses is based on a percentage of base salary and is reviewed annually. NEO bonuses include corporate and financial performance targets, as well as personal performance objectives that are determined by the Board upon recommendations by the CC, which may include the implementation of new strategic initiatives, the development of innovations, teambuilding, the ability to manage the costs of the business and other factors. The mix between corporate and financial performance targets and personal performance objectives and the resulting bonus entitlements vary for each NEO.

Target bonus levels for the Company's NEOs are as follows:

- Brent Zettl $90,000 per annum
- John Knowles $34,000 per annum
- Gulwant Bajwa $25,000 per annum
- Larry Holbrook $18,750 per annum

Stock Option Plan

We currently have no options outstanding under the Stock Option Plan. Our Board of Directors will be responsible for administering the Stock Option Plan and the CC will make recommendations to the Board of Directors in respect of matters relating to the Stock Option Plan.

Directors, officers and employees of, and consultants to, the Company, are eligible to receive option grants under the Stock Option Plan. Subject to Board discretion, certain grants to citizens or residents of the United States will considered "Incentive Stock Options" and will qualify as such under U.S. federal income tax laws. The Stock Option Plan includes the following significant terms and restrictions:

- The aggregate number of Common Shares that may be reserved for issuance pursuant to the Stock Option Plan cannot exceed 10% of the number of Common Shares issued and outstanding from time to time. Of this number, a maximum of 1,467,078 Common Shares may be granted as Incentive Stock Options.
- Any Common Shares subject to an option that expires or terminates without having been fully exercised may be made the subject of a further option.
- Upon the partial or full exercise of an option, the Common Shares issued upon such exercise automatically become available to be made the subject of a new option, provided that the total number of Common Shares reserved for issuance under the Stock Option Plan does not exceed 10% of the number of Common Shares then issued and outstanding.
- The aggregate number of Common Shares reserved for issuance pursuant to the Stock Option Plan to any one participant cannot exceed 5% of the number of Common Shares issued and outstanding at any time.
- The aggregate number of Common Shares issuable pursuant to the Stock Option Plan to insiders of the Company cannot exceed 10% of the number of Common Shares issued and outstanding at any time.
- The aggregate number of Common Shares issued to insiders of the Company pursuant to the Stock Option Plan in any one-year period cannot exceed 10% of the number of Common Shares then issued and outstanding.

The Stock Option Plan provides that the aggregate number of Common Shares that may be issued upon the exercise of options cannot exceed 10% of the number of Common Shares issued and outstanding from time to time. As a result, the number of options available to be granted under the Stock Option Plan will automatically increase if the Company issues any additional Common Shares in the future. The TSX rules require that this type of "evergreen" plan must be approved by shareholders of the Company every three years in order for the Company to continue to make grants under the Stock Option Plan. If shareholder approval is not obtained every three years, all unallocated entitlements under the Stock Option Plan will be cancelled, however, all allocated awards, such as options that have been granted but not yet exercised, will continue unaffected.

The exercise price for each Common Share subject to an option will be determined by the Board of Directors at the time of the grant and may not be lower than the last closing price of the Common Shares on the TSX preceding the time of the grant. Options will vest and become exercisable at such time or times as may be determined by the Board of Directors on the date of the option grant.

Unless the Board of Directors determines otherwise and subject to any accelerated termination in accordance with the Stock Option Plan, each option will expire on the fifth anniversary of the date on which it was granted. In no event may an option expire later than the 10th anniversary of the date on which it was granted. If the date on which an option is scheduled to expire occurs during, or within 10 business days after the last day of, a black out period applicable to the optionee, then the date on which the option will expire will be extended to the last day of such 10 business day period.

Options are non-assignable and non-transferable, with the exception of an assignment by testate succession or by the laws of descent and distribution upon the death of an optionee.

The Board of Directors may, from time to time, subject to applicable law and any required approval of the TSX, or any other regulatory authority, suspend, terminate or discontinue the Stock Option Plan at any time, or amend or revise the terms of the Stock Option Plan or of any option granted under the Stock Option Plan; provided that no such amendment, revision, suspension, termination or discontinuance can adversely affect the rights of an optionee under any previously granted option except with the consent of that optionee.

RRSP/DPSP

The Company maintains a defined contribution RRSP and deferred profit sharing plan ("**DPSP**"), which allows for NEOs to pay up to 5% of their gross income per year (7% in the case of the President and CEO) into the Company's RRSP with an equal matching by the Company into the DPSP, which DPSP amount vests after two years of plan membership.

Compensation of Named Executive Officers

The following table sets out information concerning the expected compensation for the year ending October 31, 2017 to be paid to our NEOs, effective as of the Closing.

Name and Principal Position	Salary[1]	Option-Based Awards[2]	Annual Incentive Plans[3]	Pension Value[4]	All other Compensation	Total Compensation
Brent Zettl President and Chief Executive Officer	$225,000	—	$90,000	$15,750	$13,300	$344,050
John Knowles Chief Financial Officer	$170,000	—	$34,000	$ 4,600	$13,900	$222,500
Gulwant Bajwa Vice President, Business Development and Regulatory Affairs	$125,000	—	$25,000	$ 6,250	$ 2,200	$158,450
Larry Holbrook Chief Research Officer	$125,000	—	$18,750	$ 6,250	$ 1,800	$151,800

Notes:

(1) Amounts represent the annualized base salary to be in effect as of the Closing.

(2) The CC will make recommendations to the Board for the issuance of options to the NEOS for the year ending October 31, 2017 in accordance with the compensation objectives of the Company.

(3) Represents amounts expected to be earned pursuant to our annual bonus program, based on 100% of target payment amounts. Actual payments will depend on achievement of performance goals and will be paid in cash in the year following the fiscal year in respect of which they are earned.

(4) Amounts represent the Company's maximum contribution to the NEO's DPSP.

Outstanding Option-Based Awards

The following table sets out for each of our NEOs information concerning all option-based awards expected to be outstanding immediately following the Closing.

	Option-Based Awards			
Name	Number of Common Shares Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Value of Unexercised In-the-Money Options[1]
Brent Zettl	400,000	$0.6825	June 26, 2018	$4,527,000
	500,000	$0.9950	June 30, 2018	$5,562,500
	40,000	$1.6825	October 31, 2018	$ 412,700
	400,000	$1.6825	October 31, 2018	$4,127,000
	400,000	$4.6825	October 31, 2018	$2,928,000
John Knowles	7,200	$1.6825	October 31, 2018	$ 74,286
	120,000	$4.6825	October 31, 2018	$ 878,100
Gulwant Bajwa	80,000	$4.6825	October 31, 2018	$ 585,400
Larry Holbrook	100,000	$0.6825	June 26, 2018	$1,131,750
	20,000	$1.6825	October 31, 2018	$ 206,350

Note:

(1) The value of unexercised in-the-money options is calculated based on the Offering Price.

Employee Agreements and Termination and Change of Control Benefits

Each of the Named Executive Officers has entered into an employment agreement with the Company. Those employment agreements include provisions regarding base salary, eligibility for annual bonuses, enrolment of benefits and participation in the Company's pension plan, among other things.

In connection with their employment agreements, each Named Executive Officer entered into a nondisclosure and confidentiality agreement (the "**NDA**"). The NDA requires that all information, such as trade secrets, data or other proprietary information relating to products, procedures or formulas, that is disclosed to the Named Executive Officer through the course of his or her employment is considered "confidential information" that is the exclusive right and property of the Company. Upon the termination of employment, the NDA provides that each Named Executive Officer is prohibited for a period of six years from developing, manufacturing and marketing products or engaging in consulting services which, in the Company's sole discretion, are competitive to the Company's business.

Each of Mr. Knowles and Mr. Zettl have set-term employment agreements. Mr. Knowles commenced employment on October 17, 2016 on an interim basis. Mr. Zettl is employed by the Company for a term of three years, which commenced on November 1, 2016, with the employment agreement remaining in effect beyond the defined term on an annual basis, unless otherwise amended between the Mr. Zettl and the Company. Under Mr. Zettl's employment agreement, either party is permitted to terminate his employment by providing 90 days' written notice; however, if the Company elects this option without just cause, the Company will be required to pay Mr. Zettl's his base salary for the entire term, provided Mr. Zettl makes reasonable efforts to find alternative employment.

None of the employment agreements entered into by the Named Executive Officers provides for change of control benefits.

DIRECTOR COMPENSATION

Summary of Director Compensation

Each non-employee director of the Company, other than the Chairman, receives an annual fee of $5,000 and $500 for serving on a committee of the Board. The Chairman receives an annual fee of $7,500 and the chair of each committee of the Board receives an annual fee of $1,000. In addition to the annual fee, each non-employee director receives an additional $200 per meeting in respect of each Board of Directors meeting attended in person or by telephone and an additional $200 per meeting in respect of each committee meeting attended in person or by telephone. All directors are reimbursed for their respective out of pocket expenses in relation to their attendance at Board of Directors meetings and committee meetings. Director compensation matters are dealt with by the CC.

Outstanding Option-Based Awards

The following table sets out for each of our directors, other than directors who are also Named Executive Officers, information concerning all option-based awards expected to be outstanding immediately following the Closing of the Offering.

	Option-based Awards			
Name	Number of Common Shares underlying unexercised options	Option Exercise Price	Option Expiration Date	Value of Unexercised In-the-Money-Options[1]
Donald Ching	5,332	$4.6825	October 31, 2018	39,016.91
Doug Banzet	7,200	$ 1.68	October 31, 2018	74,304.00
	5,332	$4.6825	October 31, 2018	39,016.91
Rob Duguid	7,200	$ 1.68	October 31, 2018	74,304.00
	5,332	$4.6825	October 31, 2018	39,016.91
Marianne Greer	7,200	$ 1.68	October 31, 2018	74,304.00
	5,332	$4.6825	October 31, 2018	39,016.91
Richard Hoyt	7,200	$ 1.68	October 31, 2018	74,304.00
	5,332	$4.6825	October 31, 2018	39,016.91
Dwayne L. Lashyn	7,200	$ 1.68	October 31, 2018	74,304.00
	5,332	$4.6825	October 31, 2018	39,016.91
Bruce F. Mackler	7,200	$ 1.68	October 31, 2018	74,304.00
	5,332	$4.6825	October 31, 2018	39,016.91
Brandon J. Price	7,200	$ 1.68	October 31, 2018	74,304.00
	5,332	$4.6825	October 31, 2018	39,016.91

Note:

(1) The value of unexercised in-the-money options is calculated based on the Offering Price.

Indemnification and Insurance

The Company maintains director and officer liability insurance and errors and omissions insurance. In addition, the Company has entered into indemnification agreements with each of its directors. The indemnification agreements require that the Company indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to the Company as directors and officers, provided that the indemnitees acted honestly and in good faith and in a manner the indemnitees reasonably believed to be in or not opposed to the Company's best interests and, with respect to criminal and administrative actions or proceedings that are enforced by monetary penalty, the indemnitees had no reasonable grounds to believe that his or her conduct was unlawful. The indemnification agreements also provide for the advancement of defence expenses to the indemnitees by the Company.

CORPORATE GOVERNANCE

Board of Directors

Overview

Our articles provide that our Board of Directors is to consist of a minimum of one and a maximum of 15 directors as determined from time to time by the directors. The articles also provide that the Board of Directors has the power to appoint additional directors. In accordance with the articles of the Company and the *Canada Business Corporations Act*, the Board of Directors may appoint one or more additional directors who shall hold office until the close of the next annual meeting of shareholders, provided that the total number of directors so appointed does not exceed one-third of the number of directors elected at the previous annual meeting of shareholders.

Our Board of Directors is responsible for supervising the management of our business and affairs. Our Board has adopted a formal mandate setting out its stewardship responsibilities, including its responsibilities for the appointment of management, management of our Board, strategic and business planning, monitoring of financial performance, financial reporting, risk management and oversight of our policies and procedures, communications and reporting and compliance. A copy of the mandate of our Board is attached as Appendix A to this prospectus.

Our Board is currently comprised of ten directors: Donald Ching, Doug Banzet, Rob Duguid, Marianne Greer, Richard Hoyt, John Knowles, Dwayne Lashyn, Bruce Mackler, Brandon Price and Brent Zettl.

Our Board has established an Audit Committee (the "**AC**"), the Corporate Governance Committee (the "**CGC**"), the Compensation Committee (the "**CC**") and the Technology and Product Commercialization Committee (the "**TPCC**") and has or will approve charters for each of these committees, in a form described below. Our Board will delegate to the applicable committee those duties and responsibilities set out in each committee's charter. The mandate of our Board, as well as the charters of the various Board committees, set out in writing the responsibilities of our Board and the committees for supervising the Chief Executive Officer.

Independence

As of the Closing, the Board will be comprised of 10 directors, eight of whom are independent. Under National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), an independent director is one who is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with a director's exercise of independent judgment. The Board has determined that John Knowles and Brent Zettl, executive officers of the Company, are not considered independent. Each of Donald Ching, Doug Banzet, Rob Duguid, Marianne Greer, Richard Hoyt, Dwayne Lashyn, Bruce Mackler and Brandon Price is considered independent.

In addition to chairing all Board meetings, the Chair's role is to facilitate and chair discussions among the Company's independent directors, facilitate communication between the independent directors and Management, and, if and when necessary, act as a spokesperson on behalf of the Board in dealing with the press and members of the public. The Chair's responsibilities and duties will be described in detail in a position description to be developed by the Board.

The Audit Committee is comprised solely of independent directors, and the CGC, the CC and the TPCC are each comprised of a majority independent directors. In addition, where potential conflicts arise during a director's tenure on the Board, such conflicts are expected to be immediately disclosed to the Board.

We have taken steps to ensure that adequate structures and processes will be in place upon completion of the Offering to permit our Board to function independently of our Management. Our Board will hold regularly scheduled meetings as well as ad hoc meetings from time to time. It is contemplated that in the course of meetings of the Board of Directors or committees of the Board, the independent directors are expected to hold in-camera sessions at which neither non-independent directors nor officers of the Company are in attendance.

Our Board will approve written position descriptions for the chair of each of our Board's committees and our Chief Executive Officer.

Other Directorships

The following directors of the Company are also directors of other reporting issuers (or the equivalent) in Canada or a foreign jurisdiction:

Name of Director	Name of Reporting Issuer and Exchange
Doug Banzet	Golden Opportunities Fund Inc., Reporting Issuer, Labour-Sponsored Venture Capital Fund
Donald Ching	Golden Opportunities Fund Inc., Reporting Issuer, Labour-Sponsored Venture Capital Fund
Rob Duguid	Storage Vault Canada Inc., TSX Venture Exchange SaskWorks Venture Fund Inc., Reporting Issuer, Redeemable Retail Venture Capital Fund
John Knowles	Roxgold Inc., TSX Venture Exchange
Brandon Price	Nascent Biotech Inc., OTCMKTS

Orientation and Continuing Education

New directors of the Company are expected to participate in an initial information session on the Company in the presence of its senior executive officers to learn about, among other things, the business of the Company, its financial situation and its strategic planning. In addition, new directors will be furnished with appropriate documentation, providing them with information about, among other matters, the corporate governance practices of the Company, the structure of the Board and its committees, the Company's history, its commercial activities, its corporate organization, the charters of the Board and its committees, the Company's articles, the Company's Code of Business Conduct and Ethics and other relevant corporate policies.

The Company will encourage all directors to attend continuing education programs and intends to facilitate such continuing education of its directors by providing them with information on upcoming courses and seminars that may be relevant to their role as directors or hosting brief information sessions during Board meetings by invited external advisors. In addition, the Company's management will periodically make presentations to the directors on various topics, trends and issues related to the Company's activities during meetings of the Board or its committees, which will be intended to help the directors to constantly improve their knowledge about the Company and its business.

Code of Conduct

Our Board of Directors will adopt a written Code of Business Conduct and Ethics (the "**Code**") that applies to directors, officers and employees. The objective of the Code is to provide guidelines for enhancing our reputation for honesty, integrity and the faithful performance of undertakings and obligations. The Code will address conflicts of interest, use of company assets, inventions, use of Company email and internet services, disclosure, corporate opportunities, confidentiality, fair dealing and compliance with laws. As part of our Code, any person subject to the Code is required to avoid any activity, interest (financial or otherwise) or relationship that would create or appear to create a conflict of interest.

Our directors will be responsible for monitoring compliance with the Code, for regularly assessing its adequacy, for interpreting the Code in any particular situation and for approving changes to the Code from time to time.

Directors and executive officers are required by applicable law and our corporate governance practices and policies to promptly disclose any potential conflict of interest that may arise. If a director or executive officer has a material interest in an agreement or transaction, applicable law and principles of sound corporate governance require them to declare the interest in writing and where required by applicable law, to abstain from voting with respect to such agreement or transaction.

A copy of the Code will be available for review under our profile on the SEDAR website at www.sedar.com upon the completion of the Offering.

The Company will also adopt an Insider Trading Policy, a Confidentiality and Disclosure Policy and a Whistleblower Policy, which complement the obligations of our directors, officers and employees under the Code. Copies of the Insider Trading Policy, Confidentiality and Disclosure Policy and a Whistleblower Policy will be available on our website at www.cannimed.ca following the Closing.

Board of Directors Committees

Audit Committee

The Company's AC consists of three directors, all of whom are independent. They are also all financially literate in accordance with NI 52-110. The members of the AC are Dwayne Lashyn (Chair), Doug Banzet and Rob Duguid.

For the purposes of NI 52-110, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements. All members of the AC have experience reviewing financial statements and dealing with related accounting and auditing issues. The education and experience of each member of the AC relevant to the performance of his duties as a member of the AC can be found under the heading "Management –*Biographies*".

Our Board of Directors has adopted a written charter for the AC. The mandate of the AC is to assist our Board in fulfilling its financial oversight obligations, including the responsibility: (1) to identify and monitor the management of the principal risks that could impact the financial reporting of the Company; (2) to monitor the integrity of our financial reporting process and our internal accounting controls regarding financial reporting and accounting compliance; (3) to oversee the qualifications and independence of our external auditor; (4) to oversee the work of our financial management and external auditor; and (5) to provide an open avenue of communication between the external auditors, our Board and our management.

A copy of the charter of the AC is attached as Appendix B to this prospectus.

Under its charter, the AC is required to pre-approve all audit and non-audit services to be performed by the external auditors in relation to us, together with approval of the engagement letter for all non-audit services and estimated fees thereof. The pre-approval process for non-audit services will also involve a consideration of the potential impact of such services on the independence of the external auditors.

Fees billed by the Company's external auditor, Deloitte LLP, since their appointment were as follows: audit fees[(1)] of $359,910, audit related fees[(2)] of $98,260, tax fees[(3)] of $106,500 and all other fees[(4)] nil, for a total of $476,263.

Notes:

(1) Fees for audit services.

(2) Fees for assurance and related services not included in audit services above.

(3) Fees for tax compliance, tax advice and tax planning.

(4) All other fees not included above.

Corporate Governance Committee

The Board has appointed the CGC comprising of three directors, a majority of whom are independent. The members of the CGC are Rob Duguid (Chair), Brent Zettl and Marianne Greer.

Prior to the Closing, our Board will adopt a written charter setting forth the purpose, composition, authority and responsibility of the CGC. The mandate of the CGC is to assist our directors in carrying out the Board's oversight responsibility for (i) ensuring that our strategic direction is reviewed annually, and (ii) ensuring that the Board and each of its committees carry out their respective functions in accordance with an appropriate process.

The CGC is responsible for overseeing and assessing the functioning of the Board of Directors, its committees and individual directors, and for the development, recommendation to the Board, implementation and assessment of

effective corporate governance principles. The CGC is also responsible for identifying candidates for directorship and recommending that the Board select qualified director candidates for election to the Board. There is no formal assessment process. Rather, the CGC is responsible for determining the appropriate assessment process.

The process by which the Board of Directors identifies new candidates for board nomination is set out in the CGC Charter and the Company's Diversity Policy. See "– *Board and Senior Management Diversity*".

Compensation Committee

The Board has appointed the CC comprising of three directors, a majority of whom are independent. The members of the CNC are Brandon Price (Chair), Donald Ching and Doug Banzet.

Prior to the Closing, our Board will adopt a written charter setting forth the purpose, composition, authority and responsibility of the CNC. The mandate of the CNC is to assist our directors in carrying out the Board's oversight responsibility for (i) overseeing our human resources and compensation policies and processes, and (ii) demonstrating to our shareholders that the compensation of the directors who are also our employees is recommended by directors who have no personal interest in the outcome of decisions of the CC and who will have due regard to the interests of all of our shareholders.

The primary responsibilities of the CC with respect to compensation are to make recommendations to our Board in respect of: (1) compensation policies and guidelines; (2) management incentive and perquisite plans and any non-standard remuneration plans; (3) senior management, executive and officer compensation; and (4) Board compensation matters. In carrying out these responsibilities, the CC will evaluate the performance of our CEO and all other senior executives in consideration of the respective performance goals and objectives for each such individual and recommend to our Board the amount of regular and incentive compensation to be paid to our CEO and all other senior executives; review and recommend to our Board our CEO's performance evaluations and recommendations for compensation of our officers and key employees (other than our senior executives); review our compensation philosophy and make recommendations for changes, where appropriate; review and make recommendations to our Board with respect to incentive based compensation plans and equity based plans (including stock option plans); review and recommend to our Board the aggregate bonus pools to be made available under our incentive compensation plans for senior management, executives and officers; prepare or review the report on executive compensation and compensation discussion and analysis required to be included in our continuous disclosure documentation; and review and make periodic recommendations to our Board regarding the compensation of our Board. More information on the process by which compensation for our directors and officers is determined as set forth under the headings "Executive Compensation" and "Director Compensation".

Technology and Product Commercialization Committee

The Board has appointed the TPCC comprised of four directors. The members of the TPCC are Richard Hoyt (Chair), Brandon Price, Bruce Mackler and Marianne Greer.

Prior to the Closing, our Board will adopt a written charter setting forth the purpose, composition, authority and responsibility of the TPCC. The mandate of the TPCC is to assist the Board in its oversight responsibilities regarding matters of innovation and technology. The TPCC is responsible for reviewing, evaluating and making recommendations to the Board regarding the Company's significant technology plans and strategies, including our research and development of new products, as well as the technical and market risks associated with product development and commercialization. The TPCC also monitors the performance of the Company's technology development in support of its overall business strategy and monitors and evaluates existing and future trends in technology that may affect the Company's strategic plans.

Majority Voting Policy

Prior to the Closing the Company will adopt a Majority Voting Policy in director elections that will apply at any meeting of our shareholders where an uncontested election of directors is held. Pursuant to this policy, if the number of proxy votes withheld for a particular director nominee is greater than the votes for such director, the director nominee

will be required to submit his or her resignation as a director to the Chair of the Board promptly following the applicable shareholders' meeting. Following receipt of the resignation, the CGC will consider whether or not to accept the offer of resignation and make a recommendation to the Board. Within 90 days following the applicable shareholders' meeting, the Board shall publicly disclose their decision whether or not to accept the applicable director's resignation, including the reasons for rejecting the resignation, if applicable. A director who tenders his or her resignation pursuant to this policy will not be permitted to participate in any meeting of the Board or the CGC at which the resignation is considered. A copy of the Majority Voting Policy will be available on our website at www.cannimed.ca following the Closing.

Assessments

As described above, the CGC is responsible for overseeing and assessing the functioning of the Board of Directors and the committees of the Board. The CGC must annually review and evaluate and make recommendations to the Board with regard to the size, composition and role of the Board and its committees (including the type of committees to be established) and the methods and processes by which the Board, committees and individual directors fulfill their duties and responsibilities, including the methods and processes for evaluating Board, committee and individual director effectiveness.

Term and Age Limits

The Company has not adopted term limits for directors of the Company. The Board believes that the need to have experienced directors who are familiar with the business of the Company must be balanced with the need for renewal, fresh perspectives and a healthy skepticism when assessing management and its recommendations. In addition, as mentioned above, the Board undertakes an assessment process that evaluates its effectiveness.

While term limits can help ensure the Board gains fresh perspective, imposing this restriction means the Board would lose the contributions of longer serving directors who have developed a deeper knowledge and understanding of the Company over time. The Board believes that term limits have the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increased insight into the Company and its operations and therefore provide an increased contribution to the Board as a whole.

While industry knowledge, insight and experience guide our board renewal practices generally, the Company has implemented a formal renewal mechanism to ensure that the Board is able to adequately face the rapid change characterizing the medical cannabis industry. Accordingly, the Company has adopted an age limit for directors of the Company (the "**Age Limit Policy**"). Pursuant to this policy, director nominees must be under 80 years of age at the time of the Company's annual general meeting in order to qualify for nomination. A copy of the Age Limit Policy will be available on our website at www.cannimed.ca following the Closing.

Board and Senior Management Diversity

The Company recognizes and embraces the benefits of having diversity on the Board and in our senior management. Presently, the Company has no women who are executive officers and one woman on the Board. Prior to the Closing, the Company will adopt a Diversity Policy, which recognizes that it is important to ensure that members of the Board and our senior management provide the necessary range of perspectives, experience and expertise required to achieve our objectives and deliver for our stakeholders.

The Company also recognizes that the Board and its senior management appointments must be based on performance, ability, merit and potential. Therefore, the Company ensures a merit based competitive process for appointments. The Company's commitment to diversity will include ensuring that diversity is fully considered by CGC in identifying, evaluating and recommending Board appointees/nominees to the Board.

With respect to the Board composition, on an annual basis, the CGC (i) assess the effectiveness of the Board appointment/nomination process at achieving the Company's diversity objectives; and (ii) consider and, if determined advisable, recommend to the Board for adoption, measurable objectives for achieving diversity on the Board. Currently, the Board does not believe that targets or strict rules set forth in a formal policy necessarily result in the

identification or selection of the best candidates. At any given time the Board may seek to adjust one or more objectives concerning its diversity and measure progress accordingly.

With respect to senior management appointments, on an annual basis, the CGC will (i) assess the effectiveness of the senior management appointment process at achieving the Company's diversity objectives; and (ii) consider and, if determined advisable, recommend to the Board for adoption, measurable objectives for achieving diversity in senior management. At any given time the Board may seek to adjust one or more objectives concerning senior management diversity and measure progress accordingly.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

None of the Company's directors or officers or any of their respective associates is indebted to the Company or has been subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company or any of our subsidiaries.

PLAN OF DISTRIBUTION

General

Pursuant to the Underwriting Agreement dated December 21, 2016 between the Company and the Underwriters, the Company has agreed to sell and the Underwriters have agreed to severally purchase on December 29, 2016 (or such later date as the Company and the Underwriters agree, but not later than February 2, 2017) 5,000,000 Common Shares, each at a price of $12.00 per Common Share, for approximate aggregate gross consideration of $60,000,000 payable in cash to the Company against delivery of the Common Shares. The Offering Price of the Common Shares has been determined by negotiation between the Company and the Underwriters.

Pursuant to the Underwriting Agreement, the Company has granted the Underwriters an over-allotment option to cover over-allotments, if any. The Over-Allotment Option may be exercised by the Underwriters, in whole or in part, for a 30 day period following the Closing and entitles the Underwriters to purchase from the Company up to 750,000 Common Shares at the Offering Price (being 15% of the aggregate number of Common Shares offered under this prospectus). If the Over-Allotment Option is exercised in full, the total price to the public will be $69,000,000, the Underwriters' commission will be $4,140,000 and the net proceeds to the Company will be $64,860,000.

The Offering is being made in each of the provinces of Canada, except Quebec. The Common Shares will be offered in each of the provinces of Canada, except Quebec, through those Underwriters or their affiliates who are registered to offer the Common Shares for sale in such provinces and such other registered dealers as may be designated by the Underwriters. Subject to applicable law, the Underwriters may offer the Common Shares outside of Canada.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. The Common Shares, other than Common Shares sold in the United States to Institutional "accredited investors" within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the U.S. Securities Act ("Institutional Accredited Investors") which will be represented by definitive physical certificates, will be deposited with CDS in electronic form on the Closing Date through the non-certificated inventory system administered by CDS. A purchaser of Common Shares will receive only a customer confirmation from the registered dealer from or through which the Common Shares are purchased.

The TSX has conditionally approved the listing of the Common Shares under the symbol "CMED", subject to us fulfilling all the listing requirements of the TSX on or before March 14, 2017, including the distribution of the Common Shares to a minimum number of public holders.

The Common Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, a U.S. person (within the meaning of Regulation S under the U.S. Securities Act) except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, except to the extent permitted by the Underwriting Agreement, the Common Shares may not be offered or sold in the United States or to, or for the

account or benefit of, U.S. persons. The Underwriting Agreement provides that the Underwriters may offer and sell the Common Shares that they have acquired pursuant to the Underwriting Agreement to Institutional Accredited Investors and "qualified institutional buyers" within the meaning of Rule 144A under the U.S. Securities Act in the United States in accordance with Regulation D under the U.S. Securities Act and in compliance with applicable state securities laws. The Underwriting Agreement also provides that the Underwriters will offer and sell the Common Shares outside the United States only in accordance with Regulation S under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Common Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in reliance on an exemption from registration under the U.S. Securities Act.

In connection with the Offering, certain of the Underwriters or securities dealers may distribute the prospectus electronically.

Upon completion of the Offering, assuming there has been no exercise of the Over-Allotment Option, the Company expects to have a total of 19,843,505 outstanding Common Shares issued and outstanding on a non-diluted basis, and if the Over-Allotment Option is exercised in full, a total of 20,593,505 Common Shares issued and outstanding on a non-diluted basis.

The obligations of the Underwriters under the Underwriting Agreement are several (and not joint or joint and several), are subject to certain closing conditions and may be terminated at its discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Common Shares if any Common Shares are purchased under the Underwriting Agreement. In consideration for its agreement to purchase the Common Shares, the Company has agreed to pay the Underwriters a fee equal to $0.72 per Common Share sold in the Offering. The Underwriters have waived the fees in respect of up to $5,000,000 of Common Shares sold to purchasers from the President's List, provided that certain sales of Common Shares to President's List purchasers sold by Mackie Research Capital Corporation are subject to a commission equal to 1.5% of such sales, with such commission in aggregate limited to $30,000. The Company has agreed to indemnify the Underwriters against certain liabilities under applicable securities laws, and to contribute to payments that the Underwriters may be required to make in respect of applicable securities laws.

Pricing of the Offering

Prior to the Offering, there was no public market for the Common Shares. The Offering Price has been negotiated between the Company and the Underwriters. Among the factors considered in determining the Offering Price of the Common Shares were the following:

- prevailing market conditions
- historical performance and capital structure of the Company
- estimates of the business potential and earnings prospects of the Company
- availability of comparable investments
- an overall assessment of Management
- the consideration of these factors in relation to market valuation of companies in related businesses

Price Stabilization, Short Positions and Passive Market Making

In connection with the Offering, the Underwriters may over-allocate or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those that otherwise might prevail on the open market, including:

- stabilizing transactions
- short sales

- purchases to cover positions created by short sales
- imposition of penalty bids
- syndicate covering transactions

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Common Shares while the Offering is in progress. These transactions may also include making short sales of the Common Shares, which involve the sale by the Underwriters of a greater number of Common Shares than they are required to purchase in the Offering. Short sales may be "covered short sales", which are short positions in an amount not greater than the Over-Allotment Option, or may be "naked short sales", which are short positions in excess of that amount.

The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Common Shares in the open market. In making this determination, the Underwriters will consider, among other things, the price of Common Shares available for purchase in the open market compared with the price at which they it purchase Common Shares through the Over-Allotment Option.

The Underwriters must close out any naked short position by purchasing Common Shares in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Common Shares in the open market that could adversely affect investors who purchase Common Shares in the Offering.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for or purchase Common Shares. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. These exceptions include a bid or purchase permitted under the rules of applicable regulatory authorities and the applicable stock exchange, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the price of the Common Shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on any stock exchange on which the Common Shares are listed, in the over-the-counter market, or otherwise.

Over-Allotment Option

The Company has granted to the Underwriters an over-allotment option, exercisable, in whole or in part, at the sole discretion of the Underwriters (subject to the condition that the Common Shares subject to the Over-Allotment Option are listed on the TSX at the time of closing of the Over-Allotment Option), for a period of 30 days from the Closing Date, to purchase from the Company up to 750,000 additional Common Shares (representing 15% of the Common Shares offered under this prospectus), at the Offering Price, payable in cash against delivery of such additional shares. The Over-Allotment Option is exercisable in whole or in part only for the purpose of covering over-allotments, if any, made by the Underwriters in connection with the Offering. The Company will pay the Underwriters' commission in respect of Common Shares sold under the Over-Allotment Option if the Over-Allotment Option is exercised. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters' commission and net proceeds to the Company before deducting other expenses of the Offering will be $69.0 million, $4.1 million and $64.9 million, respectively. This prospectus qualifies the grant of the Over-Allotment Option and up to 750,000 Common Shares to be sold by the Company upon exercise of the Over-Allotment Option. A purchaser who acquires Common Shares forming part of the Over-Allotment Option acquires those shares under this prospectus, regardless of whether the position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Lock-Up Arrangements

In connection with the completion of the Offering, we expect (i) each member of Management; (ii) each director of the Company; and (iii) those persons identified and mutually agreed upon between the Underwriters and the

Company, to agree, subject to certain customary exceptions, to not, directly or indirectly, offer, sell, contract to sell, secure, pledge, grant or sell any option, right or warrant to purchase, or otherwise lend, transfer or dispose of any equity securities of the Company or make any short sale, engage in any hedging transaction or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of equity securities of the Company during a period commencing on the Closing Date and ending on the date which is 180 days after the Closing Date. In addition, we will enter into an agreement with the Underwriters in which we will agree that the Company will not, directly or indirectly, offer, issue, grant any option, right or warrant to purchase, or otherwise transfer or dispose of any equity securities of the Company, financial instruments or equity securities convertible into or exercisable or exchangeable for equity securities of the Company or announce any intention to do any of the foregoing, in a public offering, by way of a private placement or otherwise (except pursuant to employee or executive incentive compensation arrangements approved by the Underwriters), or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of equity securities of the Company, whether any such transaction is to be settled by delivery of equity securities of the Company, other securities, cash or otherwise.

Commissions and Expenses

The following table shows the per Common Share and total Underwriters' commission the Company will pay to the Underwriters, assuming both no exercise and full exercise of the Underwriters' Over-Allotment Option:

	Over-Allotment Not Exercised	Over-Allotment Fully Exercised
Per Common Share	$ 0.72	$ 0.72
Total	**$3,600,000**	**$4,140,000**

The Underwriters propose to offer the Common Shares initially at the Offering Price stated on the cover page of this prospectus. After the Underwriters have made a reasonable effort to sell all of the Common Shares offered by this prospectus at that price, the initially stated Offering Price may be decreased, and further changed from time to time, by the Underwriters to an amount not greater than the initially stated Offering Price and, in such case, the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Common Shares is less than the gross proceeds paid by the Underwriters to the Company.

It is estimated that the total expenses of the Offering, not including the Underwriters' commission, will be approximately $1,000,000.

Non-Certificated Inventory System

No certificates representing the Common Shares to be sold in the Offering, other than certificates issued to Institutional Accredited Investors in the United States, will be issued to purchasers under this prospectus. Registration will be made in the depository service of CDS, or to its nominee, and electronically deposited with CDS on the Closing Date. Each purchaser of Common Shares will receive only a customer confirmation of purchase from the participants in the CDS depository service ("**CDS Participants**") from or through which such Common Shares are purchased, in accordance with the practices and procedures of such CDS Participant. Transfers of ownership of Common Shares in Canada will be effected through records maintained by the CDS Participants, which include securities brokers and dealers, banks and trust companies. Indirect access to the CDS book entry system is also available to other institutions that maintain custodial relationships with a CDS Participant, either directly or indirectly.

RISK FACTORS

Investing in our Common Shares involves significant risks. You should carefully consider the risks described below, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this prospectus, and all other information contained in this prospectus, including the consolidated financial statements and accompanying notes, before purchasing Common Shares. The risks and uncertainties described below are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently

consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. In that event, the trading price of our Common Shares could decline materially and you could lose part or even all of your investment.

Risks Related to Our Business and Industry

Our business is dependent on the Licences

The Company's ability to grow, store and sell medical cannabis in Canada is dependent on the Cultivation License and the Commercial License. The Cultivation License and the Commercial License are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the Licenses or any failure to maintain the Licenses would have a material adverse impact on the business, financial condition and operating results of the Company. PPS and CanniMed's Licences are valid for a two year term from their respective effective dates of September 19, 2015. Although the Company believes that PPS and CanniMed will meet the requirements of the MMPR and the ACMPR for future extensions or renewals of the Licenses, there can be no guarantee that Health Canada will extend or renew these Licenses or, if extended or renewed, that they will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Licenses or should they renew the Licenses on different terms, the business, financial condition and operating results of the Company would be materially adversely affected.

Regulatory risks

Successful execution of the Company's strategy is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products, including maintaining and renewing its licences as a Licenced Producer. The commercial medical cannabis industry is a new industry and the Company cannot predict the impact of the compliance regime Health Canada is implementing for the Canadian medical cannabis industry. Similarly, 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. The impact of Health Canada's compliance regime, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, financial condition and operating results of the Company. Without limiting the foregoing, failure to comply with the requirements of the Licensed Producer's license or any failure to maintain the Licenses would have a material adverse impact on the business, financial condition and operating results of the Company. There can be no guarantees that Health Canada will extend or renew the Licenses as necessary or, if it extended or renewed, that the licenses will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Licenses or should it renew the licenses on different terms, the business, financial condition and results of the operation of the Company would be materially adversely affected.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and operating results of the Company.

Change in laws, regulations and guidelines

The Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to drug, controlled substances, health and safety, the conduct of operations and the protection of the environment. While to the knowledge of Management, other than routine corrections that may be required by Health Canada from time to time, 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 its operations.

Health Canada inspectors routinely assess the Company's facilities against applicable regulations and provide follow up reports noting any observed deficiencies. The Company is continuously reviewing and enhancing its operational procedures and facilities both proactively and in response to routine inspections. The Company follows all regulatory requirements in response to inspections in a timely manner.

The Company endeavours to comply with all relevant laws, regulations and guidelines. To the Company's knowledge, it is in compliance or in the process of being assessed for compliance with all such laws, regulations and guidelines as described elsewhere in this prospectus.

On February 24, 2016, the Federal Court of Canada issued the Allard Decision, declaring that the MMPR, as it was drafted, is unconstitutional in violation of the plaintiffs' rights under section 7 of the Charter of Rights and Freedoms. The declaration of invalidity was suspended for six months to allow the Government of Canada to amend or issue new regulations. On March 21, 2014 the Federal Court of Canada issued an order affecting the repeal of the MMAR and the application of certain portions of the MMPR which are inconsistent with the MMAR in response to a motion brought by the plaintiffs in the Allard Decision. On August 24, 2016, the ACMPR came into force, replacing the MMPR as the regulations governing Canada's medical cannabis regime which permits patients to produce a limited amount of cannabis for their own medical purposes or to designate a person to produce a limited amount of cannabis. This ACMPR could significantly reduce the addressable market for the Company's products and could materially and adversely affect the business, financial condition and results of operations of the Company.

On October 19, 2015, the Liberal Party was elected and obtained a majority government in Canada. The Liberal Party has made electoral commitments to legalize, regulate and tax recreational cannabis use in Canada. On April 20, 2016, the Liberal Party made a commitment to introduce legislation to meet their electoral commitments by the Spring of 2017. On June 30, 2016, the Government of Canada launched the *Task Force on Marijuana Legalization and Regulation* and a public consultation for the creation of a new legislative system with respect to the legalization of cannabis (see the discussion paper entitled "Toward the Legalization, Regulation and Restriction of Access to Marijuana" ("Discussion Paper") (http://news.gc.ca/web/article-en.do?nid=1092399&tp=1), which sets out the objectives of the new system and identifies specific issues and options for which the Government is seeking comment). After taking consultations until August 29, 2016, the Task Force prepared and tabled their report on December 13, 2016. The report outlines a framework for a new system to legalize, regulate and restrict access to cannabis. The report contains recommendations to federal, provincial, territorial and municipal governments on how to promote and protect public health and safety, particularly among young Canadians. The advice presented in the Task Force's report will be considered by the Government of Canada as it proceeds to develop legislation for the legalization of cannabis. A new legislative system is not expected to be in place until 2019. The impact of any such new legislative system on the medical cannabis industry and the Company's business plan and operations is uncertain.

Medical Research of Phytocannabinoids

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated phytocannabinoids remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated phytocannabinoids. The statements made in this prospectus concerning the potential medical benefits of cannabinoids are based on published articles and reports with details of research studies and clinical trials, including those shown in the list of third-party studies summarized in this prospectus. As a result, the statements made in this prospectus are subject to the experimental parameters, qualifications and limitations in the studies that have been completed.

Although the Company believes that the articles and reports with details of research studies and clinical trials referenced in this prospectus reasonably support its beliefs regarding the medical benefits, viability, safety, efficacy and dosing of cannabis as set out in this prospectus, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding and perceptions relating to cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of Common Shares should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this prospectus or reach negative conclusions regarding the viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could have a material adverse effect on the demand for Company's products and therefore materially impact the business, financial condition and operating results of the Company.

We have a history of losses and may not achieve consistent profitability in the future

PPS generated a net loss of $2,256,000 for the year ended October 31, 2015 and a net loss of $944,000 for the nine months ended July 31, 2016. We will need to generate and sustain increased revenue levels in future periods in order to become profitable, and, even if we do, we may not be able to maintain or increase our level of profitability. We intend to continue to expend significant funds to increase our growing capacity, investing in research and development,

expanding our marketing and sales operations to increase our registered patients and to meet the increased compliance requirements associated with our transition to and operation as a public company. As we continue to grow, we expect the aggregate amount of this expense will also continue to grow.

Our efforts to grow our business may be more costly than we expect, and we may not be able to increase our revenue enough to offset our higher operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described in this prospectus, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If we are unable to achieve and sustain profitability, the market price of our Common Shares may significantly decrease.

The Reorganization resulted in taxable transactions for the Company's subsidiary and other potential liabilities

The steps to the Reorganization (as described under "Corporate Structure – *Reorganization*") include the disposition by PPS of all of the shares of its former PPS USA Holdings, Inc. subsidiary and the distribution of its shares to former shareholders. These steps are taxable transactions and PPS has determined its obligations in this respect. However, should PPS' tax obligations once assessed by the relevant tax authority be in excess of its determination, the Company may be required to pay additional taxes in amounts that may be material to the Company.

The Company may have contingent liabilities associated with the operations of PPS USA Holdings, Inc. and the other entities involved in the Reorganization. Although the Company has received an indemnity under an indemnification agreement to cover such potential liabilities, the enforcement and recovery under the indemnification agreement may be limited.

We rely on two key facilities

The Company's activities and resources are focused in its facilities in Saskatoon, Saskatchewan and are expected to continue to be focused on these facilities for the foreseeable future. The licenses held by the Company are specific to the Saskatoon, Saskatchewan facilities. Adverse changes or developments affecting these facilities, including but not limited to a breach of security, failure of heating and cooling systems or electrical delivery systems could have a material and adverse effect on the business, financial condition and operating results of the Company. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada, could also have an impact on the Company's ability to continue operating under its licenses or the prospect of renewing its licenses.

We rely on Management and need additional key personnel to grow our business, and the loss of key employees or inability to hire key personnel could harm our business.

We believe our success has depended, and continues to depend, on the efforts and talents of our executives and employees, including Brent Zettl, our President and CEO. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. In addition, the loss of any of our senior management or key employees could materially adversely affect our ability to execute our business plan and strategy, and we may not be able to find adequate replacements on a timely basis, or at all. We do not maintain key person life insurance policies on any of our employees.

Factors which may prevent realization of growth targets

The Company is currently in the expansion from early development stage. The Company's growth strategy contemplates outfitting the Saskatchewan 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, including some that are discussed elsewhere in these Risk Factors and the following:

- failure or delays in obtaining, or conditions imposed by, regulatory approvals
- facility 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
- operational inefficiencies
- labour disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities
- major incidents and/or catastrophic events such as fires, explosions or storms

As a result, there is a risk that the Company may not have product or sufficient product available to meet the anticipated demand or to meet future demand when it arises.

The Company may experience additional expenditures related to unforeseen issues that have not been taken into account in the preparation of this prospectus.

Additional financing

There is no guarantee that the Company will be able to execute on its strategy. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business strategy or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other Companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

Limitations under credit facilities

The Company's secured credit facilities may limit, among other things, the Company's ability to permit the creation of certain liens, make investments or dispose of the Company's material assets. In addition, these credit facilities may limit the Company's ability to incur additional indebtedness and requires the Company to maintain specified financial ratios and meet financial condition covenants. Events beyond the Company's control, including changes in general economic and business conditions, may affect the Company's ability to satisfy these covenants, which could result in a default under the credit facilities. If an event of default under the credit facilities occurs, the lender could elect to declare all principal amounts outstanding under the credit facilities at such time, together with accrued interest, to be immediately due. In such an event, the Company may not have sufficient funds to repay amounts owing under the facility. The Company's credit facilities mature on November 1, 2017. If the Company's credit facilities are not extended beyond this maturity date, then the lender could elect to declare all principal amounts outstanding under the credit facilities at such time, together with accrued interest, to be immediately due.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have 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.

To date, the Canadian government has only issued a limited number of licenses under the MMPR/ACMPR to produce and sell medical cannabis. There are, however, several hundred applicants for licenses (as of June 28, 2016,

there are 416 licence applications pending). The number of licenses granted could have an impact on the business, financial condition and operating results of the Company. Because of early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. According to Health Canada, there are currently 36 Licensed Producers as the date of this prospectus. If the number of users of medical cannabis 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 operating results of the Company.

Client acquisition and retention

The Company's success depends on its ability to attract and retain patients. There are many factors which could impact the Company's ability to attract and retain patients, including but not limited to the Company's ability to continually produce desirable and effective product, the successful implementation of the Company's patient-acquisition plan and the continued growth in the aggregate number of patients selecting medical cannabis as a treatment option and other companies producing and supplying similar products. The Company's failure to acquire and retain patients would have a material adverse effect on the business, financial condition and operating results of the Company.

Research and development and product obsolescence

Rapidly changing markets, technology, emerging industry standards and frequent introduction of new products characterize the Company's business. The introduction of new products embodying new technologies, including new manufacturing processes, and the emergence of new industry standards may render the Company's products obsolete, less competitive or less marketable. The process of developing the Company's products is complex and requires significant continuing costs, development efforts and third party commitments. The Company's failure to develop new technologies and products and the obsolescence of existing technologies could adversely affect the business, financial condition and operating results of the Company. The Company may be unable to anticipate changes in its potential customer requirements that could make the Company's existing technology obsolete. The Company's success will depend, in part, on its ability to continue to enhance its existing technologies, develop new technology that addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of the Company's proprietary technology entails significant technical and business risks. The Company may not be successful in using its new technologies or exploiting its niche markets effectively or adapting its businesses to evolving customer or medical requirements or preferences or emerging industry standards.

Shelf life of our inventory

We hold finished goods in inventory and our inventory has a shelf life. Finished goods in our inventory include herbal cannabis and cannabis oil products. We have completed shelf life stability testing on our herbal cannabis. This testing concluded that the potency of our herbal cannabis remains static for approximately 20 months. In consultation with Health Canada, we elected to set the shelf life for our herbal cannabis products at 12 months once it is bottled. We are currently completing shelf life stability tests for cannabis oils, which we anticipate will have a longer shelf life than herbal cannabis. Our typical turnover rate for inventory has been within 12 months of final production, however this turnover rate may change and our inventory may reach its expiration and not be sold. Even though on a regular basis, Management reviews the amount of inventory on hand, reviews the remaining shelf life and estimates the time required to manufacture and sell such inventory, write-down of inventory may still be required. Any such write-down of inventory could have a material adverse effect on our business, financial condition, and results of operations.

We face risks inherent in an agricultural business

The Company's business involves the growing of medical cannabis, 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 grows its products indoors under climate controlled conditions, the Company grows its products in a growth chamber environment under GMP and all growing conditions are carefully monitored with trained

personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products and therefore materially impact the business, financial condition and operating results of the Company.

Transportation risks

Due to the perishable and premium nature of the Company's products, the Company will depend on fast and efficient third party transportation services to distribute its product. Any prolonged disruption of third party transportation services could have an adverse effect on the financial condition and results of operations of the Company. Rising costs associated with the third party transportation services used by the Company to ship its products may also adversely impact the business of the Company and its ability to operate profitably.

Due to the nature of the Company's products, security of the product during transportation to and from the Company's facilities is of the utmost concern. A breach of security during transport or delivery could have a material and adverse effect on the business, financial condition and operating results of the Company. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of Health Canada, could also have an impact on the Company's ability to continue operating under its licenses or the prospect of renewing its licenses.

We may be subject to 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's 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. 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, efficacy and quality of medical cannabis in general, or the Company's products specifically, or associating the consumption of medical cannabis 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 legally, 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 cannabis 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 cannabis products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the products produced by the Company caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, financial condition and operating results 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 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 products produced by the Company 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 products produced by the Company were subject to recall, the image of that product and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for products produced by the Company 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 operations of the Company 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. 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.

We are vulnerable to rising energy costs

The Company's medical cannabis growing operations 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.

SubTerra will be dependent on the Power Purchase Contract for electricity

Once the SubTerra facility is complete and operating, SubTerra's growing operations will consume significant amounts of electricity. SubTerra expects to rely on purchased power from PM Power Holdings under the Power Purchase Contract for its electricity needs. Should PM Power Holdings not be able to supply electricity to SubTerra from its White Pines power generating facility or from other sources, an alternative source of electricity may not be available at rates comparable to those provided under the Power Purchase Contract. Any significant interruption or negative change in the availability or costs for electricity could materially impact the business, financial condition and operating results of SubTerra and the Company.

Dependence on suppliers and skilled labour

The ability of the Company to compete and grow medical cannabis 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.

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 cannabis 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

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or Companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

We are subject to environmental regulations and risks

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the business, financial condition and operating results of the Company.

Government approvals and permits are currently, and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of medical cannabis or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

In certain circumstances, the Company's reputation could be damaged

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regards to the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Third party reputational risk

The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's medical cannabis business activities. This may impact the Company's ability to retain current partners, such as its banking relationship, or source future partners as required for growth or future expansion in Canada or the United States. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

Changes to safety, health and environmental regulations could have a material effect on future operations

Safety, health and environmental legislation affects nearly all aspects of the Company's operations including product development, working conditions, waste disposal and emission controls. Compliance with safety, health and environmental legislation can require significant expenditures and failure to comply with such safety, health and environmental legislation may result in the imposition of fines and penalties, the temporary or permanent suspension of operations, clean-up costs resulting from contaminated properties, damages and the loss of important permits. Exposure to these liabilities arises not only from the Company's existing operations, but from operations that have been closed or sold to third parties. The Company could also be held liable for worker exposure to hazardous substances and for accidents causing injury or death. There can be no assurances that the Company will at all times be in compliance with all safety, health and environmental regulations or that steps to achieve compliance would not materially adversely affect the Company's business.

Safety, health and environmental laws and regulations are evolving in all jurisdictions where the Company has activities. The Company is not able to determine the specific impact that future changes in safety, health and environmental laws and regulations may have on its operations and activities, and its resulting financial position; however, the Company anticipates that capital expenditures and operating expenses will increase in the future as a result of the implementation of new and increasingly stringent safety, health and environmental regulation. Further changes in safety, health and environmental laws, new information on existing safety, health and environmental conditions or other events, including legal proceedings based upon such conditions or an inability to obtain necessary permits, may require increased financial reserves or compliance expenditures or otherwise have a material adverse effect on the Company.

Information systems security threats

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("**IT**") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire,

power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Risks Related to this Offering

No prior public market for Common Shares

Prior to the Offering, no public market existed for the Common Shares. An active and liquid market for the Common Shares might not develop following the completion of the Offering or, if developed, might not be maintained. If an active public market does not develop or is not maintained, investors might have difficulty selling their Common Shares.

The initial public offering price of Common Shares will be determined by negotiations between us and the Underwriters for the Offering and may not be indicative of the price at which the Common Shares will trade following the completion of the Offering. We cannot assure investors that the market price of Common Shares will not materially decline below the initial public offering price.

Additional regulatory burden

Prior to the Offering, we have not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of the TSX. We are working with our legal, accounting and financial advisors to identify those areas in which changes should be made to our financial management control systems to manage our obligations as a public company. These areas include corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. We have made, and will continue to make, changes in these and other areas, including our internal controls over financial reporting. However, we cannot assure purchasers of Common Shares that these and other measures that we might take will be sufficient to allow us to satisfy our obligations as a public company on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies will create additional costs for us and will require the time and attention of Management. We cannot predict the amount of the additional costs that we might incur, the timing of such costs or the impact that Management's attention to these matters will have on our business.

Unpredictable and volatile market price for Common Shares

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control, including the following:

- actual or anticipated fluctuations in our quarterly results of operations
- recommendations by securities research analysts
- changes in the economic performance or market valuations of companies in the industry in which we operate
- addition or departure of our executive officers and other key personnel
- release or expiration of lock-up or other transfer restrictions on outstanding Common Shares
- sales or perceived sales of additional Common Shares

- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors
- operating and share price performance of other companies that investors deem comparable to us
- fluctuations to the costs of vital production materials and services
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in our industry or target markets

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if our operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which might result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, our operations could be adversely affected and the trading price of the Common Shares might be materially adversely affected.

No dividends

Our current policy is to retain earnings to finance the development and enhancement of our products and to otherwise reinvest in the Company. Therefore, we do not anticipate paying cash dividends on the Common Shares in the foreseeable future. Our dividend policy will be reviewed from time to time by our Board of Directors in the context of our earnings, financial condition and other relevant factors. Until the time that we do pay dividends, which we might never do, our shareholders will not be able to receive a return on their Common Shares unless they sell them. See "Dividend Policy".

Future sales of Common Shares by existing shareholders

Sales of a substantial number of Common Shares in the public market could occur at any time before or after the expiration of the lock-up agreements described in "Plan of Distribution". These sales, or the market perception that the holders of a large number of Common Shares intend to sell Common Shares, could reduce the market price of our Common Shares. In addition, the Underwriters might waive the provisions of these lock-up agreements and allow the subject shareholders to sell their Common Shares at any time. There are no pre-established conditions for the grant of such a waiver by the Underwriters, and any decision by them to waive those conditions may depend on a number of factors, which might include market conditions, the performance of our Common Shares in the market and our financial condition at that time. If the restrictions in such lock-up agreements are waived, additional Common Shares will be available for sale into the public market, subject to applicable securities laws, which could reduce the market price for Common Shares. Holders of options to purchase Common Shares will have an immediate income inclusion for tax purposes when they exercise their options (that is, tax is not deferred until they sell the underlying Common Shares). As a result, these holders may need to sell Common Shares purchased on the exercise of options in the same year that they exercise their options. This might result in a greater number of Common Shares being sold in the public market, and fewer long-term holds of Common Shares by Management and our employees.

Use of proceeds

We cannot specify with certainty the particular uses of the net proceeds we will receive from this Offering. Management will have broad discretion in the application of the net proceeds, including for any of the purposes described in "Use of Proceeds". Accordingly, a purchaser of Common Shares will have to rely upon the judgment of Management with respect to the use of the proceeds, with only limited information concerning Management's specific intentions. Management may spend a portion or all of the net proceeds from this Offering in ways that our shareholders

might not desire, that might not yield a favourable return and that might not increase the value of a purchaser's investment. The failure by Management to apply these funds effectively could harm our business. Pending use of such funds, we might invest the net proceeds from this Offering in a manner that does not produce income or that loses value.

Dilution and future sales of Common Shares

The initial offering price of our Common Shares will significantly exceed the net tangible book value per share of our Common Shares. Accordingly, if an investor purchases Common Shares under the Offering, the investor will incur immediate and substantial dilution of its investment. If the outstanding options to purchase our Common Shares are exercised, an investor will incur additional dilution. See "Options to Purchase Common Shares".

In addition, we may issue additional Common Shares in the future, which may dilute a Shareholder's holding in the Company. Our articles will permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Company have the discretion to determine if an issuance of Common Shares is warranted, the price at which such issuance is effected and the other terms of issue of Common Shares. Also, we may issue additional Common Shares upon the exercise of options to acquire Common Shares under the Stock Option Plan, which will result in further dilution to the Shareholders.

LEGAL MATTERS

We are from time to time involved in legal proceedings of a nature considered normal to our business. We believe that none of the litigation in which we are currently involved, or have been involved since the beginning of the most recently completed financial year, individually or in the aggregate, is material to our consolidated financial condition or results of operations.

Certain legal matters relating to the Offering will be passed upon on our behalf by Borden Ladner Gervais LLP, and on behalf of the Underwriters by Stikeman Elliott LLP. The partners and associates of Borden Ladner Gervais LLP, collectively, beneficially own, directly and indirectly, less than 1% of the issued and outstanding securities of any class of the Company. The partners and associates of Stikeman Elliott LLP, collectively, beneficially own, directly and indirectly, less than 1% of the issued and outstanding securities of any class of the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Our auditors are Deloitte LLP, Suite 400, 122 1st Avenue South, Saskatoon, Saskatchewan, S7K 7E5.

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc. at its principal offices in Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts entered into by the Company since the beginning of the last financial year, or before the beginning of the last financial year that are still in effect, which may be regarded as material, are as follows:

1. the Credit Agreement (see "Description of Material Indebtedness"),
2. the Underwriting Agreement (see "Plan of Distribution – *General*" for details regarding the Underwriting Agreement).

Copies of the material contracts set out above will be available under our profile on SEDAR at http://www.sedar.com.

EXPERTS

No person or company whose profession or business who is named as having prepared or certified a report, valuation, statement or opinion described or included in the prospectus, or whose profession or business gives authority to a report, valuation, statement or opinion described or included in the prospectus, holds any registered or beneficial interest, direct or indirect, in any of our securities or other property of our company or one of our associates or affiliates and no such person or company, or a director, officer or employee of such person or company, is expected to be elected, appointed or employed as one of our directors, officers or employees or as a director, officer or employee of any of our associates or affiliates and no such person is one of our promoters or the promoter of one of our associates or affiliates.

Deloitte LLP is independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Saskatchewan.

ELIGIBILITY FOR INVESTMENT

In the opinion of Borden Ladner Gervais LLP, counsel to the Company, and Stikeman Elliott LLP, counsel to the Underwriters, the Common Shares, if issued on the date of this prospectus, would be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), deferred profit sharing plan, registered education savings plan, registered disability savings plan or tax-free savings account, provided the Common Shares are listed on a "designated stock exchange," as defined in the Tax Act.

Notwithstanding the foregoing, if the Common Shares are a "prohibited investment" (as defined in the Tax Act) for a particular RRSP, RRIF or TFSA, the annuitant or holder of the particular Registered Plan, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Common Shares will not be a "prohibited investment" for a trust governed by an RRSP, RRIF or TFSA provided the annuitant of the RRSP or RRIF, or holder of the TFSA, as the case may be, deals at arm's length with the Company for purposes of the Tax Act and does not have a "significant interest", within the meaning of ss. 207.01(4) of the Tax Act, in the Company. In addition, the Common Shares will not be a prohibited investment if such securities are "excluded property", for purposes of the prohibited investment rules, for an RRSP, RRIF or TFSA. Annuitants under an RRSP or RRIF and holders of a TFSA should consult their own tax advisors as to whether the Common Shares will be a prohibited investment for such RRSP, RRIF or TFSA in their particular circumstances.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces of Canada, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

GLOSSARY OF TERMS

"**AC**" means the Audit Committee of the Board of Directors.

"**ACMPR**" means the *Access to Cannabis for Medical Purposes Regulations* (Canada) issued pursuant to the Controlled Drugs and Substances Act (Canada).

"**APIs**" means Active Pharmaceutical Ingredients.

"**cannabis**" has the meaning given to such term in the ACMPR.

"**cannabis oil**" has the meaning given to such term in the ACMPR.

"**Bill 660**" means Michigan State Senate Bill 660.

"**Board of Directors**" or "**Board**" means the board of directors of the Company.

"**CanniMed**" means CanniMed Ltd., a wholly-owned subsidiary of the Company.

"**Capital Loan**" has the meaning set out under the heading "Description of Material Indebtedness".

"**CAPRI Trial**" has the meaning set out under the heading "Our Growth Strategy – *Clinical Trials*".

"**CBCA**" means the *Canada Business Corporations Act.*

"**CBD**" means cannabidiol.

"**CBN**" means cannabinol.

"**CC**" means the Compensation Committee of the Board of Directors.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**CDSA**" means the *Controlled Drugs and Substances Act* (Canada).

"**CDS Participants**" has the meaning set out under the heading "Plan of Distribution – *Book Entry System*".

"**CEO**" means chief executive officer.

"**CFO**" means chief financial officer.

"**CGC**" means the Corporate Governance Committee of the Board of Directors.

"**Charter**" means the *Canadian Charter of Rights and Freedoms*.

"**client**" has the meaning given to such term in the ACMPR.

"**Closing**" means the closing of the Offering.

"**Closing Date**" means the date of the Closing.

"**CMED**" means CanniMed Therapeutics Inc. and, unless otherwise noted or the context indicates otherwise, its direct and indirect subsidiaries.

"**Code**" means the Company's Code of Business Conduct and Ethics.

"**Commercial License**" means the licenses issued by Health Canada to CanniMed designating CanniMed as a Licensed Producer. This term includes the licenses issued under the MMPR on September 19, 2013 and September 19, 2015 for sale of dried marijuana, and the supplemental license issued under s. 56 of the CDSA on January 12, 2016 for sale of cannabis oil.

"**Common Shares**" means the common shares without par value in the capital of the Company.

"**Company**" CanniMed Therapeutics Inc. and, unless otherwise noted or the context indicates otherwise, its direct and indirect subsidiaries.

"**Consolidated Financial Statements of PPS**" has the meaning set out under the heading "Financial Statement Presentation in this Prospectus".

"**Convertible Debentures**" has the meaning set out under the heading "Summary of Pro Forma Information".

"**Credit Agreement**" has the meaning set out under the heading "Description of Material Indebtedness".

"**Credit Facilities**" has the meaning set out under the heading "Description of Material Indebtedness".

"**Credit Facilities Guarantors**" has the meaning set out under the heading "Description of Material Indebtedness".

"**CSA**" means Canadian Standards Association.

"**Cultivation License**" means the licenses issued by Health Canada to PPS designating PPS as a Licensed Producer. This term includes the licenses issued under the MMPR on September 19, 2013 and September 19, 2015 for production, possession, destruction, transport, and delivery of dried marijuana, and the supplemental license issued under s. 56 of the CDSA on January 12, 2016 for production, possession, destruction, transport, and delivery of cannabis oil.

"**DEA**" means the U.S. Drug Enforcement Agency.

"**dried marijuana**" has the meaning given to the term "dried marihuana" in the ACMPR.

"**DPSP**" means deferred profit sharing plan.

"**FDA**" means the *Food and Drug Act* (Canada).

"**FDR**" means the *Food and Drug Regulations* (Canada).

"**g**" means a gram.

"**GMP**" means good manufacturing practices.

"**Health Canada Contract**" has the meaning set out under the heading "Our Business – *History*".

"**HFBI**" means the Canadian Federal Health Products and Food Branch Inspectorate of Health Canada.

"**IFRS**" means International Financial Reporting Standards.

"**IT**" means information technology.

"**kg**" means a kilogram.

"**Licenses**" means the Commercial License and the Cultivation License together.

"**Licensed Dealer**" has the meaning given to such term in the NCR.

"**Licensed Producer**" has the meaning given to such term in the ACMPR.

"**Management**" means the management of the Company.

"**marijuana**" has the meaning given to the term "marihuana" in the ACMPR.

"**MD&A**" means Management's Discussion and Analysis included in this prospectus.

"**mg**" means milligram.

"**Michigan Pilot Facility**" has the meaning set out under the heading "Use of Proceeds".

"**Minister**" means the Federal Minister of Health (Canada).

"**ml**" means millilitre.

"**MMAR**" means the *Marihuana Medical Access Regulations* (Canada) issued pursuant to the CDA.

"**MMPR**" means the *Marihuana for Medical Purposes Regulations*.

"**Named Executive Officers**" or "**NEOs**" means the Company's CEO and CFO and the next two next most highly compensated executive officers of the Company who are currently serving as executive officers.

"**NCR**" means the *Narcotic Control Regulations* (Canada) issued pursuant to the CDSA.

"**NDA**" has the meaning set out under the heading "Executive Compensation – *Employee Agreements and Termination and Change of Control Benefits*".

"**NI 52-110**" has the meaning set out under the heading "Corporate Governance – *Board of Directors*".

"**Offering**" means this initial public offering of Common Shares.

"**Offering Price**" means the price of each common share that will be issued pursuant to the Offering, as indicated on the cover page.

"**Operating Loan**" has the meaning set out under the heading "Description of Material Indebtedness".

"**Over-Allotment Option**" means the option granted by the Company to the Underwriters to purchase up to 750,000 additional Common Shares at the Offering Price, exercisable for a period of 30 days from the Closing.

"**Over-Allotment Shares**" means Common Shares issuable under the Over-Allotment Option.

"**pharmaceutical-grade**" means a standard of quality, consistency and purity suitable for use as a medicine.

"**PMP**" means plant-made product.

"**PM Power Holdings**" means PM Power Group Holdings Ltd.

"**Power Purchase Contract**" means the services agreement dated as of November 16, 2016, as amended, between SubTerra and PM Power Group, Inc., the operator of the White Pine power generating facility, pursuant to which PM Power Group, Inc. agrees to distribute electricity to the SubTerra facility pursuant to the terms of the agreement.

"**PPS Option Plans**" has the meaning set out under the heading "Options to Purchase Common Shares – *Options*".

"**Preferred Shares**" means the preferred shares in the capital of the Company.

"**Pro forma Statements**" has the meaning set out under the heading "Financial Statement Presentation in this Prospectus".

"**Property Loan**" has the meaning set out under the heading "Description of Material Indebtedness".

"**PTSD**" means post-traumatic stress disorder.

"**Registered Plan**" means an RRSP, a RRIF and a TFSA.

"**Reorganization**" has the meaning set out under the heading "Corporate Structure".

"**RRIFs**" means registered retirement income funds.

"**RRSPs**" means registered retirement savings plan.

"**Saskatoon Expansion**" has the meaning set out under the heading "Use of Proceeds".

"**sq. ft.**" means square foot.

"**Sub Terra**" means Sub Terra LLC, a wholly-owned subsidiary of the Company.

"**Tax Act**" means the *Income Tax Act* (Canada).

"**THC**" means Delta-9-tetrahydrocannabinol.

"**TFSAs**" means tax-free savings accounts.

"**TPCC**" means the Technology and Product Commercialization Committee of the Board of Directors.

"**TSX**" means the Toronto Stock Exchange.

"**UN Convention**" means the United Nations Single Convention on Narcotic Drugs.

"**Underwriters**" has the meaning set out on the cover page.

"**Underwriting Agreement**" means the underwriting agreement dated December 21, 2016 between the Company and the Underwriters.

"**U.S.**" means the United States of America.

"**U.S. Loan**" has the meaning set out under the heading "Description of Material Indebtedness".

"**U.S. Securities Act**" means United States Securities Act of 1933, as amended.

"**2014 Physician Survey**" has the meaning set out under the heading "Our Business – *Prescribing Physician Trends*".

"**2016 Physician Survey**" has the meaning set out under the heading "Our Business – *Prescribing Physician Trends*".

INDEX TO FINANCIAL STATEMENTS

The following financial statements are included in this prospectus:

CONSOLIDATED FINANCIAL STATEMENTS

As at October 31, 2015 and October 31, 2014 and for the three year period ended October 31, 2015

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Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
Prairie Plant Systems Inc.

We have audited the accompanying consolidated financial statements of Prairie Plant Systems Inc., which comprise the consolidated statements of financial position as at October 31, 2015 and October 31, 2014, and the consolidated statements of operations and comprehensive (loss) income, consolidated statements of changes in shareholders' equity and consolidated statement of cash flows for each of the years in the three-year period ended October 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Prairie Plant Systems Inc. as at October 31, 2015 and October 31, 2014, and its financial performance and its cash flows for each of the years in the three-year period ended October 31, 2015, in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Professional Accountants
December 20, 2016
Saskatoon, Saskatchewan

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of Canadian dollars)

As at	Note	October 31, 2015	October 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents	6	**$ 1,791**	$ 3,286
Accounts receivable	7	**3,712**	9,184
Inventories	8	**7,559**	4,810
Biological assets	9	**380**	145
Income tax receivable		**—**	1,691
Prepaid expenses and deposits		**711**	475
		14,153	19,591
Property, plant and equipment	10	**53,865**	46,066
Intangible assets	11	**7,393**	6,502
Goodwill		**492**	492
Deferred income tax assets	12	**2,138**	1,266
		$78,041	$73,917
LIABILITIES			
Current liabilities			
Accounts payables and accrued liabilities	13	**$ 5,751**	$ 3,742
Deferred revenue		**—**	15
Income tax payable		**624**	624
Loans and borrowings	14	**18,955**	18,441
		25,330	22,822
Loans and borrowings	14	**5,699**	5,412
Deferred income tax liabilities	12	**1,040**	1,571
Deferred revenue		**132**	58
		6,871	7,041
SHAREHOLDERS' EQUITY			
Share capital	16	**30,859**	30,859
Warrants		**107**	—
Share-based compensation reserves		**3,073**	2,502
Accumulated other comprehensive income		**4,837**	1,473
Retained earnings		**6,964**	9,220
		45,840	44,054
		$78,041	$73,917
Subsequent events	23		

Approved by the Board:

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(In thousands of Canadian dollars)

For the years ended	Note(s)	October 31, 2015	October 31, 2014	October 31, 2013
Revenue		**$19,530**	$10,252	$11,446
Unrealized gain from changes in fair value of biological assets	9	**(3,509)**	(3,058)	—
Inventory expensed to cost of sales		**2,910**	1,588	—
Production costs		**9,834**	3,787	3,941
Cost of sales, net of the unrealized gain on changes in fair value of biological assets		**9,235**	2,317	3,941
Gross margin, including the unrealized gain on changes in fair value of biological assets		**10,295**	7,935	7,505
Expenses:				
General and administrative		**4,770**	3,902	2,323
Sales and marketing		**3,120**	1,346	355
Research and development		**1,271**	973	899
Foreign exchange loss (gain)		**405**	(227)	(32)
Research and development tax credits		**(386)**	(458)	(545)
Loss on derivative instruments		**86**	476	—
Depreciation and amortization	10, 11	**3,129**	1,351	669
Share-based compensation	17	**571**	732	117
		12,966	8,095	3,786
(Loss) income from operations		**(2,671)**	(160)	3,719
Gain on disposal of property, plant and equipment		**390**	—	—
Bargain purchase gain on business combination	5	**—**	9,868	—
Impairment of long-term investments		**—**	(46)	—
Interest income		**18**	82	137
Finance costs		**(1,129)**	(364)	(111)
		(721)	9,540	26
(Loss) income before income tax		**(3,392)**	9,380	3,745
Income tax:				
Current tax (expense) recovery	12	**(48)**	344	(785)
Deferred tax recovery (expense)	12	**1,184**	(797)	(212)
		1,136	(453)	(997)
Net (loss) income		**$ (2,256)**	$ 8,927	$ 2,748
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation adjustment		**3,364**	1,473	—
Net income and comprehensive income		**$ 1,108**	$10,400	$ 2,748
Net (loss) earnings per share				
Basic	18	**$ (0.62)**	$ 2.62	$ 0.83
Diluted	18	**$ (0.62)**	$ 2.48	$ 0.80
Weighted average shares				
Basic		**3,666**	3,406	3,312
Diluted		**3,666**	3,598	3,456

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Canadian dollars)

	Share capital	Warrants	Share-based compensation reserves	Accumulated other comprehensive income	Retained earnings	Total Equity
Balance at November 1, 2012	$ 9,529	$ —	$1,653	$ —	$ 854	$12,036
Net income	—	—	—	—	2,748	2,748
Total comprehensive income for the year	—	—	—	—	2,748	2,748
Dividends paid	—	—	—	—	(263)	(263)
Issuance of common shares on equity financing	9,423	—	—	—	—	9,423
Value of warrants issued on equity financing	—	658	—	—	—	658
Redemption of common shares	(346)	—	—	—	—	(346)
Share-based compensation	—	—	117	—	—	117
Balance – October 31, 2013	$18,606	$ 658	$1,770	$ —	$ 3,339	$24,373
Net income	—	—	—	—	8,927	8,927
Exchange differences on translating foreign operations	—	—	—	1,473	—	1,473
Total comprehensive income for the year	—	—	—	1,473	8,927	10,400
Issuance of common shares on equity financing	9,826	—	—	—	—	9,826
Warrant conversion to common shares	638	(638)	—	—	—	—
Reclassification of unexercised warrants	—	(20)	—	—	20	—
Redemption of common shares	(2,040)	—	—	—	(3,066)	(5,106)
Issuance of common shares in acquisition of subsidiary	3,829	—	—	—	—	3,829
Share-based compensation	—	—	732	—	—	732
Balance – October 31, 2014	$30,859	$ —	$2,502	$1,473	$ 9,220	$44,054
Net loss	—	—	—	—	(2,256)	(2,256)
Exchange differences on translating foreign operations	—	—	—	3,364	—	3,364
Total comprehensive income for the year	—	—	—	3,364	(2,256)	1,108
Value of warrants issued on debenture financing	—	107	—	—	—	107
Share-based compensation	—	—	571	—	—	571
Balance – October 31, 2015	**$30,859**	**$ 107**	**$3,073**	**$4,837**	**$ 6,964**	**$45,840**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars)

For the years ended		October 31, 2015	October 31, 2014	October 31, 2013
Cash flows from (used in) operating activities				
Net (loss) income		**$(2,256)**	$ 8,927	$ 2,748
Taxation paid				
Items not affecting cash:				
Unrealized gain from changes in fair value of biological assets		**(3,120)**	(2,867)	—
Gain on disposal of property, plant and equipment		**(390)**	—	—
Depreciation of property, plant and equipment		**3,071**	1,173	312
Amortization of intangible assets		**467**	178	357
Write-down of intangible assets		—	—	674
Share-based compensation		**571**	732	117
Bargain purchase gain from business combination		—	(9,868)	—
Deferred income tax (expense) recovery		**(1,184)**	797	212
Loss on derivatives		**86**	476	—
Impairment of long-term investments		—	46	—
Interest payable		**1,129**	364	111
Interest receivable		**(18)**	(82)	(137)
Cash flows (used in) from operating activities before working capital changes		**(1,644)**	(124)	4,394
Changes in non-cash working capital	19	**8,867**	(6,313)	435
Cash from (used in) operations		**7,223**	(6,437)	4,829
Cash flows (used in) from investing activities				
Interest received		**18**	82	137
Acquisition of subsidiary, net of cash acquired	5	—	(7,893)	—
Purchase of property, plant and equipment	10	**(8,458)**	(15,639)	(5,784)
Proceeds from disposal of property, plant and equipment		**1,038**	—	—
Purchase of intangible assets	11	**(533)**	(858)	(757)
Cash used in investing activities		**(7,935)**	(24,308)	(6,404)
Cash flows (used in) from financing activities				
Proceeds from equity financings	16	—	9,826	10,081
Redemption of common shares	16	—	(5,106)	(346)
Interest paid		**(1,129)**	(364)	(111)
Dividends paid		—	—	(263)
Proceeds from loans and borrowings	14	**2,711**	18,977	416
Repayment of loans and borrowings	14	**(2,308)**	(722)	(544)
Repayment of finance leases	14	**(57)**	(57)	(52)
Cash (used in) generated by financing activities		**(783)**	22,554	9,181
(Decrease) increase in cash and cash equivalents		**(1,495)**	(8,191)	7,606
Cash and cash equivalents, beginning of year		**3,286**	11,477	3,871
Cash and cash equivalents, end of year		**$ 1,791**	$ 3,286	$11,477
Cash is comprised of:				
Cash and cash equivalents		**$ 791**	$ 3,286	$11,477
Restricted cash		**1,000**	—	—
Cash and cash equivalents, end of year		**$ 1,791**	$ 3,286	$11,477

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

General Information

Prairie Plant Systems Inc. ("PPS") is a company incorporated in Canada, with its registered and head office located at #1 Plant Technology Road, Saskatoon, SK., Canada, S7K 3J8.

Prairie Plant Systems Inc. and its subsidiaries (collectively "the Company") principal business activities are plant biotechnology research, product development and the production of plant based materials for biopharmaceutical, agricultural and environmental market applications. PPS is a licensed producer and distributor of medical cannabis pursuant to the provisions of the Access to Cannabis for Medical Purposes Regulations ("ACMPR") and the Controlled Drugs and Substances Act and its Regulations.

1. Basis of preparation:

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements were authorized for issue by the Company's Board of Directors on December 20, 2016.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for biological assets and certain financial instruments, which are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is PPS's functional and presentation currency. The subsidiaries located in the United States of America have a US dollar functional currency and the subsidiaries located in Canada have a Canadian dollar functional currency.

Basis of consolidation

These consolidated financial statements incorporate the accounts of PPS and entities controlled by it. Control exists when PPS has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The accounts of subsidiaries are included in the consolidated financial statements of the Company from the date that control commences until the date that control ceases. The Company has the following wholly-owned subsidiary corporations operating in the Canada and the US: SubTerra, PPS USA Holdings, Inc., CanniMed, P.M. Power Group, Inc., White Pine Electric Power, LLC, Upper Peninsula Power Marketing, LLC, and White Pine Copper Refinery Inc.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

2. Significant accounting policies:

The significant accounting policies utilized by the Company have been applied consistently to all periods presented in these consolidated financial statements.

Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of each entity at monthly average exchange rates. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to each entity's functional currency at the foreign exchange rate applicable at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate at the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the consolidated statement of operations. Foreign currency gains and losses are reported on a net basis.

The assets and liabilities of the Company's foreign operations are translated into Canadian dollars, PPS's functional currency, using exchange rates prevailing at the reporting period. The income and expense transactions of foreign operations are translated to Canadian dollars at the monthly average exchange rates, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Foreign currency differences on translation to the reporting currency are recognized directly in accumulated other comprehensive income.

Business combinations

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at

the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the statement of operations as a bargain purchase gain. Associated transaction costs are expensed when incurred.

Cash and cash equivalents

Cash and cash equivalents consists of cash held at banks and restricted cash.

Inventories

Inventories of materials and supplies are valued at the lower of cost and net realizable value. Inventories of harvested plants are transferred from biological assets at their fair value at harvest, which becomes deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using average cost.

Biological assets

The Company measures biological assets, consisting of plants, at fair value less cost to sell up to the point of harvest. Agricultural produce consisting of plant produce is measured at fair value less cost to sell at the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest.

Unrealized gains or losses arising from changes in fair value less cost to sell during the year, including the impact on the carrying amount of inventory, are included in the consolidated statement of operations and comprehensive income.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated amortization and impairment losses. Amortization is provided on a straight line basis as follows:

Buildings	5% to 10%
Production equipment	
• Growing equipment	20% to 30%
• Power equipment	10% to 20%
Office and other equipment	20% to 100%
Assets under finance lease	5%

An asset's residual value, useful lives and amortization method are reviewed at each reporting period and, if appropriate, adjusted on a prospective basis as a change in estimate. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized in profit or loss.

Intangible assets

Intangible assets with finite useful lives are comprised of costs incurred to acquire patent protection and internally generated project development costs, both of which are recorded at cost less accumulated amortization and accumulated impairment losses. The deferred patents costs are amortized on a straight-line basis over the life of the related patent once the patent has been awarded. Development costs are amortized on a straight-line basis over 10 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized as general and administrative expenses in the consolidated statement of operations and comprehensive loss as incurred.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Impairment of long-lived assets

Long-lived assets, including property plant and equipment and intangible assets are reviewed to determine whether there is any indicators of impairment at each consolidated statement of financial position date or whenever events or changes in circumstances indicate that the carrying

amount of an asset exceeds its recoverable amount. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lessor of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Goodwill is evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment. Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is recorded in profit or loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. For the purposes of impairment testing, goodwill is allocated to each of the Company's CGUs, or groups of CGUs, expected to benefit from the synergies of the combination.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Provisions

A provisions is recognized if, as a result of a past event, the Company has a present obligation or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax risk free rate.

Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to the grants and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Government grants whose primary condition is that the Company purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Leased assets

Leases are classified as an operating lease whenever the terms of the lease do not transfer substantially all of the risks and rewards of ownership to the lessee, in which case the lease is classified as a finance lease and the asset is treated as if it had been purchased outright.

Operating leases payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

For finance leases, the amount initially recognized as an asset is the lower of the fair value of the leased property and the value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between finance expenses and reduction of the lease obligation. The interest element is charged to the consolidated statement of operations over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognized when the Company has transferred the significant risks and rewards of ownership to the customer, the amount of revenue can be reliably measured and it is probable that the economic benefits of the transaction will flow to the Company. Significant risks and rewards are generally considered to be transferred when the Company has shipped the product to customers.

A subsidiary of the Company, PMPG, receives revenue from the sale of power. The Company considers the detailed criteria for the recognition of revenue from the sale of power set out in IAS 18, specifically whether the amount of revenue can be measured reliably. Under a negotiated annual agreement with the Midcontinent Independent System Operator ("MISO"), the entity is awarded compensation according to a schedule of costs, including anticipated capital repairs and related projects, and reflect the MISO Tariff in place during the settlement period, for the cost of

operating and maintaining its natural gas power plant. MISO pays the entity a monthly allocation during the term of the Agreement along with supplemental payments prorated for any partial monthly availability for service as an SSR unit. Each monthly SSR payment is made regardless of dispatch of the SSR Unit during that month. Revenue recognition is recognized according to the consideration that the entity expects to be entitled to from MISO over the term of the agreement and on an accrual basis.

PMPG also has a Michigan Licensed Alternative Electric Supply ("AES") business, UP Power Marketing, LLC ("UPPM"), fully licensed within the State of Michigan to sell retail electric energy. The energy revenue is recognized upon delivery of electricity to the customers. These contributions are recognized immediately in profit or loss as revenue under UPPM.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Group RSP / Deferred Profit Sharing Plan

For its Canadian employees, including Named Executive Officers ("NEOs"), the Company has a group registered savings plan ("Group RSP"). Employees are required to participate in the Group RSP plan after six months of employment. Pursuant to the Group RSP, PPS provides a two percent match to those employed between six months and two years and a three percent match to those who have over two years of continuous employment. The employer portion of the Deferred Profit Sharing Plan will vest after the employee has completed two years of plan membership.

SubTerra Pension Plan

For eligible employees at SubTerra, there is a SIMPLE IRA pension plan. This plan allows discretionary contributions to be made by SubTerra for eligible employees who elect to be covered by the plan. Pursuant to this plan, SubTerra contributes three percent of eligible wages.

PMPG Retirement Plans

PMPG maintains a qualified cash and deferred compensation plan under section 401(k) of the Internal Revenue Code. Under the provisions of the Plan, eligible employees may elect to defer up to 15 percent of their compensation, subject to Internal Revenue Code limits. Employees are eligible to participate in the Plan if they have completed one year of service with at least 1,000 hours worked. Participants may enter the Plan on December 1, immediately following the completion of the service requirement. The Company can make a matching discretionary contribution.

White Pine Electric Power, LLC has established a Defined Benefit Pension Plan (#003) to the USW Local 5024-02 Union Employees which will provide a monthly pension benefit per month per year of credited service. The plan is self-administered by White Pine Electric Power, LLC and its delegates. The plan year runs January 1 to December 31, and the cost of the plan is paid entirely by the employer. The employer has hired an actuary who determined the minimum amount that needs to be contributed by the Employer each plan year. The pension plan will be incorporated into the next collective bargaining agreement. During the period from November 1, 2014 to October 31, 2015, contributions to the plan totaled $88. At October 31, 2015, the net liability under this plan was $137 (October 31, 2014 – $135)

Share-based compensation

The Company has an employee stock option plan. The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Fair value is measured using the Black-Scholes option pricing model. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate.

Consideration paid by employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from stock-based compensation reserves to share capital.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxation

Income tax expense (recovery) represents the sum of the tax currently payable and deferred tax.

The current tax expense (recovery) is based on taxable profit for the year. Taxable profit differs from income (loss) as reported in the consolidated statements of operations and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the year.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill. Deferred income tax is charged or credited to net income (loss), except when related to items charged or credited to either other comprehensive income or directly to equity.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the year.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the year, to recover or settle the carrying amount of its assets and liabilities.

Earnings per share

The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise of warrants and share options issued.

Financial instruments

Financial assets and financial liabilities are recognized when a Company entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value on the date that they are originated. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred assets that is created or retained by the Company is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at fair value through profit or loss, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Company classifies its financial assets as financial assets at fair value through profit or loss, loans and receivables, or available for sale. A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available for sale financial assets are non-derivatives that are either designated as available for sale or are not classified as:

(a) loans and receivables,

(b) held-to-maturity investments; or

(c) financial assets at fair value through profit or loss.

Financial liabilities and equity instruments

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or other liabilities. Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount on initial recognition.

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Classification of financial instruments

The Company classifies it financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Classification	
Cash and cash equivalents	Loans and receivable
Accounts receivable	Loans and receivable
Accounts payable and accrued liabilities	Other liabilities
Derivative instrument liabilities	Fair value through profit and loss
Loans and borrowings	Other liabilities

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate transactions. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and subsequently remeasured at fair value at the end of each reporting date. The resulting gain or loss is recognized in the profit or loss.

The debentures and common share purchase warrants are presented separately on the Company's Statement of Financial Position. Transaction costs are netted against the proceeds received. The liability portion of the debenture has been designated as other financial liability and is initially recognized at fair value. Subsequent to initial recognition, the debenture is measured at amortized cost using the effective interest method. The common share purchase warrants are initially recognized at fair value and are not remeasured subsequent to initial recognition.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

3. Accounting standards:

Future Changes in Accounting Policies

These are the changes that the Company reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued by the International Accounting Standards Board ("IASB") which provides a comprehensive framework for recognition, measurement, and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and must be applied retrospectively. Early adoption is permitted. The Company is currently assessing the potential impacts of IFRS 15.

IFRS 9 Financial Instruments

IFRS 9 was issued by IASB in November 2009 and October 2010 and will replace IAS 39. 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. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss and amortized cost. Financial liabilities held-for-trading are measured at fair value through profit or loss, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. The effective date of IFRS 9 is January 1, 2018, with earlier adoption permitted. The Company is currently assessing the potential impact of IFRS 9.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

This amendment provides guidance regarding the accounting for bearer plants by providing a definition of bearer plants and brings bearer plants within the scope of IAS 16 from IAS 41. The amendment is effective for annual reporting periods beginning on or after January 1, 2016, and must be applied retrospectively. Early adoption is permitted. The Company does not anticipate a significant change from its current policy as the carrying cost of bearer plants is negligible.

Disclosure Initiative (Amendments to IAS 1)

On December 18, 2014, the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to the Company's current practices, but should facilitate improved financial statement disclosures. The Company will adopt these amendments in its financial statements for the year beginning on November 1, 2016. The Company is currently assessing the potential impact of IAS 1.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 16 has also been adopted. The Company is currently assessing the potential impact of IFRS 16.

IFRS 2 Share-Based Payment

In June 2016, the IASB issued amendments to IFRS 2. These amendments provide clarification on how to account for certain types of share-based payment transactions. The amendments are effective for the annual period beginning on or after January 1, 2018. The extent of the impact of the adoption of the amendments has not yet been determined.

IFRS 10 Consolidated Financial Statements

In September 2014, IFRS 10 was amended to clarify an inconsistency between this standard and IAS 28, *Investments in Associates and Joint* Ventures. The amendment requires that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if the assets are housed in a subsidiary. The amendments are effective for transactions occurring in annual periods beginning on or after January 1, 2016. The extent of the impact of the adoption of these amendments has not yet been determined.

IAS 7 Statement of Cash Flows

As part of their disclosure initiative, the IASB has issued amendments to IAS 7 Statement of Cash Flows requiring a reconciliation of liabilities arising from financing activities to enable users of the financial statements to evaluate both cash flow and non-cash changes in the net debt of a Company. The amendments to IAS 7 are effective for annual periods beginning on or after January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

IAS 12 Income Taxes

In January 2016, the IASB issued amendments to IAS 12 to provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. Adoption of the amendments to IAS 12 is required for the annual period beginning on or after January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

4. Critical accounting estimates and judgements:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Critical judgements in applying accounting policies

Business combinations

In determining the allocation of the purchase price in a business combination, including any acquisition related contingent consideration, estimates including market based and appraisal values are used. Judgement is used in determining whether an acquisition is a business combination or an asset acquisition.

Revenue recognition

The Company considered the detailed criteria for the recognition of revenue from the sale of power set out in IAS 18, specifically whether the amount of revenue can be measured reliably. Under contracts with the Midcontinent Independent System Operator ("MISO"), the entity is reimbursed for the cost of operating and maintaining its natural gas power plant. The costs that are ultimately reimbursed under the MISO contracts can be subject to change as a result of regulatory processes or subsequent adjustments for actual costs incurred. As a result, management makes judgements regarding whether the amount of revenue can be measured reliably and has determined that the revenue recognized under these contracts can be measured reliably.

Key sources of estimation uncertainty

Valuation of biological assets and inventories

Biological assets consisting of cannabis plants are measured at fair value less costs to sell up to the point of harvest.

Determination of the fair values of the biological assets 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 plants up to the point of harvest, costs to convert the harvested plants to finished goods, sales price, risk of loss, expected remaining future yields for the plants, and estimating values during the growth cycle.

The valuation of biological assets at the point of harvest is the cost basis for all cannabis based inventory and thus any critical estimates and judgements related to the valuation of biological assets are also applicable for inventory. The valuation of work in process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged. See Note 9 for additional information with respect to the estimates contained within biological assets.

Estimated useful lives and amortization of property plant and equipment and intangible assets

Amortization of property, plant and equipment and finite-life intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. 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 assets.

Impairment of goodwill, intangibles and long-lived assets

Determining whether impairment of goodwill and intangibles and long-lived assets exists requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Share-based compensation

In calculating the share-based compensation expense, key estimates such as the value of the common shares, the rate of forfeiture of options granted, the expected life of the option and the risk free interest rate are used.

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

Warrants

In calculating the value of the warrants, key estimates such as the value of the common shares and the risk free interest rate are used.

Taxes

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with tax planning strategies.

5. Business Combination:

On August 23, 2014, PPS USA Holdings Inc., a subsidiary company of PPS, acquired all of the issued and outstanding common shares of PM Power Group Inc., a company headquartered in the state of Michigan, for a purchase price of $11,722.

The acquisition secured access to a backup power supply in addition to access to the state power grid for its plant production operation.

As consideration for the purchase, cash of $7,893 was paid along with 191,468 Class A common shares of Prairie Plant Systems Inc. valued at $3,829. The costs of the acquisition relating to professional fees were $1,082.

The purchase price allocation has been determined on the basis of management's best estimates using the available information of the acquisition date fair values as follows:

Purchase price	**August 23, 2014**
Consideration paid in cash	$ 7,893
191,468 Class A common shares (Note 16)	3,829
Total consideration	$11,722
Allocation of the net purchase	
Assets acquired:	
Accounts receivable	$ 1,136
Inventories	663
Prepaid expenses and deposits	407
	2,206
Property, plant and equipment	13,764
Intangible assets	4,938
Deferred tax assets	5,520
	$26,428
Liabilities assumed:	
Accounts payable and accrued liabilities	$ 255
Other liabilities	467
Deferred tax liabilities	4,116
	$ 4,838
Net assets acquired	$21,590

	Amount
Total consideration	$ 11,722
Net assets acquired	(21,590)
Bargain purchase gain on business combination	**$ (9,868)**

Net cash outflow on acquisition of subsidiary

Purchase price	**August 23, 2014**
Consideration paid in cash	$7,893
Cash and cash equivalents balances acquired	—
	$7,893

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

Revenue and profit of the acquired business was $3,623 and $349, respectively, for the period of August 23, 2014 to October 31, 2014. If the PM Power Group Inc. acquisition had occurred as of November 1, 2013, the beginning of the year of acquisition, the consolidated revenue and loss of the Company would have been $16,230 and $2,226, respectively.

6. Cash and cash equivalents

As at October 31,	2015	2014
Cash and bank balances	**$ 791**	$3,286
Restricted cash	**1,000**	—
	$1,791	$3,286

Restricted cash of $1,000 (2014 – $nil) was held in trust by a third party on behalf of the Company as at October 31, 2015. The transfer of cash held in trust to the Company occurred on November 5, 2015.

7. Accounts receivable:

As at October 31,	2015	2014
Trade receivables	**$3,144**	$2,180
Subscription agreements receivable	**—**	6,306
Goods and Services Tax Receivable	**—**	497
Scientific Research and Experimental Development investment tax credits	**521**	180
Miscellaneous receivables	**47**	21
	$3,712	$9,184

Trade receivables disclosed above include amounts that are past due but not impaired at the end of the reporting period for which the Company has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality and the amounts are still considered recoverable. At October 31, 2015, these past due amounts were $1,387 (October 31, 2014 – $38).

8. Inventories:

As at October 31,	2015	2014
Finished goods	**$6,673**	$3,940
Materials and supplies	**886**	870
Inventories	**$7,559**	$4,810

Inventories expensed through cost of sales during the year ended October 31, 2015 was $2,910 (2014 – $1,588), including write-downs of inventory of $148 (2014 – $21).

9. Biological assets:

Biological assets consist of medical cannabis plants.

As at October 31,	2015	2014
Biological assets, beginning of year	**$ 145**	$ —
Change in fair value due to biological transformation	**3,509**	3,058
Transfers to inventory upon harvest	**(3,274)**	(2,913)
Biological assets, end of year	**$ 380**	$ 145

All plants are harvested for the sale of consumable product and take approximately fourteen to sixteen weeks to grow prior to harvest.

The significant assumptions used in determining the fair value of biological assets are as follows:

- wastage of plants based on their various stages of biological transformation;
- expected yields of each type biological asset;
- percentage of costs incurred at various stages of the biological transformation compared to the total costs are used to estimate the fair value of each type of biological asset;

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- fair value less cost to sell;
- percentage of costs incurred for each stage of plant growth was estimated; and
- amounts of depreciation and overhead incurred and allocated to biological assets.

The Company estimates the harvest yields for the plants at various stages of growth. The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the gain or loss on biological assets.

Prior to 2014, medical cannabis inventory was the property of Health Canada under the former Medical Marihuana Access Regulations framework. As such, there was no an unrealized change in fair value of biological assets as at October 31, 2013.

10. Property, plant and equipment:

Details of the Company's property, plant and equipment are as follows:

	Land	Buildings	Production equipment	Office and other equipment	Assets under finance lease	Total
Cost						
At November 1, 2013	425	18,031	3,571	1,313	370	23,710
Additions	—	12,255	2,685	699	—	15,639
Acquisition (Note 5)	300	4,251	42,415	1,032	—	47,998
Disposals	—	(1,133)	—	—	—	(1,133)
Translation adjustment	8	111	1,237	27	—	1,383
At October 31, 2014	$ 733	$33,515	$49,908	$3,071	$370	$ 87,597
Additions	260	3,949	4,010	239	—	8,458
Disposals	—	(648)	—	—	—	(648)
Translation adjustment	74	1,286	7,428	203	—	8,991
At October 31, 2015	**$1,067**	**$38,102**	**$61,346**	**$3,513**	**$370**	**$104,398**
Accumulated Depreciation						
At November 1, 2013	$ —	3,916	1,624	764	61	6,365
Depreciation and amortization	—	535	295	328	15	1,173
Acquisition (Note 5)	—	1,125	32,307	802	—	34,234
Disposals	—	(1,133)	—	—	—	(1,133)
Translation adjustment	—	30	842	20	—	892
At October 31, 2014	**$ —**	**$ 4,473**	**$35,068**	**$1,914**	**$ 76**	**$ 41,531**
Depreciation and amortization	—	1,323	1,253	480	15	3,071
Translation adjustment	—	247	5,535	149	—	5,931
At October 31, 2015	**$ —**	**$ 6,043**	**$41,856**	**$2,543**	**$ 91**	**$ 50,533**
Carrying amounts						
October 31, 2014	$ 733	$29,042	$14,840	$1,157	$294	$ 46,066
October 31, 2015	**$1,067**	**$32,059**	**$19,490**	**$ 970**	**$279**	**$ 53,865**

Production costs

During the year ended October 31, 2015, included in production costs was depreciation of $1,300 (2014 – $191).

Security

The Company's Senior Secured Credit Facilities consisting of a Revolving Tranche and a Term Loan Tranche (Note 14) are secured by a general security agreement covering all of the Company's assets.

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

11. Intangible assets:

Intangible assets consists of the following:

	Deferred development costs[1]	Deferred patent costs[2]	Power Utility intangibles[3]	Total
Cost				
At November 1, 2013	$1,494	$ 98	$ —	$1,592
Additions	836	22	—	858
Acquisition (Note 5)	—	—	5,059	5,059
Translation adjustment	—	—	120	120
At October 31, 2014	$2,330	$120	$5,179	$7,629
Additions	533	—	—	533
Translation adjustment	(24)	—	858	834
At October 31, 2015	**$2,839**	**$120**	**$6,037**	**$8,996**
Accumulated amortization				
At November 1, 2013	$ 821	$ 4	—	$ 825
Amortization	176	2	—	178
Acquisition (Note 5)	—	—	121	121
Translation adjustment	—	—	3	3
At October 31, 2014	$ 997	$ 6	$ 124	$1,127
Amortization	228	2	237	467
Translation adjustment	(24)	—	33	9
At October 31, 2015	**$1,201**	**$ 8**	**$ 394**	**$1,603**

(1) Internally generated and relating to the Company's bio-pharmaceutical business segment.

(2) Relates to pending patent applications and issued patents for various technologies.

(3) Relates to interconnection agreement of grid, water access rights and various supply agreements.

Carrying amounts				
At October 31, 2014	$ 1,333	$ 114	$ 5,055	$6,502
At October 31, 2015	**$ 1,638**	**$ 112**	**$ 5,643**	**$7,393**

12. Income tax:

Rate reconciliation

The income tax expense for the year is reconciled to the accounting net income as at October 31 as follows:

	2015	2014	2013
(Loss) income before income tax	**$(3,392)**	$ 9,380	$3,745
Income tax (recovery) expense calculated at 25%	**(848)**	2,345	936
Permanent differences	**178**	95	31
Non-taxable gain related to acquisition (Note 5)	**—**	(3,733)	—
Effect of tax rates of subsidiaries operating in other jurisdictions	**(296)**	1,564	—
Other	**(170)**	182	30
Net current and deferred income tax (recovery) expense recognized in the year	**$(1,136)**	$ 453	$ 997
Effective tax rate (%)	**29%**	5%	27%

Income tax recognized in earnings

The income tax expense for the year includes the following as at October 31:

	2015	2014	2013
Current income tax expense (recovery)	**$ 48**	$(344)	$786
Deferred income tax (recovery) expense	**(1,184)**	797	212
Net current and deferred income tax (recovery) expense recognized in the year	**$(1,136)**	$ 453	$997

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

Deferred taxes

Deferred taxes recognized in the statement of financial position for the year includes the following at October 31:

As at October 31,	**2015**	**2014**
Deferred tax asset	**$ 2,138**	$ 1,266
Deferred tax liabilities	**(1,040)**	(1,571)
	$ 1,098	$ (305)

2015	**Opening balance**	**Recognized in earnings**	**Recognized in equity**	**Effects of movements in exchange rates**	**Effects of business combination**	**Closing Balance**
Deferred tax assets (liabilities) in relation to:						
Property plant and equipment	$(3,623)	$ 454	$—	$(352)	$—	$(3,521)
Intangible assets	(1,824)	108	—	(286)	—	(2,002)
Inventory	(444)	(373)	—	—	—	(817)
Other	33	139	—	—	—	171
Income tax losses	5,553	856	—	858	—	7,267
Deferred tax assets (liabilities), net	$ (305)	$1,184	$—	$ 220	$—	$ 1,098

2014	**Opening balance**	**Recognized in earnings**	**Recognized in equity**	**Effects of movements in exchange rates**	**Effects of business combination**	**Closing Balance**
Deferred tax assets (liabilities) in relation to:						
Property plant and equipment	$(765)	$(391)	$—	$(198)	$(2,269)	$(3,623)
Intangible assets	—	49	—	(27)	(1,847)	(1,825)
Inventory	(24)	(420)	—	—	—	(444)
Other	23	11	—	—	—	34
Income tax losses	—	(46)	—	79	5,520	5,553
Deferred tax assets (liabilities), net	$(766)	$(797)	$—	$(146)	$ 1,404	$ (305)

2013	**Opening balance**	**Recognized in earnings**	**Recognized in equity**	**Effects of movements in exchange rates**	**Effects of business combination**	**Closing Balance**
Deferred tax assets (liabilities) in relation to:						
Property plant and equipment	$(567)	$(198)	$—	$—	$—	$(765)
Intangible assets	—	—	—	—	—	—
Inventory	(17)	(7)	—	—	—	(24)
Other	30	(7)	—	—	—	23
Income tax losses	—	—	—	—	—	—
Deferred tax assets (liabilities), net	$(554)	$(212)	$—	$—	$—	$(766)

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Income tax losses

At October 31, 2015 the Company has income tax losses carried forward of $3,097 from Canadian operations and $16,978 from US operations respectively (2014 – $26 from Canadian operations and $14,823 from US operations; 2013 – $nil). These losses are available to reduce future taxable income. The losses expire as follows:

	Canadian	US	Total
2025	—	$ 2,543	$ 2,543
2026	—	2,996	2,996
2027	—	2,113	2,113
2028	—	7,126	7,126
2029	—	440	440
2030	—	440	440
2031	—	440	440
2032	—	440	440
2033	—	440	440
2034	26	—	26
2035	3,071	—	3,071
Total	$3,097	$16,978	$20,075

13. Accounts payable and accrued liabilities:

As at October 31,	2015	2014
Trade payables	**$2,786**	$1,975
Derivative instrument liabilities	**562**	476
Accrued liabilities	**2,403**	1,291
Total trade payables and accrued liabilities	**$5,751**	$3,742

14. Loans and borrowings:

As at October 31,		2015	2014
Current liabilities			
Line of credit	**(a)**	**$ —**	$ 49
Current portion of finance lease liabilities	**(b)**	**57**	57
Current portion of term loans	**(c)**	**12,787**	13,761
Revolving loan	**(d)**	**4,357**	4,403
Capital loan	**(e)**	**500**	—
Current portion of debentures	**(f)**	**1,254**	171
		$ 18,955	$ 18,441

As at October 31,		2015	2014
Non-current liabilities			
Finance lease liabilities	**(b)**	**$ 19**	$ 76
Long-term debt	**(c)**	**12,787**	13,761
Current portion	**(c)**	**(12,787)**	(13,761)
Debentures	**(f)**	**6,572**	5,282
Current portion	**(f)**	**(1,254)**	(171)
Other	**(g)**	**362**	225
		$ 5,699	$ 5,412

* Subsequent to October 31, 2015, the Company renegotiated certain covenants within its Facility Agreement (Note 23).

(a) Demand loans

Line of Credit

The Company has access to a Canadian and US operating line of credit with a maximum of $1.0 million (2014 – $1.0 million) and $0.5 million (2014 – $0.5 million), respectively. The Canadian operating line of credit bears interest at bank prime plus 0.75% and the US operating line of

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credit bears interest at prime plus 0.5%. The lines of credit are secured by a general security agreement covering all assets of the Company and can be accessed to the lesser of the maximum available credit or the aggregate of 90% of Government of Canada receivables, 85% of undoubted receivables and 75% of acceptable receivables, less intercompany and priority claim amounts. The prime rate at October 31, 2015 was 2.70%. At October 31, 2014, the Company's US operating line of credit was $0.05 million.

(b) Finance Lease Liabilities

The Company has a finance lease related to a building. The lease contains a bargain purchase option of $66 and matures on December 31, 2016.

As at October 31,	2015	2014
Prime plus 1.5% lease, payable in blended monthly instalments of $5, with a bargain purchase option of $66, due January 2016, secured by a building with a net book value of $294.	$ 76	$133
Less: current portion	(57)	(57)
	$ 19	$ 76

Future minimum lease payments under finance leases with the present value of the net minimum lease payments are as follows at October 31:

As at October 31,	2015		2014	
	Minimum payments	**Present value of payments**	**Minimum payments**	**Present value of payments**
Less than one year	**$59**	**$59**	$ 57	$ 57
Between one and five years	**18**	**18**	81	81
Total minimum lease payments	**77**	**77**	138	138
Less finance charges	**(1)**	**(1)**	(5)	(5)
Finance lease obligation	**76**	**76**	133	133
Current Portion	**57**	**—**	57	—
Finance lease, net	**$19**	**$—**	$ 76	$ —

(c) Term loans

As at October 31,	2015	2014
5.08% to 5.19% capital loan, payable in blended monthly instalments of $76, due for renewal November 2015[1]	**$ 9,067**	$ 9,500
4.45% capital loan, payable in blended monthly instalments of $60, due for renewal November 2015	**3,720**	4,261
	12,787	13,761
Current Portion	**(12,787)**	(13,761)
	$ —	$ —

(1) The derivative instrument liabilities on the capital loan are included in accounts payable and accrued liabilities $562 (2014: $476), as disclosed in Note 13.

Breach of Covenant

The Company was not in compliance with certain debt covenants as at October 31, 2015 and October 31, 2014; furthermore, these financial covenants requirement were not waived by the lender prior to October 31, 2015 or October 31, 2014. As such, the amortized cost of the impacted facilities has been reclassified as current for financial statement presentation purposes. Subsequent to October 31, 2015, the Company has executed an amended Facility Agreement which has defined a term for the repayment of these facilities (Note 23).

(d) Revolving Loan

The Company has a $4.0 million USD demand revolving loan, available to assist the Company with the financing of the acquisition of all of the outstanding shares of PM Power Group Inc., including its subsidiaries White Pine Electric Power LLC, White Pine Copper Refinery Inc. and U.P Power Marketing LLC, through the Company's wholly owned subsidiary PPS USA Holdings Inc. (Note 5). All amounts outstanding under this revolving loan shall be repaid on demand by the Bank and, unless and until otherwise demand, in monthly installments of principal plus interest (based on an interest rate of the Bank's US Base Rate plus 1.75% per annum, for amounts not payable pursuant to banker's acceptances ("BAs")) and a maximum amortization period of 84 months commencing on the last day of the month immediately following the initial advance.

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(e) Capital Loan

The Company has a $0.5 million demand capital loan line. All amounts outstanding under the capital loan line shall be repaid on demand by the bank, unless and until otherwise demanded, in monthly installments of principal plus interest at bank prime rate plus 1.0% per annum Each advance under the capital loan line shall be repaid in full 48 months after the initial advance.

(f) Debentures

As at October 31,	2015	2014
10% debentures, interest paid monthly, principal payable in four equal annual instalments	**$ 4,369**	$4,854
10% convertible debenture, interest at 10% monthly, due December 2018	**2,053**	—
Warrant valuation (Note 16)	**(107)**	—
12% debenture, payable in annual instalments of $87 plus interest, due November 2016	**173**	260
Interest-free Manitoba Hydro debenture, payable in annual instalments of $84	**84**	168
	6,572	5,282
Current Portion	**(1,254)**	(171)
	$ 5,318	$5,111

The convertible debentures issued during 2015 mature on December 15, 2018, upon which time the Debentures shall be Converted into Class "A" voting common shares of the Company, or be redeemed by the Company for the Debenture amount and any unpaid accrued interest at the option of the Debenture holder. The Debentures are subordinate to all of the Company's other short-term and long-term loans and borrowings.

Debenture holders that participated in the purchase of 2015 convertible debenture offering also received warrants (Note 16(b)). The number of warrants issued to the Holders was calculated by taking the amount of the Debenture issued to the Holder divided by $22.00 and multiplied by one-half. Each warrant entitles the Holder to purchase one Share at a price equal to the Conversion Price, defined to be at a price equal to the lesser of 90 percent of the price of the PPS Class A common shares in a Triggering Event (as defined in the Debenture agreement) or $22.00 per common share. The Holder may exercise the Warrants at any time on or before, and the Warrants shall expire on, the earlier of the Maturity Date.

(g) Other

As at October 31,	2015	2014
Various loans, interest at 5.14% to 7.04%, payable in monthly instalments of $5 US with varying due dates.	**$362**	$190
Interest-free equipment finance contract, payable in blended monthly installments, due December 2017	**—**	21
Interest-free equipment finance contract, payable in blended monthly installments, due February 2017	**—**	14
	362	225
Current portion	**—**	—
	$362	$225

15. Commitments and contingencies:

a. Legal claims

The Company is occasionally named as a party in various claims and legal proceedings that arise during the normal course of its business. The Company reviews each of these claims, including the nature of the claim, the amount in dispute or claimed, and the availability of insurance coverage. There can be no assurance that any particular claim will be resolved in the Company's favor or that such claims may not have a material effect on the Company. Inquiries from regulatory bodies may also arise in the normal course of business, to which the Company responds as required. There were no existing claims that could have a material impact on the consolidated financial statements as at October 31, 2015 and 2014.

16. Share capital

Authorized

At October 31, 2015 and 2014, the authorized share capital of the Company consists of Class A common shares. The rights, privileges, restrictions and conditions attached to each series of shares are determined by the Board of Directors at the time of creation of such series. The common shares of the Company are entitled to vote at all meetings of the shareholders and, upon dissolution or any other distribution of assets, to receive such assets of the Company as are distributable to the holders of the common shares.

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

Issued

As at October 31,	2015		2014	
	Shares		Shares	
Common Shares:				
Outstanding, beginning of year	3,665,895	$30,859	3,387,421	$18,606
Issuance of shares (Note 16(a))	—	—	300,402	9,826
Redemption of warrants (Note 16(b))	—	—	303,463	638
Issuance for Acquisition (Notes 5, 16(a))	—	—	191,468	3,829
Share redemption (Note 16(a))	—	—	(516,859)	(2,040)
Outstanding, end of year	3,665,895	$30,859	3,665,895	$30,859
Warrants and other equity:				
Outstanding, beginning of year	—	—	303,463	658
Warrants redemption and expiry (Note 16(b))	—	—	(303,463)	(638)
Reclassification of expired warrants				(20)
Warrants (Note 16(b))	46,654	107	—	—
Outstanding, end of year	46,654	$ 107	$ —	$ —

Issuance of shares:

(a) Issuance of shares and share redemption

During 2014, the Company issued 603,865 Class A common shares for cash proceeds of $9,826. Also, pursuant to an acquisition (Note 5), the Company issued 191,468 Class A common shares valued at $3,829. Finally, 516,859 Class A shares were redeemed for total proceeds of $5,105. The excess of the redemption price over the paid up capital in the amount of $3,067 was charged to retained earnings.

Warrants:

(b) Warrant issuances

During 2013, as part of an equity financing that occurred during that year, 303,463 warrants were issued by the Company. Each whole warrant entitled the holder, upon exercise at any time up to and including November 30, 2015 and upon payment of $14.00, to subscribe for one Class "A" common share of the Company. The fair value of the warrants, using the Black-Scholes option pricing model, was estimated to be $658; these warrants are a Level 2 financial instrument. At October 31, 2014, a total of 295,265 of these Class "A" purchase warrants had been exercised and the remainder expired.

During 2015, the Company completed a debenture offering for gross proceeds of $2,053. Debenture holders received a total of 46,654 Class "A" common share purchase warrants pursuant to their debenture subscription. The fair value of the warrants associated with the debenture on the date of issue was $107; this amount was estimated using the Black-Scholes option pricing model with assumptions of a 3 year expected life, no forfeitures and an interest rate of 0.56%. At October 31, 2015, all 46,654 warrants remain outstanding. These warrants are classified as a Level 2 financial instruments.

17. Share-based compensation

The Company has established a stock option plan under which common share purchase options may be granted to directors, officers and key employees. The maximum number of common shares available for option under the stock option plan is outlined in the stock options agreement. Options granted have an exercise price comparable to the market prices of PPS shares, as determined by the Company's Board of Directors. All options are settled by physical delivery of shares. Vesting periods of options granted under the Company's stock option plan vary on a grant by grant basis, at the discretion of the Company's Board of Directors. Grants to Employees have a term to expiry of four to 10 years and typically have a vesting term of three to four years. Grants to Directors have a term to expiry of four years and vest immediately.

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

The following table summarizes movements in stock options during the years ended October 31, 2015, 2014 and 2013:

	2015		2014		2013	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Beginning of year	**518,000**	**$ 7.95**	345,000	$ 6.63	330,000	$ 6.47
Granted	**—**	**—**	198,000	$10.00	15,000	$10.00
Forfeited	**(5,000)**	**$10.00**	(25,000)	$ 6.00	—	—
Exercised	**—**	**—**	—	—	—	—
Expired	**—**	**—**	—	—	—	—
End of year	**513,000**	**$ 7.95**	518,000	$ 7.95	345,000	$ 6.63
Exercisable	**415,250**	**$ 7.80**	350,750	$ 7.52	286,250	$ 7.12

As at October 31, 2015, the foregoing options have expiry dates ranging from January 1, 2016 to November 24, 2022.

The weighted average fair value of stock options granted during 2014 was $7.93 and was estimated using the Black-Scholes option pricing model with assumptions of a 4.25 year weighted average expected option life and an interest rate of 1.4%. The weighted average fair value of stock options granted during 2013 was $8.41 and was estimated using the Black-Scholes option pricing model with assumptions of a 5.2 year weighted average expected option life and an interest rate of 1.2%.

18. (Loss) earnings per share

(Loss) earnings per share for the years ended October 31, 2015, 2014 and 2013 was calculated based on the following:

For the years ended October 31,	**2015**	**2014**	**2013**
Net (loss) income attributable to common shareholders	**$(2,256)**	$8,927	$2,748
Weighted average shares outstanding (basic)	**3,666**	3,406	3,312
Dilutive effect of stock options	**—**	192	144
Weighted average shares outstanding (diluted)	**3,666**	3,598	3,456
(Loss) earnings per share (basic)	**$ (0.62)**	$ 2.62	$ 0.83
(Loss) earnings per share (diluted)	**$ (0.62)**	$ 2.48	$ 0.80

For the year ended October 31, 2015, there was no effect of applying the treasury-stock method to the weighted average number of shares outstanding as all of the options and warrants were anti-dilutive.

For the years ended October 31, 2014 and 2013, there were no options excluded from the computation of diluted earnings per share, as the market value of the Company's common shares was greater than the average exercise price of options outstanding. For the year ended October 31, 2013, excluded from the computation of diluted earnings per share were 297,265 warrants with an exercise price greater than the average market price for the Company's shares.

19. Cash Flow Information

For the years ended October 31,	**2015**	**2014**	**2013**
Trade and other receivables	**$5,472**	$(5,403)	$ (12)
Inventories	**136**	(820)	(302)
Income taxes receivable	**1,691**	(1,525)	(636)
Prepaid expenses and deposits	**(236)**	(49)	(1)
Accounts payables and accrued liabilities	**2,485**	176	1,482
Deferred revenue (current portion)	**(15)**	(4)	—
Income tax movement	**—**	317	—
Deferred revenue (long-term portion)	**74**	(16)	(96)
Foreign exchange translation	**(740)**	1,011	—
Change in non-cash working capital	**$8,867**	$(6,313)	$ 435

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

20. Financial risk management and financial instruments

The Company is exposed to various risks through its financial instruments, as follows:

Capital Management

The Company manages its capital to provide sufficient liquidity for it operating and growth activities. In order to achieve this objective the Company prepares annual budgets and capital requirements to manage its capital structure.

The capital structure of the Company consists of loans and borrowings as detailed in Note 14 and equity, comprised of issued capital stock, share-based payments, accumulated and other comprehensive income and retained earnings.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and derivatives. In addition, the Company has one major power utility customer for surplus electricity from its backup power generating facility that accounts for more than 10% of the total revenue.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance. The exposure on trade receivable is minimal since the amount is due from government agency. There is no material exposure to credit risk on cash and cash equivalents and accounts receivable on the statement of financial position.

Liquidity

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital, cash flows and the issuance of share capital. The Company has access to lines of credit with available borrowings of $1,500 at October 31, 2015 and maintained cash and cash equivalents totaling $1,791 (including restricted cash of $1,000). The Company has the following payments/commitments at October 31, 2015:

	Total	**2016**	**2017**	**2018**	**2019 and after**
Demand loans *	**$17,644**	17,644	—	—	—
Current debt	**1,254**	1,254	—	—	—
Long-term debt *	**3,867**	1,269	1,185	1,099	314
Finance lease obligations	**76**	57	19	—	—
Total	**$22,841**	$20,224	$1,204	$1,099	$314

* Subsequent to October 31, 2015, the Company renegotiated certain covenants within its Facility Agreement (Note 23).

As at October 31, 2015, the Company had a working capital deficiency of $12.5 million, due to the accounting presentation of the Company's Facility loan as a result of violation of certain financial covenants for the year ended October 31, 2015. In order to address this working capital deficiency, the Company, subsequent to October 31, 2015, has completed two tranches of debenture financings (Note 23) and has renegotiated the terms of the Facility loan agreement (Note 23).

Market

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and commodity price risk.

Foreign currency risk

Foreign currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates, specifically the US Dollar. Currency risk arises as a result of the Company's investment in SubTerra, LLC and PPS USA Holdings Inc., U.S. subsidiaries. Management believes this risk is reduced by the fact that these U.S. subsidiaries operate in a politically and economically stable foreign country. Sensitivities of net income (loss) and equity for transactions denominated in USD using a sensitivity rate of 10% amounted to $(25) and $415 for 2015 ($980 and $153 for 2014).

The Company's exposure to foreign currency changes for all other currencies is not material.

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the loans and borrowings obligations with floating interest rates. The Company has entered into interest rate swaps to fix its exposure to variable interest rates on approximately one half of its long term debt.

Commodity risk

Commodity price risk is the risk that the fair value or future cash flows of commodity purchases and sales will fluctuate because of changes in market prices. The Company is exposed to the price of natural gas and electricity in its power operations. A substantial portion of the revenue from generating power is based on a cost reimbursement contracts with MISO and other parties which mitigates the Company's exposure to sales of electricity and purchase of natural gas for the production of power by the power plant. Retail power contracts are supplied by purchasing electricity from MISO and selling electricity under various retail agreements. The Company believes that the retail contracts provide mitigation of the purchase of electricity from the MISO as the retail contracts generally contain a variable component that fluctuates with the local market.

The Company may fix its price exposure to natural gas and electricity purchases in advance of delivery through firm commitments entered into near the time of delivery.

Categories of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 and 3 based on the degree to which the fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are from quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for assets and liabilities, either directly or indirectly;

Level 3 inputs are the unobservable inputs for assets and liabilities.

The following table provides information with respect to financial instruments held as of October 31:

2015	**Classification**	**Carrying Amount**	**Fair Value**
Cash and cash equivalents	Loans and receivables	$ 1,791	$ 1,791
Accounts receivable	Loans and receivables	$ 3,191	$ 3,191
Accounts payable and accrued liabilities	Other financial liabilities ("OFL")	$ 5,189	$ 5,189
Derivative instrument liabilities	Fair value through profit or loss	$ 562	$ 562
Loans and borrowings	OFL	$24,654	$24,654

2014	**Classification**	**Carrying Amount**	**Fair Value**
Cash and cash equivalents	Loans and receivables	$ 3,286	$ 3,286
Accounts receivable	Loans and receivables	$ 9,004	$ 9,004
Accounts payable and accrued liabilities	OFL	$ 3,266	$ 3,266
Derivative instrument liabilities	Fair value through profit or loss	$ 476	$ 476
Loans and borrowings	OFL	$23,853	$23,853

There were no transfers between Level 1 and Level 2 during the year.

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

Derivatives

The Company enters into derivative contracts to fix its risk associated with interest rates. At October 31, 2015 and 2014, the fair value of the following derivatives contracts were included in the statement of financial position in accounts payable and accrued liabilities (Note 13); there were no swaps outstanding at October 31, 2013. The derivatives is a level 2 financial instruments.

	Average fixed rate	2015 Notional Value	2015 Sum of derivative instrument liabilities and notional value	2015 Derivative instrument liabilities	2014 Notional Value	2014 Sum of derivative instrument liabilities and notional value	2014 Derivative Instrument liabilities
Interest rate swaps	**2.88%**	**$9,067**	**$9,629**	**$562**	$9,500	$9,976	$476

21. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. There are no transactions between the Company and any related party.

Key management personnel

Compensation of key management personnel of the Company:

For the years ended October 31,	2015	2014	2013
Salary and short term benefits	**$446**	$ 494	$533
Share-based payments	**415**	551	81
Other long-term benefits	**9**	10	9
Total compensation paid to key management personnel	**$870**	$1,055	$623

The Company's Executive Leadership Team (consisting of the Chief Executive Officer and Chief Financial Officer) are considered to be Key Management Personnel. In addition, members of the Company's Board of Directors are included in this definition, as defined by IAS 24, *Related Party Disclosures.* Compensation of the Company's key management personnel is determined by the Compensation Committee having regard to the performance of individuals and market trends. Compensation includes salaries, non-cash benefits and board fees.

22. Segment Information

Products and services from which reportable segments derive their revenues

Information reported to the chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of segment performance focuses on the sale of power and biopharmaceutical operations. No operating segments have been aggregated in arriving at the reportable segments of the Company. Specifically, the Company's reportable segments under IFRS 8, and how they generate revenue, are as follows:

1. Bio-pharmaceutical Products (including medical cannabis derivatives)- sale of product
2. Power Utility- sale of power

The following table provides selected statement of financial position information related to the Company's segments:

As at October 31, 2015	Bio-pharmaceutical Products	Power Utility	Total
Total assets	$50,397	$27,644	**$78,041**

As at October 31, 2014	Bio-pharmaceutical Products	Power Utility	Total
Total assets	$48,755	$25,162	**$73,917**

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

The following table presents selected income statement information for each reportable segment for the year ended October 31:

Year ended October 31, 2015	Bio-pharmaceutical Products	Power Utility	Totals
Revenue	$5,788	$13,742	$19,530
Cost of sales, net of unrealized gain from changes in fair value of biological assets	$ 132	$ 9,103	$ 9,235
Gross margin, including the unrealized gain on changes in fair value of biological assets	$5,656	$ 4,639	$10,295
Administration and other			$ 9,837
Depreciation and amortization			$ 3,129
Interest and other income			$ 408
Finance expense			$ 1,129
Net loss before income taxes			$ (3,392)

Year ended October 31, 2014	Bio-pharmaceutical Products	Power Utility	Totals
Revenue	$6,746	$3,506	$10,252
Cost of sales, net of unrealized gain from changes in fair value of biological assets	$1,207	$1,110	$ 2,317
Gross margin, including the unrealized gain on changes in fair value of biological assets	$5,539	$2,396	$ 7,935
Bargain purchase gain on business combination	$ —	$9,868	$ 9,868
Administration and other			$ 6,790
Depreciation and amortization			$ 1,351
Interest and other income			$ 82
Finance expense			$ 364
Net (loss) income before income taxes			$ 9,380

Year ended October 31, 2013	Bio-pharmaceutical Products	Power Utility	Totals
Revenue	$11,446	$—	$11,446
Cost of sales, net of unrealized gain from changes in fair value of biological assets	$ 3,941	$—	$ 3,941
Gross margin, including the unrealized gain on changes in fair value of biological assets	$ 7,505	$—	$ 7,505
Administration and other			$ 3,117
Depreciation and amortization			$ 669
Interest and other income			$ 137
Finance expense			$ 111
Net income before income taxes			$ 3,745

Segment revenue reported above represents revenue generated from external customers. There were no inter segment revenue. The accounting policies of the reportable segments are the same as the company's accounting policies as described in Note 2. Segment profit represents the income before income taxes.

For the financial year ended October 31, 2015, addition to non-current assets amount to $ 5,717 (2014: $ 16,497) and $ 3,274 (2014: $ nil) for Bio-pharmaceutical product segment and power utility segment respectively.

Geographic Information

The Company operates in two principal geographical areas, Canada and United States.

The Company's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are as follows at October 31:

	Revenue (Canada)		
Year ended October 31	2015	2014	2013
Bio-pharmaceutical Products	**$5,788**	$6,746	$11,446
Power Utility	**$ —**	$ —	$ —

	Revenue (US)		
Year ended October 31	**2015**	**2014**	**2013**
Bio-pharmaceutical Products	**$ —**	$ —	$—
Power Utility	**$13,742**	$3,506	$—

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

	Non-current assets (Canada)	
Year ended October 31,	**2015**	**2014**
Bio-pharmaceutical Products	**$38,627**	$33,564
Power Utility	**$ —**	$ —

	Non-current assets (US)	
Year ended October 31,	**2015**	**2014**
Bio-pharmaceutical Products	**$ —**	$ —
Power Utility	**$25,261**	$20,762

Major customers

The Company has one major power utility customer for surplus electricity from its backup power generating facility that accounts for more than 10% of the total revenue. Total revenue to this major customer amounted to $11,066 in 2015 (2014 – $1,270; 2013 – $nil) which comprised 57% (2014 – 14%; 2013 – nil %) of total revenues.

23. Subsequent events

Debenture Financing

Subsequent to October 31, 2015, the Company completed a debenture offering (the "Offering"). The Offering, which closed in two separate tranches (July and September 2016), consisted of a total of 9,491 debenture units ("Debentures"), at a price of $1,000 per Unit, for gross proceeds of $9.5 million. During the term of the Debentures, each Debenture is convertible into Class "A" shares at $22.00 per Class "A" share of the Company, at the option of the Debenture holder. The Debentures mature on December 15, 2018, upon which time the Debentures shall be Converted into Class "A" voting common shares of the Company, or be redeemed by the Company in twenty equal quarterly payments for the Debenture amount at the option of the Debenture holder. The term of the Debentures is subject to early redemption provisions. Notwithstanding the foregoing, the Debentures may, at the option of the Debenture holder, be converted into Class "A" shares upon the occurrence of one or more specified events. The Debentures pay interest at a rate of 10.0% per annum, with interest to be paid monthly and the principal to be paid upon maturity. The Debentures are subordinate to all of the Company's other short-term and long-term loans and borrowings.

Renegotiation of Facility Loan Agreement

Subsequent to October 31, 2015, the Company has entered into a Facility Agreement with its lender which renewed and amended existing credit facilities. The Facility Agreement includes the following Loans and interest rates:

Credit Facility	Facility Type	Amount Available	Amount Drawn(1)	Interest Rate
Operating Loan	Demand revolving	$1.0 million	$nil	Bank Prime plus 0.75%
Capital Loan Line	Demand revolving	$0.5 million	$0.4 million	Bank Prime plus 1.00%
Capital Loan	Non-revolving committed facility	$8.7 million	$8.7 million	Bank Prime plus 0.75%
Property Loan	Non-revolving committed facility	$3.3 million	$3.3 million	Bank Prime plus 1.75%
US Acquisition Loan	Non-revolving committed facility	$2.8 million USD	$2.8 million USD	For amounts not payable pursuant to Bas, interest is payable at the Bank's US Base Rate plus 1.75%
Capital Lease Line	Revolving lease line	$0.2 million	$nil	

(1) Amount drawn is as at the date of the Facility Agreement, October 13, 2016.

The Facility Agreement schedules renewal of the Capital Loan, Property Loan and US Acquisition Loan for November 2017; however, provisions are present within the Facility Agreement for the Company to request to have this date extended.

MISO Contracts

On August 25, 2016, the Company received a notice from MISO requesting to terminate the Company's System Support Resource Agreement ("SSR Agreement") by way of a 90 day notice period. The notice to terminate the agreement was approved by the federal Energy Regulatory

Commission in November 2016. The Company's turbine still remains a source of back up-power for the grid and the Company's operations. Management assessed and concluded that the receipt of the notice was not indicative of an impairment that existed as at July 31, 2016. Management is currently assessing the impact of the termination of the SSR Agreement on future reporting periods.

Corporate Reorganization

On October 31, 2016, PPS completed a corporate reorganization (the "Reorganization"). Prior to the Reorganization, shareholders of PPS held 3,667,695 Class "A" common shares in the capital of PPS (the "Old Shares") and PPS owned all of the shares of PPS USA Holdings, Inc., the parent company of P.M. Power Group Holdings, Inc. Also, prior to the Reorganization, PPS created a new wholly subsidiary, PM Power Group Holdings Ltd. ("PM Power") which acquired all of the shares of PPS USA Holdings, Inc. Another holding company, CanniMed Therapeutics Inc., was also created. Pursuant to a share exchange agreement entered into with each of its shareholders (the "Share Exchange Agreements"), PPS amended its capital by filing articles of amendment to create an unlimited number of Class "D" shares, and PPS shareholders then transferred to PPS their Old Shares effective on October 31, 2016 in exchange for one Class "D" share of PPS (the "New Shares") and one common share of PM Power (the "PM Shares") for each Old Share held by the PPS shareholders.

At October 31, 2016, PPS also had up to 524,728 Class "A" shares issuable on the conversion of convertible debentures; up to 633,197 Class "A" shares issuable on the exercise of stock options and; up to 46,654 Class "A" shares issuable on the exercise of warrants. Effective October 31, 2016, and concurrent with the transactions outlined above, the right by the respective option holders to acquire Class "A" Shares of the Corporation under the stock option plan, debenture agreement and or warrant agreement, was disposed by the holders and as consideration was automatically exchanged for right to acquire the same number of Class "D" common shares of PPS. On November 1, 2016, CanniMed Therapeutics Inc. acquired 100 percent of the Class "D" shares of PPS by executing a share exchange transaction on a 4:1 basis where CanniMed Therapeutics Inc. issued 14,670,780 CanniMed Therapeutics Inc. common shares to PPS' shareholders in exchange for their 3,667,695 Class "D" shares of PPS. As a result of this transaction, former shareholders of PPS hold 100 percent of the common shares of CanniMed Therapeutics Inc., and CanniMed Therapeutics Inc. became the holder of 100 percent of the issued and outstanding shares of PPS. In addition, CanniMed Therapeutics Inc. has been authorized to issue four CanniMed Therapeutics Inc. shares to each holder of PPS' Class "D" shares, provided that these Class "D" shares were acquired pursuant to the abovementioned conversion of convertible debentures or the exercise of the abovementioned options and warrants.

Conversion of Convertible Debentures and Warrants

On December 20, 2016, certain debenture holders converted $900 of convertible debentures into 40,908 fully paid Class "A" common shares of PPS. In addition, on December 20, 2016, a total of 2,273 warrants were converted into 2,273 Class "A" common shares of PPS for gross proceeds of $50. Pursuant to the Reorganization, the Class "A" common shares of PPS, pursuant to these conversions, were converted into Class "D" common shares of PPS and the resulting Class "D" common shares of PPS were then exchanged on a 4:1 basis for shares of CanniMed Therapeutics Inc., for a total of 172,724 common shares of CanniMed Therapeutics Inc.

CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

As at July 31, 2016 and October 31, 2015 and for the three and nine month periods ended July 31, 2016 and 2015

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of Canadian dollars – Unaudited)

	Note	July 31 2016	October 31 2015
ASSETS			
Current assets			
Cash and cash equivalents		**$ 5,851**	$ 1,791
Accounts receivable		**2,992**	3,712
Inventories	5	**6,671**	7,559
Biological assets	6	**350**	380
Prepaid expenses and deposits		**530**	711
		16,394	14,153
Property, plant and equipment		**55,021**	53,865
Intangible assets		**7,445**	7,393
Goodwill		**492**	492
Deferred income tax assets		**1,967**	2,138
		$81,319	$78,041
LIABILITIES			
Current liabilities			
Accounts payables and accrued liabilities		**$ 4,548**	$ 5,751
Income tax payable		**134**	624
Loans and borrowings	7	**17,772**	18,955
		22,454	25,330
Loans and borrowings	7	**13,767**	5,699
Deferred income tax liabilities		**1,017**	1,040
Deferred revenue		**—**	132
		14,784	6,871
SHAREHOLDERS' EQUITY			
Share capital	8	**30,859**	30,859
Warrants		**107**	107
Share-based compensation reserves		**3,321**	3,073
Accumulated other comprehensive income		**3,774**	4,837
Retained earnings		**6,020**	6,964
		44,081	45,840
		$81,319	$78,041
Subsequent events	14		

Approved by the Board:

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

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(In thousands of Canadian dollars, except per share amounts – unaudited)

	Note	Three Months Ended July 31		Nine Months Ended July 31	
		2016	2015	2016	2015
Revenue		**$ 5,036**	$4,817	**$14,770**	$14,141
Unrealized gain from changes in fair value of biological assets	6	**(1,344)**	(657)	**(4,059)**	(2,676)
Inventory expensed to cost of sales		**1,335**	744	**3,461**	2,114
Production costs		**2,016**	2,520	**6,564**	6,026
Cost of sales, net of the unrealized gain on changes in fair value of biological assets		**2,007**	2,607	**5,966**	5,464
Gross margin, including the unrealized gain on changes in fair value of biological assets		**3,029**	2,210	**8,804**	8,677
Expenses:					
General and administrative		**1,441**	935	**3,868**	3,662
Sales and marketing		**816**	723	**2,412**	2,221
Research and development		**307**	436	**1,070**	1,271
Foreign exchange gain		**(21)**	(42)	**(43)**	(144)
Research and development tax credits		**(39)**	(42)	**(123)**	(187)
Loss (gain) on derivative instruments	7	**4**	(70)	**(100)**	(140)
Depreciation and amortization		**871**	556	**2,264**	1,594
Share-based compensation	10	**81**	183	**248**	557
		3,460	2,679	**9,596**	8,834
Loss from operations		**(431)**	(469)	**(792)**	(157)
Other income		**178**	99	**398**	550
Interest income		**—**	2	**1**	17
Finance costs		**(298)**	(193)	**(893)**	(603)
		(120)	(92)	**(494)**	(36)
Loss before income tax		**(551)**	(561)	**(1,286)**	(193)
Income tax:					
Current tax recovery (expense)		**251**	—	**490**	(48)
Deferred tax (expense) recovery		**(113)**	(117)	**(148)**	(71)
		$ 138	$ (117)	**$ 342**	$ (119)
Net loss		**$ (413)**	$ (678)	**$ (944)**	$ (312)
Other comprehensive (loss) income:					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation		**(1,063)**	757	**(1,063)**	757
Total comprehensive (loss) income		**$(1,476)**	$ 795	**$ (2,007)**	$ 445
Net (loss) earnings per share					
Basic	9	**$ (0.11)**	$ (0.18)	**$ (0.26)**	$ (0.09)
Diluted	9	**$ (0.11)**	$ (0.18)	**$ (0.26)**	$ (0.09)
Weighted average number of oustanding common shares, basic:	9	**3,666**	3,666	**3,666**	3,666
Weighted average number of oustanding common shares, diluted:	9	**3,981**	3,976	**3,981**	3,976

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Canadian dollars – unaudited)

	Share capital	Warrants	Share-based compensation reserves	Accumulated other comprehensive income	Retained earnings	Total Equity
Balance – October 31, 2014	$30,859	$ —	$2,502	$ 1,473	$9,220	$44,054
Net loss	—	—	—	—	(312)	(312)
Exchange differences on translating foreign operations	—	—	—	757	—	757
Total comprehensive income for the year	—	—	—	757	(312)	445
Share-based compensation	—	—	557	—	—	—
Balance – July 31, 2015	$30,859	$ —	$3,059	$ 2,230	$8,908	$44,499
Balance – October 31, 2015	$30,859	$107	$3,073	$ 4,837	$6,964	$45,840
Net loss	—	—	—	—	(944)	(944)
Exchange differences on translating foreign operations	—	—	—	(1,063)	—	(1,063)
Total comprehensive income for the period	—	—	—	(1,063)	(944)	(2,007)
Share-based compensation	—	—	248	—	—	248
Balance – July 31, 2016	**$30,859**	**$107**	**$3,321**	**$ 3,774**	**$6,020**	**$44,081**

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars – unaudited)

		Nine Months Ended July 31	
		2016	2015
Cash flow (used in) from operating activities			
Net loss		**$ (944)**	$ (312)
Items not affecting cash:			
Unrealized gain from changes in fair value of biological assets		**(4,059)**	(2,676)
Depreciation of property, plant and equipment		**2,092**	1,526
Amortization of intangible assets		**172**	68
Share-based compensation		**248**	557
Deferred income tax expense		**148**	71
Unrealized loss on derivatives		**(100)**	(140)
Interest payable		**(893)**	(603)
Interest receivable		**(1)**	(17)
		(3,827)	(1,526)
Changes in non-cash working capital	11	**4,373**	3,955
Cash generated by operations		**546**	2,429
Investing activities			
Interest received		**1**	17
Purchase of property, plant and equipment		**(3,749)**	(3,598)
Purchase of intangible assets		**(417)**	(399)
Net cash used in investing activities		**(4,165)**	(3,980)
Cash flows from (used in) financing activities			
Interest paid		**893**	603
Proceeds from loans and borrowings	7	**8,441**	109
Repayment of loans and borrowings		**(1,270)**	(1,501)
Repayment of finance leases		**(50)**	(43)
Net cash generated by financing activities		**7,679**	(832)
Increase (decrease) in cash and cash equivalents		**4,060**	(2,383)
Cash and cash equivalents, beginning of period		**1,791**	3,286
Cash and cash equivalents, end of period		**$ 5,851**	$ 903
Cash and cash equivalents is comprised of:			
Cash and cash equivalents		**$ 5,851**	$ 903
Restricted cash		**—**	—
Cash and cash equivalents, end of period		**$ 5,851**	$ 903

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

1. General information:

Prairie Plant Systems Inc. ("PPS") is a company incorporated in Canada, with its registered and head office located at #1 Plant Technology Road, Saskatoon, SK., Canada, S7K 3J8.

Prairie Plant Systems Inc. and its subsidiaries (collectively "the Company") principal business activities are plant biotechnology research, product development and the production of plant based materials for biopharmaceutical, agricultural and environmental market applications. PPS is a licensed producer and distributor of medical cannabis pursuant to the provisions of the Access to Cannabis for Medical Purposes Regulations ("ACMPR") and the Controlled Drugs and Substances Act and its Regulations.

2. Basis of preparation:

Statement of compliance

These condensed consolidated interim financial statements for the three and nine months ended July 31, 2016 and 2015 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), following the same accounting policies and methods of application as those used in preparing the audited consolidated financial statements for the year ended October 31, 2015. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's 2015 annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on December 20, 2016.

Basis of measurement

These condensed consolidated interim financial statements have been prepared in Canadian dollars on a historical cost basis except for biological assets and certain financial instruments, which are measured at fair value. Historical cost is based on the fair value of the consideration given in exchange for assets.

These condensed consolidated interim financial statements incorporate the accounts of PPS and entities controlled by it. Control exists when PPS has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The accounts of subsidiaries are included in the consolidated financial statements of the Company from the date that control commences until the date that control ceases. The Company has the following wholly-owned subsidiary corporations operating in the Canada and the US: SubTerra; PPS USA Holdings, Inc.; CanniMed, P.M. Power Group, Inc.; White Pine Electric Power, LLC; Upper Peninsula Power Marketing, LLC; and White Pine Copper Refinery Inc.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed consolidated interim financial statements.

3. Accounting standards:

Future Changes in Accounting Policies

These are the new standards and amendments that the Company reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued by the International Accounting Standards Board ("IASB") which provides a comprehensive framework for recognition, measurement, and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and must be applied retrospectively. Early adoption is permitted. The Company is currently assessing the potential impacts of IFRS 15.

IFRS 9 Financial Instruments

IFRS 9 was issued by IASB in November 2009 and October 2010 and will replace IAS 39. 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. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss and amortized cost. Financial liabilities held-for-trading are measured at fair value through profit or loss, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is

applied to financial liabilities and non-derivative hosts not within the scope of the standard. The effective date of IFRS 9 is January 1, 2018, with earlier adoption permitted. The Company is currently assessing the potential impact of IFRS 9.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

This amendment provides guidance regarding the accounting for bearer plants by providing a definition of bearer plants and brings bearer plants within the scope of IAS 16 from IAS 41. The amendment is effective for annual reporting periods beginning on or after January 1, 2016, and must be applied retrospectively. Early adoption is permitted. The Company does not anticipate a significant change from its current policy as the carrying cost of bearer plants is negligible.

Disclosure Initiative (Amendments to IAS 1)

On December 18, 2014, the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to the Company's current practices, but should facilitate improved financial statement disclosures. The Company will adopt these amendments in its financial statements for the year beginning on November 1, 2016.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 16 has also been adopted. The Company is currently assessing the potential impact of IFRS 16.

IFRS 2 Share-Based Payment

In June 2016, the IASB issued amendments to IFRS 2. These amendments provide clarification on how to account for certain types of share-based payment transactions. The amendments are effective for the annual period beginning on or after January 1, 2018. The extent of the impact of the adoption of the amendments has not yet been determined.

IFRS 10 Consolidated Financial Statements

In September 2014, IFRS 10 was amended to clarify an inconsistency between this standard and IAS 28, *Investments in Associates and Joint Ventures*. The amendment requires that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if the assets are housed in a subsidiary. The amendments are effective for transactions occurring in annual periods beginning on or after January 1, 2016. The extent of the impact of the adoption of these amendments has not yet been determined.

IAS 7 Statement of Cash Flows

As part of their disclosure initiative, the IASB has issued amendments to IAS 7 Statement of Cash Flows requiring a reconciliation of liabilities arising from financing activities to enable users of the financial statements to evaluate both cash flow and non-cash changes in the net debt of a Company. The amendments to IAS 7 are effective for annual periods beginning on or after January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

Unaudited, expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

IAS 12 Income Taxes

In January 2016, the IASB issued amendments to IAS 12 to provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. Adoption of the amendments to IAS 12 is required for the annual period beginning on or after January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

4. Critical accounting estimates and judgements:

Critical accounting judgements and estimates in applying accounting policies

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected. The preparation of these condensed consolidated interim financial statements are prepared using accounting judgements consistent with the Company's annual consolidated financial statements and notes thereto for the year ended October 31, 2015.

5. Inventories:

As at	JUL 31 2016	OCT 31 2015
Finished goods	**$5,692**	$6,673
Materials and supplies	**979**	886
Inventories	**$6,671**	$7,559

Inventories expensed through cost of sales during the three months ended July 31, 2016 was $1,335 (Q3 2015 – $ 744) and for the nine months ended July 31, 2016 was $3,461 (YTD 2015 – $2,114). There were no write-downs of inventory during the three and nine months ended July 31, 2016 or 2015.

6. Biological assets:

Biological assets consist of medical cannabis plants.

As at	JUL 31 2016	OCT 31 2015
Biological assets, beginning of year	**$ 380**	$ 145
Change in fair value due to biological transformation	**4,059**	3,120
Transfers to inventory upon harvest	**(4,089)**	(2,885)
Biological assets, end of period	**$ 350**	$ 380

7. Loans and borrowings:

As at		JUL 31 2016	OCT 31 2015
Current liabilities			
Line of credit	**(a)**	**$ —**	$ —
Current portion of finance lease liabilities	**(b)**	**26**	57
Current portion of term loans[(1)]	**(c)**	**12,134**	12,787
Revolving loan line	**(d)**	**3,855**	4,357
Capital loan	**(e)**	**417**	500
Current portion of debentures	**(f)**	**1,340**	1,254
		$17,772	$18,955

Unaudited, expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

As at		JUL 31 2016	OCT 31 2015
Non-current liabilities			
Finance Lease liabilities	**(b)**	**$ —**	$ 19
Long-term debt	**(c)**	**12,134**	12,787
Current portion[1] – long-term debt	**(c)**	**(12,134)**	(12,787)
Debentures[2]	**(f)**	**14,777**	6,572
Current portion – debentures	**(f)**	**(1,340)**	(1,254)
Other	**(g)**	**330**	362
		$13,767	$5,699

(1) Subsequent to July 31, 2016, the Company renegotiated certain covenants within its Facility Agreement (Note 14).

(2) Recorded within the convertible debentures noted above is a non-current derivative liability relating to the conversion feature of the debentures. For the 2016 and 2015 debenture offerings, the fair value of the embedded derivative is $1.8 million. These fair value of these liabilities were determined using the following assumptions: common share price of $20; volatility of 22 percent; and implied discount rate of 15 percent.

(a) Demand loans

Line of Credit

The Company has access to a Canadian and US operating line of credit with a maximum of $1.0 million (October 31, 2015 – $1.0 million) and $0.5 million (October 31, 2015 – $0.5 million), respectively. The Canadian operating line of credit bears interest at bank prime plus 0.75% and the US operating line of credit bears interest at prime plus 0.50%. The lines of credit are secured by a general security agreement covering all assets of the Company and can be accessed to the lesser of the maximum available credit or the aggregate of 90% of Government of Canada receivables, 85% of undoubted receivables and 75% of acceptable receivables, less intercompany and priority claim amounts. The prime rate at July 31, 2016 was 2.70% (October 31, 2016 – 2.70%).

(b) Finance Lease Liabilities

As at	JUL 31 2016	OCT 31 2015
Prime plus 1.5% lease, payable in blended monthly instalments of $5, with a bargain purchase option of $66, secured by a building with a net book value of $294.	**$ 26**	$ 76
Less: current portion	**(26)**	(57)
	$ —	$ 19

(c) Term loans

As at	JUL 31 2016	OCT 31 2015
5.08% to 5.19% capital loan, payable in blended monthly instalments of $76, renewed October 2016 (Note 14), due for renewal November 2017[1]	**$ 8,727**	$ 9,067
4.45% capital loan, payable in blended monthly instalments of $60, renewed October 2016 (Note 14), due for renewal November 2017	**3,407**	3,720
	12,134	12,787
Current Portion	**(12,134)**	(12,787)
	—	—

(1) Capital loan balance is inclusive of a derivative liability of $463 (October 31, 2015: $562), as disclosed in Note 12.

Breach of Covenant

The Company was not in compliance with certain debt covenants as at July 31, 2016 and October 31, 2015; furthermore, these financial covenants requirement were not waived by the lender prior to these reporting periods. As such, the amortized cost of the impacted facilities has been reclassified as current for financial statement presentation purposes. Subsequent to July 31, 2016, the Company has executed an amended Facility Agreement which has defined a term for the repayment of these facilities (Note 14).

Unaudited, expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

(d) Revolving Loan

The Company has a $4.0 million USD demand revolving loan. All amounts outstanding under this revolving loan shall be repaid on demand by the Bank and, unless and until otherwise demand, in monthly installments of principal plus interest (based on an interest rate of the Bank's US Base Rate plus 0.75% per annum, for amounts not payable pursuant to banker's acceptances ("BAs")) and a maximum amortization period of 84 months commencing on the last day of the month immediately following the initial advance.

***(e)* Capital Loan**

The Company has a $0.5 million demand capital loan line. All amounts outstanding under the capital loan line shall be repaid on demand by the bank, unless and until otherwise demanded, in monthly installments of principal plus interest at bank prime rate plus 1.0% per annum Each advance under the capital loan line shall be repaid in full 48 months after the initial advance.

(f) Debentures

As at	JUL 31 2016	OCT 31 2015
10% convertible debenture, interest at 10% monthly, due December 2018 (2016 offering)[1]	**$ 8,441**	—
Debt issue costs	**(236)**	—
10% debentures, interest paid monthly, principal payable in annual instalments	**$ 4,369**	$ 4,369
10% convertible debenture, interest at 10% monthly, due December 2018 (2015 offering)[1]	**2,053**	2,053
Warrant valuation	**(107)**	(107)
12% debenture, payable in annual instalments of $87 plus interest, due November 2016	**173**	173
Interest-free Manitoba Hydro debenture, payable in annual instalments of $84	**84**	84
	14,777	6,572
Current Portion	**(1,340)**	(1,254)
	$13,437	$ 5,318

(1) Recorded within the convertible debentures noted above is a non-current derivative liability relating to the conversion feature of the debentures. For the 2016 and 2015 debenture offerings, the fair value of the embedded derivative is $1.8 million. These fair value of these liabilities were determined using the following assumptions: common share price of $20; volatility of 22 percent; and implied discount rate of 15 percent.

2016 Debenture Offering

During the quarter ended July 31, 2016, the Company completed the first tranche of its 2016 debenture offering (the "Offering"). Gross proceeds from the offering were $8.4 million. The Debentures are convertible into Class "A" shares at $22.00 per share of the Company or 90% of fair value of Class "A" shares in certain circumstances. The options can only be exercised upon the occurrence of one or more specified events, such as an initial public offering or at maturity. The Debentures mature on December 15, 2018. The Debentures are subordinate to all of the Company's other short-term and long-term loans and borrowings.

A second tranche of the 2016 offering was completed subsequent to July 31, 2016 for gross proceeds of $1.0 million.

2015 Debenture Offering

During the quarter ended October 31, 2015, the Company completed its 2015 debenture offering (the "2015 Offering"). Gross proceeds from the offering were $2.1 million. The Debentures are convertible into Class "A" shares at $22.00 per share of the Company or 90% of fair value of Class "A" shares in certain circumstances. The options can only be exercised upon the occurrence of one or more specified events, such as an initial public offering or at maturity. The Debentures mature on December 15, 2018. The Debentures are subordinate to all of the Company's other short-term and long-term loans and borrowings.

Debenture holders that participated in the purchase of the 2015 convertible debenture offering also received a total of 46,654 Class "A" common share purchase warrants pursuant to their debenture subscription. The fair value of the warrants associated with the debenture on the date of issue was $107; this amount was estimated using the Black-Scholes option pricing model with assumptions of a 3 year expected life, no forfeitures and an interest rate of 0.56%. At July 31, 2016, all 46,654 warrants remain outstanding. These warrants are classified as a Level 2 financial instruments.

Unaudited, expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

(g) Other

As at	JUL 31 2016	OCT 31 2015
Various loans, interest at 5.14% to 7.40%, payable in monthly instalments of $5 US with varying due dates. . . .	**$330**	$362
	$330	$362
Current portion	**—**	—
	$330	$362

8. Share capital

Authorized

At July 31, 2016 and October 31, 2015, the authorized share capital of the Company consisted of 3,665,895 Class A common shares. The rights, privileges, restrictions and conditions attached to each series of shares are determined by the Board of Directors at the time of creation of such series. The common shares of the Company are entitled to vote at all meetings of the shareholders and, upon dissolution or any other distribution of assets, to receive such assets of the Company as are distributable to the holders of the common shares.

At July 31, 2016 and October 31, 2015, a total of 46,654 Class A common share purchase warrants were outstanding.

9. Loss per share

Earnings per share for the three and nine months ended July 31, 2016 and 2015 was calculated based on the following:

	Three Months Ended JUL 31		Nine Months Ended JUL 31	
	2016	2015	2016	2015
Net loss attributable to common shareholders	**$ (413)**	$ (678)	**$ (944)**	$ (312)
Weighted average shares outstanding (basic)	**3,666**	3,666	**3,666**	3,666
Loss per share (basic)	**$ (0.11)**	$ (0.18)	**$ (0.26)**	$ (0.09)

Diluted:

For the three and nine months ended July 31, 2016 and 2015, there was no effect of applying the treasury-stock method to the weighted average number of shares outstanding as all of the options and warrants were anti-dilutive.

10. Share-based compensation

The Company has established a stock option plan under which common share purchase options may be granted to directors, officers and key employees. The maximum number of common shares available for option under the stock option plan is outlined in the stock options agreement. Options granted have an exercise price comparable to the market prices of PPS shares, as determined by the Company's Board of Directors. All options are settled by physical delivery of shares. Vesting periods of options granted under the Company's stock option plan vary on a grant by grant basis, at the discretion of the Company's Board of Directors. Grants to Employees have a term to expiry of four to 10 years and typically have a vesting term of three to four years. Grants to Directors have a term to expiry of four years and vest immediately.

The following table summarizes movements in stock options during the nine months ended July 31, 2016:

	July 31, 2016		July 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Beginning of year	**513,000**	**$7.95**	518,000	$7.95
Forfeited	**(20,000)**	**8.10**	(5,000)	7.93
End of year	**493,000**	**$7.92**	513,000	$7.93
Exercisable	**452,500**	**$7.74**	417,500	$7.47

Unaudited, expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

Subsequent to July 31, 2016, the Company issued an additional 141,997 stock options.

11. Cash Flow Information

	JUL 31 2016	JUL 31 2015
Trade and other receivables	720	$ 7,444
Inventories	4,977	(710)
Income taxes receivable	—	511
Prepaid expenses and deposits	181	(1,216)
Accounts payables and accrued liabilities	(1,004)	(602)
Deferred revenue (current portion)	—	(12)
Deferred revenue (long-term portion)	(132)	(132)
Foreign exchange translation	(369)	(1,328)
Change in non-cash working capital	$ 4,373	$ 3,955

12. Financial risk management and financial instruments

The Company is exposed to various risks through its financial instruments, as follows:

Capital Management

The Company manages its capital to provide sufficient liquidity for its operating and growth activities. In order to achieve this objective the Company prepares annual budgets and capital requirement forecasts to manage its capital structure.

There were no changes in the Company's approach to capital management during the period.

The capital structure of the Group consists of loans and borrowings as detailed in Note 7 and equity, comprised of issued capital stock, warrants, share-based compensation reserves, accumulated other comprehensive income and retained earnings.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and derivatives. In addition, the Company has one major power utility customer for surplus electricity from its backup power generating facility.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance. The exposure on trade receivable is minimal since the amount is due from government agency. There is no material exposure to credit risk on cash and cash equivalents and accounts receivable on the statement of financial position.

Liquidity

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital, cash flows and the issuance of share capital.

As at July 31, 2016, the Company's working capital position was impacted by the accounting presentation of the Company's Facility loan, a result of violation of certain financial covenants for the period ended July 31, 2016. Subsequent to July 31, 2016, has renegotiated the terms of the Facility loan agreement (Note 14).

Market

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and commodity price risk.

Foreign currency risk

Foreign currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates, specifically the US Dollar ("USD"). Currency risk arises as a result of the Company's investment in Subterra, LLC and PPS USA Holdings Inc., U.S. subsidiaries. Management believes this risk is reduced by the fact that these U.S. subsidiaries operate in a politically and economically stable foreign country.

Unaudited, expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

The Company's exposure to foreign currency changes for all other currencies is not material.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the loans and borrowings obligations with floating interest rates. The Company has entered into interest rate swaps to fix its exposure to variable interest rates on approximately one half of its long term debt.

Commodity risk

Commodity price risk is the risk that the fair value or future cash flows of commodity purchases and sales will fluctuate because of changes in market prices. The Company is exposed to the price of natural gas and electricity in its power operations. A substantial portion of the revenue from generating power is based on a cost reimbursement contracts with Midcontinent Independent System Operator ("MISO"), and other parties which mitigates the Company's exposure to sales of electricity and purchase of natural gas for the production of power by the power plant. Retail power contracts are supplied by purchasing electricity from MISO and selling electricity under various retail agreements. The Company believes that the retail contracts provide mitigation of the purchase of electricity from the MISO as the retail contracts generally contain a variable component that fluctuates with the local market.

The Company may fix its price exposure to natural gas and electricity purchases in advance of delivery through firm commitments entered into near the time of delivery.

Categories of financial instruments

The following table provides information with respect to financial instruments held as of:

July 31, 2016	**Classification**	**Carrying Amount**	**Fair Value**
Cash and cash equivalents	Loans and receivables	$ 5,851	$ 5,851
Accounts receivable	Loans and receivables	$ 2,672	$ 2,672
Accounts payable and accrued liabilities	Other financial liabilities ("OFL")	$ 3,720	$ 3,720
Derivative instrument liabilities	Fair value through profit or loss	$ 463	$ 463
Loans and borrowings	OFL	$31,539	$31,539

October 31, 2015	**Classification**	**Carrying Amount**	**Fair Value**
Cash and cash equivalents	Loans and receivables	$ 1,791	$ 1,791
Accounts receivable	Loans and receivables	$ 3,191	$ 3,191
Accounts payable and accrued liabilities	Other financial liabilities ("OFL")	$ 5,189	$ 5,189
Derivative instrument liabilities	Fair value through profit or loss	$ 562	$ 562
Loans and borrowings[(1)]	OFL	$24,654	$24,654

(1) Included in loans and borrowings are convertible debentures which include a non-current derivative liability (level 3) relating to the conversion feature of the debentures themselves. For the 2016 and 2015 debenture offerings, the fair value of the embedded derivative is $1.8 million. These fair value of these liabilities were determined using the following assumptions: common share price of $20; volatility of 22 percent; and implied discount rate of 15 percent.

Unaudited, expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

Derivatives

The Company enters into derivative contracts to fix its risk associated with interest rates. At July 31, 2016 and October 31, 2015, the fair value of the following derivatives contracts were included in the statement of financial position in accounts payable and accrued liabilities. The derivatives are level 2 financial instruments.

		July 31, 2016		
	Average fixed rate	Notional Value	Sum of derivative instrument liabilities	Carrying value of derivative instrument liabilities
Interest rate swaps	**2.88%**	**$8,727**	**$9,190**	**$463**

		October 31, 2015		
	Average fixed rate	Notional Value	Sum of derivative instrument liabilities	Carrying value of derivative instrument liabilities
Interest rate swaps	**2.88%**	$9,067	$9,629	$562

13. Segment Information

Information reported to the chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of segment performance focuses on the sale of power and on biopharmaceutical operations. No operating segments have been aggregated in arriving at the reportable segments of the Company. Specifically, the Company's reportable segments under IFRS 8, and how they generate revenue, are as follows:

1. Bio-pharmaceutical Products (including medical cannabis derivatives)- sale of product
2. Power Utility- sale of power

The following table provides selected statement of financial position information related to the Company's segments:

As at July 31, 2016	**Bio-pharmaceutical Products**	**Power Utility**	**Total**
Total assets	$52,711	$28,608	**$81,319**

As at October 31, 2015	**Bio-pharmaceutical Products**	**Power Utility**	**Total**
Total assets	$50,397	$27,644	**$78,041**

The following table presents selected income statement information for each reportable segment for the periods:

Three months ended July 31, 2016	**Bio-pharmaceutical Products**	**Power Utility**	**Totals**
Revenue	$2,650	$2,386	$5,036
Gross margin, including the unrealized gain on changes in fair value of biological assets	$2,143	$ 886	$3,029
Administration and other			$2,589
Depreciation and amortization			$ 871
Interest and income			$ (178)
Finance expense			$ 298
Loss before income taxes			$ (551)

Unaudited, expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

Three months ended July 31, 2015	Bio-pharmaceutical Products	Power Utility	Totals
Revenue	$1,593	$3,224	$4,817
Gross margin, including the unrealized gain on changes in fair value of biological assets	$ 885	$1,325	$2,210
Administration and other			$2,123
Depreciation and amortization			$ 556
Interest and income			$ (101)
Finance expense			$ 193
Loss before income taxes			$ (561)

Nine months ended July 31, 2016	Bio-pharmaceutical Products	Power Utility	Totals
Revenue	$6,635	$8,135	$14,770
Gross margin, including the unrealized gain on changes in fair value of biological assets	$5,578	$3,226	$ 8,804
Administration and other			$ 7,332
Depreciation and amortization			$ 2,264
Interest and other income			$ (399)
Finance expense			$ 893
Loss before income taxes			$ (1,286)

Nine months ended July 31, 2015	Bio-pharmaceutical Products	Power Utility	Totals
Revenue	$4,297	$9,844	$14,141
Gross margin, including the unrealized gain on changes in fair value of biological assets	$4,482	$4,195	$ 8,677
Administration and other			$ 7,240
Depreciation and amortization			$ 1,594
Interest and other income			$ (567)
Finance expense			$ 603
Loss before income taxes			$ (3,990)

Segment revenue reported above represents revenue generated from external customers. There were no inter segment revenues. The accounting policies of the reportable segments are the same as the company's accounting policies, as described in the Company's annual 2015 financial statements and notes thereto. Segment profit represents the gross margin.

For the financial nine months ended July 31, 2016, addition to non-current assets amount to $5,237 (year ended October 31, 2015: $5,717) and $2,094 (year ended October 31, 2015: $3,274) for Bio-pharmaceutical Product segment and Power Utility segment, respectively.

Geographic Information

The Company operates in two principal geographical areas, Canada and United States.

The Company's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are as follows:

	Three Months Ended JUL 31		Nine Months Ended JUL 31	
	2016	2015	2016	2015
Revenue (Canada)				
Bio-pharmaceutical Products	**$2,650**	$1,593	**$6,635**	$4,297
Power Utility	**$ —**	$ —	**$ —**	$ —
Revenue (US)				
Bio-pharmaceutical Products	**$ —**	$ —	**$ —**	$ —
Power Utility	**$2,386**	$3,224	**$8,135**	$9,844

Unaudited, expressed in Thousands of Canadian Dollars, except share data or as otherwise noted

	Non-current assets (Canada)	
As at	JUL 31 2016	OCT 31 2015
Bio-pharmaceutical Products	**$39,114**	$38,627
Power Utility	**$ —**	$ —

	Non-current assets (US)	
As at	JUL 31 2016	OCT 31 2015
Bio-pharmaceutical Products	**$ —**	$ —
Power Utility	**$25,592**	$25,261

14. Subsequent events

Renegotiation of Facility Loan Agreement

Subsequent July 31, 2016, the Company has entered into a Facility Agreement with its lender which renewed and amended existing credit facilities. The Facility Agreement includes the following Loans and interest rates:

Loan	Facility Type	Amount Available	Amount Drawn (October 13, 2016)	Interest Rate
Operating Loan	Demand revolving	$1.0 million	$nil	Bank Prime plus 0.75%
Capital Loan Line	Demand revolving	$0.5 million	$0.4 million	Bank Prime plus 1.00%
Capital Loan	Non-revolving committed facility	$8.7 million	$8.7 million	Bank Prime plus 0.75%
Property Loan	Non-revolving committed facility	$3.3 million	$3.3 million	Bank Prime plus 1.75%
US Acquisition Loan	Non-revolving committed facility	$2.8 million USD	$2.8 million USD	For amounts not payable pursuant to BAs, interest is payable at the Bank's US Base Rate plus 1.75%
Capital Lease Line	Revolving lease line	$0.2 million	$nil	

The Facility Agreement schedules renewal of the Capital Loan, Property Loan and US Acquisition Loan for November 2017; however, provisions are present within the Facility Agreement for the Company to request to have this date extended.

MISO Contracts

On August 25, 2016, the Company received a notice from MISO requesting to terminate the Company's System Support Resource Agreement ("SSR Agreement") by way of a 90 day notice period. The notice to terminate the agreement was approved by the Federal Energy Regulatory Commission in November 2016. The Company's turbine still remains a source of back up-power for the gird and the Company's operations. Management assessed and concluded that the receipt of the notice was not indicative of an impairment that existed as at July 31, 2016. Management is currently assessing the impact of the termination of the SSR Agreement on future reporting periods.

Corporate Reorganization

On October 31, 2016, PPS completed a corporate reorganization (the "Reorganization"). Prior to the Reorganization, shareholders of PPS held 3,667,695 Class "A" common shares in the capital of PPS (the "Old Shares") and PPS owned all of the shares of PPS USA Holdings, Inc., the parent company of P.M. Power Group Holdings, Inc. Also, prior to the Reorganization, PPS created a new wholly subsidiary, PM Power Group Holdings Ltd. ("PM Power") which acquired all of the shares of PPS USA Holdings, Inc. Another holding company, CanniMed Therapeutics Inc., was also created. Pursuant to a share exchange agreement entered into with each of its shareholders (the "Share Exchange Agreements"), PPS amended its capital by filing articles of amendment to create an unlimited number of Class "D" shares, and PPS shareholders then transferred to PPS their Old Shares effective on October 31, 2016 in exchange for one Class "D" share of PPS (the "New Shares") and one common share of PM Power (the "PM Shares") for each Old Share held by the PPS shareholders.

At October 31, 2016, PPS also had up to 524,728 Class "A" shares issuable on the conversion of convertible debentures; up to 633,197 Class "A" shares issuable on the exercise of stock options and; up to 46,654 Class "A" shares issuable on the exercise of warrants. Effective October 31, 2016, and concurrent with the reorganization above, the right by the respective option holders to acquire Class "A" Shares of the Corporation under the stock option plan, debenture agreement and or warrant agreement, was disposed by the holders and as consideration was automatically exchanged for right to acquire the same number of Class "D" common shares of PPS. On November 1, 2016, CanniMed Therapeutics Inc. acquired 100 percent of the Class "D" shares of PPS by executing a share exchange transaction on a 4:1 basis where CanniMed Therapeutics Inc. issued 14,670,780 CanniMed Therapeutics Inc. common shares to PPS' shareholders in exchange for their 3,667,695 Class "D" shares of PPS. As a result of this transaction, former shareholders of PPS hold 100 percent of the common shares of CanniMed Therapeutics Inc., and CanniMed Therapeutics Inc. became the holder of 100 percent of the issued and outstanding shares of PPS. In addition, CanniMed Therapeutics Inc. has been authorized to issue four CanniMed Therapeutics Inc. shares to each holder of PPS' Class "D" shares, provided that these Class "D" shares were acquired pursuant to the abovementioned conversion of convertible debentures or the exercise of the abovementioned options and warrants.

Conversion of Convertible Debentures and Warrants

On December 20, 2016, certain debenture holders converted $900 of convertible debentures into 40,908 fully paid Class "A" common shares of PPS. In addition, on December 20, 2016, a total of 2,273 warrants were converted into 2,273 Class "A" common shares of PPS for gross proceeds of $50. Pursuant to the Reorganization, the Class "A" common shares of PPS, pursuant to these conversions, were converted into Class "D" common shares of PPS and the resulting Class "D" common shares of PPS were then exchanged on a 4:1 basis for shares of CanniMed Therapeutics Inc., for a total of 172,724 common shares of CanniMed Therapeutics Inc.

Statement of financial position of

October 31, 2016

October 31, 2016

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Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
CanniMed Therapeutics Inc.

We have audited the accompanying financial statement of CanniMed Therapeutics Inc., which comprises the statement of financial position as at October 31, 2016 and a summary of significant accounting policies and other explanatory information

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of CanniMed Therapeutics Inc. as at October 31, 2016 in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Professional Accountants
December 20, 2016
Saskatoon, Saskatchewan

STATEMENT OF FINANCIAL POSITION
As at October 31, 2016

	Notes	
Assets		
Cash		$1
Shareholder's Equity		
Share Capital	3	$1
Subsequent event	4	

Approved on behalf of the Board of Directors of CanniMed Therapeutics Inc.

See accompanying notes to the statement of financial position

NOTES TO STATEMENT OF FINANCIAL POSITION AS AT OCTOBER 31, 2016:

1. General information

CanniMed Therapeutics Inc. ("CanniMed Therapeutics" or "Company") was formed as a Saskatchewan corporation established under the laws of Canada Business Corporation Act, pursuant to articles of incorporation dated October 31, 2016. CanniMed Therapeutics was established to serve as the public company for Prairie Plant Systems Inc. ("PPS").

CanniMed Therapeutics' registered office is located at #1 Plant Technology Road, Saskatoon, SK, Canada, S7K 3J8.

The financial statement of CanniMed Therapeutics was approved by the board of directors and authorized for issue on December 20, 2016.

2. Summary of significant accounting policies

The Statement of Financial Position has been prepared in accordance with International Financial Reporting Standards.

Separate statements of income, changes in shareholder's equity and cash flows have not been presented as there has been no activity in the Company since its inception.

Future accounting changes

The following accounting pronouncements issued by the International Accounting Standards Board ("IASB") were not effective as at October 31, 2016 and, therefore, have not been applied in preparing the financial statement.

IFRS 9 Financial Instruments

IFRS 9 was issued by IASB in November 2009 and October 2010 and will replace IAS 39. 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. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss and amortized cost. Financial liabilities held-for-trading are measured at fair value through profit or loss, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. The effective date of IFRS 9 is January 1, 2018, with earlier adoption permitted. The extent of the impact of the adoption of the amendments has not yet been determined.

Disclosure Initiative (Amendments to IAS 1)

On December 18, 2014, the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to the Company's current practices, but should facilitate improved financial statement disclosures. CanniMed Therapeutics will adopt these amendments in its financial statements for the year beginning on November 1, 2016.

NOTES TO STATEMENT OF FINANCIAL POSITION AS AT OCTOBER 31, 2016:

2. Summary of significant accounting policies (continued)

IFRS 10 Consolidated Financial Statements

In September 2014, IFRS 10 was amended to clarify an inconsistency between this standard and IAS 28, Investments in Associates and Joint Ventures. The amendment requires that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if the assets are housed in a subsidiary. Upon adoption, the amendments may impact the Company in respect of future sale or contribution of assets with its joint venture. The amendments are effective for transactions occurring in annual periods beginning on or after January 1, 2016. The extent of the impact of the adoption of these amendments has not yet been determined.

IAS 7 Statement of Cash Flows

As part of their disclosure initiative, the IASB has issued amendments to IAS 7 Statement of Cash Flows requiring a reconciliation of liabilities arising from financing activities to enable users of the financial statements to evaluate both cash flow and non-cash changes in the net debt of a Company. The amendments to IAS 7 are effective for annual periods beginning on or after January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

IAS 12 Income Taxes

In January 2016, the IASB issued amendments to IAS 12 to provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. Adoption of the amendments to IAS 12 is required for the annual period beginning on or after January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

3. Share capital

CanniMed Therapeutics is authorized to issue an unlimited number of common shares and an unlimited number of preference shares issuable in series. As at October 31, 2016, the Company had one unpaid common share in issue, carrying one voting right.

4. Subsequent events

Reorganization

On November 1, 2016, CanniMed Therapeutics Inc. acquired 100 percent of the Class "D" shares of Prairie Plant System Inc. by executing a share exchange transaction on a 4:1 basis where CanniMed Therapeutics Inc. issued 14,670,780 CanniMed Therapeutics Inc. common shares to PPS' shareholders in exchange for their 3,667,695 Class "D" shares of PPS. As a result of this transaction, former shareholders of PPS hold 100 percent of the common shares of CanniMed Therapeutics Inc., and CanniMed Therapeutics Inc. became the holder of 100 percent of the issued and outstanding shares of PPS. In addition, CanniMed Therapeutics Inc. has been authorized to issue four CanniMed Therapeutics Inc. shares to each holder of PPS' Class "D" shares, provided that these Class "D" shares were acquired pursuant to conversion of PPS convertible debentures or the exercise of the PPS options and warrants.

Conversion of Convertible Debentures and Warrants

On December 20, 2016, certain debenture holders converted $900 of convertible debentures into 40,908 fully paid Class "A" common shares of PPS. In addition, on December 20, 2016, a total of 2,273 warrants were converted into 2,273 Class "A" common shares of PPS for gross proceeds of $50. Pursuant to the Reorganization, the Class "A" common shares of PPS, pursuant to these conversions, were converted into Class "D" common shares of PPS and the resulting Class "D" common shares of PPS were then exchanged on a 4:1 basis for shares of CanniMed Therapeutics Inc., for a total of 172,724 common shares of CanniMed Therapeutics Inc.

CANNIMED THERAPEUTICS INC.

PRO FORMA FINANCIAL STATEMENTS

For the years ended October 31, 2015 and October 31, 2014

(Unaudited)

PRO FORMA STATEMENTS OF FINANCIAL POSITION

(In thousands of Canadian dollars – unaudited)

	Pro Forma October 31, 2015 Note 4	Pro Forma October 31, 2014 Note 4
ASSETS		
Current assets		
Cash and cash equivalents	**$ 1,568**	$ 1,717
Accounts receivable	**1,990**	7,123
Inventories	**7,073**	4,155
Income tax receivable	**—**	1,691
Biological assets	**380**	145
Prepaid expenses and deposits	**62**	164
	11,073	14,995
Property, plant and equipment	**36,376**	31,812
Intangible assets	**1,751**	1,444
Goodwill	**492**	492
Total assets	**$ 49,692**	$ 48,743
Liabilities and shareholders' equity		
Current liabilities		
Accounts payables and accrued liabilities	**$ 4,060**	$ 2,705
Deferred revenue	**—**	15
Income tax payable	**624**	624
Loans and borrowings	**18,955**	18,441
	23,639	21,785
Loans and borrowings	**5,699**	5,412
Deferred income tax liabilities	**1,040**	1,571
Deferred revenue	**—**	58
	6,739	7,041
Shareholders' equity		
Share capital	**$ 30,859**	$ 30,859
Warrants	**107**	—
Stock-based compensation reserves	**3,073**	2,502
Accumulated other comprehensive income	**(13,991)**	(12,227)
Retained earnings	**(734)**	(1,217)
	19,314	19,917
Total liabilities and shareholders' equity	**$ 49,692**	$ 48,743

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

PRO FORMA STATEMENTS OF OPERATIONS

(In thousands of Canadian dollars – unaudited)

	Pro Forma October 31, 2015	Pro Forma October 31, 2014	Pro Forma October 31, 2013
	Note 4	Note 4	Note 4
Revenue	**$ 5,788**	$ 6,746	$11,446
Unrealized gain from changes in fair value of biological assets	**(3,509)**	(3,058)	—
Inventory expensed to cost of sales	**2,910**	1,588	—
Production costs	**731**	2,677	3,941
Cost of sales, net of the unrealized gain on changes in fair value of biological assets	**132**	1,207	3,941
Gross margin, including the unrealized gain on changes in fair value of biological assets	**5,656**	5,539	7,505
Expenses:			
General and administrative	**2,035**	3,047	2,323
Sales and marketing	**3,120**	1,346	355
Research and development	**1,271**	973	899
Foreign exchange loss (gain)	**405**	(227)	(32)
Research and development tax credits	**(386)**	(458)	(545)
Loss on derivative instruments	**86**	476	—
Depreciation and amortization	**1,426**	1,152	669
Share-based compensation	**571**	732	117
	8,528	7,041	3,786
(Loss) income from operations	**(2,872)**	(1,502)	3,719
Gain on disposal of property, plant and equipment	**276**	—	—
Impairment of long-term investments	**—**	(46)	—
Interest income	**18**	82	137
Finance costs	**(846)**	(364)	(111)
	(552)	(328)	26
(Loss) income before income tax	**(3,424)**	(1,830)	3,745
Income tax:			
Current tax recovery (expense)	**(48)**	1,124	(785)
Deferred tax (expense) recovery	**531**	(804)	(212)
	$ 483	$ 320	$ (997)
Net (loss) income	**$(2,941)**	$(1,510)	$ 2,748

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

CANNIMED THERAPEUTICS INC.

NOTES TO THE PRO FORMA FINANCIAL STATEMENTS

For the Years ended October 31, 2015 and 2014

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted (unaudited)

1. Corporate Information

CanniMed Therapeutics Inc. ("CanniMed Therapeutics" and or the "Company") was formed on October 31, 2016. On November 1, 2016 it acquired all of the shares of Prairie Plant Systems Inc. in exchange for the issuance of 3,667,695 Common Shares to the former shareholders of Prairie Plant Systems Inc. ("PPS"). PPS is a Canadian-based, international plant biopharmaceutical company which, since 2001, has produced pharmaceutical-grade cannabis products. In addition, the Company has an active plant biotechnology research and product development program focused on production of plant-based materials for pharmaceutical, agricultural and environmental applications.

2. Basis of preparation:

The unaudited pro forma statement of financial position and unaudited pro forma statement of operations as at and for the year ended October 31, 2015 (the "Pro Forma financial statements") have been prepared by the management of CanniMed Therapeutics Inc. ("we", "us", "our" or "CanniMed Therapeutics") from the audited consolidated financial statements of Prairie Plant Systems Inc. ("Prairie Plant") for October 31, 2015, which included the financial statements of the PPS and entities controlled by PPS and its subsidiaries. At October 31, 2015, PPS's wholly-owned subsidiary corporations operating in the Canada and the US were: SubTerra, PPS USA Holdings, Inc., CanniMed, P.M. Power Group, Inc., White Pine Electric Power, LLC, Upper Peninsula Power Marketing, LLC, and White Pine Copper Refinery Inc.

These Pro Forma financial statements have been prepared on a pro forma basis to give effect to CanniMed's acquisition of PPS's shares as if it had occurred on November 1, 2013 and to exclude the results of operations of P. M. Power Group, Inc., formerly an indirect subsidiary of PPS. PPS, through its wholly-owned subsidiary, PPS USA Holdings, Inc., acquired P.M. Power Group, Inc. on August 23, 2014. As a result of an internal corporate reorganization, PPS disposed of its interest in P.M. Power Group, Inc. effective October 31, 2015. The Pro Forma financial statements include the following information:

(a) An unaudited pro forma combined statement of financial position as at October 31, 2015 prepared from the audited consolidated statement of financial position of Prairie Plant Systems Inc., as at October 31, 2015 (with comparative figures for the year ended October 31, 2014) and giving effect to the assumptions as described above in Note 2 and in Note 4; and

(b) An unaudited pro forma combined statement of loss for the year ended October 31, 2015 prepared from the audited consolidated statement of loss of Prairie Plant for the year ended October 31, 2015 (with comparative figures for the years ended October 31, 2014 and 2013) and giving effect to the assumptions as described above in Note 2 and in Note 4.

The Pro Forma financial statements have been prepared for illustrative purposes only. Further, the Pro Forma financial statements are not necessarily indicative of our future financial position or results of operations as a result of the Transaction and should be read in conjunction with the audited consolidated financial statements of Prairie Plant as at and for the year ended October 31, 2015.

The Pro Forma financial statements do not reflect any cost savings, operating synergies or enhancements that the Company may achieve or liabilities resulting from integration planning as a result of the Transaction. Any such savings or liabilities could be material.

The accounting policies used in the preparation of the Pro Forma financial statements are those set out in Prairie Plant's audited consolidated financial statements as at and for the year ended October 31, 2015.

3. Transaction:

On October 31, 2016, PPS completed a corporate reorganization (the "Reorganization"). Prior to the Reorganization, shareholders of PPS held 3,667,695 Class "A" common shares in the capital of PPS (the "Old Shares") and PPS owned all of the shares of PPS USA Holdings, Inc., the parent company of P.M. Power Group Holdings, Inc. Also, prior to the Reorganization, PPS created a new wholly subsidiary, PM Power Group Holdings Ltd. ("PM Power") which acquired all of the shares of PPS USA Holdings, Inc. Another holding company, CanniMed Therapeutics Inc., was also created. Pursuant to a share exchange agreement entered into with each of its shareholders (the "Share Exchange Agreements"), PPS amended its capital by filing articles of amendment to create an unlimited number of Class "D" shares, and PPS shareholders then transferred to PPS their Old Shares effective on October 31, 2016 in exchange for one Class "D" share of PPS (the "New Shares") and one common share of PM Power (the "PM Shares") for each Old Share held by the PPS shareholders.

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted (unaudited)

At October 31, 2016, PPS also had up to 524,728 Class "A" shares issuable on the conversion of convertible debentures; up to 633,197 Class "A" shares issuable on the exercise of stock options and; up to 46,654 Class "A" shares issuable on the exercise of warrants. Effective October 31, 2016, and concurrent with the transactions outlined above, the right by the respective option holders to acquire Class "A" Shares of the Corporation under the stock option plan, debenture agreement and or warrant agreement, was disposed by the holders and as consideration was automatically exchanged for right to acquire the same number of Class "D" common shares of PPS.

On November 1, 2016, CanniMed Therapeutics Inc. acquired 100 percent of the Class "D" shares of PPS by executing a share exchange transaction on a 4:1 basis where CanniMed Therapeutics Inc. issued 14,670,780 CanniMed Therapeutics Inc. common shares to PPS' shareholders in exchange for their 3,667,695 Class "D" shares of PPS. As a result of this transaction, former shareholders of PPS hold 100 percent of the common shares of CanniMed Therapeutics Inc., and CanniMed Therapeutics Inc. became the holder of 100 percent of the issued and outstanding shares of PPS. In addition, CanniMed Therapeutics Inc. has been authorized to issue four CanniMed Therapeutics Inc. shares to each holder of PPS' Class "D" shares, provided that these Class "D" shares were acquired pursuant to the abovementioned conversion of convertible debentures or the exercise of the abovementioned options and warrants.

4. Pro Forma Assumptions and Adjustments:

Reconciliation of equity

Application of the Transaction resulted in changes to Prairie Plant's statement of financial position, as set out below:

As at October 31, 2015	Prairie Plant Systems Inc.	PPS USA Holdings Inc.	Pro Forma CanniMed Therapeutics
ASSETS			
Current Assets			
Cash and cash equivalents	$ 1,791	$ 223	**$ 1,568**
Accounts receivable	3,712	1,722	**1,990**
Inventories	7,559	486	**7,073**
Biological assets	380	—	**380**
Prepaid expenses and deposits	711	649	**62**
	14,153	3,080	**11,073**
Property, plant and equipment	53,865	17,489	**36,376**
Intangible assets	7,393	5,642	**1,751**
Goodwill	492	—	**492**
Deferred income tax assets	2,138	2,138	**—**
	$78,041	$28,349	**$ 49,692**
LIABILITIES			
Current Liabilities			
Accounts payables accrued liabilities	$ 5,751	$ 1,691	**$ 4,060**
Deferred revenue	—	—	**—**
Income tax payable	624	—	**624**
Loans and borrowings	18,955	—	**18,955**
	25,330	1,691	**23,639**
Loans and borrowing	5,699	—	**5,699**
Deferred income tax liabilities	1,040	—	**1,040**
Deferred revenue	132	132	**—**
	6,871	132	**6,739**
SHAREHOLDERS' EQUITY			
Share capital	30,859	—	**30,859**
Warrants	107	—	**107**
Stock-based compensation reserves	3,073	—	**3,073**
Accumulated other comprehensive income	4,837	18,828	**(13,991)**
Retained earnings	6,964	7,698	**(734)**
	45,840	26,526	**19,314**
	$78,041	$28,349	**$ 49,692**

CANNIMED THERAPEUTICS INC.

NOTES TO THE PRO FORMA FINANCIAL STATEMENTS

For the Years ended October 31, 2015 and 2014

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted (unaudited)

As at October 31, 2014	Prairie Plant Systems Inc.	PPS USA Holdings Inc.	Pro Forma CanniMed Therapeutics
ASSETS			
Current Assets			
Cash and cash equivalents	$ 3,286	$ 1,569	**$ 1,717**
Accounts receivable	9,184	2,061	**7,123**
Inventories	4,810	655	**4,155**
Biological assets	145	—	**145**
Income tax receivable	1,691	—	**1,691**
Prepaid expenses and deposits	475	311	**164**
	19,591	4,596	**14,995**
Property, plant and equipment	46,066	14,254	**31,812**
Intangible assets	6,502	5,058	**1,444**
Goodwill	492	—	**492**
Deferred income tax assets	1,266	1,266	**—**
	$73,917	$25,174	**$ 48,743**
LIABILITIES			
Current Liabilities			
Accounts payables accrued liabilities	$ 3,742	$ 1,037	**$ 2,705**
Deferred revenue	15	—	**15**
Income tax payable	624	—	**$ 624**
Loans and borrowings	18,441	—	**18,441**
	22,822	1,037	**21,785**
Loans and borrowing	5,412	—	**5,412**
Deferred income tax liabilities	1,571	—	**1,571**
Deferred revenue	58	—	**58**
	7,041	—	**7,041**
SHAREHOLDERS' EQUITY			
Share capital	30,859	—	**30,859**
Stock-based compensation reserve	2,502	—	**2,502**
Accumulated other comprehensive income	1,473	13,700	**(12,227)**
Retained earnings	9,220	10,437	**(1,217)**
	44,530	24,137	**19,917**
	$73,917	$25,174	**$ 48,743**

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted (unaudited)

Reconciliation of income

The following table calculates CanniMed Therapeutics' statement of operations for the year ended October 31, 2015.

For the year ended October 31, 2015	**Prairie Plant Systems Inc.**	**PPS USA Holdings Inc.**	**Pro Forma CanniMed Therapeutics**
Revenue	$ 19,530	$13,742	**$ 5,788**
Unrealized gain from changes in fair value of biological assets	(3,509)	—	**(3,509)**
Inventory expense to cost of sales	2,910	—	**2,910**
Production costs	9,834	9,103	**731**
Cost of sales, net of the unrealized gain on changes in fair value of biological assets	9,235	9,103	**132**
Gross margin, including the unrealized gain on changes in fair value of biological assets	10,295	4,639	**5,656**
Expenses:			
General and administrative	4,770	2,735	**2,035**
Sales and marketing	3,120	—	**3,120**
Research and development	1,271	—	**1,271**
Foreign exchange loss	405	—	**405**
Research and development tax credits	(386)	—	**(386)**
Loss on derivative instruments	86	—	**86**
Depreciation and amortization	3,129	1,703	**1,426**
Share-based compensation	571	—	**571**
	12,966	4,438	**8,528**
(Loss) income from operations	(2,671)	201	**(2,872)**
Gain on disposal of property, plant and equipment	390	114	**276**
Interest income	18	—	**18**
Finance costs	(1,129)	(283)	**(846)**
	(721)	(169)	**(552)**
(Loss) income before income tax	(3,392)	32	**(3,424)**
Income tax:			
Current tax recovery (expense)	(48)	—	**(48)**
Deferred tax (expense) recovery	1,184	653	**531**
	1,136	653	**483**
Net (loss) income	($ 2,256)	$ 685	**($ 2,941)**

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted (unaudited)

The following table calculates CanniMed Therapeutics' statement of operations for the year ended October 31, 2014.

For the year ended October 31, 2014	**Prairie Plant Systems Inc.**	**PPS USA Holdings Inc.**	**Pro Forma CanniMed Therapeutics**
Revenue	$10,252	$ 3,506	**$ 6,746**
Unrealized gain from changes in fair value of biological assets	(3,058)	—	**(3,058)**
Inventory expense to cost of sales	1,588	—	**1,588**
Production costs	3,787	1,110	**2,677**
Cost of sales, net of the unrealized gain on changes in fair value of biological assets	2,317	1,110	**1,207**
Gross margin, including the unrealized gain on changes in fair value of biological assets	7,935	2,396	**5,539**
Expenses:			
General and administrative	3,902	855	**3,047**
Sales and marketing	1,346	—	**1,346**
Research and development	973	—	**973**
Foreign exchange (gain)	(227)	—	**(227)**
Research and development tax credits	(458)	—	**(458)**
Loss on derivative instruments	476	—	**476**
Depreciation and amortization	1,351	199	**1,152**
Share-based compensation	732	—	**732**
	8,095	1,054	**7,041**
(Loss) income from operations	(160)	1,342	**(1,502)**
Bargain purchase gain on business combination	9,868	9,868	**—**
Impairment of long-term investments	(46)	—	**(46)**
Interest income	82	—	**82**
Finance costs	(364)	—	**(364)**
	9,540	9,868	**(328)**
Income (loss) before income tax	9,380	11,210	**(1,830)**
Income tax:			
Current tax recovery (expense)	344	(780)	**1,124**
Deferred tax (expense) recovery	(797)	7	**(804)**
	(453)	(773)	**320**
Net income (loss)	$ 8,927	$10,437	**$(1,510)**

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted (unaudited)

The following table calculates CanniMed Therapeutics' statement of operations for the year ended October 31, 2013.

For the year ended October 31, 2013	**Prairie Plant Systems Inc.**	**PPS USA Holdings Inc.[1]**	**Pro Forma CanniMed Therapeutics**
Revenue	$11,446	$—	**$11,446**
Unrealized gain from changes in fair value of biological assets	—	—	**—**
Inventory expense to cost of sales	—	—	**—**
Production costs	3,941	—	**3,941**
Cost of sales, net of the unrealized gain on changes in fair value of biological assets	3,941	—	**3,941**
Gross margin, including the unrealized gain on changes in fair value of biological assets	7,505	—	**7,505**
Expenses:			
General and administrative	2,323	—	**2,323**
Sales and marketing	355	—	**355**
Research and development	899	—	**899**
Foreign exchange (gain)	(32)	—	**(32)**
Research and development tax credits	(545)	—	**(545)**
Depreciation and amortization	669	—	**669**
Share-based compensation	117	—	**117**
	3,786	—	**3,786**
Income from operations	3,719	—	**3,719**
Interest income	137	—	**137**
Finance costs	(111)	—	**(111)**
	26	—	**26**
Income before income tax	3,745	—	**3,745**
Income tax:			
Current tax (expense) recovery	(785)	—	**(785)**
Deferred tax (expense) recovery	(212)	—	**(212)**
	(997)	—	**(997)**
Net income	$ 2,748	$—	**$ 2,748**

(1) Acquisition of P.M. Power Group, Inc. occurred during the fiscal year ending October 31, 2014.

PRO FORMA FINANCIAL STATEMENTS
For the nine months ended July 31, 2016
(Unaudited)

PRO FORMA STATEMENTS OF FINANCIAL POSITION

(In thousands of Canadian dollars – unaudited)

	Pro Forma July 31, 2016 Note 4	Pro Forma October 31, 2015 Note 4
ASSETS		
Current assets		
Cash and cash equivalents	**$ 5,615**	$ 1,568
Accounts receivable	**1,149**	1,990
Inventories	**6,189**	7,073
Biological assets	**350**	380
Prepaid expenses and deposits	**75**	62
	13,378	11,073
Property, plant and equipment	**36,843**	36,376
Intangible assets	**1,998**	1,751
Goodwill	**492**	492
Total assets	**$ 52,711**	$ 49,692
Liabilities and shareholders' equity		
Current liabilities		
Accounts payables and accrued liabilities	**$ 3,574**	$ 4,060
Income tax payable	**134**	624
Loans and borrowings	**17,772**	18,955
	21,480	23,639
Loans and borrowings	**13,767**	5,699
Deferred income tax liabilities	**1,017**	1,040
	14,784	6,739
Shareholders' equity		
Share capital	**$ 30,859**	$ 30,859
Warrants	**107**	107
Stock-based compensation reserves	**3,321**	3,073
Accumulated other comprehensive income	**(15,640)**	(13,991)
Retained earnings	**(2,200)**	(734)
	16,447	19,314
Total liabilities and shareholders' equity	**$ 52,711**	$ 49,692

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

PRO FORMA STATEMENTS OF OPERATIONS

(In thousands of Canadian dollars – unaudited)

	Pro Forma three months ended		Pro Forma nine months ended	
	July 31, 2016	July 31, 2015	July 31, 2016	July 31, 2015
	Note 4	Note 4	Note 4	Note 4
Revenue	**$ 2,650**	$ 1,593	**$ 6,635**	$ 4,297
Unrealized gain from changes in fair value of biological assets	**(1,344)**	(657)	**(4,059)**	(2,676)
Inventory expensed to cost of sales	**1,355**	744	**3,461**	2,114
Production costs	**527**	621	**1,655**	377
Cost of sales, net of the unrealized gain on changes in fair value of biological assets	**538**	708	**1,057**	(185)
Gross margin, including unrealized gain on changes in fair value of biological assets	**2,112**	885	**5,578**	4,482
Expenses:				
General and administrative	**954**	818	**2,413**	2,352
Sales and marketing	**816**	723	**2,412**	2,221
Research and development	**307**	436	**1,070**	1,271
Foreign exchange (gain)	**(21)**	(42)	**(43)**	(144)
Research and development tax credits	**(39)**	(42)	**(123)**	(187)
Loss (gain) on derivative instruments	**4**	(70)	**(100)**	(140)
Depreciation and amortization	**336**	195	**551**	570
Share-based compensation	**81**	183	**248**	557
	2,438	2,201	**6,428**	6,500
Loss from operations	**(326)**	(1,316)	**(850)**	(2,018)
Other income	**178**	99	**398**	550
Interest income	**—**	2	**1**	17
Finance costs	**(298)**	(193)	**(893)**	(603)
	(120)	(92)	**(494)**	(36)
Income before income tax	**(446)**	(1,408)	**(1,344)**	(2,054)
Income tax:				
Current tax expense	**—**	—	**—**	(48)
Deferred tax (expense) recovery	**(26)**	(29)	**23**	285
Net loss	**$ (472)**	$(1,437)	**$(1,321)**	$(1,817)

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

CANNIMED THERAPEUTICS INC.

NOTES TO THE PRO FORMA FINANCIAL STATEMENTS

For the three and nine months ended July 31, 2016 and 2015

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted (unaudited)

1. Corporate Information

CanniMed Therapeutics Inc. ("CanniMed Therapeutics" and or the "Company") was formed on October 31, 2016. On November 1, 2016 it acquired all of the shares of Prairie Plant Systems Inc. in exchange for the issuance of 3,667,695 Common Shares to the former shareholders of Prairie Plant Systems Inc. ("PPS"). PPS is a Canadian-based, international plant biopharmaceutical company which, since 2001, has produced pharmaceutical-grade cannabis products. In addition, the Company has an active plant biotechnology research and product development program focused on production of plant-based materials for pharmaceutical, agricultural and environmental applications.

2. Basis of preparation:

The unaudited pro forma statement of financial position and unaudited pro forma statement of operations as at and for the period ended July 31, 2016 (the "Pro Forma financial statements") have been prepared by the management of CanniMed Therapeutics Inc. ("we", "us", "our" or "CanniMed Therapeutics") from the interim condensed consolidated financial statements of Prairie Plant Systems Inc. ("Prairie Plant") for the period ended July 31, 2016, which included the financial statements of the PPS and entities controlled by PPS and its subsidiaries. At July 31, 2016, PPS's wholly-owned subsidiary corporations operating in the Canada and the US were: SubTerra, PPS USA Holdings, Inc., CanniMed, P.M. Power Group, Inc., White Pine Electric Power, LLC, Upper Peninsula Power Marketing, LLC, and White Pine Copper Refinery Inc.

These Pro Forma financial statements have been prepared on a pro forma basis to give effect to CanniMed's acquisition of PPS's shares as if it had occurred on November 1, 2013 and to exclude the results of operations of P. M. Power Group, Inc., formerly an indirect subsidiary of PPS. PPS, through its wholly-owned subsidiary, PPS USA Holdings, Inc., acquired P.M. Power Group, Inc. on August 23, 2014. As a result of an internal corporate reorganization, PPS disposed of its interest in P.M. Power Group, Inc. effective October 31, 2015. The Pro Forma financial statements include the following information:

(a) An unaudited pro forma combined statement of financial position as at July 31, 2016 prepared from the condensed consolidated interim statement of financial position of Prairie Plant Systems Inc., as at July 31, 2016 (with comparative figures for the year ended October 31, 2015) and giving effect to the Transaction as if it was completed on November 1, 2013 and giving effect to the assumptions as described in Note 4; and

(b) An unaudited pro forma combined statement of profit (loss) for the three and nine months ended July 31, 2016 prepared from the condensed consolidated interim statement of profit (loss) of Prairie Plant for the three and nine months ended July 31, 2016 (with comparative figures for the three and nine months ended July 31, 2015) and giving effect to the Transaction as if it had occurred on November 1, 2013 and giving effect to the assumptions as described in Note 4.

The Pro Forma financial statements have been prepared for illustrative purposes only, and do not purport to represent the financial position that would have resulted had the Transaction actually occurred on July 31, 2016 or the results of operations that would have resulted had the Transaction actually occurred on November 1, 2015. Further, the Pro Forma financial statements are not necessarily indicative of our future financial position or results of operations as a result of the Transaction and should be read in conjunction with the audited consolidated financial statements of Prairie Plant as at and for the year ended October 31, 2015.

The Pro Forma financial statements do not reflect any cost savings, operating synergies or enhancements that the Company may achieve or liabilities resulting from integration planning as a result of the Transaction. Any such savings or liabilities could be material.

The accounting policies used in the preparation of the Pro Forma financial statements are those set out in Prairie Plant's audited consolidated financial statements as at and for the year ended October 31, 2015.

3. Transaction:

On October 31, 2016, PPS completed a corporate reorganization (the "Reorganization"). Prior to the Reorganization, shareholders of PPS held 3,667,695 Class "A" common shares in the capital of PPS (the "Old Shares") and PPS owned all of the shares of PPS USA Holdings, Inc., the parent company of P.M. Power Group Holdings, Inc. Also, prior to the Reorganization, PPS created a new wholly subsidiary, PM Power Group Holdings Ltd. ("PM Power") which acquired all of the shares of PPS USA Holdings, Inc. Another holding company, CanniMed Therapeutics Inc., was also created. Pursuant to a share exchange agreement entered into with each of its shareholders (the "Share Exchange Agreements"), PPS amended its capital by filing articles of amendment to create an unlimited number of Class "D" shares, and PPS shareholders then transferred to PPS their Old Shares effective on October 31, 2016 in exchange for one Class "D" share of PPS (the "New Shares") and one common share of PM Power (the "PM Shares") for each Old Share held by the PPS shareholders.

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted (unaudited)

At October 31, 2016, PPS also had up to 524,728 Class "A" shares issuable on the conversion of convertible debentures; up to 633,197 Class "A" shares issuable on the exercise of stock options and; up to 46,654 Class "A" shares issuable on the exercise of warrants. Effective October 31, 2016, and concurrent with the transactions outlined above, the right by the respective option holders to acquire Class "A" Shares of the Corporation under the stock option plan, debenture agreement and or warrant agreement, was disposed by the holders and as consideration was automatically exchanged for right to acquire the same number of Class "D" common shares of PPS.

On November 1, 2016, CanniMed Therapeutics Inc. acquired 100 percent of the Class "D" shares of PPS by executing a share exchange transaction on a 4:1 basis where CanniMed Therapeutics Inc. issued 14,670,780 CanniMed Therapeutics Inc. common shares to PPS' shareholders in exchange for their 3,667,695 Class "D" shares of PPS. As a result of this transaction, former shareholders of PPS hold 100 percent of the common shares of CanniMed Therapeutics Inc., and CanniMed Therapeutics Inc. became the holder of 100 percent of the issued and outstanding shares of PPS. In addition, CanniMed Therapeutics Inc. has been authorized to issue four CanniMed Therapeutics Inc. shares to each holder of PPS' Class "D" shares, provided that these Class "D" shares were acquired pursuant to the abovementioned conversion of convertible debentures or the exercise of the abovementioned options and warrants.

4. Pro Forma Assumptions and Adjustments:

Reconciliation of equity

Application of the Transaction resulted in changes to Prairie Plant's statement of financial position, as set out below:

As at July 31, 2016	Prairie Plant Systems Inc.	PPS USA Holdings Inc.	Pro Forma CanniMed Therapeutics
ASSETS			
Current Assets			
Cash and cash equivalents	$ 5,851	$ 236	**$ 5,615**
Accounts receivable	2,992	1,843	**1,149**
Inventories	6,671	482	**6,189**
Biological assets	350	—	**350**
Prepaid expenses and deposits	530	455	**75**
	16,394	3,016	**13,378**
Property, plant and equipment	55,021	18,178	**36,843**
Intangible assets	7,445	5,447	**1,998**
Goodwill	492	—	**492**
Deferred income tax assets	1,967	1,967	**—**
Total assets	$81,319	$28,608	**$ 52,711**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payables accrued liabilities	$ 4,548	$ 974	**$ 3,574**
Income tax payable	134	—	**134**
Loans and borrowings	17,772	—	**17,772**
	22,454	974	**21,480**
Loans and borrowing	13,767	—	**13,767**
Deferred income tax liabilities	1,017	—	**1,017**
	14,784	—	**14,784**
Shareholders' equity			
Share capital	30,859	—	**30,859**
Warrants	107	—	**107**
Stock-based compensation reserves	3,321	—	**3,321**
Accumulated other comprehensive income	3,774	19,414	**(15,640)**
Retained earnings	6,020	8,220	**(2,200)**
	44,081	27,634	**16,447**
Total liabilities and shareholders' equity	$81,319	$28,608	**$ 52,711**

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted (unaudited)

As at October 31, 2015	Prairie Plant Systems Inc.	PPS USA Holdings Inc.	Pro Forma CanniMed Therapeutics
ASSETS			
Current Assets			
Cash and cash equivalents	$ 1,791	$ 223	**$ 1,568**
Accounts receivable	3,712	1,722	**1,990**
Inventories	7,559	486	**7,073**
Biological assets	380	—	**380**
Prepaid expenses and deposits	711	649	**62**
	14,153	3,080	**11,073**
Property, plant and equipment	53,865	17,489	**36,376**
Intangible assets	7,393	5,642	**1,751**
Goodwill	492	—	**492**
Deferred income tax assets	2,138	2,138	**—**
Total assets	$78,041	$28,349	**$ 49,692**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payables accrued liabilities	$ 5,751	$ 1,691	**$ 4,060**
Deferred revenue	—	—	**—**
Income tax payable	624	—	**624**
Loans and borrowings	18,955	—	**18,955**
	25,330	1,691	**23,639**
Loans and borrowing	5,699	—	**5,699**
Deferred income tax liabilities	1,040	—	**1,040**
Deferred revenue	132	132	**—**
	6,871	132	**6,739**
Shareholders' equity			
Share capital	30,859	—	**30,859**
Warrants	107	—	**107**
Stock-based compensation reserves	3,073	—	**3,073**
Accumulated other comprehensive income	4,837	18,828	**(13,991)**
Retained earnings	6,964	7,698	**(734)**
	45,840	26,526	**19,314**
Total liabilities and shareholders' equity	$78,041	$28,349	**$ 49,692**

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted (unaudited)

Reconciliation of income

The following table calculates CanniMed Therapeutics' statement of operations for the three months ended July 31, 2016.

For the three months ended July 31, 2016	**Prairie Plant Systems Inc.**	**PPS USA Holdings Inc.**	**Pro Forma CanniMed Therapeutics**
Revenue	$ 5,036	$2,386	**$ 2,650**
Unrealized gain from changes in fair value of biological assets	(1,344)	—	**(1,344)**
Inventory expense to cost of sales	1,335	—	**1,335**
Production costs	2,016	1,480	**536**
Cost of sales, net of the unrealized gain on changes in fair value of biological assets	2,007	1,480	**538**
Gross margin, including the unrealized gain on changes in fair value of biological assets	3,029	906	**2,112**
Expenses:			
General and administrative	1,441	487	**954**
Sales and marketing	816	—	**816**
Research and development	307	—	**307**
Foreign exchange gain	(21)	—	**(21)**
Research and development tax credits	(39)	—	**(39)**
Loss on derivative instruments	4	—	**4**
Depreciation and amortization	871	535	**336**
Share-based compensation	81	—	**81**
	3,460	1,022	**2,438**
Loss from operations	(431)	(116)	**(326)**
Other income	178	—	**178**
Finance costs	(298)	—	**(298)**
	(120)	—	**(120)**
Loss before income tax	(551)	(136)	**(446)**
Income tax:			
Current tax recovery	251	251	**—**
Deferred tax expense	(113)	(87)	**(26)**
	138	164	**(26)**
Net (loss) income	(413)	$ 28	**$ (472)**

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted (unaudited)

The following table calculates CanniMed Therapeutics' statement of operations for the three months ended July 31, 2015.

For the three months ended July 31, 2015	**Prairie Plant Systems Inc.**	**PPS USA Holdings Inc.**	**Pro Forma CanniMed Therapeutics**
Revenue	$4,817	$3,224	**$ 1,593**
Unrealized gain from changes in fair value of biological assets	(657)	—	**(657)**
Inventory expense to cost of sales	744	—	**744**
Production costs	2,520	1,899	**621**
Cost of sales, net of the unrealized gain on changes in fair value of biological assets	2,607	1,899	**708**
Gross margin, including the unrealized gain on changes in fair value of biological assets	2,210	1,325	**885**
Expenses:			
General and administrative	935	17	**818**
Sales and marketing	723	—	**723**
Research and development	436	—	**436**
Foreign exchange gain	(42)	—	**(42)**
Research and development tax credits	(42)	—	**(42)**
Gain on derivative instruments	(70)	—	**(70)**
Depreciation and amortization	556	361	**195**
Share-based compensation	183	—	**183**
	2,679	378	**2,201**
(Loss) income from operations	(469)	947	**(1,316)**
Other income	99	—	**99**
Interest income	2	—	**2**
Finance costs	(193)	—	**(193)**
	(92)	—	**(92)**
(Loss) income before income tax	(561)	947	**(1,408)**
Income tax:			
Deferred tax expense	(117)	(88)	**(29)**
	(117)	(88)	**(29)**
Net (loss) income	$ (678)	$ 859	**$(1,437)**

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted (unaudited)

The following table calculates CanniMed Therapeutics' statement of operations for the nine months ended July 31, 2016.

For the nine months ended July 31, 2016	**Prairie Plant Systems Inc.**	**PPS USA Holdings Inc.**	**Pro Forma CanniMed Therapeutics**
Revenue	$14,770	$8,135	**$ 6,635**
Unrealized gain from changes in fair value of biological assets	(4,059)	—	**(4,059)**
Inventory expense to cost of sales	3,461	—	**3,461**
Production costs	6,564	4,909	**1,655**
Cost of sales, net of the unrealized gain on changes in fair value of biological assets	5,966	4,909	**1,057**
Gross margin, including the unrealized gain on changes in fair value of biological assets	8,804	3,226	**5,578**
Expenses:			
General and administrative	3,868	1,455	**2,413**
Sales and marketing	2,412	—	**2,412**
Research and development	1,070	—	**1,070**
Foreign exchange gain loss	(43)	—	**(43)**
Research and development tax credits	(123)	—	**(123)**
Gain on derivative instruments	(100)	—	**(100)**
Depreciation and amortization	2,264	1,713	**551**
Share-based compensation	248	—	**248**
	9,596	3,168	**6,428**
(Loss) income from operations	(792)	58	**(850)**
Other income	398	—	**398**
Interest income	1	—	**1**
Finance costs	(893)	—	**(893)**
	(494)	—	**(494)**
(Loss) income before income tax	(1,286)	58	**(1,344)**
Income tax:			
Current tax recovery	490	490	**—**
Deferred tax recovery (expense)	(148)	(171)	**23**
	942	319	**23**
Net (loss) income	$ (944)	$ 377	**$(1,321)**

Expressed in Thousands of Canadian Dollars, except share data or as otherwise noted (unaudited)

The following table calculates CanniMed Therapeutics' statement of operations for the nine months ended July 31, 2015.

For the nine months ended July 31, 2015	**Prairie Plant Systems Inc.**	**PPS USA Holdings Inc.**	**Pro Forma CanniMed Therapeutics**
Revenue	$14,141	$9,844	**$ 4,297**
Unrealized gain from changes in fair value of biological assets	(2,676)	—	**(2,676)**
Inventory expense to cost of sales	2,114	—	**2,114**
Production costs	6,026	5,649	**377**
Cost of sales, net of the unrealized gain on changes in fair value of biological assets	5,464	5,649	**(185)**
Gross margin, including the unrealized gain on changes in fair value of biological assets	8,677	4,195	**4,482**
Expenses:			
General and administrative	3,662	1,310	**2,352**
Sales and marketing	2,221	—	**2,221**
Research and development	1,271	—	**1,271**
Foreign exchange loss	(144)	—	**(144)**
Research and development tax credits	(187)	—	**(187)**
Gain on derivative instruments	(140)	—	**(140)**
Depreciation and amortization	1,594	1,024	**570**
Share-based compensation	557	—	**557**
	8,334	2,334	**6,500**
(Loss) income from operations	(157)	1,861	**(2,018)**
Other income	550	—	**550**
Interest income	17	—	**17**
Finance costs	(603)	—	**(603)**
	(36)	—	**(36)**
(Loss) income before income tax	(193)	1,861	**(2,054)**
Income tax:			
Current tax recovery (expense)	(48)	—	**(48)**
Deferred tax (expense) recovery	(71)	(356)	**285**
	(119)	(356)	**237**
Net (loss) income	$ (312)	$1,005	**$(1,817)**

APPENDIX A
CANNIMED THERAPEUTICS INC.
(the "**Company**")

MANDATE OF THE BOARD OF DIRECTORS

1. PURPOSE

The primary function of the directors (individually, a "**Director**" and, collectively, the "**Board**") of the Company is to supervise the management of the business and affairs of the Company. Management is responsible for the day-to-day conduct of the business of the Company. The fundamental objectives of the Board are to enhance and preserve long-term shareholder value and to ensure that the Company conducts business in an ethical and safe manner. In performing its functions, the Board should consider the legitimate interests that stakeholders, such as employees, customers and communities, may have in the Company. In carrying out its stewardship responsibility, the Board, through the Company's Chief Executive Officer (the "**CEO**"), should set the standards of conduct for the Company.

2. PROCEDURE AND ORGANIZATION

The Board operates by delegating certain responsibilities and duties set out below to management or committees of the Board and by reserving certain responsibilities and duties for the Board. The Board retains the responsibility for managing its affairs, including selecting its chair (the "**Chair of the Board**") and constituting committees of the Board. A majority of the members of the Board shall be independent within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and the rules of any stock exchange or market on which the Company's shares are listed or posted for trading (collectively, "**Applicable Governance Rules**"). If the Board selects a non-independent Director to serve as the Chair of the Board, it shall also select an independent Director to serves as the independent lead Director (the "**Lead Director**"). In this mandate, the term "independent" includes the meanings given to similar terms by Applicable Governance Rules, including the terms "non-executive", "outside" and "unrelated" to the extent such terms are applicable under Applicable Governance Rules. The Board shall assess, on an annual basis, the adequacy of this mandate.

3. RESPONSIBILITIES AND DUTIES

The principal responsibilities and duties of the Board fall into a number of categories, which are summarized below.

A. Legal Requirements

(a) The Board has the overall responsibility to ensure that applicable legal requirements are complied with and documents and records have been properly prepared, approved and maintained.

(b) The Board has the statutory responsibility to, among other things:

A. manage, or supervise the management of, the business and affairs of the Company;

B. act honestly and in good faith with a view to the best interests of the Company;

C. declare conflicts of interest, whether real or perceived;

D. exercise the care, diligence and skill that a reasonably prudent individual would exercise in comparable circumstances; and

E. act in accordance with the obligations contained in the *Canada Business Corporations Act* (the "**CBCA**"), the regulations under the CBCA, the articles of the Company, applicable securities laws and policies, applicable stock exchange rules, and other applicable legislation and regulations.

(c) The Board has the responsibility for considering the following matters as a Board, which may not be delegated to management or to a committee of the Board:

A. any submission to the shareholders of any question or matter requiring the approval of the shareholders;

B. the filling of a vacancy among the directors or in the office of auditor, the appointment of any additional directors and the appointment or removal of any of the CEO, the Chair of the Board or the President of the Company;

C. the issue of securities except as authorized by the Board;

D. the declaration of dividends;

E. the purchase, redemption or any other form of acquisition of shares issued by the Company;

F. the payment of a commission to any person in consideration of the person purchasing or agreeing to purchase shares of the Company from the Company or from any other person, or procuring or agreeing to procure purchasers for any such shares except as authorized by the Board;

G. the approval of a management information circular;

H. the approval of a take-over bid circular, directors' circular or issuer bid circular;

I. the approval of an amalgamation of the Company;

J. the approval of an amendment to the memorandum or articles of the Company;

K. the approval of annual financial statements of the Company; and

L. any other matter which is required under the Applicable Governance Rules or applicable corporate laws to be decided by the Board as a whole.

In addition to those matters which at law cannot be delegated, the Board must consider and approve all major decisions affecting the Company, including all material acquisitions and dispositions, material capital expenditures, material debt financings, issue of shares and granting of options.

B. Strategy Development

The Board has the responsibility to ensure that there are long-term goals and a strategic planning process in place for the Company and to participate with management directly or through committees in developing and approving the strategy by which the Company proposes to achieve these goals (taking into account, among other things, the opportunities and risks of the business of the Company).

C. Risk Management

The Board has the responsibility to safeguard the assets and business of the Company, identify and understand the principal risks of the business of the Company and to ensure that there are appropriate systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Company.

D. Appointment, Training and Monitoring Senior Management

The Board has the responsibility to:

(a) appoint the CEO, and together with the CEO, to develop a position description for the CEO;

(b) with the advice of the Compensation Committee, develop corporate goals and objectives that the CEO is responsible for meeting and to monitor and assess the performance of the CEO in light of those corporate goals and objectives and to determine the compensation of the CEO;

(c) provide advice and counsel to the CEO in the execution of the duties of the CEO;

(d) develop, to the extent considered appropriate, position descriptions for the Chair of the Board and the chair of each committee of the Board;

(e) approve the appointment of all corporate officers;

(f) consider, and if considered appropriate, approve, upon the recommendation of the Compensation Committee and the CEO, the remuneration of all corporate officers;

(g) consider, and if considered appropriate, approve, upon the recommendation of the Compensation Committee, incentive-compensation plans and equity-based plans of the Company; and

(h) ensure that adequate provision has been made to train and develop management and members of the Board and for the orderly succession of management, including the CEO.

E. Ensuring Integrity of Management

The Board has the responsibility, to the extent considered appropriate, to satisfy itself as to the integrity of the CEO and other officers of the Company and to ensure that the CEO and such other officers are creating a culture of integrity throughout the Company.

F. Policies, Procedures and Compliance

The Board is responsible for the oversight and review of the following matters and may rely on management of the Company to the extent appropriate in connection with addressing such matters:

(a) ensuring that the Company operates at all times within applicable laws and regulations and to appropriate ethical and moral standards;

(b) approving and monitoring compliance with significant policies and procedures by which the business of the Company is conducted;

(c) ensuring that the Company sets appropriate environmental standards for its operations and operates in material compliance with environmental laws and legislation;

(d) ensuring that the Company has a high regard for the health and safety of its employees in the workplace and has in place appropriate programs and policies relating to workplace health and safety;

(e) developing the approach of the Company to corporate governance, including to the extent appropriate developing a set of governance principles and guidelines that are specifically applicable to the Company; and

(f) examining the corporate governance practices within the Company and altering such practices when circumstances warrant.

G. Reporting and Communication

The Board is responsible for the oversight and review of the following matters and may rely on management of the Company to the extent appropriate in connection with addressing such matters:

(a) ensuring that the Company has in place policies and programs to enable the Company to communicate effectively with management, shareholders, other stakeholders and the public generally;

(b) ensuring that the financial results of the Company are adequately reported to shareholders, other security holders and regulators on a timely and regular basis;

(c) ensuring that the financial results are reported fairly and in accordance with applicable generally accepted accounting standards;

(d) ensuring the timely and accurate reporting of any developments that could have a significant and material impact on the value of the Company; and

(e) reporting annually to the shareholders of the Company on the affairs of the Company for the preceding year.

H. Monitoring and Acting

The Board is responsible for the oversight and review of the following matters and may rely on management of the Company to the extent appropriate in connection with addressing such matters:

(a) monitoring the Company's progress in achieving its goals and objectives and, if necessary, revising and altering, through management, the direction of the Company in response to changing circumstances;

(b) considering taking action when performance falls short of the goals and objectives of the Company or when other special circumstances warrant;

(c) reviewing and approving material transactions involving the Company;

(d) ensuring that the Company has implemented adequate internal control and management information systems;

(e) assessing the individual performance of each Director and the collective performance of the Board; and

(f) overseeing the size and composition of the Board as a whole to facilitate more effective decision-making by the Company.

4. BOARD'S EXPECTATIONS OF MANAGEMENT

The Board expects each member of management to perform such duties, as may be reasonably assigned by the Board from time to time, faithfully, diligently, to the best of his or her ability and in the best interests of the Company. Each member of management is expected to devote substantially all of his or her business time and efforts to the performance of such duties. Management is expected to act in compliance with and to ensure that the Company is in compliance with all laws, rules and regulations applicable to the Company.

5. RESPONSIBILITIES AND EXPECTATIONS OF DIRECTORS

The responsibilities and expectations of each Director are as follows:

A. Commitment and Attendance

All Directors should make every effort to attend all meetings of the Board and meetings of committees of which they are members. Members may attend by telephone.

B. Participation in Meetings

Each Director should be sufficiently familiar with the business of the Company, including its financial position and capital structure and the risks and competition it faces, to actively and effectively participate in the deliberations of the Board and of each committee on which he or she is a member. Upon request, management should make appropriate personnel available to answer any questions a Director may have about any aspect of the business of the Company. Directors should also review the materials provided by management and the Company's advisors in advance of meetings of the Board and committees and should arrive prepared to discuss the matters presented.

C. Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics to deal with the business conduct of Directors and officers of the Company. Directors should be familiar with the provisions of the Code of Business Conduct and Ethics. Each Director should also strive to perform his or her duties in keeping with current and emerging corporate governance best practices for directors of publicly-traded corporation.

D. Other Directorships

The Company values the experience Directors bring from other boards on which they serve, but recognizes that those boards may also present demands on a Director's time and availability, and may also present conflicts issues. Directors should advise the chair of the Corporate Governance Committee before accepting any new membership on other boards of directors or any other affiliation with other businesses or governmental bodies which involve a significant commitment by the Director.

E. Contact with Management

All Directors may contact the CEO at any time to discuss any aspect of the business of the Company. Directors also have complete access to other members of management. The Board expects that there will be frequent opportunities for Directors to meet with the CEO and other members of management in Board and committee meetings and in other formal or informal settings.

APPENDIX B
CANNIMED THERAPEUTICS INC.
(the "**Company**")

AUDIT COMMITTEE CHARTER

1. POLICY STATEMENT

It is the policy of the Company to establish and maintain an Audit Committee (the "**Committee**") to assist the directors (individually a "**Director**" and collectively the "**Board**") of the Company in carrying out the Board's oversight responsibility for the accounting, internal controls, financial reporting, audits of financial statements and risk management processes of the Company.

The Committee shall be provided with resources commensurate with the duties and responsibilities assigned to it by the Board including appropriate administrative support. Without limiting the generality of the foregoing, the Company shall provide for appropriate funding, as determined by the Committee in its capacity as a committee of the Board, for payment of: (a) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (b) compensation to any advisors engaged by the Committee under Section 4(c)(iii) of this charter; and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

If determined appropriate by the Committee, it shall have the discretion to institute investigations of improprieties, or suspected improprieties, within the scope of its responsibilities, including the standing authority to retain special counsel or other experts. The Committee shall have unrestricted access to the Company's external auditors, is authorized to seek any information that it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

2. COMPOSITION OF COMMITTEE

(a) The Committee shall be established by a resolution of the Board. The Committee shall consist of a minimum of three Directors. The Board shall appoint the members of the Committee and may seek the advice and assistance of the Corporate Governance Committee in identifying qualified candidates. The Board shall appoint one member of the Committee to be the chair of the Committee (the "**Chair**"). A description of the duties and responsibilities of the Chair are included in Schedule A.

(b) All of the members of the Committee shall be Directors who are independent within the meaning of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), and the rules of any stock exchange or market on which the Company's shares are listed or posted for trading (collectively, "Applicable Governance Rules"). In this charter, the term "independent" includes the meanings given to similar terms by Applicable Governance Rules, including the terms "non-executive", "outside" and "unrelated" to the extent such terms are applicable under Applicable Governance Rules. No member of the Committee shall have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years.

(c) All members of the Committee must be able to read and understand fundamental financial statements (including a balance sheet, income statement and cash flow statement) and read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and level of complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

(d) A Director appointed by the Board to the Committee shall be a member of the Committee until replaced by the Board or until his or her resignation.

3. MEETINGS OF THE COMMITTEE

(a) The Committee shall convene a minimum of four times each year at such times and places as may be determined by the Chair of the Committee and whenever a meeting is requested by the Board, a member of the Committee, the auditors or senior management of the Company. Scheduled meetings of the Committee shall correspond with the review of the quarterly and year-end financial statements and management discussion and analysis.

(b) Notice of each meeting of the Committee shall be given to each member of the Committee.

(c) Notice of a meeting of the Committee shall:

(i) be in writing, which includes electronic communication facilities;

(ii) state the nature of the business to be transacted at the meeting in reasonable detail;

(iii) to the extent practicable, be accompanied by a copy of any documentation to be considered at the meeting; and

(iv) be given at least two business days prior to the time stipulated for the meeting or such shorter period as the members of the Committee may permit.

(d) A quorum for the transaction of business at a meeting of the Committee shall consist of a majority of the members of the Committee. However, it shall be the practice of the Committee to require review, and, if necessary, approval of important matters by all members of the Committee.

(e) A member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permits all persons participating in the meeting to communicate with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.

(f) In the absence of the Chair of the Committee, the members of the Committee shall choose one of the members present to chair the meeting. In addition, the members of the Committee shall choose one of the persons present to be the secretary of the meeting.

(g) The Committee may invite such persons to attend meetings of the Committee as the Committee considers appropriate, except to the extent exclusion of certain persons is required pursuant to this charter or by applicable laws.

(h) The Committee may invite the external auditors to be present at any meeting of the Committee and to comment on any financial statements, or on any of the financial aspects, of the Company.

(i) The Committee (i) shall meet with the external auditors separately from individuals other than the Committee, and (ii) may meet separately with management of the Company.

(j) Minutes shall be kept of all meetings of the Committee and shall be signed by the chair and the secretary of the meeting. The Chair of the Committee shall circulate the minutes of the meetings of the Committee to all members of the Board.

4. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

(a) The Committee, in its capacity as a committee of the Board, is directly responsible for recommending to the Board the public accounting firm to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (the "**external auditor**") as well as the compensation of the external auditor. The Committee shall also be directly responsible for the oversight of the work of the external auditor (including resolution of disagreements between management and the auditor regarding financial reporting) and each such external auditor must report directly to the Committee.

(b) The other primary duties and responsibilities of the Committee are to:

A. identify and monitor the management of the principal risks that could impact the financial reporting of the Company;

B. monitor the integrity of the Company's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;

C. monitor the independence, objectivity and performance of the external auditors, including, without limitation: (A) ensuring the Committee's receipt from the external auditors at least annually of a formal written statement delineating all relationships between the external auditors and the Company; (B) actively engaging in dialogue with the external auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditor; and (C) taking, or recommending that the Board take, appropriate action to oversee the independence of the external auditors;

D. evaluate the performance of the external auditors at least annually; deal directly with the external auditors to approve external audit plans, other services (if any) and fees;

E. directly oversee the external audit process and results (in addition to items described in Section 4(e) below);

F. provide an avenue of communication between the external auditors, management and the Board;

G. review annually with management of the Company the anti-fraud, anti-bribery, anti-corruption and risk assessment programs of the Company;

H. carry out a review designed to ensure that an effective "whistle blowing" procedure exists to permit stakeholders to express any concerns regarding accounting or financial matters to an appropriately independent individual; and

I. oversee all pension and retirement benefit plans if and when established.

(c) The Committee shall have the authority to:

A. inspect any and all of the books and records of the Company and its subsidiaries;

B. discuss with the management of the Company and its subsidiaries, any affected party and the external auditors, such accounts, records and other matters as any member of the Committee considers appropriate;

C. engage independent counsel and other advisors as it determines necessary to carry out its duties; and

D. set and pay the compensation for any advisors engaged by the Committee.

Relationship with the Board

(d) The Committee shall, at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as considered appropriate.

Relationship with External Auditors

(e) The Committee shall:

A. review the audit plan with the external auditors and with management;

B. review with the external auditors the critical accounting policies and practices used by the Company, all alternative treatments of financial information within international financial reporting standards that the external auditors have discussed with management, the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the external auditors;

C. discuss with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of material risks and uncertainties and key estimates and judgments of management that may be material to financial reporting;

D. review with management and with the external auditors material financial reporting issues arising during the most recent financial period and the resolution or proposed resolution of such issues;

E. review any problems experienced or concerns expressed by the external auditors in performing any audit, including any restrictions imposed by management or any material accounting issues on which there was a disagreement with management;

F. review with the external auditors any accounting adjustments that were noted or proposed by the independent auditor but that were "passed" (as immaterial or otherwise), any communications between the audit team and the external auditor's national office respecting auditing or accounting issues presented by the engagement, any "management" or "internal control" letter or schedule of unadjusted differences issued, or proposed to be issued, by the external auditors to the Company, or any other material written communication provided by the external auditors to the Company's management;

G. review with senior management the process of identifying, monitoring and reporting the principal risks affecting financial reporting;

H. review and discuss with management and the external auditors any off-balance sheet transactions or structures and their effect on the Company's financial results and operations, as well as the disclosure regarding such transactions and structures in the Company's public filings;

I. review the audited annual financial statements (including management discussion and analysis) and related documents in conjunction with the report of the external auditors and obtain an explanation from management of all material variances between comparative reporting periods;

J. consider and review with management the internal control memorandum or management letter containing the recommendations of the external auditors and management's response, if any, including an evaluation of the adequacy and effectiveness of the internal financial controls and procedures for financial reporting of the Company and subsequent follow-up to any identified weaknesses;

K. review with financial management and the external auditors the quarterly unaudited financial statements and management discussion and analysis before release to the public;

L. periodically meet separately with management and the external auditors;

M. oversee the financial affairs of the Company and its subsidiaries and, if deemed appropriate, make recommendations to the Board, external auditors or management;

N. discuss with management and the external auditors any correspondence with regulatory or governmental agencies that raise material issues regarding the Company's financial statements or accounting policies;

O. consider the recommendations of management in respect of the appointment and terms of engagement of the external auditor;

P. pre-approve all audit and non-audit services to be provided to the Company or its subsidiaries by its external auditors, or the external auditors of subsidiaries of the Company, subject to the overriding principle that the external auditors not be permitted to be retained by the Company to perform internal audit outsourcing services or financial information systems services; provided that notwithstanding the above, the foregoing pre-approval of non-audit services may be delegated to a member of the Committee, with any decisions of the member with the delegated authority reporting to the Committee at the next scheduled meeting;

Q. approve the engagement letter for non-audit services to be provided by the external auditors or affiliates of external auditors, together with estimated fees, and consider the potential impact of such services on the independence of the external auditors;

R. when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the notice of change of auditors and documentation required pursuant to the then current legislation, rules, policies and instruments of applicable regulatory authorities and the planned steps for an orderly transition period; and

S. review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable laws, on a routine basis, whether or not there is to be a change of the external auditors.

(f) In connection with the public disclosure of financial information and other public disclosure, the Committee shall:

A. review the Company's financial statements, management discussion and analysis, and annual and interim profit or loss press releases before the Company publicly discloses this information;

B. review with management its evaluation of the Company's procedures and controls designed to assure that information required to be disclosed in the Company's periodic public reports is recorded, processed, summarized and reported in such reports within the time periods specified by applicable securities laws for the filing of such reports ("**Disclosure Controls**") and consider whether any changes are appropriate in light of management's evaluation of the effectiveness of such Disclosure Controls;

C. establish a policy, which may include delegation to an appropriate member or members of management, for release of earnings press releases as well as for the release of financial information and earnings guidance provided to analysts and rating agencies;

D. satisfy itself that adequate procedures are in place for the review of the Company's public information extracted from the Company's financial statements, other than the public information reviewed in accordance with Section 4(f)(i), and periodically assess the adequacy of those procedures;

E. to the extent deemed appropriate, review and supervise the preparation by management of:

(i) the annual information forms, management information circulars and annual and interim financial statements of the Company and any other information of the Company filed by the Company with the applicable securities regulators;

(ii) press releases of the Company containing financial information, earnings guidance, forward-looking statements, information about operations or any other material information;

(iii) correspondence broadly disseminated to shareholders of the Company; and

(iv) other relevant written and oral communications or presentations;

F. before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including any prospectuses, annual reports, annual information forms, management discussion and analysis and press releases, focusing particularly on:

(i) any changes in accounting policies and practices;

(ii) any important areas where judgment must be exercised;

(iii) significant adjustments resulting from the audit;

(iv) the going concern assumption, if any;

(v) compliance with accounting standards; and

(vi) compliance with stock exchange and legal requirements.

(g) The Committee shall enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters which are directed to the Committee by any member of the Board, a shareholder of the Company, the external auditors or senior management.

(h) The Committee shall periodically review with management the need for an internal audit function.

(i) The Committee shall review the accounting and reporting of costs, liabilities and contingencies of the Company.

(j) The Committee shall periodically discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

(k) The Committee shall establish, monitor and review policies and procedures for internal accounting, financial control and management information.

(l) The Committee shall periodically discuss with management the Company's process for performing its quarterly certifications pursuant to Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*.

(m) The Committee shall review with the Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") of the Company any report on significant deficiencies in the design or operation of the internal controls that could adversely affect the Company's ability to record, process, summarize or report financial data, any material weaknesses in internal controls identified to the auditors, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.

(n) The Committee shall establish and maintain procedures for:

A. the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;

B. the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and

C. reviewing arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting and ensuring that arrangements are in place for proportionate and independent investigation and follow-up action.

(o) At each meeting of the Committee, the Committee shall review any complaints or concerns of employees of the Company regarding accounting, internal accounting controls, or auditing matters relating to the Company

and violations of the Code of Business Conduct and Ethics of the Company and of any applicable law, rule or regulation and shall follow the procedures established under the Company's Whistleblower Policy regarding such concerns and complaints.

(p) The Committee shall review all related party transactions and discuss the business rationale for these transactions and determine whether appropriate disclosures have been made. For this purpose, the term "related party transactions" includes any "material transaction" required to be disclosed under Item 13 of Form 51-102F2 under National Instrument 51-102 – *Continuous Disclosure Obligations*.

(q) The Committee shall review the Company's compliance and ethics programs, including consideration of legal and regulatory requirements, and shall review with management its periodic evaluation of the effectiveness of such programs.

(r) The Committee shall, in consultation with the Corporate Governance Committee, review the Code of Business Conduct and Ethics and programs that management has established to monitor compliance with such code, and periodically, after consultation with the Corporate Governance Committee, make recommendations to the Board regarding the Code of Business Conduct and Ethics that the Committee shall deem appropriate.

(s) The Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors.

(t) The Committee shall receive any reports from legal counsel of evidence of a material violation of securities laws or breaches of fiduciary duty by the Company.

(u) The Committee shall review with the Company's legal counsel, on no less than an annual basis, any legal matter that could have a material impact on the Company's financial statements and any enquiries received from regulators or government agencies.

(v) The Committee shall assess, on an annual basis, the adequacy of this charter and the performance of the Committee.

CERTIFICATE OF CANNIMED THERAPEUTICS INC.

Dated December 21, 2016

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada, except Quebec.

(Signed) BRENT ZETTL
President and Chief Executive Officer

(Signed) JOHN KNOWLES
Chief Financial Officer

On behalf of the Board of Directors

(Signed) DONALD CHING
Director

(Signed) BRANDON PRICE
Director

CERTIFICATE OF THE UNDERWRITERS

Dated December 21, 2016

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plan disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada, except Quebec.

ALTACORP CAPITAL INC.

(signed) JEFFREY FALLOWS
Managing Director

CANACCORD GENUITY CORP.

(signed) STEVE WINOKUR
Managing Director, Investment Banking

CLARUS SECURITIES INC.

(signed) ROBERT ORVISS
Managing Director, Investment Banking

MACKIE RESEARCH CAPITAL CORPORATION

(signed) JEFF REYMER
Managing Director, Investment Banking

HAYWOOD SECURITIES INC.

(signed) CAMPBELL BECHER
Managing Director