A copy of this amended and restated preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces and territories of Canada, but has not yet become final for the purpose of the sale of securities. Information contained in this amended and restated preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

*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 by persons permitted to sell such securities. The securities offered herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws and may not be offered or sold within the "United States" (as such term is defined in Regulation S under the U.S. Securities Act) unless an exemption from such registration is available. This prospectus does not constitute an offer to sell or an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".*

AMENDED AND RESTATED PRELIMINARY PROSPECTUS
(amending and restating the preliminary prospectus dated April 19, 2017)

Initial Public Offering and Secondary Offering May 8, 2017

MedReleaf™
THE MEDICAL GRADE STANDARD™

MEDRELEAF CORP.

● COMMON SHARES

$●

This prospectus qualifies the distribution to the public of ● common shares (the "**Offered Shares**") in the capital of MedReleaf Corp. ("**MedReleaf**" or the "**Company**"), of which ● Offered Shares are being issued and sold by the Company (the "**Treasury Offering**") at a price of $● per Offered Share (the "**Offering Price**") for aggregate gross proceeds to the Company of $●, and an aggregate of ● Offered Shares are being offered and sold by Zola Finance Inc. (a corporation controlled by Tarik Ouass), MENA Investment Network Inc. and AJA Holdings 2013 Inc. (corporations each controlled by Stephen Arbib), Rayray Investments Inc. and 2564459 Ontario Limited (corporations each controlled by Raymond Leach), Tikun Olam Ltd. (a corporation controlled by Tsachi Cohen), Baronford Heights Limited (a corporation controlled by Theodore Wine), Eva Fashion Limited (a corporation controlled by Vadim Soiref), MedMen Opportunity Fund, LP and Neil Closner (collectively, the "**Selling Shareholders**") at the Offering Price (the "**Secondary Offering**" and together with the Treasury Offering, the "**Offering**") for aggregate gross proceeds to the Selling Shareholders of $●.

The Offered Shares are being sold pursuant to the terms of an underwriting agreement dated ●, 2017 (the "**Underwriting Agreement**") among the Company, the Selling Shareholders and GMP Securities L.P. ("**GMP**"), as co-lead underwriter and sole bookrunner, Clarus Securities Inc., as co-lead underwriter, Canaccord Genuity Corp., Cowen and Company, LLC, Eight Capital and PI Financial Corp. (collectively with GMP, the "**Underwriters**"). It is expected that the Offering Price will be between $9.50 and $10.50 per Offered Share and that the amount of the Offering will be approximately $100,000,000 in aggregate (comprised of the Treasury Offering of $80,000,000 and the Secondary Offering of $20,000,000). The Offering Price was determined by negotiation between the Company, the Selling Shareholders and the Underwriters.

The Company has applied to have the Common Shares listed on Toronto Stock Exchange ("**TSX**") under the symbol "LEAF". Listing of the Common Shares on TSX is subject to approval by TSX of the Company's listing application and fulfillment by the Company of all the original listing requirements and conditions of TSX. TSX has not conditionally approved the listing of the Common Shares and there is no assurance that TSX will approve the listing application.

SETTING THE STANDARD

We have built a company centered around the patient and their therapeutic needs. This starts from our modern production facility that produces cannabis-based pharmaceutical products that are safe, consistent, and effective. It is ingrained in the data-driven approach that contributes to operational and product improvements and innovations. This approach has also expanded our understanding of the cultivation, processing and possible therapeutic benefits of cannabis and cannabis derivatives. We're setting the standard with our operations, and we're doing it to build lasting relationships with our patients to help them address their therapeutic needs and improve their quality of life.

MedReleaf™

THE MEDICAL GRADE STANDARD™

MedReleaf™

THE MEDICAL GRADE STANDARD™

HIGH-YIELD CULTIVATION

Systems to enable continuous learning

MARKHAM FACILITY

23,500 ft² of cultivation

7,000 kg annual capacity (6,000 kg licensed)

~300 g/ft²/year

$1.55 cash cost/gram*

High-yield levels allow MedReleaf to produce medical cannabis on a comparable cost basis to greenhouse peers.

* Three months ended December 31, 2016

PREMIUM QUALITY

Research driven

ISO 9001 certified

ICH GMP inspected

8 PhD and Masters scientists

1st and only oil-capsule product

$10.50 avg. price per gram*

Focus on quality, research and product development enables MedReleaf to attain premium pricing.

* Based on total volume for the three months ended December 31, 2016

STRONG MARKET SHARE

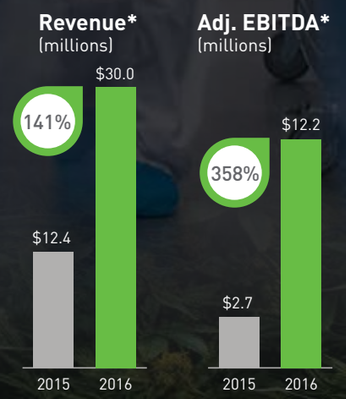
Focused on high lifetime value patients that cannabis can help

Of the producers that hold the 43 licenses issued for medical cannabis in Canada, MedReleaf commands a 19% market share of volume at a premium price.

Source: Health Canada (most recent available data from October 1 to December 1, 2016) and MedReleaf

FINANCIAL PERFORMANCE

Rapid growth with strong profitability



* For the nine months ended December 31, for each period

NEAR-TERM EXPANSION

Replicating our success

4x capacity

Bradford facility phase 1 complete and operations commencing

There is currently no market through which the Offered Shares may be sold and purchasers may not be able to resell Offered Shares purchased under this prospectus. This may affect the pricing of the Offered Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Offered Shares and the extent of issuer regulation. An investment in the Offered Shares is speculative and subject to a number of risks that should be considered by a prospective purchaser. Prospective purchasers of Offered Shares should carefully consider the risks described under "*Risk Factors*" and "*Cautionary Statement Regarding Forward-Looking Information*" before purchasing the Offered Shares. The closing of the Offering is subject to listing the Common Shares on the TSX.

Price: $● per Offered Share

	Offering Price to the Public	Underwriters' Fee[(1)]	Net Proceeds[(2)]
Per Offered Share (Treasury Offering)	$●	$●	$●
Total (Treasury Offering)[(3)]	$●	$●	$●
Per Offered Share (Secondary Offering).....	$●	$●	$●
Total (Secondary Offering)[(3)].....	$●	$●	$●
Total Offering	**$●**	**$●**	**$●**

Notes:

(1) The Company shall pay the Underwriters a cash fee equal to 6.00% of the gross proceeds from the sale of the Offered Shares pursuant to the Treasury Offering, subject to a reduced fee of 3.00% for Offered Shares sold by the Underwriters to certain purchasers designated by the Company who may purchase up to an aggregate of $5,000,000 of Offered Shares (the "**President's List**") and the Selling Shareholders shall pay the Underwriters a cash fee equal to 6.00% of the gross proceeds from the sale of the Offered Shares pursuant to the Secondary Offering, (collectively, the "**Underwriters' Fee**"). See "*Plan of Distribution*". Assumes ● Offered Shares are sold to President's List purchasers in the Treasury Offering.

(2) Assuming there are ● Offered Shares sold to the President's List purchasers in the Treasury Offering and before deducting expenses of the Offering estimated at $●, which will be paid by the Company out of the gross proceeds of the Treasury Offering. See "*Use of Proceeds*". The Company will not receive any proceeds from the sale of the Offered Shares pursuant to the Secondary Offering. The Selling Shareholders will not pay any expenses of the Offering in connection with the Secondary Offering as the incremental costs thereof are not expected to be a material portion of the aggregate expenses of the Offering.

(3) The Company and the Selling Shareholders, on a 40%/60% basis, respectively, will grant the Underwriters an over-allotment option (the "**Over-Allotment Option**") exercisable, in whole or in part, and from time to time, in the sole discretion of the Underwriters, for a period of 30 days from and including the Closing Date (as defined herein), under which the Underwriters may purchase up to an additional ● Offered Shares (representing 15% of the aggregate number of initial Offered Shares offered pursuant to the Treasury Offering and the Secondary Offering), at the Offering Price, to cover over-allotments, if any, and for market stabilization purposes. All references to "Offered Shares" in this prospectus includes the Offered Shares that may be issued or sold pursuant to the Over-Allotment Option. The grant of the Over-Allotment Option and the Offered Shares issuable or sold upon exercise of the Over-Allotment Option are qualified for distribution under this prospectus. A purchaser who acquires securities 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. If the Over-Allotment Option is exercised in full (assuming there are ● Offered Shares sold to the President's List purchasers and before deducting the expenses of the Offering estimated to be $●), the total amounts under "Offering Price to the Public", the "Underwriters' Fee" and the "Net Proceeds" in respect of the Treasury Offering will be $●, $● and $●, respectively, and in respect of the Secondary Offering will be $●, $● and $●, respectively. Unless otherwise indicated, all information in this prospectus assumes that the Over-Allotment Option will not be exercised. See "*Plan of Distribution*" and "*Principal and Selling Shareholders*".

The following table sets out the aggregate number of Offered Shares that may be sold by the Company and the Selling Shareholders to the Underwriters pursuant to the exercise of the Over-Allotment Option:

Underwriters' Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option	● Offered Shares[(1)]	Up to 30 days from and including the Closing Date	$●

Note:

(1) Offered Shares issued pursuant to the exercise of the Over-Allotment Option will be purchased from the Company and Selling Shareholders on a 40%/60% basis respectively. See "*Plan of Distribution*".

The Underwriters, as principals, conditionally offer the Offered Shares, subject to prior sale, if, as and when issued by the Company and sold by the Selling Shareholders and accepted by the Underwriters in accordance with the terms and conditions contained in the Underwriting Agreement referred to under "*Plan of Distribution*", subject to the approval of certain legal matters on behalf of the Company by Norton Rose Fulbright Canada LLP, and on behalf of the Underwriters by Fasken Martineau DuMoulin LLP. The Offered Shares are being offered to the public in all of the provinces and territories of Canada, and in a private placement in the United States in an offering exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. Subject to applicable law, the Underwriters may also offer the Offered Shares outside of Canada and the United States.

Cowen and Company, LLC is not registered to sell securities in any Canadian jurisdiction and, accordingly, will only sell Offered Shares outside of Canada and will not, directly or indirectly, solicit offers to purchase the Offered Shares in Canada. See "*Plan of Distribution*".

This document is only being and may only be distributed to and directed at: (i) persons outside the United Kingdom (the "**UK**"); or (ii) persons in the UK who (a) are "qualified investors" within the meaning of Section 86(7) of the UK Financial Services and Markets Act 2000, as amended (the "**FSMA**") and fall within the categories of persons referred to in Article 19(5) (investment professionals) or Article 49(2)(a)-(d) (high net worth companies, unincorporated associations, etc.) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "**Financial Promotions Order**"); or (b) are otherwise lawfully permitted to receive it (all such persons together being referred to as "**relevant persons**"). The securities being offered hereunder are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. By accepting a copy of this document and by offering to acquire Offered Shares under the Offering, potential investors in the UK will be deemed to have represented that they satisfy the criteria specified in clause (ii) above to be a relevant person. Any person who is not a relevant person should not act or rely on this document or any of its contents. This document is not a prospectus for the purposes of Section 85(1) of the FSMA and contains no offer of transferable securities to the public within the meaning of section 102B of the FSMA, the UK Companies Act 2006 or otherwise. Accordingly, this document has not been examined or approved as a prospectus by the UK Financial Conduct Authority (the "**FCA**"), under Section 87A of the FSMA and has not been filed with the FCA pursuant to the rules published by the FCA implementing the Prospectus Directive (Directive 2003/71/EC) (the "**United Kingdom Prospectus Rules**") nor has it been approved by a person authorized under the FSMA for the purposes of Section 21 of the FSMA.

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (as defined below) (each, a "**Relevant Member State**"), an offer to the public of the securities offered under this document may not be made in that Relevant Member State prior to the publication of a prospectus in relation to such securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that an offer of such securities to the public in that Relevant Member State may be made at any time: (i) to qualified investors (as defined in Article 2(1)(e) of the Prospectus Directive or implementing legislation in the Relevant Member State ("**European Qualified Investors**"); (ii) to fewer than 150 natural or legal persons (other than European Qualified Investors); or (iii) in any other circumstances which do not require the publication by the Company, the Selling Shareholders or the Underwriters of a prospectus pursuant to Article 3 of the Prospectus Directive. For the purpose of this provision, the expression an "**offer of such securities to the public**" in relation to any securities offered under this document in any Relevant Member State

means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for such securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in each Relevant Member State. See "*Plan of Distribution*".

Subject to applicable laws, in connection with the Offering the Underwriters may effect transactions intended to stabilize or maintain the market price of the Offered Shares at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

Subscriptions for the Offered Shares 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.

Other than in certain circumstances, it is anticipated that the Offered Shares will be delivered electronically through the non-certificated inventory system of CDS Clearing and Depository Services Inc. ("**CDS**"). On the closing of the Offering, which is expected to occur on or about ●, 2017 or on such earlier or later date as the Company and the Underwriters may agree, but in any event not later than 42 days after the date of the receipt for the (final) prospectus (the "**Closing Date**"), the Company, via its transfer agent, will electronically deliver the Offered Shares registered to CDS or its nominee. See "*Plan of Distribution*".

Certain of the Selling Shareholders, namely Zola Finance Inc., Tikun Olam Ltd., Eva Fashion Limited and MedMen Opportunity Fund, LP, are incorporated or otherwise organized under the laws of a foreign jurisdiction and reside outside of Canada. Although each of the foregoing Selling Shareholders has appointed Norton Rose Fulbright Canada LLP, located at Royal Bank Plaza, South Tower, Suite 3800, 200 Bay Street, P.O. Box 84, Toronto, Ontario M5J 2Z4, as its agent for service of process in Canada, it may not be possible for purchasers of Offered Shares to collect from any of the foregoing Selling Shareholders, or to enforce, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against any of them and/or any of their respective directors and officers, even if such Selling Shareholders have appointed an agent in Canada for service of process.

MedReleaf's head office is located at Markham Industrial Park, Markham, Ontario L3R 6G3 and its registered and records office is located at Suite 3800, Royal Bank Plaza, South Tower, 200 Bay Street, Toronto, Ontario M5J 2Z4.

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ABOUT THIS PROSPECTUS

General Advisory

A prospective purchaser of Offered Shares should read this entire prospectus and consult its own professional advisors to assess the income tax, legal, risks and other aspects of its investment in the Offered Shares.

A prospective purchaser of Offered Shares should rely only on the information contained in this prospectus. The Company, the Selling Shareholders and the Underwriters have not authorized anyone to provide prospective purchasers of Offered Shares with additional or different information. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of the Offered Shares. Our business, financial condition, results of operations and prospects may have changed since the date of this prospectus.

None of the Company, the Selling Shareholders or the Underwriters are making an offer to sell these securities in any jurisdictions where the offer or sale is not permitted. For prospective purchasers of Offered Shares outside Canada, none of the Company, the Selling Shareholders or the Underwriters have done anything that would permit the Offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Prospective purchasers of Offered Shares are required to inform themselves about and to observe any restrictions relating to the Offering and the distribution of the Offered Shares under this prospectus.

Interpretation

Certain terms used in this prospectus are defined under "*Glossary*". Unless the context otherwise requires, all references in this prospectus to "MedReleaf", the "Company", "we", "us" and "our" refer to MedReleaf Corp.

Before the Closing, we will give effect to the Capital Reorganization, as described under "*Corporate Structure – Capital Reorganization*". Unless otherwise indicated, all references to the Company's outstanding Common Shares and securities convertible or exercisable for Common Shares in this prospectus, including the exercise price associated with outstanding options, assume the completion of the Capital Reorganization and excludes Common Shares that have been or may be issued after the date of this prospectus pursuant to the exercise of existing option awards made prior to or upon the Closing. However, any information relating to the foregoing included under "*Management's Discussion and Analysis*" and in the Financial Statements, including basic loss per share and diluted loss per share numbers, do not reflect the Capital Reorganization.

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

Market and Industry Data

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate or seek to operate, including our general expectations and market position, market opportunities and market share, is based on information from third party sources, industry reports and publications (including industry surveys and forecasts, including the Deloitte Survey), websites and other publicly available information (including the PBO Report and publicly available information from Health Canada), and management studies and estimates.

The Deloitte Survey and the PBO Report each contain subjective research opinions and viewpoints of their respective authors and, except where otherwise indicated, speak as of their respective original publication dates (and not as of the date of this prospectus) and the opinions and market data expressed therein are subject to change without notice.

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 own 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 information and other estimates included in this prospectus to be generally reliable, such information and estimates are inherently imprecise. In addition, projections, assumptions and estimates of our future performance or 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 "*Cautionary Statement Regarding Forward-Looking Information*" and "*Risk Factors*".

Trademarks and Trade Names

This prospectus includes trademarks such as "*MedReleaf*", "*The Medical Grade Standard*", "*Tranquillum*", *"Operari"*, "*Sedamen*", "*Remissio*", "*Luminarium*", "*Voluptas*", "*Solveris*", "*Cognitiva*", "*Stellio*", "*Elevare*" and "*Hilarum*", each of which are protected under applicable intellectual property laws and are our property. Our trademarks and trade names referred to in this prospectus may appear without the ® or ™ symbol, but references to our trademarks and trade names in this prospectus in the absence of such symbols 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. All other trademarks and trade names used in this prospectus are the property of their respective owners.

Presentation of Financial Information and Other Information

We present the Financial Statements in Canadian dollars. In this prospectus, all references to "$" are references to Canadian dollars and amounts are stated in Canadian dollars unless otherwise indicated. The Annual Financial Statements have been prepared in accordance with IFRS and audited in accordance with Canadian generally accepted auditing standards. The Quarterly Financial Statements are unaudited and have been prepared in accordance with IFRS. All other financial information of the Company referred to herein has not been audited and is derived from the records maintained by management of the Company.

Enforcement of Judgments Against Foreign Persons or Companies

Certain of the Selling Shareholders, namely Zola Finance Inc., Tikun Olam Ltd., Eva Fashion Limited and MedMen Opportunity Fund, LP, are incorporated or otherwise organized under the laws of a foreign jurisdiction and reside outside of Canada. Although each of the foregoing Selling Shareholders has appointed Norton Rose Fulbright Canada LLP, located at Royal Bank Plaza, South Tower, Suite 3800, 200 Bay Street, P.O. Box 84, Toronto, Ontario M5J 2Z4, as its agent for service of process in Canada, it may not be possible for purchasers of Offered Shares to collect from any of the foregoing Selling Shareholders, or to enforce, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against any of them and/or any of their respective directors and officers, even if such Selling Shareholders have appointed an agent in Canada for service of process.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (as such terms are 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 the (final) prospectus. Any template version of any marketing materials that has been, or will be, filed under the Company's profile on the System for Electronic Documents Analysis and Retrieval ("**SEDAR**") website at www.sedar.com 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 the (final) prospectus.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus contains "forward-looking information" within the meaning of applicable Canadian securities legislation which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs and views of future events. Forward-looking information can be identified by the use of forward-looking terminology such as "expect", "likely", "may", "will", "should", "intend", "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may", "would" or "will" happen, or by discussions of strategy. Forward-looking information include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance or other statements that are not statements of fact. Statements containing forward-looking information are made as of the date of this prospectus and include, but are not limited to, statements with respect to:

- the completion of the Capital Reorganization and the Offering, and the timing thereof;
- the use of the net proceeds of the Treasury Offering;
- the performance of the Company's business and operations;
- the Company's expectations regarding revenues, expenses and anticipated cash needs;
- the intention to grow MedReleaf's business and operations;
- the build-out of the Bradford Facility and the respective costs and timing associated therewith and the intention of the Company to seek to obtain an amendment to the Bradford Cultivation Licence to increase the maximum production limits and to permit sales of cannabis-based pharmaceutical products under such licence;
- the growth in the amount of cannabis-based pharmaceutical products sold by MedReleaf;
- the growth in the Company's cultivation capacity and the maintenance of minimum levels of inventory;
- future production costs and capacity, including potential acquisitions of additional property or facilities;
- industry growth trends, including with respect to projected sales and number of patients;
- the renewal of the Company's Licences;
- the number of grams of cannabis used by each patient;
- the competitive conditions of the industry in which the Company operates;
- the legalization of cannabis for recreational use in Canada, including federal and provincial regulations pertaining thereto and the timing related thereof and our intentions to participate in such market, if and when legalized;
- the expected timing and completion of the Company's near-term objectives;
- laws and any amendments thereto applicable to the Company;
- the competitive advantages and business strategies of the Company;
- the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis;
- the Company's future product offerings;

- possible certification under ICH Good Manufacturing Practices;

- the legalization of the use of cannabis for medical and/or recreational use in jurisdictions outside of Canada;

- the Company's plans with respect to the payment of dividends; and

- the expected compensation payable to the NEOs of the Company in fiscal 2018.

Forward-looking information in this prospectus is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. In particular, we have made assumptions in respect of the build-out of the Bradford Facility; our competitive advantages; the expected legalization of cannabis use in Canada; the growth of our business and expansion into new markets; the development of new products and product formats for our cannabis-based pharmaceutical products; our ability to retain key personnel; our ability to continue investing in our infrastructure to support our growth; our ability to obtain and maintain financing on acceptable terms; the impact of competition; the changes and trends in the medical cannabis industry; and changes in laws, rules and regulations.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual actions, events, results, performance or achievements to differ materially from what is projected in forward-looking information, including but not limited to the following risks described in greater detail under "*Risk Factors*":

- the Company is dependent upon its Licences and, in particular, its Markham Commercial Licence, for its ability to grow, store and sell medical cannabis and other products derived therefrom, and such Licences are subject to ongoing compliance, reporting requirements and renewal;

- the Company may not always succeed in complying with the regulatory requirements for Licensed Producers as set out by the ACMPR and Health Canada;

- the laws, regulations and guidelines generally applicable to the medical cannabis industry may change in ways currently unforeseen by the Company, including changes with respect to the reimbursement program established for Veterans or the cancellation thereof and the expected implementation of the Cannabis Act;

- future clinical research studies on the effects of medical cannabis may lead to conclusions that dispute or conflict with the Company's understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis;

- the Markham Facility is, and the Bradford Facility is expected to become, integral to the Company's business and adverse changes or developments affecting either of the Markham Facility or the Bradford Facility may impact the Company's business, financial condition and results of operations;

- the medical cannabis industry and market are relatively new in Canada, and this industry and market may not continue to exist or grow as anticipated or the Company may ultimately be unable to succeed in this new industry and market;

- the Company may compete for market share with other companies, including Licensed Producers, which may have longer operating histories and more financial resources, manufacturing and marketing experience than the Company;

- the Company may be unable to attract or retain key personnel with sufficient experience in the medical cannabis industry, and may prove unable to attract, develop, and retain additional employees required for the Company's development and future success;

- significant interruption in the Company's access to certain key inputs such as raw materials, electricity, water and other utilities may impair its cannabis growing operation;

- MedReleaf may seek to expand its business and operations into jurisdictions outside of Canada, and there are risks associated with doing so;

- the Company may enter into strategic alliances, or expand the scope of currently existing relationships with third parties with whom it believes will have a beneficial impact on its business, financial condition and results of operation and there are risks associated with such activities;

- the Company is subject to risks inherent in an agricultural business;

- MedReleaf may not be able to transport its medical cannabis products to patients in a safe and efficient manner;

- the Company will seek to maintain adequate insurance coverage in respect of the risks faced by it, however insurance premiums for such insurance may not continue to be commercially justifiable and there may be coverage limitations and other exclusions which may not be sufficient to cover potential liabilities faced by the Company;

- if MedReleaf is not able to comply with all safety, health and environmental regulations applicable to its operations and industry, it may be held liable for any breaches thereof;

- the Company may be subject to product liability claims;

- the Company's cannabis-based pharmaceutical products may be subject to recalls for a variety of reasons;

- MedReleaf may not be able to successfully develop new products or find a market for their sale;

- the Company may experience breaches of security at its facilities or in respect of electronic documents and data storage and may face risks related to breaches of applicable privacy laws;

- the Company may become subject to liability arising from any fraudulent or illegal activity by its employees, contractors and consultants;

- MedReleaf, or the medical cannabis industry more generally, may receive unfavourable publicity or become subject to negative consumer perception;

- the Company may not be able to develop and maintain lasting consumer relationships with patients;

- MedReleaf may be unable to expand its operations in accordance with patient demand or to manage its operations beyond their current scale;

- MedReleaf may not be able to secure adequate or reliable sources of funding required to operate its business and meet consumer demand for its products;

- the Credit Facilities impose limitations on the types of transactions or financial arrangements that the Company may engage in;

- management has limited experience with the requirements and demands of managing a publicly-traded

company;

- management may not be able to successfully implement adequate internal controls over financial reporting;
- the Company may not be able to successfully identify and execute future acquisitions or dispositions, or to successfully manage the impacts of such transactions on its operations;
- conflicts of interest may arise between MedReleaf and its directors and officers as a result of other business activities undertaken by such individuals;
- the Company may become involved in regulatory or agency proceedings, investigations and audits;
- the Company may be subject to litigation in the ordinary course of its business;
- certain events or developments in the medical cannabis industry more generally may impact MedReleaf's reputation;
- third parties with whom the Company does business may perceive themselves as being exposed to reputational risk as a result of their relationship with the Company;
- the Company may be subject to risks related to the protection and enforcement of its intellectual property rights, and may become subject to allegations that the Company is in violation of intellectual property rights of third parties;
- MedReleaf may be subject to risks related to its information technology systems, including cyber-attacks;
- the Company may face disruption in connection with labour organization efforts;
- Licensed Producers, including MedReleaf, are constrained by law in their ability to market their products;
- there is currently no market for the Common Shares and none may develop following the Offering;
- the price of the Common Shares in public markets may experience significant fluctuations;
- management has indicated its plan for the use of proceeds of the Treasury Offering hereunder but will ultimately exercise its discretion in how such funds are put to use;
- holders of Common Shares may be subject to dilution resulting from future offerings of Common Shares by the Company;
- it is not anticipated that any dividends will be paid to holders of Common Shares for the foreseeable future;
- significant holders of the Common Shares, including Locked-up Persons, may seek to sell all or a portion of their shareholdings in the future, which could reduce the market price of the Common Shares;
- the market price for Common Shares may be less than the Offering Price;
- requirements to comply with public company reporting obligations, as well as those of any stock exchange, may strain the Company's systems and resources; and
- tax and accounting requirements may change in ways that are unforeseen to the Company and the Company may face difficulty or be unable to implement and/or comply with any such changes.

Although we have attempted to identify important factors that could cause actual actions, events, results, performance or achievements to differ materially from those described in forward-looking information, there may be other factors not presently known to us or that we presently believe are not material that may cause actions, events, results, performance or achievements to differ from those anticipated, estimated or intended. Should one or more of these risks or uncertainties materialize or should assumptions underlying the forward-looking information prove incorrect, actual actions, events, results, performance or achievements may vary materially from those expressed and implied by such statements contained in this prospectus. The purpose of forward-looking information is to provide the reader with a description of management's expectations, and such statements may not be appropriate for any other purpose. Accordingly, prospective purchasers of Offered Shares should not place undue reliance on forward-looking information contained in this prospectus. Although the Company believes that the expectations reflected in statements containing forward-looking information are reasonable, it can give no assurance that such expectations will prove to be correct. The Company disclaims any obligation to update any forward-looking information, whether as a result of new information or future events or results, except to the extent required by applicable securities laws.

SUMMARY OF PROSPECTUS

The following is a summary of the principal features of this Offering and is qualified in its entirely by, and should be read together with, the more detailed information, financial data and statements contained elsewhere in this prospectus. Certain capitalized terms used in this summary are defined in the "Glossary".

BUSINESS OF THE COMPANY

Company Overview

MedReleaf is a Licensed Producer of cannabis-based pharmaceutical products based in Markham, Ontario. The Company is licensed by Health Canada pursuant to the ACMPR to, among other things, produce at its Markham Facility an aggregate of up to 6,000 kilograms of dried cannabis and up to 1,760 kilograms of cannabis oil, and to sell and distribute within Canada an aggregate of up to 5,000 kilograms of dried cannabis, up to 1,319 kilograms of bottled cannabis oil, and up to 440 kilograms of encapsulated cannabis oil produced at its Markham Facility, pursuant to the Markham Commercial Licence. The current term of the Markham Commercial Licence expires on August 15, 2018.

The Company also recently obtained a cultivation licence from Health Canada pursuant to the ACMPR in respect of its Bradford Facility, permitting the cultivation of up to 100 kilograms of dried cannabis, of which it may sell or provide up to three kilograms, solely for the purpose of analytical testing. The current term of the Bradford Cultivation Licence expires on April 11, 2018. While the production capacity of the completed first phase of the Bradford Facility exceeds the maximum production volume permitted by the Bradford Cultivation Licence, the licence's production limitations and sales restrictions are typical for an initial licence issued by Health Canada to a Licensed Producer. Accordingly, as it has done in the past from time to time in respect of the Markham Commercial Licence, management intends to apply in due course for an amendment to the Bradford Cultivation Licence in order to increase the maximum production volume to a level in line with the Bradford Facility's production capacity, and to permit the sale of cannabis-based pharmaceutical products. See "*MedReleaf's Facilities – The Bradford Facility*", "*Regulatory Overview – The Licences – Bradford Cultivation Licence*" and "*Risk Factors*".

MedReleaf cultivates and produces its cannabis-based pharmaceutical products for direct sales to its patients from the Markham Facility across Canada. The Company interacts with its patients via its e-commerce platform as well as by phone and email correspondence directed to its patient-care team.

Currently, the Company sells dried cannabis, cannabis oils and cannabis oil capsules to its patients from its Markham Facility. MedReleaf's sales are supported by a variety of initiatives, including health conference sponsorships, as well as through its cannabis education and outreach team of employees. The Company expects both its portfolio of products and the jurisdictions outside of Canada in which it operates to expand as local laws allow, resources permit, and where market research indicates opportunity. See "*Business of the Company – Company Overview*".

As the Canadian medical cannabis industry matures, management expects select winners to emerge and the Company has taken steps to set the standard of operational and financial performance. Management believes that MedReleaf is uniquely positioned among Licensed Producers, due to the fact that it is an analytically driven organization which emphasizes R&D, the development of value-added, higher margin products, and integrates its business activities around the anticipated needs of its patients. The Company's data-driven approach has contributed to its operational and product improvements and innovations, and has expanded its understanding of the cultivation, processing and possible therapeutic benefits of cannabis and cannabis derivatives. We believe that the operational improvements we have made to our Markham Facility have contributed to our strong cultivation yields. The Markham Facility is a modern, fully operational facility that was built out in three phases, with each phase capitalizing on the insights and knowledge gained from MedReleaf's operations over time. The new Bradford Facility represents a generational improvement over the Markham Facility, incorporating both the Company's insights and elements of the latest agricultural industry improvements in cultivation methodology, facility control and irrigation system design. See "*MedReleaf's Facilities*".

Business Milestones

- In February 2013, the Company was incorporated under the OBCA for the purpose of becoming a Licensed Producer under the MMPR (the predecessor to the ACMPR), and participating in the Canadian medical cannabis market.

- In July 2013, the Company entered into a strategic alliance with Tikun Olam which, to the knowledge of the Company, was the first Israeli government-approved producer and is currently the largest producer by market share of medical cannabis in Israel.

- In February 2014, the Company received its first licence under the MMPR, which initially authorized the Company to produce, sell, possess, ship, transport and deliver dried cannabis.

- During the month of June 2015, the Company generated over $1 million in revenue for the first time.

- In December 2015, MedReleaf received ISO certification in accordance with the standard ISO 9001 (Quality Management System).

- During the month of December 2015, the Company generated over $2 million in revenue for the first time.

- During the month of June 2016, the Company generated over $3 million in revenue for the first time.

- In November 2016, to the knowledge of management (based on publicly available information), MedReleaf became the first Licensed Producer authorized to sell cannabis oil capsules in Canada.

See "*Business of the Company – Development and History of the Business*".

Competitive Advantages

Management believes the Company's competitive advantages are rooted in five interconnected areas of focus, namely: Quality Assurance; Patient-Centric Approach; Analytically-Driven Operations; Ongoing Innovation; and Producing Premium Cannabis. These areas of focus are embedded in the Company's corporate culture, and support its goals of exceeding the production and safety practices mandated by the ACMPR, regularly improving upon patient satisfaction and retention, minimizing patient turnover, and maximizing product yields and quality. See "*MedReleaf's Competitive Advantages*".

Management believes that these competitive advantages have contributed to the Company's financial performance to date, generating the highest Adjusted EBITDA among all publicly-traded Licensed Producers (based on publicly available information and the Company's calculation of Adjusted EBITDA for each such Licensed Producer).

Quality Assurance

Since the commencement of production of the Company's cannabis-based pharmaceutical products in 2014, all of our cannabis products have been tested for pesticides by third party laboratories, and we currently test for over 300 contaminants, including pesticides (including myclobutanil), heavy metals, aflatoxins, bacteria and microbials. The Company's product quality assurance protocols include protocols relating to patient safety and risk management and were designed and are overseen by a staff formerly employed at an internationally recognized Canadian hospital. Management believes MedReleaf's quality assurance protocols are amongst the most rigorous in the industry. The following certifications demonstrate the Company's focus on quality assurance:

- *ISO and OHSAS 18001 Certifications* – To the knowledge of management (based on publicly available information), the Company is the only Licensed Producer to have achieved internationally recognized certifications in respect of its quality and environmental management systems and its occupational health and safety management system. The Company has been certified in accordance with the standards under ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and OHSAS

18001 (Occupational Health and Safety Assessment Series), which collectively cover R&D, production, processing, distribution, selling and destruction of medical cannabis.

- *ICH Good Manufacturing Practices* – Management of the Company believes that MedReleaf's production processes meet the requirements of ICH Good Manufacturing Practices, and the Company's Markham Facility was recently assessed to determine whether its production processes meet the requirements of ICH Good Manufacturing Practices. The Company believes that such certification will be received in due course. If obtained, this certification will signify that MedReleaf's production practices meet stringent pharmaceutical manufacturing requirements that are internationally harmonized in 17 countries including the United States, Canada, Singapore, Japan, Australia and European nations. Such certification will not in itself authorize the Company to produce or sell cannabis-based pharmaceutical products in any of these countries.

See "*MedReleaf's Competitive Advantages – Quality Assurance*".

Patient-Centric Approach

The following comprise the three components to MedReleaf's patient-centric approach:

- *Patient Safety* – Patient safety at MedReleaf is a comprehensive, corporate-wide philosophy that begins with our quality assurance focus, and permeates through to the services offered by our patient care team. Our team includes registered nurses and trained support professionals who are available to provide guidance on the use of cannabis for medical purposes. Our commitment to patient safety even extends to our packaging. The Company has an exclusive licence to distribute in Canada a patent-pending lockable container.

- *Patient-Driven Product Development* – MedReleaf has compiled an expansive and comprehensive medical information database of patient data. This data, when coupled with comparable data from Tikun Olam, is reviewed by our R&D and patient care teams to help inform plant breeding activities and appropriate product selection, and to identify opportunities in product development.

- *Fast and Convenient Delivery* – All of our cannabis-based pharmaceutical products are delivered to patients by way of secured mail or expedited courier delivery. We are able to deliver our cannabis-based pharmaceutical products to patients in every province and territory across Canada. We offer same day delivery from our Markham Facility to patients in six municipalities within the Greater Toronto Area (Toronto, Mississauga, Brampton, Vaughan, Richmond Hill and Markham) which municipalities, together, have a population of over four million people.

See "*MedReleaf's Competitive Advantages – Patient-Centric Approach*".

Analytically-Driven Operations

The Company has developed an extensive and detailed data collection and analytics program. We use this data to design our operations, including our cannabis growth parameters, harvest cycles and plant attributes.

With the Company's prescription and consumption data, as well as patient-intake and ongoing experiential survey results, MedReleaf gathers substantial knowledge about patient symptoms, product use and the efficacy of the Company's cannabis-based pharmaceutical products. This data is used to assist management's decision making, including in respect of patient and physician product education programs, decisions on the development of new plant varieties, breeding programs, cultivation planning, inventory management, new product development, and pricing.

MedReleaf's commitment to the collection and rigorous analysis of data extends to cultivation and operational optimization. Our cultivation team, in close coordination with our R&D team, collects data on many aspects of the plant's morphology and physiology, as well as numerous macro and micro environmental variables; all critical to strain-specific yield and cannabinoid optimization. The Company uses the collected data to make appropriate

adjustments to its critical cultivation parameters (including temperature, humidity, carbon dioxide, lighting, plant nutrition and integrated pest management). This analytical approach, coupled with the Company's use of indoor cultivation facilities, enables more precise control over critical cultivation parameters, which management believes results in better product yields, potency and product quality.

Our analytics-based approach has enabled us to achieve annual yields of over 300 grams per square foot of growing space. See "*MedReleaf's Competitive Advantages – Analytically-Driven Operations*".

Ongoing Innovation

MedReleaf is committed to bringing data-driven innovation, creative solutions and industrial rigour to the business of cannabis production. The Company has designed certain unique systems and equipment using proprietary know-how that we believe provides us with a competitive advantage in a number of areas from cultivation through processing, extraction and manufacturing of end-products. For example, the Company has developed a plant screening tool that allows for the detection of pathogens in cannabis plants at a very early stage, thereby enabling the Company to screen such plants early in the product life-cycle, potentially saving the Company significant time and resources. See "*MedReleaf's Competitive Advantages – Ongoing Innovation*".

Producing Premium Cannabis

MedReleaf uses indoor cultivation facilities in order to produce a variety of what we believe to be premium-quality cannabis-based pharmaceutical products that are safe, consistent and effective. Validation of the quality of our cannabis-based pharmaceutical products is evidenced by our positive patient satisfaction surveys and our cannabis product awards, including the following awards received from Lift Cannabis (an independent Canadian organization) in 2016: 1st Place for Top Sativa (*Luminarium*); 1st Place for Top High-CBD (*Avidekel*); and 3rd Place for Top Hybrid (*Midnight*). See "*MedReleaf's Competitive Advantages – Producing Premium Cannabis*".

MedReleaf's Facilities

Markham Facility

The Company currently operates the 55,000 square foot Markham Facility, which is covered by the Markham Commercial Licence. We occupy the Markham Facility pursuant to a lease with a term expiring March 31, 2024 (extendible for two further five-year terms at the option of the Company). The Markham Facility has approximately 23,500 square feet of dedicated cultivation space organized into 10 cultivation rooms, and approximately 31,500 square feet of support and auxiliary services.

The Markham Facility was originally designed with a targeted 12-month cultivation capacity of approximately 4,000 kilograms but, as a result of the Company's optimization initiatives, it is currently capable of producing a minimum of 7,000 kilograms annually, with several initiatives underway to increase this capacity further.

See "*MedReleaf's Facilities – Markham Facility*".

Bradford Facility

MedReleaf believes that it has secured the next expansion of the Company's production capabilities through the purchase of the Bradford Facility. This 210,596 square foot facility is expected to be utilized as an indoor cultivation facility and, upon full build-out completion, will have approximately 86,000 square feet of dedicated cultivation space organized into 19 cultivation rooms and approximately 124,000 square feet of support and auxiliary services space.

The Bradford Facility has a targeted minimum annual cultivation capacity of 28,000 kilograms and will serve to expand the Company's production capabilities. The Company believes that this will facilitate the implementation of a robust product development platform. Management believes that the remainder of the Bradford Facility can be built-out within the 12 months following the Closing, however the actual timing thereof will be determined by

management based on demand for the Company's cannabis-based pharmaceutical products and depending on whether the Company receives a commercial licence under the ACMPR in respect of such facility. To date, MedReleaf has spent approximately $20 million of the $68 million budgeted for the build-out of the Bradford Facility, and intends to allocate $40 million of the net proceeds raised pursuant to the Treasury Offering for such purpose. The Company expects that the remaining $8 million of the budget will be funded internally from cash on hand and cash flow from operations.

See "*MedReleaf's Facilities – Bradford Facility*" and "*Use of Proceeds*".

Company Products and Market Position

The medical cannabis industry has grown rapidly in a short period of time, with approximately 130,000 patients in Canada registered as users of medical cannabis as of the fourth quarter of 2016, representing more than a 30% quarter-over-quarter increase, which is approximately equal to Health Canada's initial projection of registered patients for 2020. Health Canada originally predicted that the medical cannabis industry would grow to as many as 450,000 patients by 2024, resulting in an approximate market size of up to $1.3 billion annually. By contrast, according to Health Canada's reported volume of sales of medical cannabis for the 12-months ending December 31, 2016, based on a mid-point price estimate of $7.50 per gram, the value of such sales was approximately $128 million. See "*Overview of Cannabis and the Cannabis Industry – Industry Growth Trends*".

Under the ACMPR and the Licences, the Company is authorized to cultivate and sell cannabis products for medical purposes in both dried and oil form to residents of Canada who comply with the requirements of the ACMPR. The Company's cannabis-based pharmaceutical products can be ingested in a variety of ways, including smoking, vaporizing, and consumption in the form of oil or edibles. See "*MedReleaf's Products*".

MedReleaf has a seed bank comprised of over 200 different genetic varieties of cannabis and over 15,000 seeds originating from around the world that the Company continues to analyze and catalogue for new varieties offering unique cannabinoid profiles and therapeutic effects. Our PhD-led plant genetics department carefully breeds new varieties of cannabis plants to meet the needs of specific patient populations. Our unique varieties of cannabis, including those supplied on an exclusive basis by Tikun Olam, help MedReleaf offer a broad spectrum of products designed to address a wide variety of therapeutic needs.

MedReleaf currently sells numerous strain varieties of cannabis in three main product lines: dried cannabis, cannabis oils, and cannabis oil capsules. The Company intends to introduce new product formats for its cannabis-based pharmaceutical products if and when they are authorized by Health Canada.

Additionally, MedReleaf also seeks to maintain a minimum level of inventory to ensure that it can continue to provide its patients with quality cannabis products on a consistent basis, without supply interruption, while also acquiring new patients.

During 2015 and 2016 (being the most recent quarter in respect of which total reported Canadian volume data was available from Health Canada), MedReleaf had a quarterly market share of between 16% and 20% of total reported Canadian volume. The Company's market share in the fourth quarter of calendar 2016 was approximately 19% of the total Canadian volume reported in that quarter.

SELECTED FINANCIAL INFORMATION

The following table sets out a summary of our results of operations for the three and nine month periods ended December 31, 2016 and 2015, and for the years ended March 31, 2016, 2015 and 2014 as well as specific balance sheet data as at the end of each such period. See "*Management's Discussion and Analysis*".

	Three months ended		Nine months ended		Years ended		
($'000, except per share and share amounts)	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	March 31, 2016	March 31, 2015	March 31, 2014
Sales	$10,426	$5,385	$29,979	$12,440	$19,302	$2,999	-
Gross profit	$9,714	$2,887	$27,623	$8,043	$12,517	$2,659	-
Gross profit %	93.2%	53.6%	92.1%	64.7%	64.8%	88.7%	-
Expenses	$7,187	$2,466	$14,872	$6,080	$9,146	$3,382	$1,017
Income (loss) before taxes	$2,527	$421	$12,751	$1,963	$3,371	($724)	($1,017)
Net and comprehensive income	$1,738	$225	$8,771	$1,582	$2,531	($724)	($894)
Net income (loss) per share – basic	$2.46	$0.38	$13.35	$2.79	$4.40	($1.64)	($3.84)
Weighted average shares – basic	706,983	597,981	657,206	566,399	575,850	440,884	232,577
Net income (loss) per share – diluted	$2.36	$0.34	$12.68	$2.50	$3.94	($1.76)	($3.34)
Weighted average shares – diluted	735,976	667,837	691,904	631,899	642,977	411,498	$267,908
Cash	$25,503	$1,944	$25,503	$1,944	$917	$135	$279
Inventory	$6,002	$3,050	$6,002	$3,050	$1,642	$3,580	$6
Biological assets	$3,024	$771	$3,024	$771	$1,816	$474	-
Total assets	$70,134	$17,805	$70,134	$17,805	$20,011	$8,882	$2,126
Total non-current financial liabilities	$9,614	$574	$9,614	$574	$1,035	$107	$38
Shareholder equity	$49,528	$12,342	$49,528	$12,342	$13,613	$3,779	($534)

THE OFFERING

Offering:	● Offered Shares (● being offered by the Company and ● being offered by the Selling Shareholders).
Issue Price:	$● per Offered Share. It is anticipated that the Offering Price will be between $9.50 and $10.50.
Size of Offering:	Treasury Offering: $● ($● assuming the Over-Allotment Option is exercised in full). Secondary Offering: $● ($● assuming the Over-Allotment Option is exercised in full). It is estimated that the size of the Treasury Offering will be $80,000,000 ($86,000,000 if the Over-Allotment Option is exercised in full) and the size of the Secondary Offering will be $20,000,000 ($29,000,000 if the Over-Allotment Option is exercised in full) for a total estimated Offering size of $100,000,000 ($115,000,000 if the Over-Allotment Option is exercised in full).
Over-Allotment Option:	The Company and the Selling Shareholders, on a 40%/60% basis, respectively, will grant the Underwriters the Over-Allotment Option exercisable, in whole or in part and from time to time, in the sole discretion of the Underwriters, for a period of 30 days from and including the Closing Date, under which the Underwriters may purchase up to an additional ● Offered Shares at the Offering Price, to cover over-allotments, if any, and for market stabilization purposes. See "*Plan of Distribution*".
Shares Outstanding:	Immediately prior to the Closing, it is expected that there will be 81,880,206 Common Shares and 3,997.34 Class B Shares issued and outstanding. Immediately following the Closing, it is expected that an aggregate of ● Common Shares (● Common Shares if the Over-Allotment Option is exercised in full) and 3,997.34 Class B Shares will be issued and outstanding. See "*Description of Share Capital*" for a description of the Common Shares and the Class B Shares.
Use of Proceeds:	After deduction of the Company's share of the Underwriters' Fee of $● and estimated expenses of the Offering payable by the Company, the Company anticipates that it will receive net proceeds of approximately $●, or $● if the Over-Allotment Option is exercised in full (in each case, assuming there are ● Offered Shares sold to President's List purchasers in the Treasury Offering). The Company will not receive any of the proceeds relating to the Offered Shares sold by the Selling Shareholders. The Selling Shareholders will not pay any expenses of the Offering in connection with the Secondary Offering as the incremental costs thereof are not expected to be a material portion of the aggregate expenses of the Offering.

The Company intends to use the net proceeds of the Treasury Offering (assuming no exercise of the Over-Allotment Option and ● Offered Shares are sold to President's List purchasers in the Treasury Offering) as follows:

Bradford Facility build-out	$40,000,000
Expansion of existing manufacturing capacity	$15,000,000
Clinical research and product development	$2,000,000
Total	**$57,000,000**

The remaining net proceeds of approximately $● are expected to be used for working capital and general corporate purposes.

The above-noted allocation represents the Company's intention with respect to its use of the net proceeds of the Treasury Offering based on current knowledge and planning by management of the Company. There may be circumstances where, for sound business reasons, the Company reallocates the use of proceeds of the Treasury Offering. See "*Use of Proceeds*".

Black-out Period:

Unless it has received the prior written consent of GMP on behalf of the Underwriters, the Company will not, directly or indirectly, issue any Common Shares or other equity securities or other financial instruments or securities convertible or exercisable into or exchangeable for equity securities of the Company, or announce any intention to do any of the foregoing, for a period of 180 days following the Closing Date, subject to certain exceptions. See "*Plan of Distribution*".

Lock-up Arrangements:

In connection with the completion of the Offering, the Company is required to use its commercially reasonable efforts to obtain (and it is a condition of the Closing) from each of the Locked-up Persons, consisting of directors and officers of the Company and their respective associates and certain beneficial shareholders of the Company, a Lock-up Agreement with the Underwriters whereby such persons will agree, other than in connection with the Offering and subject to certain exceptions, not to directly or indirectly, sell, offer, hypothecate, assign, transfer, pledge, grant a security interest in, contract to sell, grant or sell an option or warrant to purchase, purchase any option or contract to sell, lend, swap or otherwise enter into any arrangement (including monetization arrangement or hedging or similar transaction), whether through the facilities of a stock exchange, by private placement or otherwise, which has the effect of transferring any or all of the economic benefits of ownership of any of their Common Shares, securities convertible into or exchangeable into Common Shares, or other equity securities, or announce publicly their intention to do so, without having obtained the prior written consent of GMP (on behalf of the Underwriters). One-half of the Locked-up Securities will be subject to the terms of the Lock-up Agreements for a period of 180 days following the Closing, and the remainder of the Locked-up Securities will remain subject to the Lock-up Agreements for a period of one year following the Closing. See "*Plan of Distribution*".

Risk Factors:

An investment in the Offered Shares should be considered highly speculative and involves significant risks. Prospective purchasers of Offered Shares should carefully review and consider the risk factors described in greater detail under "*Risk Factors*" which include, but are not limited to, the following:

- the Company is dependent upon its Licences and, in particular, its Markham Commercial Licence, for its ability to grow, store and sell medical cannabis and other products derived therefrom and such Licences are subject to ongoing compliance, reporting requirements and renewal;
- the Company may not always succeed in complying with the regulatory requirements for Licensed Producers as set out by the ACMPR and Health Canada;
- the laws, regulations and guidelines generally applicable to the medical cannabis industry may change in ways currently unforeseen by the Company, including changes with respect to the reimbursement program established for Veterans or the cancellation thereof and the expected implementation of the Cannabis Act;
- future clinical research studies on the effects of medical cannabis may lead to conclusions that dispute or conflict with the Company's understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis;
- the Markham Facility is, and the Bradford Facility is expected to become, integral to the Company's business and adverse changes or developments affecting either of the Markham Facility or the Bradford Facility may impact the Company's business, financial condition and results of operations;
- the medical cannabis industry and market are relatively new in Canada, and this industry and market may not continue to exist or grow as anticipated or the Company may ultimately be unable to succeed in this new industry and market;
- the Company may compete for market share with other companies, including Licensed Producers, which may have longer operating histories and more financial resources, manufacturing and marketing experience than the Company;
- the Company may be unable to attract or retain key personnel with sufficient experience in the medical cannabis industry, and may prove unable to attract, develop, and retain additional employees required for the Company's development and future success;
- significant interruption in the Company's access to certain key inputs such as raw materials, electricity, water and other utilities may impair its cannabis growing operation;
- MedReleaf may seek to expand its business and operations into jurisdictions outside of Canada, and there are risks associated with doing so;

- the Company may enter into strategic alliances, or expand the scope of currently existing relationships with third parties with whom it believes will have a beneficial impact on its business, financial condition and results of operation and there are risks associated with such activities;

- the Company is subject to risks inherent in an agricultural business;

- MedReleaf may not be able to transport its medical cannabis products to patients in a safe and efficient manner;

- the Company will seek to maintain adequate insurance coverage in respect of the risks faced by it, however insurance premiums for such insurance may not continue to be commercially justifiable and there may be coverage limitations and other exclusions which may not be sufficient to cover potential liabilities faced by the Company;

- if MedReleaf is not able to comply with all safety, health and environmental regulations applicable to its operations and industry, it may be held liable for any breaches thereof;

- the Company may be subject to product liability claims;

- the Company's cannabis-based pharmaceutical products may be subject to recalls for a variety of reasons;

- MedReleaf may not be able to successfully develop new products or find a market for their sale;

- the Company may experience breaches of security at its facilities or in respect of electronic documents and data storage and may face risks related to breaches of applicable privacy laws;

- the Company may become subject to liability arising from any fraudulent or illegal activity by its employees, contractors and consultants;

- MedReleaf, or the medical cannabis industry more generally, may receive unfavourable publicity or become subject to negative consumer perception;

- the Company may not be able to develop and maintain lasting consumer relationships with patients;

- MedReleaf may be unable to expand its operations in accordance with patient demand or to manage its operations beyond their current scale;

- MedReleaf may not be able to secure adequate or reliable sources of funding required to operate its business and meet consumer demand for its products;

- the Credit Facilities impose limitations on the types of transactions or financial arrangements that the Company may engage in;

- management has limited experience with the requirements and demands of managing a publicly-traded company;
- management may not be able to successfully implement adequate internal controls over financial reporting;
- the Company may not be able to successfully identify and execute future acquisitions or dispositions, or to successfully manage the impacts of such transactions on its operations;
- conflicts of interest may arise between MedReleaf and its directors and officers as a result of other business activities undertaken by such individuals;
- the Company may become involved in regulatory or agency proceedings, investigations and audits;
- the Company may be subject to litigation in the ordinary course of its business;
- certain events or developments in the medical cannabis industry more generally may impact MedReleaf's reputation;
- third parties with whom the Company does business may perceive themselves as being exposed to reputational risk as a result of their relationship with the Company;
- the Company may be subject to risks related to the protection and enforcement of its intellectual property rights, and may become subject to allegations that the Company is in violation of intellectual property rights of third parties;
- MedReleaf may be subject to risks related to its information technology systems, including cyber-attacks;
- the Company may face disruption in connection with labour organization efforts;
- Licensed Producers, including MedReleaf, are constrained by law in their ability to market their products;
- there is currently no market for the Common Shares and none may develop following the Offering;
- the price of the Common Shares in public markets may experience significant fluctuations;
- management has indicated its plan for the use of proceeds of the Treasury Offering hereunder but will ultimately exercise its discretion in how such funds are put to use;
- holders of Common Shares may be subject to dilution resulting from future offerings of Common Shares by the Company;

- it is not anticipated that any dividend will be paid to holders of Common Shares for the foreseeable future;

- significant holders of the Common Shares, including Locked-up Persons, may seek to sell all or a portion of their shareholdings in the future, which could reduce the market price of the Common Shares;

- the market price for Common Shares may be less than the Offering Price;

- requirements to comply with public company reporting obligations, as well as those of any stock exchange, may strain the Company's systems and resources; and

- tax and accounting requirements may change in ways that are unforeseen to the Company and the Company may face difficulty or be unable to implement and/or comply with any such changes.

BUSINESS OF THE COMPANY

Company Overview

MedReleaf is a Licensed Producer of cannabis-based pharmaceutical products based in Markham, Ontario. The Company is licensed by Health Canada pursuant to the ACMPR to, among other things, produce at its Markham Facility an aggregate of up to 6,000 kilograms of dried cannabis and up to 1,760 kilograms of cannabis oil, and to sell and distribute within Canada an aggregate of up to 5,000 kilograms of dried cannabis, up to 1,319 kilograms of bottled cannabis oil, and up to 440 kilograms of encapsulated cannabis oil produced at its Markham Facility (the "**Markham Commercial Licence**"). The current term of the Markham Commercial Licence expires on August 15, 2018.

The Company also recently obtained a cultivation licence from Health Canada pursuant to the ACMPR in respect of its Bradford Facility, permitting the cultivation of up to 100 kilograms of dried cannabis, of which it may sell or provide up to three kilograms, solely for the purpose of analytical testing (the "**Bradford Cultivation Licence**" and, together with the Markham Commercial Licence, the "**Licences**"). The current term of the Bradford Cultivation Licence expires on April 11, 2018. While the production capacity of the completed first phase of the Bradford Facility exceeds the maximum production volume permitted by the Bradford Cultivation Licence, the licence's production limitations and sales restrictions are typical for an initial licence issued by Health Canada to a Licensed Producer. Accordingly, as it has done in the past from time to time in respect of the Markham Commercial Licence, management intends to apply in due course for an amendment to the Bradford Cultivation Licence in order to increase the maximum production volume to a level in line with the Bradford Facility's production capacity, and to permit the sale of cannabis-based pharmaceutical products. While management believes that the production practices it employs at the Bradford Facility meet or exceed the requirements of Health Canada and the ACMPR, no assurance can be provided that we will be able to obtain such an amendment to the Bradford Cultivation Licence. See "*MedReleaf's Facilities – The Bradford Facility*", "*Regulatory Overview – The Licences – Bradford Cultivation Licence*" and "*Risk Factors*".

It is anticipated that Health Canada will renew the Licences at the end of their respective terms, however the Company cannot provide assurance that the Licences will be renewed or renewed on the same terms and conditions. See "*Regulatory Overview – The Company's Licences*" and "*Risk Factors*".

MedReleaf cultivates and produces its cannabis-based pharmaceutical products for direct sales to its patients across Canada. The Company interacts with its patients via its e-commerce platform as well as by phone and email correspondence directed to its patient-care team.

Currently, the Company sells dried cannabis, cannabis oils and cannabis oil capsules to its patients from its Markham Facility. MedReleaf's sales are supported by a variety of initiatives, including health conference sponsorships, as well as through its cannabis education and outreach team of employees. The Company expects both its portfolio of products and the jurisdictions outside of Canada in which it operates to expand as local laws allow, resources permit, and where market research indicates opportunity.

As the Canadian medical cannabis industry matures, management expects select winners to emerge and the Company has taken steps to set the standard of operational and financial performance. Management believes that MedReleaf is uniquely positioned among Licensed Producers, due to the fact that it is an analytically driven organization which emphasizes R&D, the development of value-added, higher margin products, and integrates its business activities around the anticipated needs of its patients. To the knowledge of management (based on publicly available information), To the knowledge of management (based on publicly available information) MedReleaf is the first and, to date, only Licensed Producer that has quality management and environmental management systems that are certified to the internationally recognized standards of ISO 9001 and ISO 14001 respectively, as well as an occupational health and safety management system certified to the internationally recognized standards of OHSAS 18001, which collectively cover R&D, production, processing, distribution, selling and destruction of medical cannabis. See "*MedReleaf's Competitive Advantages – Quality Assurance*".

The Company's data-driven approach has contributed to its operational and product improvements and innovations and has expanded its understanding of the cultivation, processing and possible therapeutic benefits of cannabis and cannabis derivatives. We believe that the operational improvements we have made to our Markham Facility have contributed to our strong cultivation yields. The Markham Facility is a modern, fully operational facility that was built out in three phases, with each phase capitalizing on the insights and knowledge gained from MedReleaf's operations over time. The new Bradford Facility represents a generational improvement over the Markham Facility, incorporating both the Company's insights and elements of the latest agricultural industry improvements in cultivation methodology, facility control and irrigation system design. See "*MedReleaf's Facilities*".

Management believes the Company's competitive advantages are rooted in five interconnected areas of focus, namely: *Quality Assurance*; *Patient-Centric Approach*; *Analytically-Driven Operations*; *Ongoing Innovation*; and *Producing Premium Cannabis*. These areas of focus are embedded in the Company's corporate culture, and support its goals of exceeding the production and safety practices mandated by the ACMPR, regularly improving upon patient satisfaction and retention, minimizing patient turnover, and maximizing product yields and quality. See "*MedReleaf's Competitive Advantages*".

MedReleaf has assembled a management team with significant professional expertise in health care, technology, finance, data-analytics, molecular genetics, plant breeding, agricultural science, and market analysis. The Company also employs what management believes to be one of the largest R&D departments among Licensed Producers, including eight scientists holding PhD and Masters level degrees with expertise in fields such as plant molecular biology, bioprocess engineering, chemistry, food science and clinical research.

MedReleaf currently employs 127 full-time employees. The Company also engages agency staff as its needs require.

Development and History of the Business

Set out below are the events and conditions which have influenced the general development of MedReleaf's business, including its Licences.

Business Milestones

- In February 2013, MedReleaf was incorporated under the OBCA for the purpose of becoming a Licensed Producer under the MMPR (the predecessor to the ACMPR) and participating in the Canadian medical cannabis market.

- In July 2013, the Company entered into a strategic alliance with Tikun Olam Ltd. ("**Tikun Olam**") which, to the knowledge of the Company, was the first Israeli government-approved producer and is currently the largest producer by market share of medical cannabis in Israel. The Company believes that this strategic alliance afforded it a significant head-start in the Canadian industry by providing it with an exclusive licence to exploit exclusive varieties of cannabis and access to extensive data that Tikun Olam gathered from thousands of its patients for over a decade. In consideration for this licence, the Company granted Tikun Olam a royalty of 2.5% of the net revenue earned from the exploitation of Tikun Olam's varieties of cannabis, and a royalty of 0.5% of the net revenue earned from any other variety of cannabis, subject to adjustment in certain cases. See "*Management's Discussion and Analysis*".

- In September 2013, the Company entered into a lease in respect of its 55,000 square foot Markham Facility. See "*MedReleaf's Facilities – Markham Facility*".

- In March 2014, the Company opened its patient registration platform and began cultivating cannabis at the Markham Facility.

- In August 2014, the Company shipped its first order of cannabis-based pharmaceutical product under the MMPR.

- During the month of June 2015, the Company generated over $1 million in revenue for the first time.

- In December 2015, MedReleaf received ISO certification in accordance with the standard ISO 9001 (Quality Management System). See "*MedReleaf's Competitive Advantages – Quality Assurance*".

- During the month of December 2015, the Company generated over $2 million in revenue for the first time.

- During the month of June 2016, the Company generated over $3 million in revenue for the first time.

- In July 2016, the Company completed the purchase of its 210,596 square foot Bradford Facility for approximately $8.75 million, which was financed primarily from the proceeds of a $7.5 million credit facility provided by a Canadian financial institution (the "**Former Credit Facility**"), which has since been repaid using loan proceeds advanced under the Credit Facilities. See "*Description of Material Indebtedness*".

- In November 2016, to the knowledge of management of the Company (based on publicly available information), MedReleaf became the first Licensed Producer authorized to sell cannabis oil capsules in Canada.

- In January 2017, the Company received ISO certification in accordance with the standard ISO 14001 (Environmental Management System) and certification in accordance with the standard OHSAS 18001 (Occupational Health and Safety Assessment Series). See "*MedReleaf's Competitive Advantages – Quality Assurance*".

- In February 2017, the Company began offering same-day delivery from its Markham Facility to patients in six municipalities within the Greater Toronto Area (Toronto, Mississauga, Brampton, Vaughan, Richmond Hill and Markham) which municipalities, together, have a population of over four million people. See "*MedReleaf's Competitive Advantages – Quality Assurance – Fast and Convenient Delivery*".

- In February 2017, the Company licensed certain of its intellectual property to an Australian corporation in order to support an application for Australian cannabis cultivation and manufacturing licences by such corporation. Under the terms of the agreements, MedReleaf, through its subsidiary, MedReleaf Australia, acquired a 10% equity interest in the Australian corporation, which will operate as "MedReleaf Australia", if the application is successful. As well, subject to the execution of additional documentation, it is contemplated that the Company would become entitled to receive certain royalties on the gross revenues of the Australian corporation, as well as MedReleaf Australia receiving potential additional equity in the Australian corporation.

- On April 6, 2017, the Company was assessed to determine whether its production processes meet the requirements of ICH Good Manufacturing Practices, and the Company believes that such certification will be received in due course. See "*MedReleaf's Competitive Advantages – Quality Assurance*".

- On April 17, 2017, the Company entered into the Credit Agreement with a Canadian chartered bank and another Canadian financial institution, providing for the Credit Facilities consisting of the Revolving Loan and the Term Loan in the aggregate maximum amount of $20 million. See "*Description of Material Indebtedness*".

- In the first week of May, 2017, the Company began cultivating cannabis in the Bradford Facility.

Licence Milestones

- In February 2014, the Company completed the first phase of the build-out of the Markham Facility, including its first cultivation room, and received its first licence under the MMPR in respect of such facility (such licence, as amended and renewed by Health Canada from time to time, the "**MMPR Licence**"), which initially authorized the Company to produce, sell, possess, ship, transport and deliver dried cannabis.

- In June 2014, the Company completed the second phase of the build-out of the Markham Facility, adding three cultivation rooms, and was granted an amendment to its MMPR Licence to cover these rooms, bringing the total number of cultivation rooms to four.

- In August 2015, MedReleaf received an amendment to the MMPR Licence to cover its R&D and plant breeding areas at the Markham Facility.

- In November 2015, Health Canada issued a licence to the Company pursuant to the Section 56 Exemption, which authorized it to produce, possess, transport, deliver and destroy cannabis oil, at its Markham Facility (such licence, as amended and renewed by Health Canada from time to time, the "**Supplemental Licence**").

- In December 2015, the Company completed the third phase of the build-out of its Markham Facility and was granted an amendment to the MMPR Licence to cover three additional cultivation rooms at the Markham Facility, bringing the total number of cultivation rooms to seven, and which also increased the Company's production and sales capacity to 3,000 kilograms during the term of the licence.

- In February 2016, the MMPR Licence was renewed effective February 15, 2016 for a one year term, which included a renewal to the Supplemental Licence. In connection with this renewal, MedReleaf completed the final phase of the build-out of its Markham Facility and was granted an amendment to the MMPR Licence to cover three additional cultivation rooms at such facility, bringing the total number of cultivation rooms to 10.

- In August 2016 the ACMPR was introduced to replace the MMPR and the Company's MMPR Licence and Supplemental Licence were continued under the ACMPR as the Markham Commercial Licence. See "*Overview of Cannabis and the Cannabis Industry*" and "*Regulatory Overview*".

- In November 2016, the Markham Commercial Licence was amended to authorize the Company to sell cannabis oil and cannabis capsules, which authorized 337 kilograms of bottled cannabis oil and 112 kilograms of encapsulated cannabis oil during the term of such licence. To the knowledge of management (based on publicly available information), MedReleaf became the first Licensed Producer to bring cannabis oil capsules to market in Canada.

- On February 10, 2017, the Company received the renewal of its Markham Commercial Licence for the current term (which expires on August 15, 2018) which included an increase to 6,000 kilograms of dried cannabis production, 5,000 kilograms of dried cannabis sales, 1,760 kilograms of cannabis oil production, 1,319 kilograms of bottled cannabis oil sales and 440 kilograms of encapsulated cannabis oil sales during the term of the Markham Commercial Licence. See "*Regulatory Overview – The Company's Licences*".

- On April 12, 2017, the Company was issued the Bradford Cultivation Licence in respect of its Bradford Facility. See "*Regulatory Overview – The Company's Licences*".

MEDRELEAF'S COMPETITIVE ADVANTAGES

Management believes that the Company's competitive advantages are rooted in five interconnected areas of focus:

1. *Quality Assurance*
2. *Patient-Centric Approach*
3. *Analytically-Driven Operations*
4. *Ongoing Innovation*
5. *Producing Premium Cannabis*

These areas of focus are embedded in the Company's corporate culture, and support its goals of exceeding the production and safety practices mandated by the ACMPR, regularly improving upon patient satisfaction and retention, minimizing patient turnover, and maximizing product yields and quality. At the core of our operations are ISO-certified management systems, stringent aseptic techniques and unique operational approaches for large-scale cannabis production which, together with our focus on innovation and research, enable us to produce what we believe to be premium-quality cannabis-based pharmaceutical products for our patients.

Management believes that these competitive advantages have contributed to the Company's financial performance to date, generating the highest Adjusted EBITDA among all publicly-traded Licensed Producers (based on publicly available information and the Company's calculation of Adjusted EBITDA for each such Licensed Producer).

Quality Assurance

Since the commencement of production of the Company's cannabis-based pharmaceutical products in 2014, all of our cannabis products have been tested for pesticides by third party laboratories, and we currently test for over 300 contaminants including pesticides (including myclobutanil), heavy metals, aflatoxins, and numerous bacteria and other microbials. The Company's product quality assurance protocols include protocols relating to patient safety and risk management and were designed and are overseen by staff who were formerly employed at an internationally recognized Canadian hospital. Management believes MedReleaf's quality assurance protocols are amongst the most rigorous in the industry. MedReleaf has never been subject to a recall by Health Canada or any other regulatory authority and the Company uses only agricultural inputs, such as nutrients, that are approved by Health Canada.

ISO and OHSAS 18001 Certifications

To the knowledge of management (based on publicly available information), the Company is the only Licensed Producer to have achieved internationally recognized certifications in respect of its quality and environmental management systems and its occupational health and safety management system. The Company has been certified in accordance with the standards under ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety Assessment Series), which collectively cover R&D, production, processing, distribution, selling and destruction of medical cannabis.

These certified systems provide the framework to optimize management control, increase staff safety and reduce environmental impact. Moreover, our ISO 9001-certified quality management system has been designed to maintain the consistency and quality of our cannabis-based pharmaceutical products (which is evidenced by the awards that we have received in respect of our products – see "*MedReleaf's Competitive Advantages – Producing Premium Cannabis*"). Our systems require regular, in-process controls, testing and analysis to ensure the consistency of our cannabis-based pharmaceutical products and that our products meet stringent specifications during production and until delivery to our patients.

ICH Good Manufacturing Practices

Management of the Company believes that MedReleaf's production processes meet the requirements set by the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH Q7): Good Manufacturing Practices Guide for Active Pharmaceutical Ingredients ("**ICH Good Manufacturing Practices**"). The Company's Markham Facility was recently assessed to determine whether its production processes meet the requirements of ICH Good Manufacturing Practices, and the Company believes that such certification will be received in due course.

ICH Good Manufacturing Practices are the same standards and procedures that pharmaceutical companies must adhere to in manufacturing their products in North America, and exceed the Good Production Practices required by Health Canada for growing and cultivating medical cannabis. If obtained, this certification will signify that MedReleaf's production practices meet stringent pharmaceutical manufacturing requirements that are internationally harmonized in 17 countries including the United States, Canada, Singapore, Japan, Australia and European nations. ICH Good Manufacturing Practices can be distinguished from "good manufacturing practices" established by the European Medicines Agency, which is limited in its application to the European Union. Such certification will not in itself authorize the Company to produce or sell cannabis-based pharmaceutical products in any of these countries.

Additional Quality Assurance Protocols

The Company also follows the protocols set out below, each of which meets or exceeds the current standards and requirements set by the ACMPR:

- *Air Quality:* All 10 cultivation rooms at the Markham Facility have been classified and are monitored as ISO Class 8 clean rooms (as defined by the ISO 14644-1 standard), being a standard used in hospital operating rooms.

- *Sanitation:* Equipment and tools are sanitized using validated cleaners. Over 50 organisms can be destroyed by MedReleaf's sanitization program, including viruses such as influenza, Human Immunodeficiency Virus (HIV) and Norwalk; bacteria such as *Salmonella*, *Pseudomonas* and *Listeria*; and fungi such as *Histoplasma*, *Aspergillus*, *Trichophyton* and *Mycobacterium*.

- *In-process Quality Control:* Written procedures include hundreds of in-process controls which are performed at regular intervals during each manufacturing step. There are over 400 quality control checks performed to ensure the quality of our products. These quality control checks are part of our visual inspections and audits, laboratory reports, raw material reviews, ordering process, irrigation reports, shipping reviews and batch review records.

- *Patient Safety Assurance:* Every batch of cannabis-based pharmaceutical product released by the Company is tested to confirm that it meets Health Canada specifications. In addition, to enhance the safety of our products, MedReleaf requires its third party laboratory to identify and report any organism found in the product which is not permitted in Health Canada's specifications. This report is used by the Company's quality assurance department to evaluate microbial risks prior to releasing any product. The Company believes that this additional layer of analysis provides further safeguards to patients beyond those required by the ACMPR.

- *MedReleaf's Internal Quality Auditing Practices:* MedReleaf has a systematic and documented process for evaluating its production operations. Our quality audit program mandates audits to be conducted for each department. Audit reports are compared to our policies and procedures. Any deviations are remediated and a record of the corrective action is maintained. These audits are conducted by staff who are certified for auditing by the American Association of Quality.

- *Environmental and Occupational Health and Safety Checks:* Using Ministry of Labour-approved and certified staff, the Company conducts regular physical inspections of the Markham Facility and the Bradford Facility to identify and remediate any potential environmental and occupational health and safety concerns.

Patient-Centric Approach

There are three components to MedReleaf's patient-centric approach: *Patient Safety*, *Patient-Driven Product Development*, and *Fast and Convenient Delivery*.

Patient Safety

Patient safety at MedReleaf is a comprehensive, corporate-wide philosophy that begins with our quality assurance focus and permeates through to the services offered by our patient care team. Our team includes registered nurses and trained support professionals who are available to provide guidance on the use of cannabis for medical purposes and our products. The Company's patient support professionals assist our patients in selecting cannabis-based pharmaceutical products that:

- comply with the direction of the patient's physician;
- align with the patient's specific needs; and
- take into account key insights from thousands of self-reported patient surveys received by the Company regarding the efficacy of MedReleaf's various cannabis-based pharmaceutical products as well as our knowledge of the existing scientific literature.

Furthermore, our information technology systems are designed to not only meet the strict requirements of the ACMPR, but to ensure that patients: (i) receive the appropriate cannabis-based pharmaceutical products for their specific medical purposes; (ii) do not run out of their prescribed medication; and (iii) are notified in advance of the expiration of their medical documents.

MedReleaf's commitment to patient safety also extends to packaging. The Company has an exclusive licence to distribute in Canada a patent-pending lockable container. Each new patient receives such a lockable container to keep dried cannabis safely stored for future consumption and out of the hands of children and others.

Patient-Driven Product Development

MedReleaf's scientist-led product development department utilizes patient feedback in its product development activities, obtained by way of survey data captured at various points in time over the term of our relationship with our patients. Through the Company's intake and follow-up survey platform, as of March 31, 2017, MedReleaf had compiled an expansive and comprehensive medical information database of patient data. This data, when coupled with comparable data from Tikun Olam, is reviewed by our R&D and patient care teams to help inform plant breeding activities and appropriate product selection, and to identify opportunities in product development.

The Company's seed bank and proprietary genetics allow its team of scientists to develop new and unique varieties of cannabis-based pharmaceutical products. Management expects that the Company's scientific expertise and experience will support the regular development of new varieties of cannabis in the future, allowing the Company to provide a broad product offering to its patients.

In addition, the Company's alliance with Tikun Olam brings value to MedReleaf and its patients through exclusive access to Tikun Olam strain varieties of cannabis that have been clinically studied, validated and used to treat thousands of Tikun Olam's patients in Israel for over a decade.

Fast and Convenient Delivery

All of our cannabis-based pharmaceutical products are delivered to patients by way of secured mail or expedited courier delivery in packaging compliant with the ACMPR and Health Canada requirements, as physical retail storefronts are not permitted under the ACMPR. We are able to deliver our cannabis-based pharmaceutical products to patients in every province and territory across Canada.

As a result of the Company's strategic location within the Greater Toronto Area, we offer same-day delivery from our Markham Facility to patients in six municipalities within the Greater Toronto Area (Toronto, Mississauga, Brampton, Vaughan, Richmond Hill and Markham) which municipalities, together, have a population of over four million people. Same-day delivery is beneficial, in that it can discourage the use of unlicensed, unregulated illegal dispensaries by providing our patients with a fast and convenient option to access our cannabis-based pharmaceutical products.

Analytically-Driven Operations

The Company has developed an extensive and detailed data collection and analytics program. Collected data covers, among other things, patient needs, plant characteristics and optimization experiments. We use this data to design our operations, including our cannabis growth parameters, harvest cycles and plant attributes.

The Company's PhD-led analytics programs fall into two general areas of focus: *Patient-Focused Analytics* and *Operational-Focused Analytics*.

Patient-Focused Analytics

By leveraging the Company's own extensive database, coupled with Tikun Olam's history and experience with patient-focused analytics, management believes that we are better positioned than our competitors to identify specific cannabis-based pharmaceutical products that address the individual needs of patients.

With the Company's prescription and consumption data, as well as patient-intake and ongoing experiential survey results, MedReleaf gathers substantial knowledge about patient symptoms, product use and the efficacy of the Company's cannabis-based pharmaceutical products. This data is used to assist management's decision making, including in respect of patient and physician product education programs, decisions on the development of new plant varieties, breeding programs, cultivation planning, inventory management, new product development, and pricing.

MedReleaf has also entered into a strategic alliance with Ehave, Inc. to develop software and a branded MedReleaf application utilizing Ehave, Inc.'s *Ehave Connect* mental health informatics platform. This platform is used to

advance the study and therapeutic use of cannabis for medical purposes. *Ehave Connect* enables producers, and ultimately prescribers, of medical cannabis to design and monitor treatment plans, track patient compliance, and verify treatment outcomes in a reliable and objective manner.

Operational-Focused Analytics

MedReleaf's commitment to the collection and rigorous analysis of data extends to cultivation and operational optimization. The Company's cultivation and R&D teams each systematically collect and analyze various data. Our cultivation team, in close coordination with our R&D team, collects data on many aspects of the plant's morphology and physiology, as well as numerous macro and micro environmental variables, all critical to strain-specific yield and cannabinoid optimization. The Company uses the collected data to make appropriate adjustments to its critical cultivation parameters (including temperature, humidity, carbon dioxide, lighting, plant nutrition and integrated pest management). This analytical approach, coupled with the Company's use of indoor cultivation facilities, enables more precise control over critical cultivation parameters, which management believes results in better product yields, potency and quality.

MedReleaf's control systems record room environmental conditions on a regular basis. This is correlated with the data collected by the cultivation and R&D teams, in order to optimize growing conditions and increase both product yields and quality. Our analytics-based approach has enabled us to achieve annual yields at the Markham Facility of over 300 grams per square foot of growing space.

Ongoing Innovation

MedReleaf is committed to bringing data-driven innovation, creative solutions and industrial rigour to the business of cannabis production. The Company has designed certain unique systems and equipment using proprietary know-how that we believe provides us with a competitive advantage in a number of areas from cultivation through processing, extraction and manufacturing of end-products. For example, the Company has developed a plant screening tool that allows for the detection of pathogens in cannabis plants at a very early stage, thereby enabling us to screen such plants early in the product life-cycle, potentially saving the Company significant time and resources.

The Company also seeks to identify and pursue commercial arrangements with potential third parties who own innovative products or technologies that may be used to optimize the operations of the Company, or to provide additional benefits to our patients.

Producing Premium Cannabis

MedReleaf uses indoor cultivation facilities in order to produce a variety of what we believe to be premium-quality cannabis-based pharmaceutical products that are safe, consistent and effective. We believe our positive patient satisfaction surveys and our cannabis product awards validate the quality of our cannabis-based pharmaceutical products.

Patient Satisfaction Surveys

According to the Company's patient survey results, as at March 2017, approximately 89% of respondents reported being satisfied with our products (which includes approximately 49% of respondents who indicated that they were very satisfied), while approximately 9% of respondents provided neutral rankings, and approximately 2% of respondents reported being dissatisfied with our products.

Cannabis Product Awards

The quality of the Company's cannabis-based pharmaceutical products is evidenced by awards that it has received from *Lift Cannabis*. *Lift Cannabis* is an independent Canadian organization, not affiliated with any Licensed Producer, which operates a patient-driven community for providing unbiased information to Canadians looking to explore or purchase medical cannabis. Such awards to the Company's strain varieties of cannabis-based pharmaceutical products include the following:

Year	Award Category	MedReleaf Strain Variety
2016 Lift Cannabis Awards	1st Place for Top Sativa	*Luminarium*
	1st Place for Top High-CBD	*Avidekel*
	3rd Place for Top Hybrid	*Midnight*
2015 Lift Cannabis Awards	1st Place for Top Indica	*Sedamen*
	1st Place for Top High-CBD Strains	*Avidekel*
2014 Lift Cannabis Awards	1st Place for Top High-CBD Strain	*Midnight*
	2nd Place for Top Hybrid Strain	*Midnight*
	3rd Place for Top Indica Strain	*Erez*

MEDRELEAF'S FACILITIES

Markham Facility

The Company currently operates the 55,000 square foot Markham Facility, which is covered by the Markham Commercial Licence. We occupy the Markham Facility pursuant to a lease with a term expiring on March 31, 2024 (extendible for two further five-year terms at the option of the Company). The Markham Facility has approximately 23,500 square feet of dedicated cultivation space organized into 10 cultivation rooms, and approximately 31,500 square feet of support and auxiliary services space, including areas for propagation, trimming, drying, oil extraction, shipping, storage, water treatment, laboratories, quality assurance and quality control facilities, maintenance areas, shipping and distribution areas, management offices, and a patient care centre. Pursuant to an agreement with a third party contractor, in the event of a prolonged power outage, a mobile back-up generator will be provided by the contractor to maintain the Markham Facility's operations.

The Markham Facility was originally designed with a targeted 12-month cultivation capacity of approximately 4,000 kilograms but, as a result of the Company's optimization initiatives, it is currently capable of producing a minimum of 7,000 kilograms annually, with several initiatives underway to increase this capacity further. The Company believes that its indoor cultivation techniques, using proprietary know-how developed at the Markham Facility, have enabled it to produce premium, indoor-grown cannabis-based pharmaceutical products at costs comparable with greenhouse operators. According to *Cannabis Benchmarks*, in 2016 in mature U.S. markets, indoor-grown cannabis commanded, on average, a 21.5% wholesale price premium over cannabis product cultivated in a greenhouse.

Bradford Facility

MedReleaf believes that it has secured the next expansion of the Company's production capabilities through the purchase of the Bradford Facility. This 210,596 square foot facility is expected to be utilized as an indoor cultivation facility and, upon full build-out completion, will have approximately 86,000 square feet of dedicated cultivation space organized into 19 cultivation rooms and approximately 124,000 square feet of support and auxiliary services space which will include areas for propagation, trimming, drying, commercial-scale oil extraction, pharmaceutical-grade manufacturing, an industrial kitchen, shipping, storage, water treatment, laboratories, plant-based and analytical R&D facilities, quality assurance and quality control facilities, maintenance areas, shipping and distribution areas, and administrative offices. Similar to the Markham Facility, the Company plans to enter into an agreement with a third party contractor for the provision of a mobile back-up generator in order to maintain operations at the Bradford Facility in the event of a prolonged power outage.

The Bradford Facility has a targeted minimum annual cultivation capacity of 28,000 kilograms and will serve to expand the Company's production capabilities. The Company believes that this will facilitate the implementation of a robust product development platform.

While the production capacity of the completed first phase of the Bradford Facility exceeds the maximum production volume permitted by the Bradford Cultivation Licence, the licence's production limitations and sales restrictions are typical for an initial licence issued by Health Canada to a Licensed Producer. Accordingly, as it has done in the past from time to time in respect of the Markham Commercial Licence, management intends to apply in due course for an amendment to the Bradford Cultivation Licence in order to increase the maximum production volume to a level in line with the Bradford Facility's production capacity, and to permit the sale of cannabis-based pharmaceutical products. While management believes that the production practices it employs at the Bradford Facility meet or exceed the requirements of Health Canada and the ACMPR, no assurance can be provided that we will be able to obtain such an amendment to the Bradford Cultivation Licence. See "*Regulatory Overview – The Licences – Bradford Cultivation Licence*" and "*Risk Factors*".

Management believes that the remainder of the Bradford Facility can be built-out within the 12 months following the Closing, however the actual timing thereof will be determined by management based on demand for the Company's cannabis-based pharmaceutical products and depending on whether the Company receives a commercial licence under the ACMPR in respect of such facility. The entire build-out of the Bradford Facility is expected to require approximately $68 million.

The first phase of the Bradford Facility build-out was completed on time and on budget at a cost of approximately $20 million. However, no assurance can be given that the completion of the remaining phases of the build-out of the Bradford Facility will be completed on time or on budget, or at all. See "*Use of Proceeds*" and "*Risk Factors*".

Storage and Security

The ACMPR prescribes physical security requirements that are necessary to secure sites where Licensed Producers conduct activities with cannabis for medical purposes.

As required by the ACMPR, the Markham Facility contains a storage vault that is deemed to be "security level nine", as defined by the Health Canada *Directive on Physical Security Requirements for Controlled Substances* (the "**Security Directive**"), and as determined by the construction of the vault and MedReleaf's proximity to a major city (Toronto). This allows MedReleaf to store approximately 3,125 kilograms of dried cannabis on site at any one time. The vault can only be accessed by a "**Responsible Person in Charge**" (as defined under the ACMPR) and at least one Responsible Person in Charge must be present in the vault at all times if the doors are open. The Bradford Facility contains a vault deemed to be "security level ten", as defined by the Security Directive.

The Markham Facility features a robust security system consisting of security cameras, motion sensors, code locked doors, seismic sensors, and a staff of security personnel. These security measures ensure MedReleaf is compliant with Health Canada's security requirements. The Bradford Facility is safeguarded with a security system similar to the Markham Facility.

MEDRELEAF'S PRODUCTS

Under the ACMPR and the Licences, the Company is authorized to cultivate and sell cannabis products for medical purposes in both dried and oil form to residents of Canada who comply with the requirements of the ACMPR. The Company's cannabis-based pharmaceutical products can be ingested in a variety of ways, including smoking, vaporizing, and consumption in the form of oil or edibles.

MedReleaf strongly believes that maintaining both the cannabinoids and terpenes in their original relative ratios is important in order to maximize the medicinal properties of cannabis-based pharmaceutical products and therefore it endeavours to do so with its products. See "*Overview of Cannabis and the Cannabis Industry*".

MedReleaf has a seed bank comprised of over 200 different genetic varieties of cannabis and over 15,000 seeds originating from around the world. The Company continues to analyze and catalogue these genetic varieties and seeds for new varieties offering unique cannabinoid profiles and therapeutic effects. Our PhD-led plant genetics department carefully breeds new varieties of cannabis plants to meet the needs of specific patient populations. Our unique varieties of cannabis, including those supplied on an exclusive basis by Tikun Olam, help MedReleaf offer a broad spectrum of products designed to address a wide variety of therapeutic needs.

MedReleaf currently sells numerous strain varieties of cannabis in three main product lines: dried cannabis, cannabis oils, and cannabis oil capsules. The Company intends to introduce new formats for its cannabis-based pharmaceutical products if and when authorized by Health Canada.

Additionally, MedReleaf also seeks to maintain a minimum level of inventory to ensure that it can continue to provide its patients with quality cannabis products on a consistent basis, without supply interruption, while also acquiring new patients.

Dried Cannabis

The Company identifies its dried cannabis products using a pharmaceutical-like naming convention designed to reduce the stigma in physician-patient interactions, reflect the individual characteristics of each product, and to distinguish our products from unregulated "street marijuana" in order to engender product loyalty. The packaging of our dried cannabis products also discloses the percentages of THC and CBD contained in the product, to provide patients with a better understanding of the product being purchased.

MedReleaf's dried cannabis currently sells for prices ranging from $6.50 to $15.00 per gram and trimmings currently sell for prices ranging from $2.50 to $10.00 per gram, offered in 5, 10, and 30 gram containers, and 15 and 30 gram containers, respectively. Prices for the Company's cannabis-based pharmaceutical products vary based on growth time, yield, individual product characteristics, product types, and market dynamics.

The following are MedReleaf's strain varieties of dried cannabis that are in regular rotation:

Alaska	*Cullina Sativa*	*Midnight*	*Sedamen*
Avidekel	*Elevare*	*Nollia*	*Solveris*
Cerebri	*Eran Almog*	*Operari*	*Stellio*
Claritas	*Hilarum*	*Remissio*	*Tranquillum*
Cognitiva	*Hollio*	*Rex*	*Voluptas*
Cullina Indica	*Luminarium*	*Salinca*	

Each variety is designed with particular therapeutic needs in mind and is unique in regards to its cannabinoid and terpene profile, and the ratio between these active compounds. See "*Overview of Cannabis and the Cannabis Industry*".

Cannabis Oils

The Company's cannabis oils have a similar product naming convention as our dried cannabis products, enabling physicians and patients to easily identify the oil product best-suited for a patient's condition. MedReleaf generally has at least four different 50 millilitre cannabis oils available at any given time. MedReleaf currently sells its 50 millilitre cannabis oil bottles at prices ranging from $150 to $200 per bottle. The cannabis oils are made using extract from the Company's dried cannabis. All patients ordering cannabis oils receive a dropper and dosage guide to aid in accurate metered dosing.

Cannabis oil, as opposed to dried cannabis, is preferred by some patients for a variety of reasons, including a general preference to not smoke or "vape" their medication, a desire to consume cannabis-based pharmaceutical products with food, or because its effects tend to last longer than if dried cannabis is consumed by smoking or "vaping".

The Company currently offers four cannabis oil products for sale:

Avidekel Oil

Midnight Oil

Sativa Oil (blend)

Indica Oil (blend)

In order to provide greater choice to patients who prefer specific varieties of cannabis, the Company intends to transition away from offering blended cannabis oil products such as its *Sativa Oil* and *Indica Oil*, and offer more strain-specific cannabis oil products (in addition to its *Avidekel Oil* and *Midnight Oil*).

Cannabis Oil Extraction

Management believes that MedReleaf's cannabis oil extraction process results in cannabis oil products which are superior to those manufactured using conventional extraction processes, including those using solvents such as butane or ethanol. MedReleaf's extraction process uses proprietary know-how featuring unique equipment design and specifications, as well as food-grade carbon dioxide, which protects the cannabinoids from in-process oxidation and protects the terpenes from the negative effects of decarboxylation (which occurs when co-solvents are used in conventional extraction processes). We believe that terpenes work synergistically with properly preserved cannabinoids and are therefore an essential component of our cannabis-based pharmaceutical products. In light of this, our extraction process has been designed to preserve up to 99% of terpenes and to enable us to extract an average of approximately 90% of the available cannabinoids in a single-stage pass. See "*Overview of Cannabis and the Cannabis Industry*".

Cannabis Oil Capsules

On November 7, 2016, MedReleaf believes that it became the first (and, to date, remains the only) Licensed Producer to bring cannabis oil capsules to the Canadian medical cannabis market. Capsules provide an alternative to patients who are more comfortable taking their medication in a traditional capsule form rather than by oil or through vaporizers. Management believes that cannabis oil capsules also provide patients and physicians with increased confidence and comfort in regard to precision of dosing. Management believes that securing the first approval for easy-to-use cannabis oil capsules showcases the Company's position as a leader in the industry in implementing advanced pharmaceutical technologies.

The Company's encapsulated cannabis oils have a similar product naming convention as our dried cannabis products. Oil capsules are sold in containers for prices ranging from $80 to $120 per container. These capsule products are made using the Company's cannabis oils and, accordingly, the varieties of our capsule products are the same as our cannabis oils.

Other Products

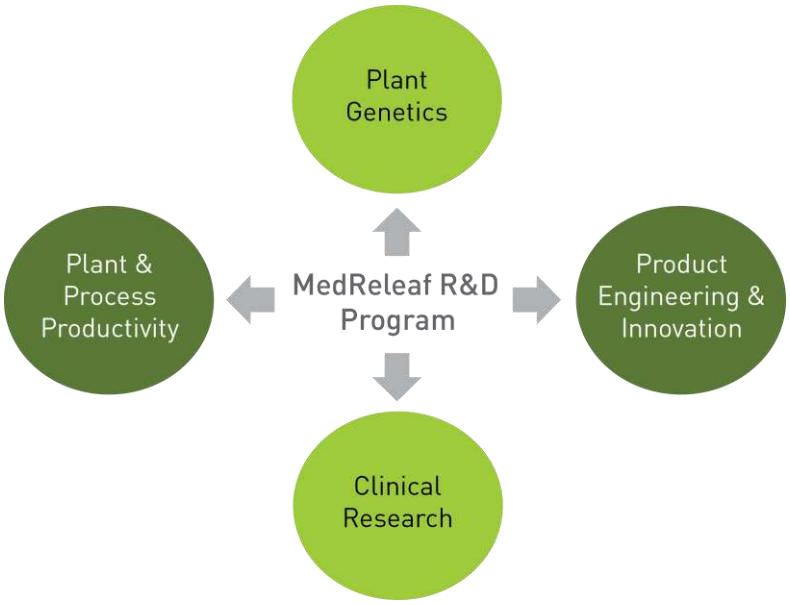
The Company also sells a variety of accessories including grinders, vaporizers and its exclusive lockable containers, and it continues to explore expanding these offerings to bring convenience, accuracy and safety to its patients.

New Product Development

MedReleaf has a variety of new cannabis-based pharmaceutical products at various stages of development, including oral products, topical products, edible products and inhalable products. These products will need to be approved by Health Canada before they can be offered. No assurance can be given that the Company will succeed in bringing any of these products to market. See "*Risk Factors*".

MEDRELEAF'S RESEARCH AND DEVELOPMENT

The Company organizes its research and development ("**R&D**") practices into the following four main areas:



Set out below are examples of the types of R&D activities in which the Company is engaged, in respect of the above-noted areas.

Plant and Process Productivity

- *Advanced closed-environments project* – We have designed and built and we continue to optimize our closed-environment cultivation rooms, for the purpose of producing high-quality cannabis plants.

- *Cannabis waste management* – We have developed and implemented a unique cannabis waste utilization and processing system in collaboration with the University of Toronto. This system significantly reduces the storage volumes and disposal costs of plant-derived waste material.

- *Germplasm archive* – We have developed and implemented an archive and procedure for the protection, cataloguing and maintenance of our biological intellectual property.

- *Optimization of plant growth conditions* – Using our advanced closed-environment growth systems, we are regularly experimenting with and adapting growing conditions for specific strain varieties of cannabis, enhancing the processing of plant material and striving to improve the processing of plant extracts.

- *Nutrient formulations* – Our team has developed unique feed formulations tailored specifically for cannabis grown in closed-environment systems, as well as for the specific needs of different strain varieties of cannabis.

Plant Genetics

- *Pathogen detection systems* – To assist in the operation of our production process, we have developed and implemented a low-cost, high throughput molecular pathogen detection system to help ensure clean cannabis production and reduce product loss. Funding for this project was awarded in part from the Natural Sciences and Engineering Research Council of Canada (NSERC) and the Ontario Centres of Excellence (OCE), and conducted in collaboration with the University of Waterloo.

- *Metabolome Fingerprint* – We have successfully developed and implemented our own cannabis metabolomic fingerprinting system. This tool provides strain-specific identification, characterization and functional comparison across all of MedReleaf's genetics and provides information that allows the Company to confirm plant homogeneity.

- *Genetics library* – MedReleaf has an extensive library of cannabis genetics. We are regularly isolating and characterizing new cannabis strain varieties with unique and high cannabinoid and terpene profiles, and unique THC/CBD ratios.

- *Breeding* – Our ongoing breeding program is focused on experiments to produce novel cannabis strain varieties for specific cannabinoid profiles and clinical utility for specific medical indications.

Product Engineering and Innovation

- *Unique process design* – We have designed and developed unique processes and equipment using proprietary know-how in order to manufacture our cannabis-based pharmaceutical products.

- *New products* – We have a variety of new products at various stages of development relating to the format by which cannabis-based pharmaceutical products are ingested by patients. These formats fall into the following four categories: (a) oral product formats; (b) topical product formats; (c) edible product formats; and (d) inhalable product formats. These products are not presently available and will need to be approved by Health Canada before they can be offered to patients. No assurance can be given that new products will be successfully developed by the Company or approved by Health Canada. See "*Risk Factors*".

Clinical Research

Research Activities

The Company has been involved in the following recent or ongoing medical research, including the following:

- We received clinical trial approval from Health Canada to conduct a study on THC dosing practices and strategies.

- We contributed five chapters in the peer-reviewed *Journal of Pain Management* special issue on cannabis.

- We analysed patient data for contribution to nine manuscripts and to the peer-reviewed *Journal of Pain Management* (with assistance from Sunnybrook Health Sciences Centre and Hamilton Health Sciences) identifying and discussing patient uses of the Company's proprietary varieties of cannabis-based pharmaceutical products.

PTSD Study

In addition, the Company supplied certain varieties of its cannabis strains, including *Luminarium*, *Sedamen*, *Midnight* and *Avidekel*, for use in a study entitled "*Summary of Experience of Medical Marijuana Use in Canadian Military Veterans Diagnosed with Post-Traumatic Stress Disorder (PTSD)*" (the "**PTSD Study**"). The PTSD Study, as approved by the Canadian SHIELD Ethics Review Board on August 2, 2016 and sponsored by Drug Intelligence Inc., aimed to assess, through a retrospective chart review, whether medical cannabis improved the quality of life and reduced PTSD-related symptoms in Canadian military and police veterans with PTSD ("**Study Veterans**").

Only Study Veterans who had started cannabis treatments after failing both pharmacotherapy and psychotherapy and otherwise meeting all inclusion criteria were enrolled in the PTSD Study. These participants were referred by the physician managing their pharmacotherapy to the principal investigator. Study Veterans were assessed at a single study site, and only by the principal investigator to reduce the risk of bias between different interpretations of results. The principal investigator reviewed the medical charts of Study Veterans prior to the baseline visit and then

collected data during the two on-site visits. All data was kept in the participant's medical chart and was then extracted by the principal investigator and analyzed on an aggregated and de-identified basis by a third party company mandated to analyze the data and assemble it into a paper highlighting key findings, which was then submitted to peer-review.

Research results from the PTSD Study support ongoing access to medical cannabis for veterans who are not responsive to traditional pharmacotherapy and psychotherapy for their PTSD, as the use of medical cannabis by Study Veterans resulted in improvements across PTSD symptoms, social and family outcomes and pain severity. More particularly, the improvements across PTSD symptoms was greater than the minimal clinically important difference ("**MCID**"). For instance, the aggregated score of PTSD symptoms was reduced by 59%. Likewise, suicidal thoughts decreased (by 77%), anxiety and depression was reduced (by 59% and 60%, respectively), pain severity decreased (by 48%), and a 63% reduction in the mean score for anger and irritability was observed. Also, the severity of the impacts of PTSD on social and family life was significantly reduced across all domains, with reductions in severity ranging from 46% to 82%, which was larger than the MCID. The aggregated score for the impact of PTSD on domains and social and family life was reduced by 59%. Specifically, the mean score for the impact of PTSD on drug and alcohol overuse decreased by 82%, and on marital/relationship and family harmony was reduced by 65% and 48%. Finally, these improvements were associated with a 50% reduction of PTSD-related medications for those Study Veterans using these medications at baseline, and 36% of those Study Veterans discontinued all such medications.

Access to Tikun Olam's Research

As a result of its strategic alliance with Tikun Olam, the Company is also able to access clinical research conducted by Tikun Olam using the same cannabis varieties that the Company offers to its patients in Canada. This includes research examining the effects of cannabis-based pharmaceutical products on various medical conditions including: Crohn's disease, colitis, tinnitus, and various cancers.

Research and Development Team

Many of the above research activities are supported by the Company's R&D team, which is comprised of professional scientists possessing post-graduate degrees (Masters or PhD) in: (i) clinical research; (ii) plant molecular biology; (iii) plant genetics; (iv) food science and nanotechnology; (v) bioprocess engineering; and (vi) clinical microbiology and biochemistry.

MEDRELEAF'S PRINCIPAL MARKETS

Patient Acquisition

New patients are acquired by the Company through physician and clinic referrals or by word-of-mouth recommendations from existing patients. Management believes that the Company's ability to establish connections with its desired patient base has produced meaningful results. Health Canada most recently reported that the national average amount of dried cannabis per patient shipment was 0.79 grams per day (from October 1, 2016 to December 31, 2016), which management believes may reflect patient consumption rates. During January 2017 to March 2017, the estimated average consumption rate of the Company's patients was 1.35 grams per day (based on total volume divided by average number of patients divided by days per month) which, assuming the national average reported by Health Canada remained the same during the same period, is approximately 1.7 times that of the aforementioned average dried cannabis patient shipment reported by Health Canada during October 1, 2016 to December 31, 2016 (being the most recent period for which national information is available from Health Canada).

MedReleaf strives to identify patient segments with high lifetime value. These are patient segments that the Company believes will have the highest expected lifetime dollar value in purchasing products from MedReleaf, accounting for acquisition cost and expected turnover. For example, the Company believes that Canadian Forces veterans ("**Veterans**") suffering from conditions for which cannabis consumption may be helpful, represent an underserved market opportunity.

If the medical cannabis market continues to reflect strong demand, the Company will continue to strive to become a leader among the non-Veteran patient segments, while maintaining its strong position in the Veteran market. The Company has targeted a number of avenues for it to reach that goal, including establishing partnerships with insurance companies to create cannabis-specific healthcare spending accounts and other regular health care spending accounts related to cannabis. In addition, if and when recreational usage of cannabis products is legalized in Canada, the Company plans to take advantage of such market opportunities by entering the recreational market. See "*Overview of Cannabis and the Cannabis Industry – Expected Legalization of Recreational Cannabis in Canada*".

Veteran Patients

Management believes that cannabis-based pharmaceutical products have the potential to address common symptoms associated with conditions often suffered by Veterans, including PTSD and chronic pain.

According to a CBC News report (dated July 16, 2015 and entitled "*PTSD diagnoses nearly triple amongst veterans in 8 years*"), the number of Veterans diagnosed with PTSD increased from 5,548 in 2007 to 14,375 as of March 2015, and had almost tripled over the previous eight years. According to Veterans Affairs Canada ("**VAC**"), the estimated population of Veterans as of March 2014 was approximately 600,000. Using statistics from a research report recently published by Statistics Canada, approximately 48% of Veterans meet the criteria for selected disorders and, of those individuals, approximately 11% reported symptoms of PTSD in their lifetime. Based on the foregoing, the estimated number of Veterans who may be suffering from PTSD could be approximately 30,000 or more. This estimate implies that the number of Veterans suffering from PTSD may be significantly higher than what has been estimated in the CBC News report, indicating a large and potentially underserved market for the medical cannabis industry.

MedReleaf has dedicated significant resources to servicing this patient community, including physician and patient education, outreach initiatives and medical research. As a result of these efforts, and the quality and efficacy of its cannabis-based pharmaceutical products, the Company believes that the quality of life of its Veteran patients has improved.

Additionally, the Company has partnered with the Canada Company Military Employment Transition Program, an initiative developed to assist Canadian Armed Forces members, reservists and Veterans who are transitioning out of the Canadian military to obtain employment in the civilian workforce, including a similar program for military spouses.

On November 22, 2016, the Canadian federal Minister for VAC announced that the federal government would be limiting the reimbursement amount for cannabis for medical purposes and reducing the quantity of medical cannabis that it will cover for Veteran patients. The reimbursement price cap of $8.50 per gram, whether taken in dried or fresh cannabis or the equivalent value in cannabis oil form took effect immediately (November 22, 2016). The revised VAC reimbursement policy also established a limit of three grams per day of dried or fresh cannabis, or the equivalent in cannabis oil, which change is scheduled to take effect on May 22, 2017. The revised VAC reimbursement policy also includes a process that potentially allows for the daily limit to be exceeded by individual Veteran patients by way of an exemption request to be submitted to VAC by a medical specialist. If a significant number of the Company's eligible Veteran patients do not obtain such an exemption, MedReleaf's sales and revenues could be adversely affected. Licensed Producers are responsible for establishing how much oil can be provided for the dollar equivalency of the dried cannabis authorization provided by a Veteran's health care practitioner. See "*Risk Factors*".

Health Care Spending Accounts

While private drug benefit plans generally do not cover the cost of cannabis-based pharmaceutical products, the Canada Revenue Agency lists medical cannabis as an eligible medical expense, thereby enabling the inclusion of such products in healthcare spending accounts. In addition, the Company believes that a portion of healthcare spending accounts are generally unused, which may reflect a significant market opportunity as well as an avenue to increase patient access to our cannabis-based pharmaceutical products at a lower out-of-pocket cost.

The Company is working with insurance industry stakeholders to accelerate the inclusion of cannabis-based pharmaceutical products in certain benefit plans. For example, the Company has recently entered into a strategic alliance with Benefits by Design (BBD) Inc., a third party administrator of group health benefits and insurance plans, for the creation of a medical cannabis health care spending account. It is expected that, as part of such alliances, MedReleaf's cannabis-based pharmaceutical products may be exclusively covered by such plans.

Financial Support Programs

The Company offers a 25% discount on all varieties of its cannabis-based pharmaceutical products to qualifying patients living on disability or similar low-income government subsidy programs through its *Financial Releaf* assisted-pricing program. MedReleaf evaluates each patient applicant on a case-by-case basis for eligibility and notifies each patient applicant accordingly.

OVERVIEW OF CANNABIS AND THE CANNABIS INDUSTRY

Cannabis Overview

Cannabis is one of the only known plant families to contain a broad suite of medicinally useful compounds. Various studies have shown that cannabis-based pharmaceutical products may have efficacy in addressing or ameliorating symptoms associated with numerous medical conditions, including the following:

Acquired Immunodeficiency Syndrome (AIDS)

Acute Pain

Attention Deficit Disorder

Attention Deficit Hyperactivity Disorder (ADHD)

Amyotrophic Lateral Sclerosis (ALS)

Alzheimer's Disease

Anxiety Disorders

Arthritis

Asthma

Autism

Cancer

Chronic Pain

Colitis

Crohn's Disease

Cystic Fibrosis

Diabetes

Depression

Eating Disorders

Epilepsy

Fibromyalgia

Gastrointestinal Disorders

Glaucoma

Hepatitis C

Human Immunodeficiency Virus (HIV)

Irritable Bowel Syndrome

Migraine

Multiple Sclerosis

Nausea

Neuropathic Pain

Parkinson's Disease

Post Traumatic Stress Disorder (PTSD)

Sexual Dysfunction

Sleep Disorders

Tourette Syndrome

Dialogue in the academic and medical community regarding the medical applications for cannabis has generally concentrated on the cannabinoids found within the plant (such as THC and CBD) which, historically, has been the focus of most cannabis research. Cannabinoids are chemical compounds that act on cellular cannabinoid receptors that can induce a variety of biological responses, including altering neurotransmitter release in the brain. Another class of chemical compounds found in cannabis are terpenes, which are fragrant plant-based compounds that exhibit medicinal properties independent from cannabinoids. Terpenes are the primary constituents of essential oils produced by many types of plants and flowers, and for this reason terpenes are more often discussed in the context of flowers, rather than plants such as cannabis. The terpenes in cannabis come from the resin glands on the cannabis plant, and it is the interaction of the various terpenes that result in the unique scents and "flavours" of different strain varieties of cannabis.

Both cannabinoids and terpenes are found in every variety of cannabis. It is thought that the relative ratio of these compounds interact to enhance the effects that would otherwise be produced by isolated cannabinoids, which has been referred to as the "entourage effect". Research has suggested that when cannabinoid and terpene ratios are manipulated, there is a modification of the medicinal properties of cannabis.

Development of the Canadian Medical Cannabis Regulatory Landscape

Legal access to dried cannabis for medical purposes was first allowed in Canada in 1999 through Section 56 Exemptions under the CDSA. The decision of the Court of Appeal for Ontario in 2000 in *R. v. Parker* held that individuals with a medical need had the right to possess cannabis for medical purposes. This led to the implementation of the MMAR in 2001. Under the MMAR, residents of Canada who had been authorized by their health care practitioners to access cannabis for medical purposes could access dried cannabis for those purposes by producing their own cannabis plants, designating someone to do so on their behalf, or purchasing cannabis from Health Canada.

The MMAR were repealed on March 31, 2014 and were replaced by the MMPR. The MMPR established a legal regime for licensing producers and permitting the sale of dried cannabis to registered patients pursuant to a medical document provided by a health care practitioner, for the purpose of seeking to ensure that individuals resident in Canada with a medical need could access quality-controlled cannabis grown under secure and sanitary conditions. The MMPR were simpler and involved fewer obstacles than the previous regulatory regime and allowed for competition among Licensed Producers on a host of factors including product quality, customer service, price, variety and brand awareness.

In June 2015, the Supreme Court of Canada decided in *R. v. Smith* that restricting legal access to only dried cannabis was unconstitutional. The Court decided that individuals with a medical need have the right to use and make other cannabis products. To eliminate uncertainty around a legal source of supply of cannabis, in July 2015 the Minister issued Section 56 Exemptions under the CDSA to allow, among other things, Licensed Producers to produce and sell cannabis oil and fresh cannabis in addition to dried cannabis, and to allow authorized users to possess and alter different forms of cannabis.

The MMPR were repealed on August 24, 2016 and were replaced by the ACMPR as a result of a decision by the Federal Court of Canada in February 2016 in *Allard v. Canada*, which found that requiring individuals to obtain cannabis only from Licensed Producers violated liberty and security rights protected by section 7 of the *Canadian Charter of Rights and Freedoms*. The Court found that individuals who require cannabis for medical purposes did not have "reasonable access" under the MMPR regime.

The ACMPR are the current governing regulations regarding the production, sale and distribution of cannabis products, including cannabis oil, in Canada. See "*Regulatory Overview*".

Becoming a Licensed Producer

The process of becoming a Licensed Producer is rigorous and management believes that this process presents a significant barrier to entry for prospective licencees. According to Health Canada, as of March 31, 2017, approximately 2.6% of all applicants had been approved as Licensed Producers.

The stages in the application process for becoming a Licensed Producer are as follows:

1. *Applications Received / Preliminary Screening:* The applicant undergoes a preliminary screening for application completeness, with incomplete applications returned to the applicant. An application that is complete is assigned an application number. Once an application number is received, the applicant has completed the preliminary screening stage.

2. *Enhanced Screening:* An application will then be reviewed to ensure that the level of detail is sufficient to assess the applicant's satisfaction of the requirements of the ACMPR. Initial consideration is also given to the location of the proposed growing site, likely risks to public health, safety and security, the proposed security measures, and the credentials of the proposed quality assurance person to meet the good production requirements outlined in the ACMPR. Health Canada will also verify that the applicant has provided notice to the local government where the applicant's proposed growing site is located.

3. *Security Clearance:* Once the screening of an application is complete, the security clearance forms for key personnel are provided for processing. Security clearances involve criminal record checks and background reviews to assess whether the applicant poses a risk to the integrity of the control of the production and distribution of cannabis, including the risk of cannabis being diverted to an illicit market or use.

4. *Application Review:* The application is reviewed to validate all information provided by the applicant. At this stage, the applicant has regular communication with the Office of Medical Cannabis. Physical security plans, including storage plans, are also evaluated and applicants must meet a minimum of "security level seven" (as defined in the Security Directive) to be considered for a licence.

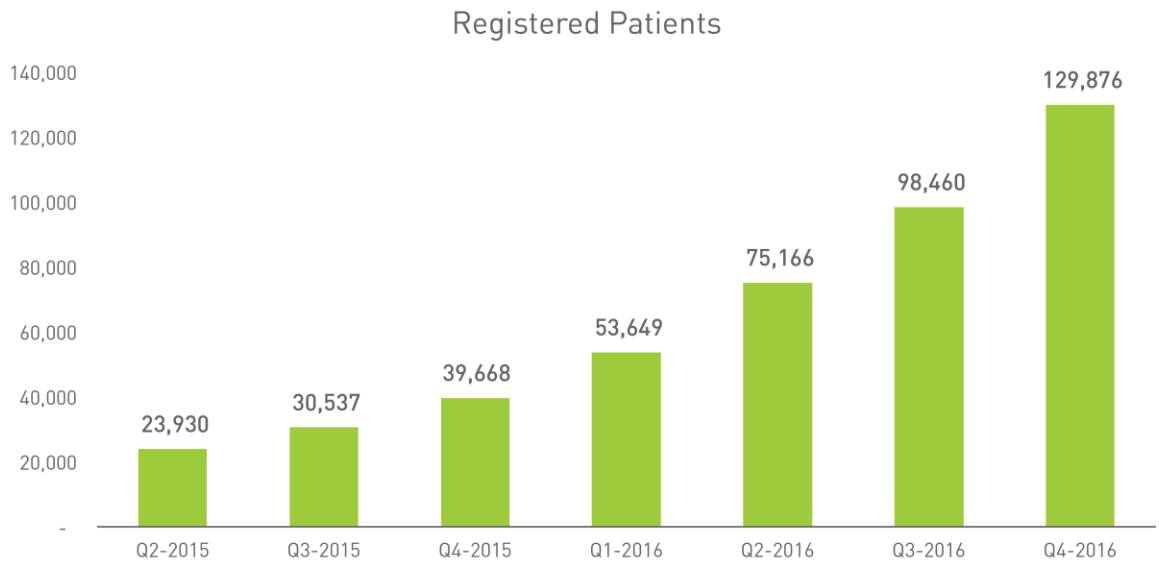
5. *Pre-Licensing Inspection:* A pre-licensing inspection of the growing site is scheduled once Health Canada has conducted its review of the application. During this stage, Health Canada considers a variety of factors including security measures, good production practices, packaging, labelling, shipping, registration and record-keeping.

6. *Licensing:* Results of the pre-licensing inspection are reviewed and an assessment of the application is completed by Health Canada. If granted, the initial issuance of a licence includes limits on licensed activities and a maximum limit on the total amount of cannabis products authorized for production.

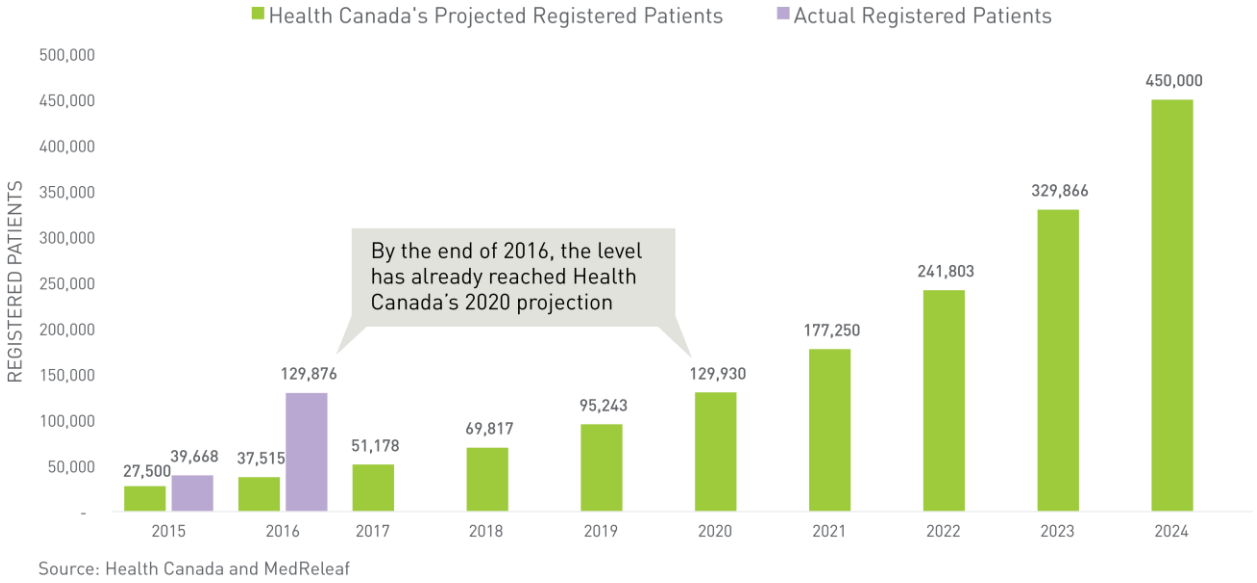
Health Canada requires rigorous testing of cannabis products and derivatives provided by Licensed Producers. A Licensed Producer is subject to a wide variety of compliance and enforcement activities conducted by Health Canada after it has received its licence. For instance, Health Canada will typically perform unannounced inspections on a Licensed Producer's facility to ensure adequate security measures and production practices are in place.

Industry Growth Trends

The two charts below illustrate the Canadian medical cannabis industry's historical and potential continued growth trends. While Health Canada's initial projection of the medical cannabis market was promising, the medical cannabis industry has grown rapidly in a short period of time, with approximately 130,000 patients registered in Canada as users of medical cannabis as of the fourth quarter of 2016. This represents more than a 30% quarter-over-quarter increase and is approximately equal to Health Canada's initial projection for the number of registered patients by 2020. The charts below illustrate the number of registered patients reported by Health Canada during the periods indicated, as well as Health Canada's initial registered patient projection until 2024, demonstrating a CAGR of approximately 36%.



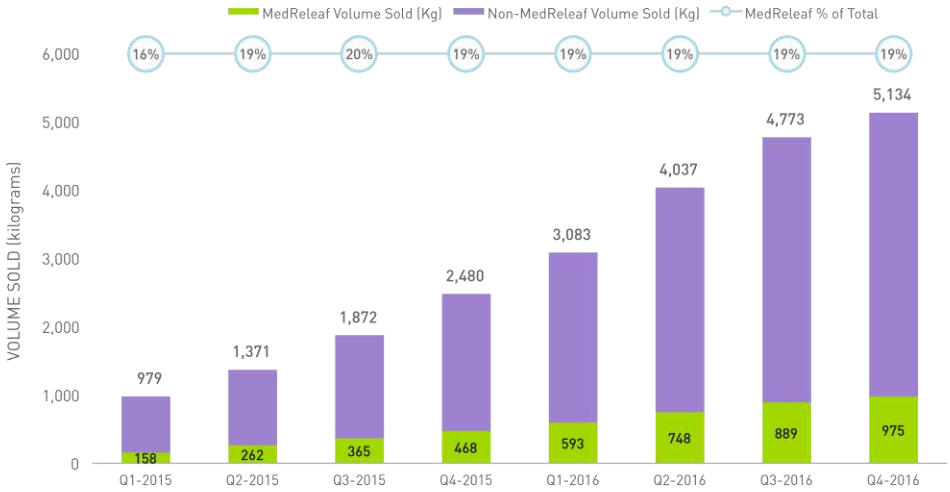
Source: Health Canada



Source: Health Canada and MedReleaf

The number of patients between 2015 and 2024 in the chart above are estimated based on an assumed CAGR of 36%. Accordingly, management believes that if the current pace of patient registration continues, there may be up to 450,000 registered patients well before the 2024 target projected by Health Canada.

The following chart depicts the total quarterly volume of cannabis-based pharmaceutical products sold during 2015 and 2016 by Licensed Producers (based on publicly available data from Health Canada), as well as the portion of such total volume represented by the Company's sales. During 2015 and 2016 (being the most recent quarter in respect of which total reported Canadian volume data was available from Health Canada), MedReleaf had a quarterly market share of between 16% and 20% of total reported Canadian volume. The Company's market share in the fourth quarter of calendar 2016 was approximately 19% of the total Canadian volume reported in that quarter.



Source: Health Canada and MedReleaf (as to MedReleaf's reported volumes)

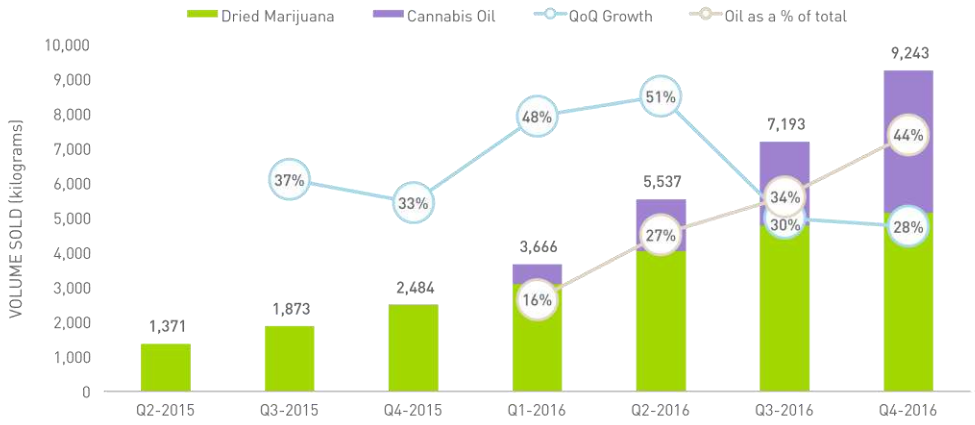
Drivers of Growth

Management of the Company believes that growth in the Canadian market is driven by a number of factors, including increased media coverage of the industry and a corresponding increase in general population awareness about the use of cannabis products for medical purposes. With an expanding patient base, there is also greater opportunity for word-of-mouth promotion and personal story testimonials, both of which management believes will drive patient inquiry.

Licensed Producers are also contributing to growth of the market through increased attendance at medical industry conferences, individual physician engagement and the development of cannabis-specific continuing medical education programs, increasing physicians' understanding of medical cannabis as a *bona fide* treatment option.

Management also believes that the introduction of cannabis oils to the Canadian marketplace is having a positive impact on physician acceptance and, as a result, industry growth. Although dried cannabis remains a major source of overall industry and Company revenue, management believes that the consistency of dosing associated with cannabis oils, and the simplicity of administering dosages in capsule form, will assist the medical community in accepting cannabis in capsule form as a treatment option. As well, cannabis oil and capsules do not have the negative connotations and perceived health risks associated with smoking or vaporizing cannabis.

The following chart displays that the proportion of cannabis oils sold in Canada relative to dried cannabis has increased over time, which has resulted in a growing portion of total cannabis market revenue being generated by the sale of cannabis oils. According to Health Canada data, commencing with the first calendar quarter of 2016 (when extract sales were first permitted by Health Canada), the cannabis extract market, including cannabis oils, has increased from approximately 16% of total volume sold to 44.5% of volume sold in the fourth calendar quarter of 2016.



Currently, Health Canada prohibits Licensed Producers from producing cannabis oil in a concentration higher than 3% THC (30 milligrams per millilitre) or 10 milligrams per capsule, despite the fact that cannabis oils with higher concentrations are available on the black market. If Health Canada were to allow Licensed Producers to produce cannabis oils at higher THC concentrations, management believes that the proportion of cannabis oils sold in Canada would grow to an even larger portion of the total cannabis market.

Industry growth in the medical cannabis industry faces certain challenges. For example, management believes that there is a lack of guidance for clinical decision-making on the use of cannabis and that this represents one of the main obstacles to acceptance of cannabis-based pharmaceutical products for medical purposes within the medical community. Based on quarterly data reported by Health Canada, management believes that less than 10% of the approximately 75,000 physicians in Canada have prescribed cannabis for medical purposes.

While a legal framework exists for the prescription of cannabis for medical purposes, management believes that a relative lack of clinical research supporting the efficacy of medical cannabis, coupled with a general lack of training or guidance on appropriate dosing and the use of particular cannabis varieties for specific medical indications, has made it difficult for physicians to balance their obligations of providing patient care and protecting patient safety. This has placed physicians in the difficult position of determining whether to prescribe cannabis for medical purposes without fully understanding the benefits and risks to patients, as they may for prescription drugs.

On June 30, 2016, the Government of Canada established the Task Force on Cannabis Legalization and Regulation (the "**Task Force**") which published a report dated November 30, 2016 entitled "*A Framework for the Legalization and Regulation of Cannabis in Canada*", which outlined the Task Force's recommendations with respect to the legalization and regulation of cannabis for recreational purposes (the "**Legalization Report**"). Management agrees with the conclusion of the Task Force in the Legalization Report, namely that many physicians remain unwilling to support the use of cannabis as a primary treatment, leaving some patients unable to secure the medical authorization needed to legally purchase or produce cannabis.

The lack of clinical research can largely be attributable to two key factors: the historical status of cannabis as a controlled substance under applicable legislation, and the challenges associated with securing intellectual property rights to a plant, as opposed to unique molecules, as is the case in traditional pharmaceutical R&D.

In order to address this issue, a number of Licensed Producers, including the Company, are currently engaged in various stages of clinical research on the efficacy of cannabis products for medical purposes. Management believes that, as more programs and studies are completed that demonstrate favourable results, physicians will become more amenable to prescribing cannabis to their patients for medical purposes. However, no assurance can be given that any such research will yield favourable results or that favourable results will lead to increased demand for medical cannabis. See "*Risk Factors*".

Management also believes that one of the most important factors to physicians when recommending a cannabis-based pharmaceutical product is ensuring that such product will be available when the patient needs it, as is typically the case for traditional pharmaceutical products. As Licensed Producers continue to expand production capabilities, concerns regarding industry-wide supply shortages are diminishing, although supply shortages with individual Licensed Producers remain a concern.

Expected Legalization of Recreational Cannabis in Canada

In 2015, the Government of Canada announced a platform advocating for the legalization of recreational cannabis in order to regulate the illegal market and restrict access by under-aged individuals. On April 20, 2016, the Government of Canada announced its intention to introduce, by the spring of 2017, legislation to legalize the recreational use of cannabis in Canada. On April 13, 2017 the Cannabis Act was introduced.

The Cannabis Act provides a licensing and permitting scheme for the production, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis, to be implemented by regulations made under the Cannabis Act. It is proposed that provincial legislation will implement measures authorizing the sale of cannabis that has been produced by a person authorized under the Cannabis Act to produce cannabis for commercial purposes. The licensing, permitting and authorization regime will be implemented by regulations made under the Cannabis Act. Draft regulations have not yet been disclosed. The Cannabis Act contains some details of the application requirements for licences and permits, which are similar in nature to the requirements of the ACMPR (i.e., they include requirements for financial information, security information and security clearances).

The Cannabis Act proposes to maintain separate access to cannabis for medical purposes, including providing that import and export licences and permits will only be issued in respect of cannabis for medical or scientific purposes.

The transitional provisions of the Cannabis Act provide that every licence issued under section 35 of the ACMPR that is in force immediately before the day on which the Cannabis Act comes into force is deemed to be a licence issued under the Cannabis Act, and that such licence will continue in force until it is revoked or expires.

The Government of Canada has provided guidance that the recreational cannabis market will be operational in late 2018 or early 2019, however there is no assurance that the enactment of the Cannabis Act and the legalization of recreational cannabis use will occur as anticipated or at all. See "*Risk Factors*".

Below are additional highlights of the proposed Cannabis Act:

- Introduces restrictions on the amounts of cannabis that individuals can possess and distribute, and on public consumption and use, and prohibits the sale of cannabis unless authorized by the Cannabis Act.

- Permits individuals who are 18 years of age or older to cultivate, propagate, and harvest up to and including four cannabis plants of up to 100 centimeters in height in their dwelling-house, propagated from a seed or plant material authorized by the Cannabis Act.

- Restricts (but does not strictly prohibit) the promotion and display of cannabis, cannabis accessories and services related to cannabinoids to consumers, including restrictions on branding and a prohibition on false or misleading promotion and on sponsorships.

- Permits the informational promotion of cannabis in specified circumstances to individuals 18 years and older.

- Introduces packaging and labelling requirements for cannabis and cannabis accessories, and prohibits the sale of cannabis or cannabis accessories that could be appealing to young persons.

- Provides the designated Minister with the power to recall any cannabis or class of cannabis on reasonable grounds that such a recall is necessary to protect public health or public safety.

- Permits the establishment of a national cannabis tracking system.

- Provides powers to inspectors for the purpose of administering and enforcing the Cannabis Act and a system for administrative monetary penalties.

The impact of any such new legislative regime on the medical cannabis industry and the Company's business plans and operations is uncertain. See "*Risk Factors*".

International Cannabis Market

General Overview

Changes in the regulatory regimes of various countries around the globe regarding cannabis use and possession have occurred rapidly in recent years. Management believes that the following are common initiatives and changes amongst these jurisdictional regimes: (i) distinguishing between "hard" and "soft" drugs (with cannabis generally being considered a "soft" drug); (ii) establishing special regulations concerning cannabis; (iii) refusing to prosecute personal use or possession of small quantities of cannabis for personal use; (iv) giving law enforcement authorities the discretion not to prosecute minors and first-time offenders; (v) applying alternative forms of punishment; and (vi) providing various treatment opportunities.

A growing number of countries do not prosecute individual cannabis users, with many countries having made publicly-reported statements suggesting a move toward legalization of cannabis for medical purposes or the decriminalization of cannabis in some capacity. Other countries have made more tangible steps towards the development of medical cannabis markets.

Australia

In February 2016, Australia legalized medical cannabis at the federal level to permit the manufacture of medicinal cannabis products in Australia. In October 2016 the Australian regulatory authority released a detailed application process to license domestic cultivators and producers of medicinal cannabis products. In the interim, until local licenses have been awarded and have reached production capacity, Australia is allowing medical cannabis to be imported from locally authorized producers.

Brazil

In March 2016, the Brazilian regulatory authorities enacted a resolution which allows for the prescription and import of products containing CBD and THC by individuals for their personal healthcare use pursuant to a physician's authorization.

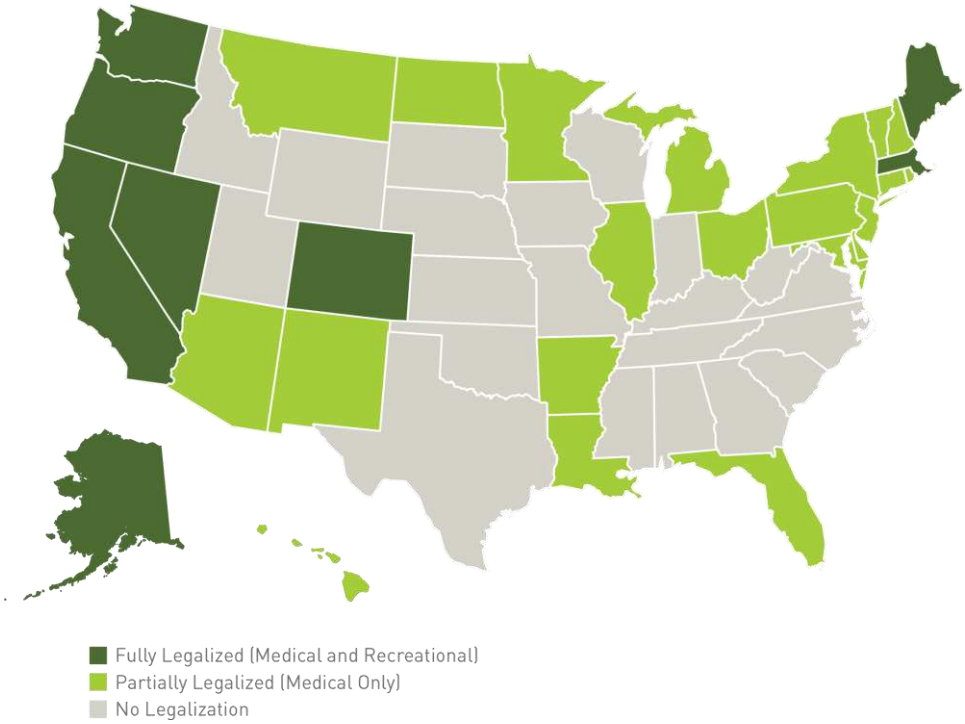
Germany

In January 2017, the German parliament legalized cannabis for medical consumption. In Germany, the cost of dried cannabis and cannabis extracts will be covered by health insurance for patients who have no other treatment options. Germany has created a "Cannabis Agency" to regulate the formation of a domestic cultivation and production of medical cannabis supply chain.

United States of America

Under federal law in the United States, the use, possession, sale, cultivation and transportation of cannabis is illegal (with the exception of certain government-approved research programs), and cannabis is listed as a Schedule I substance under the U.S. *Controlled Substances Act* of 1970. At the state level however, eight states (Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon, and Washington) have fully legalized the use of cannabis for both medical and recreational purposes.

Illustrated below are the U.S. states that: (i) have fully legalized cannabis (for medical and recreational purposes); (ii) have partially legalized cannabis (for medical purposes only); and (iii) have not legalized cannabis for medical or recreational purposes.



The U.S. states that have fully legalized cannabis use collectively represent approximately 21% of the total population of the United States. Notably, the legalization of recreational cannabis in California marked an important milestone given the size of its population and the state's overwhelming support of legalization. In addition to these eight U.S. states, there are currently 21 U.S. states that have legalized cannabis for medical purposes only which, collectively with the U.S. states that have fully legalized cannabis use, represent approximately 63% of the total population of the United States.

Competitive Conditions

From the enactment of the MMPR in 2013 to the date hereof, Health Canada has issued 43 licences to Licensed Producers, including the Licences issued to the Company. According to Health Canada, as of March 31, 2017, 1,630 applications had been received by Health Canada, of which 414 applications were in process. To the knowledge of the Company, only a limited number of licences are issued by Health Canada on a monthly basis, if any. Further, as Health Canada licences are limited to individual properties, if a Licensed Producer reaches production capacity at its licensed site, it must apply to Health Canada for a new licence in order to expand production to another site. More information on the current list of Licensed Producers can be found on Health Canada's website.

The Company believes that, due to the extensive regulatory restrictions and significant capital required for facilities and operations, the number of Licensed Producers will remain relatively small in the short term, however Health Canada may accelerate its processing of applications which may result in an acceleration in the rate at which applicants become Licensed Producers. As the demand for medical cannabis increases and the application backlog with Health Canada is processed, MedReleaf believes that new competitors will enter the market. The principal competitive factors on which MedReleaf competes with other Licensed Producers are the price and quality of its cannabis-based pharmaceutical products (and associated goodwill and brand recognition), physician familiarity and willingness to prescribe the Company's cannabis-based pharmaceutical products, and the Company's patient services. While MedReleaf prices its cannabis products according to the Company's perception of market demand, given its relatively low cost of production (based on management's assessment of the Company's own financial information against that of all publicly-traded Licensed Producers), it is expected that the Company will be able to enjoy pricing flexibility while maintaining its margins.

MEDRELEAF'S GROWTH OPPORTUNITIES

Continued Expansion of the Canadian Medical Market

As more Licensed Producers and research centres study the effects of cannabis-based pharmaceutical products in treating or addressing therapeutic needs, and assuming that research findings demonstrate that such products are effective in doing so, management believes that the size of the Canadian medical cannabis market should reach Health Canada's estimate of 450,000 patients (1.25% of the population) and an annual value of approximately $1.3 billion before 2024. By contrast, according to Health Canada's reported volume of sales of medical cannabis for the 12-months ending December 31, 2016, based on the PBO Report's mid-point price estimate of $7.50 per gram, the value of such sales was approximately $128 million. The medical cannabis industry has grown rapidly in a short period of time, with approximately 130,000 patients in Canada registered as users of medical cannabis in the fourth quarter of 2016, representing more than a 30% quarter-over-quarter increase. See "*Overview of Cannabis and the Cannabis Industry – Canadian Medical Cannabis Regulatory Landscape*".

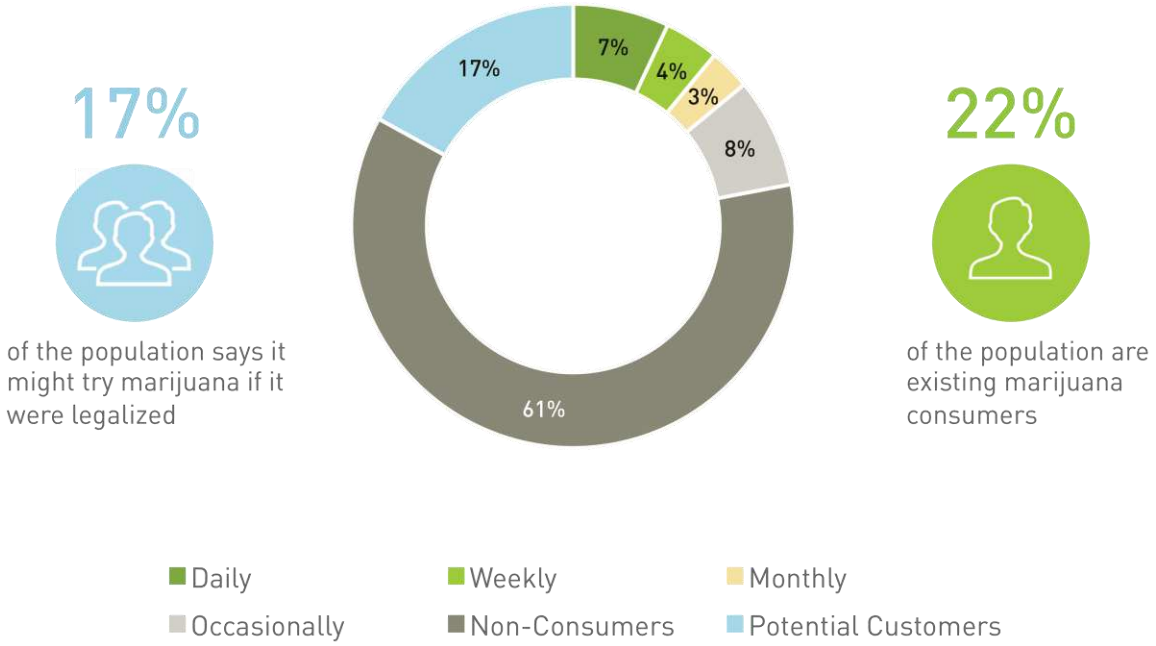
MedReleaf engages in physician outreach and education within the medical community. In order to further penetrate the growing medical cannabis market, the Company intends to continue dedicating time and resources to physician outreach efforts, which the Company believes will enable it to maintain or increase its market share, as represented by the Company's percentage of the total annual volume of cannabis-based pharmaceutical products sold (as reported by Health Canada).

There is also potential for growth as a result of an increase in the variety of cannabis-based pharmaceutical products permitted in the medical cannabis market. The Canadian market has already seen an expansion of the types of medical cannabis products approved by Health Canada, beginning with dried cannabis and extending to cannabis oils and, in the case of MedReleaf, to cannabis oil capsules. Continued expansion of permitted cannabis-based pharmaceutical products (for example, an increase in the maximum permitted cannabinoid concentrations such as THC or CBD) or new formats for products (for example transdermal patches), may further accelerate growth in the Canadian medical cannabis industry either by diverting more patients from unregulated channels or attracting new patients. However, no assurance can be given that an expansion of the permitted types or formats of cannabis-based pharmaceutical products will occur as anticipated or at all. See "*Risk Factors*".

Canadian Recreational Market

The Government of Canada introduced the Cannabis Act on April 13, 2017 in order to legalize, regulate and restrict access to cannabis. See "*Overview of Cannabis and the Cannabis Industry – Expected Legalization of Recreational Cannabis in Canada*.

The potential size and makeup of the Canadian recreational market was analyzed in a survey conducted between March 13 and April 3, 2016 and based on a sample of 5,000 adult Canadians, the results of which were published by Deloitte Touche Tohmatsu Limited and entitled "*Recreational Marijuana Insight and Opportunities*" (the "**Deloitte Survey**"). As illustrated below, the Deloitte Survey found that 22% of survey respondents consumed recreational cannabis at least on an occasional basis, with 7% of survey respondents consuming on a daily basis. A further 17% showed some willingness to try cannabis if it were legal, suggesting that the total potential marketplace may be close to 40% of the Canadian adult population.



Source: Deloitte Survey

According to the Deloitte Survey, the size of the Canadian recreational cannabis market could be as much as $5 billion per year, or similar to the size of the Canadian spirit market. At the upper threshold of the potential customer base, which takes into account the people who are likely to consume cannabis, cannabis revenue alone could be as high as $8.7 billion, which is similar to the revenue generated by wine in Canada. The Deloitte Survey considers that, on the production side, supplying even the low-end estimate of the recreational cannabis market would require the production of over 600,000 kilograms of cannabis annually. From a comparative standpoint, according to Health Canada, the medical market produced only 8,311 kilograms of dried cannabis and 137 kilograms of cannabis oil in 2015 (or approximately 1.4% of the Deloitte Survey's projected low-end estimate of the annual production requirement for the recreational cannabis market).

According to a report of the Office of the Parliamentary Budget Officer of the Government of Canada entitled "*Legalised Cannabis: Fiscal Considerations*" dated November 1, 2016 (the "**PBO Report**"), between 2015 and 2016, the average price of illicit cannabis ranged from $8.32 to $9.36 per gram, with a mid-point estimate of $8.84 per gram. The PBO Report indicates that the pre-tax price of legal cannabis is projected to range between $6.67 and $8.83 per gram, with a mid-point estimate of $7.50 per gram.

MedReleaf intends to participate in the Canadian recreational market, if and when the recreational use of cannabis is legalized in Canada. The Company has conducted a detailed analysis of the potential Canadian recreational cannabis market, providing management with an understanding thereof. As it has done in the Canadian medical cannabis market, the Company's customer acquisition strategy for the Canadian recreational cannabis market will be to focus on leveraging its analytical and consumer insight capabilities in order to identify profitable market segments, understand the unique needs of each segment, design brands and products to address market demand, and collect and analyze customer and sales data to improve the customer experience.

No assurance can be provided that the Company will be able to participate in the Canadian recreational cannabis market, if or when such market is created through the legalization of recreational cannabis use, or that the Company will, or will be able to, design products and service the market segments in which it may compete, or that the Company will be able to maintain profitability. See "*Risk Factors*".

International Markets

The ACMPR permits Licensed Producers to export their intellectual property and genetics to other jurisdictions (subject to all applicable import and export permits and requirements). MedReleaf is focused on developing international alliances and expansion, using an analytically-driven approach to identify high-value countries. Leveraging the Company's operational, manufacturing and educational outreach expertise, quality assurance capabilities, experience in submitting regulatory licensing applications and ability to deliver turn-key cultivation and processing solutions, management believes that MedReleaf is well-positioned to effectively penetrate international markets.

The Company has identified two general types of international opportunities: (i) opportunities to export its cannabis-based pharmaceutical products to other countries; and (ii) opportunities to create international alliances with local partners to apply for cultivation licences in other countries. MedReleaf is currently pursuing these opportunities in several countries.

Further, as part of its alliance with Tikun Olam, the Company and Tikun Olam may, from time to time, seek to jointly pursue international opportunities.

Near-Term Objectives

The Company is striving to meet the following near-term objectives, among others, within the timeframes noted below:

Second Half of Calendar 2017	First Half of Calendar 2018	Second Half of Calendar 2018
• Production from phase 1 Bradford Facility becomes commercially available (subject to licence amendment) • Launch softgel capsules and complete first shipment to patients	• Announce recreational brand portfolio (subject to compliance with all applicable laws) • Announce a major clinical research project in conjunction with a leading healthcare institution in Canada	• Production capacity from additional areas of the Bradford Facility becomes commercially available (subject to licence amendment) • Launch recreational cannabis products (subject to compliance with all applicable laws)

No assurance can be given that any of the foregoing objectives will be reached within the timeframes indicated or at all. See "*Risk Factors*".

REGULATORY OVERVIEW

The ACMPR

The ACMPR are the current governing regulations regarding the production, sale and distribution of cannabis and cannabis oil extracts in Canada. The ACMPR provide for three possible alternatives for Canadian residents who have been authorized by their health care practitioner to access cannabis for medical purposes:

- they can continue to access quality-controlled cannabis by registering with Licensed Producers;
- they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes (starting materials must be obtained from a Licensed Producer); or
- they can designate someone else who is registered with Health Canada to produce cannabis on their behalf (starting materials must be obtained from a Licensed Producer).

In administering the ACMPR, Health Canada has two main roles:

- licensing and overseeing the commercial industry; and
- registering and overseeing individuals who produce a limited amount of cannabis for their own medical purposes (or to have another individual produce it on their behalf).

The ACMPR sets out, among other things, the authorized activities and general responsibilities of Licensed Producers, including:

- the requirement to obtain and maintain a licence from Health Canada prior to commencing any activities;
- calculating the quantity of cannabis, other than dried cannabis, that is equivalent to a given quantity of dried cannabis;
- security measures relating to facilities and personnel;
- good production practices;
- packaging, shipping, labelling, import and export and record-keeping requirements; and
- patient registration and ordering requirements.

Newly-authorized activities under the ACMPR include the production and sale of starting materials (i.e., cannabis seeds and plants) to those individuals who have registered to produce a limited amount of cannabis for their own medical purposes, or to have it produced by a designated person, and the ability to sell an interim supply of fresh or dried cannabis or cannabis oil to registered persons while they wait for their plants to grow.

Licences and licence applications under the ACMPR consolidate the MMPR licence requirements for the production and sale of dried cannabis, the requirements for supplemental licences under the Section 56 Exemption, and the new requirements for the sale of cannabis seeds and plants.

Other notable changes from the MMPR include:

- new labelling requirements for cannabis oil to include the carrier oil used and for cannabis oil in dosage form to include the number of capsules or units in the container, the net weight, and the volume of each capsule or unit;
- new labelling requirements for fresh and dried cannabis to include the percentage of THC and CBD that could be yielded, taking into the account the potential to convert THC-Acid and CBD-Acid into THC and CBD;

- provisions enabling individuals to receive their 30-day supply of cannabis within each 30-day period beginning on the date of the first sale;
- modifying that the accuracy of weight and volume of products in packages must now be between 95% and 105%, as opposed to between 95% and 101%;
- requiring all analytical testing to be done using validated methods (e.g., contaminants, disintegration, and solvent residue testing) and requiring disintegration testing for cannabis oil in capsules or similar dosage forms; and
- requiring notification to the Minister prior to commencing a recall.

The Company's Licences

Markham Commercial Licence

The Markham Commercial Licence authorizes the Company to produce, sell, possess, ship, transport, deliver and destroy dried cannabis and cannabis plants (including live plants, clippings and seeds), as well as cannabis oil, and to possess and destroy THC and CBD, at its Markham Facility. The Markham Commercial Licence also authorizes the Company to, among other things, produce at its Markham Facility up to 6,000 kilograms of dried cannabis and up to 1,760 kilograms of cannabis oil during the term of the Markham Commercial Licence, and to sell and distribute to patients within Canada during the term of the Markham Commercial Licence up to 5,000 kilograms of dried cannabis, up to 1,319 kilograms of bottled cannabis oil, and up to 440 kilograms of encapsulated cannabis oil.

As it has done in the past, the Company may in the future apply from time to time for an amendment to the Markham Commercial Licence in order to, among other things, increase the maximum permitted production and sales volumes. The time it takes for Health Canada to process any such amendment application varies depending on the complexity of the application and other factors outside the control of the Company. Management does not consider the costs associated with obtaining such an amendment to be material.

The current term of the Markham Commercial Licence began on February 16, 2017 and expires August 15, 2018. The Markham Commercial Licence was issued to the Company for use at the Markham Facility and applies only to such facility. Adverse changes or developments affecting the Markham Facility could have a material adverse effect on the Company's ability to continue producing cannabis-based pharmaceutical products, with resulting material adverse effects on the Company's business, financial condition and prospects. See "*Risk Factors*".

Bradford Cultivation Licence

The Bradford Cultivation Licence authorizes the Company at its Bradford Facility and during the term of the licence to produce, possess and destroy dried cannabis (up to 100 kilograms in respect of production) and cannabis plants (including live plants, clippings and seeds), and to sell or provide (up to three kilograms), ship, transport and deliver dried cannabis to Licensed Dealers, solely for the purpose of analytical testing. The current term of the Bradford Cultivation Licence began on April 12, 2017 and expires on April 11, 2018.

While the production capacity of the completed first phase of the Bradford Facility exceeds the maximum production volume permitted by the Bradford Cultivation Licence, the licence's production limitations and sales restrictions are typical for an initial licence issued by Health Canada to a Licensed Producer. This is in keeping with Health Canada's role in monitoring the quality of cannabis products produced by Licensed Producers. As a result, newly-issued licences, such as the Bradford Cultivation Licence, are typically production-only. In order to obtain an amendment to the Bradford Cultivation Licence to increase our maximum permitted production volume and permit sales of cannabis-based pharmaceutical products to patients from the Bradford Facility, we will be required to demonstrate to Health Canada that our processes result in the production of a dried cannabis product that meets quality control standards and production practices required under the ACMPR, which will be assessed based on our first crop of cannabis grown at the facility.

Accordingly, as it has done in the past from time to time in respect of the Markham Commercial Licence, management intends to apply in due course for an amendment to the Bradford Cultivation Licence in order to increase the maximum production volume to a level in line with the Bradford Facility's production capacity, and to permit the sale of cannabis-based pharmaceutical products. The time it takes for Health Canada to process any such amendment application varies depending on the complexity of the application and other factors outside the control of the Company. Management does not consider the costs associated with obtaining such an amendment to be material. While management believes that the production practices it employs at the Bradford Facility meet or exceed the requirements of Health Canada and the ACMPR, no assurance can be provided that we will be able to obtain such an amendment to the Bradford Cultivation Licence. Adverse changes or developments affecting the Bradford Facility could have a material adverse effect on the Bradford Cultivation Licence. See "*MedReleaf's Facilities – Bradford Facility*" and "*Risk Factors*".

Renewing the Licences

Before the end of the term of each Licence, the Company must submit an application for renewal to Health Canada containing information prescribed by the ACMPR. The ACMPR requires that the Minister, after examining the application and any supplementary information requested, issue a renewed licence unless:

- the applicant is not an adult who ordinarily resides in Canada or a corporation that has its head office in Canada or operates a branch office in Canada and whose officers and directors are all adults;
- the requirements regarding notification of local authorities pursuant to the ACMPR have not been met (such notifications would only be required in connection with a renewal if there are changes to the information since the original application);
- an inspector, who has requested an inspection, has not been given the opportunity by the applicant to conduct an inspection;
- the Minister has reasonable grounds to believe that false or misleading information or false or falsified documents were submitted in or with the application;
- information received from a peace officer, a competent authority or the United Nations raises reasonable grounds to believe that the applicant has been involved in the diversion of a controlled substance or precursor to an illicit market or use;
- the applicant does not have in place the security measures set out in the Security Directive and Subdivision C of the ACMPR in respect of an activity for which the licence is sought;
- the applicant is in contravention of or has contravened in the past 10 years:
    - a provision of the CDSA or its regulations or the FDA; or
    - a term or condition of another licence or a permit issued to it under any of those regulations;
- the issuance of a renewed licence would likely create a risk to public health, safety or security, including the risk of cannabis being diverted to an illicit market or use;
- any of the following persons does not hold a security clearance: the senior person in charge; the Responsible Person in Charge; if applicable, the alternate Responsible Person in Charge; if the applicant is an individual, that individual; and if the applicant is a corporation, any of its officers or directors;
- the proposed method of record keeping does not meet the requirements of the ACMPR; or
- if applicable, any supplemental information requested has not been provided or is insufficient to process the application.

Reporting Requirements under the ACMPR

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

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

- 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.

- The Company must 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.

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

- The Minister must be notified not later than the next business day if the Responsible Person in Charge of the Company ceases to carry out his or her duties and there is no person designated as an alternate Responsible Person in Charge.

- The Company must 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 Licences.

With respect to patients of the Company and cannabis-based pharmaceutical products provided or sold by the Company, the ACMPR requires that:

- In respect of fresh or dried cannabis or cannabis oil provided or sold by the Company, the Minister must 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.

- The Company annually prepare and maintain a summary report that contains a concise and critical analysis of all adverse reactions to fresh or dried cannabis or cannabis oil provided or sold by the Company 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).

- The Company report any new dried cannabis equivalency factor determined under section 79 of the ACMPR, and the method used to determine it, at least 10 days before the Company sells or provides fresh cannabis, dried cannabis 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 patient.

- The Company, 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, the Company must provide as soon as feasible, within 72 hours after receiving the request, the following information to that Canadian police force:

    - an indication of whether or not the individual is one of the Company's patients or an individual who is responsible for one of the Company's patients;

- in the case of a patient of the Company, whether the patient is registered with the Minister under Part 2 of the ACMPR and, if so, whether the patient's registration with the producer is for the purpose of obtaining an interim supply of fresh or dried cannabis or cannabis oil, cannabis plants or seeds, or both; and

- the daily quantity of dried cannabis that is specified in the medical document supporting the patient's registration or that is specified in that individual's registration with the Minister made under Part 2 of the ACMPR.

- The Company 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 under the Licences

In addition to the general reporting requirements prescribed by the ACMPR, Licensed Producers, such as the Company, are also required to report the following additional information to Health Canada on a monthly basis:

- *Cannabis Sold or Transferred* - With respect to fresh and dried cannabis, cannabis oil, cannabis seeds and plants, Licensed Producers must report the total amount sold or transferred during the reporting period to: (a) registered patients; (b) other Licensed Producers; and (c) Licensed Dealers. With respect to fresh and dried cannabis and cannabis oil, Licensed Producers must also report the total amount sold to registered patients for interim supply in the reporting period.

- *Number of Patients Registered and Province or Territory of Residence* – Licensed Producers must report the total number of individuals who were registered as patients (including province or territory of residence), the total number of individuals who were registered as new patients and the total number of individuals who renewed their registrations, as at the end of the reporting period. Licensed Producers must also report the total number of patients registered to obtain an interim supply and starting material (including province or territory of residence).

- *Number of Refused Registrations and Refusals to Fill Order* – Licensed Producers must report the number of registered patients who tried to register with their organization, but could not be registered, regardless of the reason. Licensed Producers must also report the number of patients who placed orders or tried to place orders that could not be filled, regardless of the reason.

- *Cannabis Inventory*

    - With respect to fresh and dried cannabis and cannabis oil, Licensed Producers must report as of the final day of the reporting period the following: (a) total amount held in inventory; (b) amount intended for sale but not yet approved and held in inventory; (c) amount approved for sale and held in inventory; (d) amount of samples in inventory; and (e) amount of fresh and dried cannabis intended for extraction activities held in inventory.

    - With respect to cannabis seeds and plants, Licensed Producers must report: (a) the total number of plants held in inventory; (b) the number of plants destined to be sold as starting material held in inventory; (c) the total weight of seeds held in inventory; and (d) the number and weight of seeds destined to be sold as starting material held in inventory.

    - Licensed Producers must report the total amounts ready to be destroyed, but still held in inventory on the final day of the reporting period.

- *Import and Export of Cannabis* – Licensed Producers must report the total amount of cannabis imported and exported during the reporting period.

- *Lost, Stolen, Destroyed and Returned Cannabis* – Licensed Producers must report the total amount of cannabis lost and/or stolen during the reporting period and, with respect to fresh and dried cannabis, cannabis oil, cannabis seeds and plants, Licensed Producers must report the total amount that was destroyed during the reporting period and of waste (e.g., plants, leaves, twigs) destroyed during the reporting period. With respect to fresh and dried cannabis, cannabis oil, cannabis seeds and plants, Licensed Producers must also report the total amount returned from patients during the reporting period.

- *Number of Shipments and Province or Territory of Shipment* – Licensed Producers must report the total number of shipments sent to the following during the reporting period (and the province or territory of shipment): (a) registered patients; (b) registered patients for an interim supply; (c) other Licensed Producers; and (d) Licensed Dealers.

- *Average and Median Amount of Cannabis for Medical Purposes Authorized* – Licensed Producers must report the average and median daily amount of dried cannabis supported by health care practitioners to be used by registered patients of the Licensed Producer.

- *Ten Highest Unique Daily Amounts and Frequency* – Licensed Producers must report the 10 highest amounts of dried cannabis shipped to registered patients in the reporting period (the name or other information of the registered patient must not be identified).

- *Daily Authorized Amounts* – Licensed Producers must report the number of patients with daily authorized amounts of dried cannabis over a range of increments between zero grams and greater than 15 grams.

- *Average and Median Shipment Size and Total Shipments* – Licensed Producers must report the average and median size of shipments sent to registered patients in the reporting period and the total number of shipments of dried cannabis and its equivalent to registered patients over a range of increments between zero grams and 150 grams.

- *List of Health Care Practitioners and Nurse Practitioners* – Licensed Producers must provide a list of all health care practitioners and nurse practitioners who provided a medical document for a registered patient in the reporting period, and the location of such practitioner and number of medical documents such practitioner signed during such period.

- *Research and Development* – Licensed Producers are required to report on the cannabis with which they are conducting R&D activities.

- *Other Cannabis Products* – Licensed Producers are required to report on activities with other cannabis products (e.g., cannabis resin).

CORPORATE STRUCTURE

General

The Company was incorporated on February 28, 2013 under the OBCA with the name "MedReleaf Corp.". Its articles were amended on December 16, 2013 in order to create the Class B Shares and then amended again on March 27, 2015 to create the Class C Shares. The Company's head office is located at Markham Industrial Park, Markham, Ontario L3R 6G3 and its registered and records office is located at Suite 3800, Royal Bank Plaza, South Tower, 200 Bay Street, Toronto, Ontario M5J 2Z4. Other than MedReleaf Australia, the Company currently has no subsidiaries. As at the date hereof and prior to the Capital Reorganization, the authorized capital of the Company consists of an unlimited number of Class A Shares, an unlimited number of Class B Shares and 12,352 Class C Shares.

MedReleaf Australia was incorporated on January 23, 2017 under the OBCA with the name "MedReleaf Holdings (Australia) Ltd." for the purpose of holding the Company's 10% interest in an Australian corporation which is in the process of applying for an Australian medical cannabis cultivation and manufacturing licence. MedReleaf Australia has the same head and registered office as the Company and is wholly-owned by the Company.

The Company and MedReleaf Australia each have a fiscal year end of March 31st.

Capital Reorganization

In connection with the Offering, the share structure of the Company will be simplified by the elimination of the Class B Shares and non-interest bearing promissory notes previously issued by the Company (which are held by the holders of all of the issued Class B Shares) having an outstanding aggregate balance of $2,400,000 (the "**Notes**"). Additionally, the articles and by-laws of the Company are not currently consistent with those required by a public company and, as such, are to be amended. For these purposes, prior to the Closing, the Company will complete the following steps (collectively referred to as the "**Capital Reorganization**"):

(a) the conversion provisions of the Class B Shares contained in the Company's articles will be amended to, among other things, provide that, upon full repayment of the loans evidenced by the Notes, all of the outstanding Class B Shares shall be automatically converted into that number of fully-paid and non-assessable Class A Shares equal to the number of Class B Shares outstanding multiplied by the quotient of (i) the Offering Price adjusted to reverse the effect of the subdivision described below (the "**Adjusted Offering Price**"), less $10.60; divided by (ii) the Adjusted Offering Price.

(b) each outstanding Note shall be repaid in full by the issuance and delivery of Class A Shares equal to the principal amount of such Note divided by the Adjusted Offering Price (the "**Note Repayments**");

(c) following the Note Repayments, the outstanding Class B Shares shall be automatically converted into Class A Shares in accordance with the amended conversion provisions described under (a) above (the "**Class B Conversion**");

(d) the articles of the Company will be further amended to reflect the results of the Note Repayment and the Class B Conversion and to be consistent with articles required for a public company. These amendments will include:

(i) the deletion of the Class B Shares from the authorized capital of the Company;

(ii) certain amendments to the Class C Shares to redesignate them as "Class B shares", and to provide that, on the earlier of March 23, 2018 and the date of closing of a change of control (as defined in Igor Gimelshtein's employment agreement), all of the Class B Shares then outstanding shall be automatically converted into 464,054 Common Shares, after giving effect to the subdivision and redesignation described in (iii) below (see "*Description of Share Capital – Class B Shares*" and "*Executive Compensation - Employment Agreements and Potential Payments upon Termination or Change of Control – Igor Gimelshtein*");

(iii) the subdivision of the Class A Shares at a ratio of 116.0909 to one (1) and a redesignation of the Class A Shares as "common shares";

(iv) the removal of the restrictions that: (I) shares of the Company shall not be transferred without the consent of either (a) the directors evidenced by a resolution passed or signed by them and recorded in the books of the Company or (b) the holders of a majority in number of the outstanding voting shares of the Company; and (II) securities of the Company, other than shares and non-convertible debt securities, shall not be transferred without compliance with the restrictions on transfer contained in the applicable securityholders' agreement or, absent any such restrictions, shall not be transferred without the consent of the Secretary of the Company (the "**Transfer Restriction Removal**"); and

(e) the by-laws of the Company will be amended to reflect the by-laws necessary for a public company, a copy of which will be available under our profile on SEDAR at www.sedar.com.

The Company intends to hold an annual and special meeting of its shareholders prior to the filing of the (final) prospectus to approve, among other things, the Capital Reorganization. Accordingly, following the Capital Reorganization, the authorized capital of the Company will consist of: (i) an unlimited number of Common Shares; and (ii) 3,997.34 Class B Shares.

USE OF PROCEEDS

The net proceeds to the Company from the Treasury Offering are estimated to be approximately $●, after deduction of the Company's share of the Underwriters' Fee of $● (assuming ● Offered Shares are sold to President's List purchasers in the Treasury Offering) and the estimated expenses payable by the Company. The Company will not receive any of the proceeds related to the Offered Shares sold by the Selling Shareholders in the Secondary Offering. The Selling Shareholders will not pay any expenses of the Offering in connection with the Secondary Offering as the incremental costs thereof are not expected to be a material portion of the aggregate expenses of the Offering.

The Company intends to use the net proceeds of the Treasury Offering (assuming no exercise of the Over-Allotment Option and ● Offered Shares are sold to President's List purchasers in the Treasury Offering) as follows:

Bradford Facility build-out	$40,000,000
Expansion of existing manufacturing capacity	$15,000,000
Clinical research and product development	$2,000,000
Total	**$57,000,000**

The remaining net proceeds of approximately $● are expected to be used for working capital and general corporate purposes.

To date, the Company has spent approximately $20 million of the $68 million budgeted for the build-out of the Bradford Facility, and intends to allocate $40 million of the net proceeds raised pursuant to the Treasury Offering for such purpose. The Company expects that the remaining $8 million of the budget will be funded internally from cash on hand and cash flow from operations. The planned expenditures for the completion of the build-out of the Bradford Facility will include constructing insulated panel rooms, irrigation systems, lighting and electrical systems, mechanical systems, HVAC, controls systems, drainage works and structural steel works, all of which are required for the completion of additional indoor cultivation rooms, processing areas and R&D areas.

The Bradford Facility build-out is expected to include the remaining construction of the 210,596 square foot cultivation, production and processing facility. When completed, the Bradford Facility is expected to add a minimum of approximately 28,000 kilograms of annual production capacity. Management believes that the remaining build-out of the Bradford Facility can be completed within the 12 months following the Closing, however the actual timing thereof will be determined by management based on demand for the Company's cannabis-based pharmaceutical products and depending on whether the Company receives a commercial licence under the ACMPR in respect of such facility. See "*MedReleaf's Facilities – Bradford Facility*".

The expansion of manufacturing capacity includes a possible real property acquisition, including engineering, design and construction of a facility suitable for the production of cannabis-based pharmaceutical products. The purpose of any such acquisition would be to enable the Company to further expand its cultivation and production capacities. Development plans are at an early stage, and the land, building and equipment required for any such facility have not yet been identified, nor have costs been finally determined.

Clinical research and product development activities, as undertaken by the Company in the ordinary course, are ongoing and will include indication-specific research, clinical trials and development of new cannabis-based pharmaceutical products and product formats. Management of the Company expects that the net proceeds of the Treasury Offering allocated to clinical research and product development activities will be expended over approximately 12 months following the Closing.

If the Over-Allotment Option is exercised in full, the Company expects to receive an aggregate of $● in net proceeds, after deducting the Underwriters' Fee and the estimated expenses of the Offering payable by the Company. Any amount received by the Company on account of the exercise of the Over-Allotment Option will be used for working capital and general corporate purposes.

The above-noted allocation represents the Company's intention with respect to its use of the net proceeds of the Treasury Offering based on current knowledge and planning by management of the Company. There may be circumstances where, for sound business reasons, the Company reallocates the use of the proceeds from the Treasury Offering.

The aggregate net proceeds to be received by the Selling Shareholders from the sale of Offered Shares pursuant to the Secondary Offering will be $● ($● if the Over-Allotment Option is exercised in full), after deducting that portion of the Underwriters' Fee payable by the Selling Shareholders. See "*Principal and Selling Shareholders*".

PLAN OF DISTRIBUTION

General

Pursuant to the Underwriting Agreement dated ●, 2017, the Company and the Selling Shareholders have agreed to sell, and the Underwriters have agreed to purchase as principals, on the Closing, an aggregate of ● Offered Shares, at a price per Offered Share equal to the Offering Price, for aggregate gross consideration of $● payable in cash to the Company and $● payable in cash to the Selling Shareholders, in each case, against delivery of the Offered Shares on the Closing Date, subject to and in compliance with all of the necessary legal requirements and conditions contained in the Underwriting Agreement.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint. The Underwriters are, however, severally obligated to take up and pay for all of the Offered Shares if any of the Offered Shares are purchased under the Underwriting Agreement. The Underwriters are not required to take up or pay for Common Shares covered by the Over-Allotment Option described below. The obligations of the Underwriters under the Underwriting Agreement are conditional and may be terminated at their discretion on the basis of each of a: "litigation out", "material change out", "disaster out", "proceedings to restrict distribution out", "market out", and "change of laws out", as well as upon the occurrence of certain stated events.

In consideration for the services provided by the Underwriters in connection with the Offering and pursuant to the terms of the Underwriting Agreement, the Company has agreed to pay to the Underwriters the Company's portion of the Underwriters' Fee, equal to 6.00% of the aggregate gross proceeds from the sale of Offered Shares pursuant to the Treasury Offering (subject to a reduced fee of 3.00% for Offered Shares sold by the Underwriters to President's List purchasers), and the Selling Shareholders will pay to the Underwriters the Selling Shareholders' portion of the Underwriters' Fee, equal to 6.00% of the aggregate gross proceeds from the sale of Offered Shares pursuant to the Secondary Offering. The Company has also agreed to pay for certain expenses of the Underwriters in connection with the Offering. The Selling Shareholders will not pay any expenses of the Offering in connection with the Secondary Offering as the incremental costs thereof are not expected to be a material portion of the aggregate expenses of the Offering.

The Company and the Selling Shareholders, on a 40%/60% basis, respectively, will grant the Underwriters the Over-Allotment Option exercisable, in whole or in part, and from time to time, in the sole discretion of the Underwriters, for a period of 30 days from and including the Closing Date, under which the Underwriters may purchase up to an additional ● Offered Shares (representing 15% of the aggregate number of initial Offered Shares offered pursuant to the Treasury Offering and the Secondary Offering) at the Offering Price, to cover over-allotments, if any, and for market stabilization purposes. All references to "Offered Shares" in this prospectus include the Offered Shares that may be issued pursuant to the Over-Allotment Option. The grant of the Over-Allotment Option and the Offered Shares issued upon exercise of the Over-Allotment Option are qualified for distribution under this prospectus. A purchaser who acquires securities 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.

The Offering Price was determined by negotiation between the Company, the Selling Shareholders, and the Underwriters, based upon several factors, including the history of, and prospects for, the Company's business and the industry in which it competes and an assessment of the Company's management, operations and financial results, and may bear no relationship to the price that will prevail in the public market.

The Offering is being made concurrently in each of the provinces and territories of Canada. The Offered Shares will be offered through the Underwriters directly. Subject to applicable law, the Underwriters may offer the Offered Shares outside of Canada. The Company and the Selling Shareholders, severally and not jointly, have agreed to indemnify the Underwriters and their respective directors, officers and employees against certain liabilities pursuant to the Underwriting Agreement, including liabilities under Canadian securities legislation, or will contribute to payments the Underwriters may be required to make in respect thereof. There is currently no market through which Common Shares may be sold and prospective purchasers may not be able to resell Common Shares purchased under this prospectus.

Cowen and Company, LLC is not registered to sell securities in any Canadian jurisdiction and, accordingly, will only sell Offered Shares outside of Canada and will not, directly or indirectly, solicit offers to purchase the Offered Shares in Canada.

The Closing of the Offering is conditional on the Common Shares being approved for listing on the TSX.

The Company has applied to have the Common Shares listed on TSX under the symbol "LEAF". Listing of the Common Shares on TSX is subject to approval by TSX of the Company's listing application and fulfillment by the Company of all the original listing requirements and conditions of TSX. TSX has not conditionally approved the listing of the Common Shares and there is no assurance that TSX will approve the listing application.

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 Underwriters and/or their affiliates from time to time may provide in the future, investment banking, financial advisory, broker-dealer and commercial banking services to the Company and/or the Selling Shareholders and their subsidiaries and affiliates in the ordinary course of business for which they have received, or may receive, customary fees and commissions.

Black-out Period

Unless it has received the prior written consent of GMP on behalf of the Underwriters, the Company will not, directly or indirectly, issue any Common Shares or other equity securities or other financial instruments or securities convertible or exercisable into or exchangeable for equity securities of the Company, or announce any intention to do any of the foregoing, at any time prior to 180 days after the Closing Date, other than (i) pursuant to the Underwriting Agreement; (ii) pursuant to the grant or exercise of equity-based compensation awards and other similar issuances in the normal course pursuant to any equity-based compensation plan, stock option agreements or similar arrangements; (iii) pursuant to the exercise of convertible securities, options or warrants of the Company outstanding prior to the Closing Date; (iv) as a result of the consolidation or subdivision of any securities of the Company; or (v) in connection with an acquisition, merger, business combination, tender offer, take-over bid, arrangement, asset purchase, joint venture or similar transaction.

Lock-up Arrangements

In connection with the completion of the Offering, the Company is required to use its commercially reasonable efforts to obtain (and it is a condition of the Closing) from each of the directors and officers of the Company and their respective associates and certain beneficial shareholders of the Company (the "**Locked-up Persons**"), a lock-up agreement with the Underwriters whereby such persons will agree, other than in connection with the Offering and subject to certain exceptions, not to directly or indirectly, sell, offer, hypothecate, assign, transfer, pledge, grant a security interest in, contract to sell, grant or sell an option or warrant to purchase, purchase any option or contract to sell, lend, swap or otherwise enter into any arrangement (including monetization arrangement or hedging or

similar transaction), whether through the facilities of a stock exchange, by private placement or otherwise, which has the effect of transferring any or all of the economic benefits of ownership of any of their Common Shares, securities convertible into or exchangeable into Common Shares, or other equity securities, or announce publicly their intention to do so, without having obtained the prior written consent of GMP (on behalf of the Underwriters) (the "**Lock-up Agreements**"). One-half of the securities held by each Locked-up Person (the "**Locked-up Securities**") will be subject to the terms of the Lock-up Agreements for a period of 180 days following the Closing, and the remainder of the Locked-up Securities will remain subject to the Lock-up Agreements for a period of one year following the Closing.

No Registration in the United States of America

The Offered Shares have not been and will not be registered under the U.S. Securities Act, or any U.S. state securities laws and, accordingly, may not be offered, sold, or delivered directly or indirectly, within the United States, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Underwriters have agreed that, except as permitted by the Underwriting Agreement and as expressly permitted by applicable United States federal and state securities laws, they will not offer or sell any of the Offered Shares within the United States. The Underwriting Agreement permits the Underwriters to offer and sell the Offered Shares purchased by them outside the United States in compliance with Regulation S under the U.S. Securities Act. The Underwriting Agreement also permits the Underwriters to (i) offer and resell the Offered Shares that they have acquired pursuant to the Underwriting Agreement in the United States to persons who are "qualified institutional buyers", as such term is defined in Rule 144A under the U.S. Securities Act, in compliance with Rule 144A under the U.S. Securities Act and applicable U.S. state securities laws, and (ii) offer the Offered Shares in the Treasury Offering in the United States to persons to whom the Company will sell such securities directly as substituted purchasers where such persons are "accredited investors" as defined in Rule 501(a) of Regulation D under the U.S. Securities Act, in compliance with Rule 506(b) of Regulation D under the U.S. Securities Act and applicable U.S. state securities laws.

This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Offered Shares in the United States. In addition, until 40 days after the commencement of the Offering, any offer or sale of Offered Shares offered hereby 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 accordance with an exemption from the registration requirements of the U.S. Securities Act.

The Offered Shares offered or sold in the United States will be "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act. Any certificates representing such Offered Shares will bear a legend to the effect that the securities represented thereby are not registered under the U.S. Securities Act or any applicable U.S. state securities laws and may only be offered, sold, pledged or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and any applicable U.S. state securities laws.

Terms used and not defined in the three preceding paragraphs shall have the meanings ascribed thereto by Regulation S under the U.S. Securities Act.

Notice to Prospective Purchasers of Offered Shares in the UK

The Offered Shares may not be offered to the public in the UK. This prospectus does not contain an offer or constitute any part of an offer to the public in the UK within the meaning of sections 85 and 102B of the FSMA, or otherwise, is not an approved prospectus for the purposes of section 85 of FSMA, and has not been (nor will be) delivered to the FCA or delivered to or approved by any other authority which could be a competent authority for the purposes of the Directive 2003/71/EC (as amended). In the UK, this prospectus is only being distributed to, and is only directed at, persons that are: (i) qualified investors within the meaning of section 86(7) of FSMA acting as principal or in circumstances to which section 86(2) of the FSMA applies; and (ii) relevant persons, who are either: (a) 'investment professionals' falling within Article 19 of the Financial Promotions Order; (b) 'high net worth entities, unincorporated associations etc', falling within Article 49 of the Financial Promotions Order; or (c) otherwise lawfully permitted to receive it. This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the UK. Any person in the UK that is not a relevant person should not act or rely on this prospectus or any of its contents.

Each purchaser of Offered Shares in the UK will be deemed to have represented to the Company and the Underwriters, and acknowledges that each of the Company and the Underwriters is relying on such representation, that they satisfy the criteria to be a relevant person.

Notice to Prospective Purchasers of Offered Shares in the European Economic Area

For purposes of this notice, the expression an "offer to the public" in relation to any offer of Offered Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offered Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Offered Shares, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended from time to time) and includes any relevant implementing measure in each Relevant Member State.

In relation to each Relevant Member State of the European Economic Area, other than the United Kingdom, the Underwriters have represented and agreed, and each further Underwriter appointed under the Offering will be required to represent and agree, that with effect from, and including, the date on which the Prospectus Directive is implemented in the Relevant Member State, an offer to the public of any Offered Shares which are the subject of this Offering may not be made in that Relevant Member State prior to the publication of a prospectus in relation to such Offered Shares that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that an offer to the public in that Relevant Member State of Units may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State: (a) to European Qualified Investors; (b) to fewer than 150 natural or legal persons (other than European Qualified Investors); or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided in each case that no such offer of Offered Shares shall result in a requirement for the publication by MedReleaf or the Underwriters of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State.

Each subscriber for the Offered Shares located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a European Qualified Investor.

This prospectus has been prepared on the basis that any offer of Offered Shares in any member state of the European Economic Area will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Offered Shares. Accordingly any person making or intending to make an offer in a member state of Offered Shares which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for MedReleaf or the Underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the Underwriters have authorized, nor do they authorize, the making of any offer of Offered Shares in circumstances in which an obligation arises for the Company or the Underwriters to publish a prospectus for such offer.

Neither MedReleaf nor the Underwriters have authorized, nor do they authorize, the making of any offer of Offered Shares through any financial intermediary, other than offers made by the Underwriters, which constitute the final placement of the Offered Shares contemplated in this prospectus. In the case of any Offered Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Offered Shares acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Offered Shares to the public other than their offer or resale in a Relevant Member State to European Qualified Investors or in circumstances in which the prior consent of Underwriters has been obtained to each such proposed offer or resale. The Company and the Underwriters will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

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 Offered 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, the imposition of penalty bids, and syndicate covering transactions. Such transactions, if commenced, may be discontinued at any time.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Offered Shares while the Offering is in progress. These transactions may also include making short sales of the Offered Shares, which involve the sale by the Underwriters of a greater number of Offered 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, and from time to time or by purchasing Offered Shares in the open market. In making this determination, the Underwriters will consider, among other things, the price of Offered Shares available for purchase in the open market compared with the price at which they may purchase Offered Shares through the Over-Allotment Option.

The Underwriters must close out any naked short position by purchasing Offered 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 Offered Shares in the open market that could adversely affect purchasers who purchase Offered 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 Offered 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 Offered 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 Offered 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 Offered Shares are listed, in the over-the-counter market, or otherwise.

Closing Mechanics

Other than in certain circumstances, it is anticipated that the Offered Shares will be delivered electronically through the NCI system of CDS. On the Closing Date, the Company, via its transfer agent, will electronically deliver the Offered Shares registered to CDS or its nominee. Transfers of ownership of Offered Shares in Canada must be effected through a CDS participant, which includes securities brokers and dealers, banks and trust companies. All rights of shareholders who hold Offered Shares in CDS must be exercised through, and all payments or other property to which such shareholders are entitled, will be made or delivered by CDS or the CDS participant through which the shareholder holds such Offered Shares. A holder of an Offered Share participating in the NCI system will not be entitled to a certificate or other instrument from the Company or the Company's transfer agent evidencing that person's interest in or ownership of Offered Shares, nor, to the extent applicable, will such holder be shown on the records maintained by CDS, except through an agent who is a CDS participant. The ability of a beneficial owner of Offered Shares to pledge such Offered Shares or otherwise take action with respect to such owner's interest in such Offered Shares (other than through a CDS participant) may be limited due to the lack of a physical certificate.

CONSOLIDATED CAPITALIZATION

The following table sets out the consolidated capitalization of the Company: (i) as at December 31, 2016; and (ii) as at December 31, 2016 after giving effect to the Capital Reorganization and assuming the completion of the Offering (and assuming no exercise of the Over-Allotment Option and ● Offered Shares are sold to President's List purchasers in the Treasury Offering) and the current outstanding indebtedness under the Credit Facilities. This table should be read in conjunction with the Company's Financial Statements and the related notes included elsewhere in this prospectus, and with the information set out under "*Management's Discussion and Analysis*", "*Use of Proceeds*" and "*Corporate Structure – Capital Reorganization*".

	As at December 31, 2016[(1)]	As at December 31, 2016 (after giving effect to the Capital Reorganization, the Offering and the Credit Facilities)[(1)(2)]
Cash and Cash Equivalents	**$25,503,000**	**$99,503,000**
Debt		
Credit Facilities[(3)]	Nil	$10,000,000
Former Credit Facility	$7,500,000	Nil
Shareholder loans[(4)]	$2,164,000	Nil
Total Debt[(5)]	**$9,664,000**	**$10,000,000**
Total Equity[(6)]	**$49,528,000**	**$123,528,000**
Total Capitalization[(7)]	**$84,695,000**	**$233,031,000**

Notes:

(1) It is not expected that the Capital Reorganization will materially affect the consolidated capitalization of the Company.
(2) Assumes net proceeds of $74,000,000 based on the estimated gross proceeds of approximately $80,000,000 in respect of the Treasury Offering less the Company's portion of the Underwriters' Fee of approximately $4,650,000 and estimated expenses of the Offering.
(3) See "*Description of Material Indebtedness*".
(4) Represents the Notes less fair value adjustment. See "*Corporate Structure – Capital Reorganization*".
(5) Total debt includes the current and long-term portions of the Former Credit Facility plus total unamortized deferred finance fees netted against such facility, and shareholder loans.
(6) Total equity is comprised of share capital, contributed surplus and total retained earnings.
(7) Total capitalization is the sum of cash and cash equivalents, total debt and total equity.

DESCRIPTION OF MATERIAL INDEBTEDNESS

On April 17, 2017, the Company entered into a credit agreement with a Canadian chartered bank and another Canadian financial institution (the "**Credit Agreement**"). The Credit Agreement is available by way of revolving loans to a maximum credit limit of $10 million (the "**Revolving Loans**") and by way of non-revolving term loans to a maximum aggregate amount of $10 million (the "**Term Loans**" and, collectively with the Revolving Loans, the "**Credit Facilities**"). The Credit Facilities mature on April 17, 2020. Borrowings may be made by Canadian prime loans, bankers' acceptances, bankers' acceptances equivalent loans and letters of credit.

As at the date hereof, the aggregate amount outstanding under the Credit Facilities is approximately $10,000,000 (comprised of approximately $10,000,000 of Term Loans, with no amounts outstanding under Revolving Loans). As of the date of this prospectus, the cost of borrowing under the Credit Facilities is 4.0% per annum.

The Credit Agreement restricts the use of proceeds of the Credit Facilities. Term Loans may be used solely for the purpose of repaying the Former Credit Facility or other indebtedness of the Company and funding the build-out of the Bradford Facility. Revolving Loans may fund working capital and other general corporate purposes of the Company.

The Credit Agreement provides for a guarantee of the Company's obligations thereunder by its wholly-owned subsidiary. The obligations of MedReleaf under the Credit Agreement are secured by a first priority security interest over all present and future personal and real property of the Company and its wholly-owned subsidiary, subject to certain exceptions.

The Credit Agreement contains events of default customary for agreements of this nature as well as certain restrictive covenants including, subject to certain exceptions, restrictions on the Company's ability to incur indebtedness, grant liens, make corporate changes, dispose of assets, make investments including acquisitions and pay dividends. The Company has also covenanted to manage and operate its business: (i) solely within Canada (subject to permitted exceptions under the Credit Agreement); (ii) with production of the Company's cannabis-based pharmaceutical products solely in facilities licensed by Health Canada; (iii) with no storefront or retail operations unless and until it is lawful to do so and subject to the terms and conditions of the Credit Agreement; (iv) in accordance with prudent industry practice in all material respects; and (v) in compliance with the terms of all applicable contracts and agreements, except where the failure to do so would not, individually or in the aggregate, result in a material adverse effect. In addition to the foregoing restrictions, the Company must also observe certain financial covenants including with respect to: (i) maintaining an interest coverage ratio of not less than 3.00 to 1.00; (ii) maintaining a total leverage ratio of not more than 2.50 to 1.00; (iii) maintaining a capitalization ratio of not more than 1.00 to 2.00; and (iv) not permitting any EBITDA Decrease (as defined therein) to exceed 30.0%, in each case as more particularly provided in the Credit Agreement. 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. See "*Material Contracts*" and "*Risk Factors*".

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis of the financial condition and results of operations ("**MD&A**") should be read in conjunction with the Company's financial statements for the years ended March 31, 2016, 2015 and 2014 (the "**Annual Financial Statements**"), and for the three and nine month periods ending December 31, 2016 and 2015 (the "**Quarterly Financial Statements**"), including the notes thereto, included in this prospectus and which have been prepared in accordance with IFRS (collectively, the "**Financial Statements**"). This MD&A is presented as of the date of this prospectus and is current to that date unless otherwise stated. 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 "*Cautionary Statement Regarding Forward-Looking Information*" and "*Risk Factors*".

Other than per share and per gram amounts, all dollar amounts in this MD&A are in thousands of Canadian dollars unless otherwise stated. All percentages are calculated using the rounded numbers as they appear in the tables.

Overview

The Company was incorporated on February 28, 2013 under the OBCA. The principal activities of the Company are the production and sale of cannabis for medical purposes as regulated by the ACMPR, pursuant to its Licences and, in particular, its Markham Commercial Licence. Prior to the expiry of the term of its Licences, the Company must submit an application for renewal of its Licences to Health Canada which contains information prescribed by the ACMPR. The Company has renewed its Markham Commercial Licence and its current term will end on August 15, 2018. See "*Business of the Company – Company Overview*" for an overview of the Company and its business and "*Regulatory Overview*" for details regarding the regulatory framework under which the Company operates.

Non-IFRS Measures

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 additional information regarding the Company's results of operations from management's perspective. Accordingly, non-IFRS measures should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS.

(a) Adjusted Product Contribution Margin

Management makes use of an "Adjusted Product Contribution Margin" measure to provide a better representation of performance in the period by excluding non-cash fair value measurements as required by IFRS. The Adjusted Product Contribution Margin used by management is a non-IFRS financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management believes this measure provides useful information as it represents the gross margin for management purposes based on the Company's complete cost to produce inventory sold, exclusive of any fair value measurements as required by IFRS. The metric is calculated by removing all amounts related to biological asset fair value accounting under IFRS including gains on transformation of biological assets and the cost of finished harvest inventory sold, which represents the fair value measured portion of inventory cost ("**fair value cost adjustment**") recognized as cost of goods sold.

(b) Equivalent grams and kilograms

Equivalent gram or kilogram refers to the number of dried grams or kilograms of cannabis required to produce extracted cannabis in the form of cannabis oil. The Company estimates and converts its cannabis oil inventory to grams using the combined THC and CBD content in extracted cannabis products. Any reference to grams in this MD&A includes both dried grams and equivalent grams.

(c) Cash Cost Per Gram Sold

The cash cost per gram sold is used by management to measure the estimated amount of direct production costs, on a per gram sold basis, that are required to produce dried cannabis and cannabis oil. Management uses this measure to track production cost trends and assess the sensitivity and tolerance for pricing changes. Management believes this measure provides useful information by removing non-cash and post production costs and provides a benchmark of the Company against its competitors. This is not a defined term under IFRS. The metric is calculated by: removing from production costs incurred during the period all non-cash based costs (including amortization and inventory write-downs or impairments) and all post production costs; and dividing such amount by the approximate number of grams of cannabis sold during the period. Post production costs include indirect overhead expenses such as: equipment rentals, payment processing fees, indirect labour expenses, shipping expenses, quality control expenses, and other order fulfillment costs included in production costs.

*(d) Adjusted Earnings Before Interest, Tax, Depreciation and Amortization ("**Adjusted EBITDA**")*

Adjusted EBITDA is used by management as a supplemental measure to review and assess operating performance and trends on a comparable basis. The Company defines Adjusted EBITDA as EBITDA adjusted for the impact of any unrealized expenses or gains, stock based compensation, fair value gains or costs arising from biological assets, expenses related to readying the Company for its initial public offering and other non-recurring costs the Company deems unrelated to current operations.

Adjusted EBITDA does not have a standardized meaning under IFRS and is not a measure of operating income, operating performance or liquidity presented in accordance with IFRS and is subject to important limitations. The Company's definition of Adjusted EBITDA may not be the same as similarly titled measures used by other companies. The Company believes that Adjusted EBITDA provides a useful tool for assessing the comparability between periods of its ability to generate cash from operations. Adjusted EBITDA is presented in order to provide supplemental information to the Financial Statements included elsewhere in this prospectus, and such information is not meant to replace or supersede IFRS measures.

Selected Financial Information

The following table sets out a summary of our results of operations for the three and nine month periods ended December 31, 2016 and 2015, and for the years ended March 31, 2016, 2015 and 2014 as well as specific balance sheet data as at the end of each such period.

	Three months ended		Nine months ended		Years ended		
($'000, except per share and share amounts)	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	March 31, 2016	March 31, 2015	March 31, 2014
Sales	$10,426	$5,385	$29,979	$12,440	$19,302	$2,999	-
Gross profit	$9,714	$2,887	$27,623	$8,043	$12,517	$2,659	-
Gross profit %	93.2%	53.6%	92.1%	64.7%	64.8%	88.7%	-
Expenses	$7,187	$2,466	$14,872	$6,080	$9,146	$3,382	$1,017
Income (loss) before taxes	$2,527	$421	$12,751	$1,963	$3,371	($724)	($1,017)
Net and comprehensive income	$1,738	$225	$8,771	$1,582	$2,531	($724)	($894)
Net income (loss) per share – basic	$2.46	$0.38	$13.35	$2.79	$4.40	($1.64)	($3.84)
Weighted average shares – basic	706,983	597,981	657,206	566,399	575,850	440,884	232,577
Net income (loss) per share – diluted	$2.36	$0.34	$12.68	$2.50	$3.94	($1.76)	($3.34)
Weighted average shares – diluted	735,976	667,837	691,904	631,899	642,977	411,498	$267,908
Cash	$25,503	$1,944	$25,503	$1,944	$917	$135	$279
Inventory	$6,002	$3,050	$6,002	$3,050	$1,642	$3,580	$6
Biological assets	$3,024	$771	$3,024	$771	$1,816	$474	-
Total assets	$70,134	$17,805	$70,134	$17,805	$20,011	$8,882	$2,126
Total non-current financial liabilities	$9,614	$574	$9,614	$574	$1,035	$107	$38
Shareholder equity	$49,528	$12,342	$49,528	$12,342	$13,613	$3,779	($534)

Sales and gross profit during the three and nine months ended December 31, 2016 increased compared to the same periods of fiscal 2016. This growth is mainly attributable to increased production capacity and patient demand. During the three months ended December 31, 2016, VAC announced new regulations that would restrict the quantity and price Veterans can claim for medical cannabis reimbursement. In response to these pricing changes, which took effect on November 22, 2016, the Company offered approximately $915 in discounts resulting in a reduction to sales and gross profit during the three and nine months ended December 31, 2016.

Business Highlights (Three and nine months ended December 31, 2016)

- Sales for the three and nine months ended December 31, 2016 were $10,426 and $29,979, respectively. This was a 94% and 141% increase over the same periods ended December 31, 2015 when sales totaled $5,385 and $12,440.

- During the three and nine months ended December 31, 2016, 993.3 kilograms and 2,500.8 kilograms of dried cannabis, respectively, were sold. This was a 112% and 128% increase over the three and nine months ended December 31, 2015 when 468.1 kilograms and 1,095.4 kilograms, respectively, were sold.

- Cash and cash equivalents as at December 31, 2016 were $25,503 compared to $917 as at March 31, 2016.

- Adjusted Product Contribution Margin for the three and nine months ended December 31, 2016 was $8,594 or $8.65 per gram and $23,505 or $9.40 per gram, respectively. This was an increase of 18% on a per gram basis compared to $3,435, or $7.34 per gram for the three months ended December 31, 2015; and an increase of 38% on a per gram basis compared to the nine months ended December 31, 2015 of $7,486 or $6.83 per gram.

- Cash cost per gram sold for the three and nine months ended December 31, 2016 was $1.55 and $1.82 per gram, respectively, down 48% and 45% from the three and nine months ended December 31, 2015 of $3.00 and $3.29 per gram, respectively.

- Net income for the three and nine months ended December 31, 2016 was $1,738 and $8,771, respectively. This was an increase of $1,513 and $7,189 over the three and nine months ended December 31, 2015, when the Company had net income of $225 and $1,582, respectively.

- On July 22, 2016, the Company completed the purchase of a 210,596 square foot production facility in Bradford, Ontario.

- During the nine months ended December 31, 2016 the Company raised new capital through the issue of 71,964 Class A Shares for $24,694, net of legal costs.

Business Highlights (Year ended March 31, 2016)

- Sales for the year ended March 31, 2016 were $19,302. This was a 544% increase over sales for the year ended March 31, 2015 when sales totaled $2,999.

- During the year ended March 31, 2016, 1,688.8 kilograms of dried cannabis were sold. This was a 526% increase over dried cannabis sold during the year ended March 31, 2015 when 269.6 kilograms were sold.

- Cash and cash equivalents as at March 31, 2016 was $917 compared to $135 as at March 31, 2015.

- During the year, the Company increased operating capacity based on square footage at the Markham Facility, from 40% as of March 31, 2015, to 70% as of December 31, 2015 and to 100% as of March 31, 2016.

- Adjusted Product Contribution Margin for the year ended March 31, 2016 was $11,928, or $7.06 per gram of dried cannabis. This was an 187% increase on a per gram basis compared to $664, or $2.46 per gram for the year ended March 31, 2015.

- Cash cost per gram sold for the year ended March 31, 2016 was $3.23 per gram, down 42% from the year ended March 31, 2015 of $5.57 per gram.

- Net income for the year ended March 31, 2016 was $2,531. This was an increase of $3,255 over the year ended March 31, 2015, when the Company had a loss of $724.

- The Company raised new capital through the issue 65,273 Class A Shares for $6,400 of which $1,000 of shares issued were for funds advanced in the year ended March 31, 2015 and, therefore, cash proceeds received in the year ended March 31, 2016 from share issuances were $5,400.

Business Highlights (Year ended March 31, 2015)

- Sales for the year ended March 31, 2015 were $2,999.

- During the year ended March 31, 2015, 269.6 kilograms of dried cannabis were sold.

- Cash and cash equivalents as at March 31, 2015 was $135 compared to $279 as at March 31, 2014.

- During the year ended March 31, 2015 and by the end of the first quarter ended June 30, 2014 the Company increased operating capacity at the Markham Facility based on square footage, to 40%.

- Adjusted Product Contribution Margin for the year ended March 31, 2015 was $664, or $2.46 per gram.

- Cash cost per gram sold for the year ended March 31, 2015 was $5.57 per gram.

- Net loss for the year ended March 31, 2015 was $724. This was a decrease in loss of $170 over the Company's loss for the year ended March 31, 2014 of $894.

Business Highlights (Year ended March 31, 2014)

- The Company did not generate any sales or produce any inventory during the year ended March 31, 2014.

- The Company received the MMPR Licence on February 14, 2014.

- Efforts during 2014 were focused on the development and construction of the Markham Facility.

- The Company began growing its first cannabis plants on or about March 30, 2014.

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

Sales

For the three months ended December 31, 2016 and 2015, sales were $10,426 and $5,385, respectively. This resulted in a $5,041, or 94%, increase in sales when compared to the prior period. For the nine months ended December 31, 2016 and 2015, sales were $29,979 and $12,440, respectively. This resulted in a $17,539, or 141%, increase in sales when compared to the prior period. Sales growth was primarily the result of increased production capacity, patient demand, and the introduction of cannabis oil extracts for sale.

As at December 31, 2015 the Company was operating at 70% of production capacity compared to December 31, 2016 when the Company was operating at 100% of production capacity. In November 2016, Health Canada approved the Company to produce and sell cannabis oil extracts.

During the three months ended December 31, 2016, 993.3 total kilograms of cannabis products were sold at an average selling price of $10.50 per gram (December 31, 2015 - 468.1 kilograms at an average selling price of $11.50 per gram). During the nine months ended December 31, 2016, 2,500.8 total kilograms of cannabis product were sold at an average selling price of $11.99 per gram. This represents an increase of 1,405.4 kilograms compared to 1,095.4 kilograms of cannabis products sold during the nine months ended December 31, 2015. The average selling price

was calculated by taking net sales divided by number of grams sold during the period.

During the three months ended December 31, 2016, VAC announced new regulations that would restrict the quantity and price Veterans can claim for medical cannabis reimbursement. As a result of the VAC announcement, the Company began to offer discounts to qualifying Veterans to assist with the non-reimbursable portion of their medication. During the three and nine months ended December 31, 2016, the Company offered approximately $915 in discounts to qualifying Veterans resulting in a reduction to sales and gross profit.

The three months ended December 31, 2016 was the first quarter where the Company experienced a decline in sales compared to the previous quarter or period. This was due to discounts offered to qualifying Veterans during the quarter and due to lower volume of sales, and due to a decrease in demand during the holiday season, in the month of December 2016.

Cost of Sales

Production costs consist of labour, materials, consumables, supplies, overhead, amortization on production equipment, shipping, packaging and other expenses required to produce cannabis products sold during the period. Production costs related to the transformation of biological assets to the point of harvest are capitalized and included in the fair value measurement of the biological assets. Once goods are sold, the associated capitalized costs are recognized as production costs in the statement of operations for the period.

Biological assets consist of cannabis plants measured at fair value less cost to sell up to the point of harvest and is inclusive of capitalized production costs. Changes in fair value less cost to sell of the biological assets during the year before harvest are recognized in the results of operations in the related year.

Harvested cannabis is transferred from biological assets at their fair value less cost to sell at harvest, which becomes the deemed cost for inventory which, upon sale, the fair value cost adjustment portion is expensed to finished harvest inventory sold. Gross profit before gain on biological assets represents profit earned before the net impact of fair value gains and finished harvest inventory sold cost of sales that result from the transformation of biological assets.

The fair value changes of the biological assets, inventory expensed, fair value recovery and impairments, and production costs that make up the total cost of sales is presented in the table below:

	Three months ended December 31,		**Nine months ended December 31,**	
	2016	**2015**	**2016**	**2015**
Production costs	$1,832	$1,950	$6,474	$4,954
Cost of finished harvest sold	$5,434	$2,873	$16,888	$5,843
Fair value recovery	($324)	-	($324)	-
Gain on fair value measurement of biological assets	($6,230)	($2,325)	($20,682)	($6,400)
Cost of sales	**$712**	**$2,498**	**$2,356**	**$4,397**

Cost of sales for the three and nine months ended December 31, 2016 were $712 and $2,356, respectively, representing a decrease of $1,786 and $2,041 during the same periods ended December 31, 2015 (cost of sales for the three and nine months ended December 31, 2015 was $2,498 and 4,397, respectively). This decrease in cost of sales is due primarily to an increase in fair value gains and fair value recovery.

Production costs during the three and nine months ended December 31, 2016 increased compared to 2015 due to an increase in production capacity.

Cost of finished harvest sold, which represents the fair value cost adjustment portion of cost of goods sold that arise from biological asset transformation and harvest, increased during the three and nine months ended December 31, 2016 compared to same periods in the prior year due primarily to increased sales.

During the three and nine months ended December 31, 2016 the Company recorded a fair value cost recovery of $324. This recovery was primarily due to the valuation of work in process cannabis oil extract inventory produced in prior periods that was not previously valued because it could not be sold. During the quarter ended December 31, 2016, the Markham Commercial Licence was amended to allow the Company to produce cannabis oil extracts and the Company assigned a value to this inventory.

Production costs and cost of finished inventory harvest sold were partially offset by fair value gains on the transformation of biological assets. Fair value gains are sensitive to changes in the Company's average selling price and other changes in the Company's valuation estimates which include, but are not limited to, average selling prices, remaining costs to complete, the allocation rate and method of production costs, the stage of plant growth and cycles and expected yields. Any changes in underlying estimates and assumptions used to determine fair value gains on the transformation of biological assets could have a negative impact on expected gains.

Gross Profit

Gross profit, including gain on fair value changes of biological assets for the three and nine months ended December 31, 2016 was $9,714 and $27,623, or 93% and 92% of sales, respectively. The gross profit increased during the three and nine months ended December 31, 2016 primarily due to an increase in sales and an increase in fair value gains driven by increased production capacity compared to the three and nine months ended December 31, 2015.

Expenses

For the three and nine months ended December 31, 2016, expenses totaled $7,187 and $14,872, respectively, an increase of $4,721 and $8,792 compared to the three and nine months ended December 31, 2015 (during which expenses were $2,466 and $6,080, respectively). This increase in total expenditures is attributable to increased sales and production capacity requiring additional headcount and support in marketing, selling, patient support, R&D, and general and administration ("**G&A**").

Selling and marketing expenses for the three and nine months ended December 31, 2016 were $1,742 and $5,120, respectively. Selling and marketing expenses increased $875 and $3,179 compared to the three and nine months ended December 31, 2015, during which expenses were $867 and $1,941, respectively. These expenses include costs for patient education programs, marketing, promotions, sponsorship, and royalty fees. The increase in selling and marketing expenses was driven by increased production and sales.

G&A expenditures for the three and nine months ended December 31, 2016 were $5,162 (50% of sales) and $8,823 (29% of sales), respectively, up $3,750 and $5,175 compared to the three and nine months ended December 31, 2015 of $1,412 (26% of sales) and $3,648 (29% of sales), respectively. The increase in G&A expenditures can be primarily attributed to stock based compensation expenses, an increase in salaries due to additional hires, market research initiatives, overhead expenses related to the Bradford Facility, and legal fees for general corporate matters.

R&D costs for the three and nine months ended December 31, 2016 were $150 and $553, respectively. R&D costs increased $59 and $317 compared to the same periods in 2015 (during which R&D costs were $91 and $236, respectively) due primarily to new and ongoing initiatives to support product growth and development.

Finance costs for the three and nine months ended December 31, 2016 were $16 and $62, respectively. Finance costs decreased $14 and $26 compared to the same periods in 2015 (during which finance costs were $30 and $88, respectively). The decrease in finance costs for the three and nine months ended December 31, 2016 compared to December 31, 2015 was due to interest bearing shareholder loans that were repaid during the periods.

Net income and comprehensive income for the three and nine months ended December 31, 2016 was $1,738 and $8,771, respectively, up $1,513 and $7,189 from the net income and comprehensive income for the three and nine months ended December 31, 2015 of $225 and $1,582, respectively. Net income has increased due to increased sales as the Company increased production capacity and as patient demand increased.

Results of Operations for the years ended March 31, 2016, March 31, 2015 and March 31, 2014

Sales

For the years ended March 31, 2016, 2015 and 2014, sales were $19,302, $2,999 and nil, respectively. Sales increased 544% for the year ended March 31, 2016 compared to the prior year, and this is primarily the result of increased production capacity, product sold and patient demand.

During 2014, the Company did not generate sales while its Markham Facility was under development and construction and while the Company awaited receipt of the MMPR Licence. The Company received the MMPR Licence on February 14, 2014.

Throughout the year ended March 31, 2015, the Company was operating at 40% of production capacity, by December 31, 2015, production increased to 70% of capacity, and by March 31, 2016 construction was substantially complete and production increased to full capacity.

During the year ended March 31, 2016, 1,688.8 kilograms of dried cannabis were sold at an average selling price of $11.43 per gram. This represented an increase from the previous year when 269.6 kilograms were sold, at an average price of $11.12 per gram.

Cost of Sales

The fair value changes of the biological assets, inventory expensed and production costs that make up the total cost of sales is presented in the table below:

Years ended March 31,	**2016**	**2015**	**2014**
Production costs	$7,374	$2,335	-
Cost of finished harvest sold	$9,803	$950	-
Gain on fair value measurement of biological assets	($10,392)	($2,945)	-
Cost of sales	**$6,785**	**$340**	-

Cost of sales for the years ended March 31, 2016, 2015 and 2014 was $6,785, $340, and nil, respectively. Cost of sales for the year ended March 31, 2016 increased $6,445 compared to the same period of 2015 due primarily to an increase in production capacity and sales and a higher fair value gain net of cost of finished harvest sold in 2015, that effectively lowered cost of sales.

Gross Profit

Gross profit, including gain on fair value changes of biological assets for the years ended March 31, 2016 and 2015 was $12,517 and $2,659, or 65% and 89% of sales, respectively. The Company did not generate gross profit during the year ended March 31, 2014 while the Markham Facility was under construction.

Gross profit increased during the year ended March 31, 2016 primarily due to an increase in sales and an increase in fair value gains driven by increased production capacity compared to the year ended March 31, 2015.

Expenses

For the years ended March 31, 2016, 2015 and 2014, expenses totalled $9,146, $3,382, and $1,017, respectively. Expenses for the year ended March 31, 2016 increased $5,764 over expenses for the year ended March 31, 2015. Expenses for the year ended March 31, 2015 increased $2,365 over expenses for the year ended March 31, 2014. These increases in total expenditures were attributable to increased sales, patient demand, and production capacity that required additional headcount and support in selling and G&A.

Selling and marketing expenses for the years ended March 31, 2016, 2015, and 2014 totalled $3,139, $706, and $94, respectively. These expenses include costs for patient education programs, promotions, sponsorship, and royalty fees. The increase in selling and marketing expenses of $2,433 in 2016 and $612 in 2015 was driven by an increase in sales activity.

G&A expenditures for the years ended March 31, 2016 and 2015 were $5,304 (27% of sales) and $2,260 (75% of sales), respectively. G&A expenditures increased for the year ended March 31, 2016 by $3,044 or 135% over G&A expenditures for the year ended March 31, 2015, which can be primarily attributed to stock based compensation expenses, increase in salaries due to additional hires and legal fees for general corporate matters. G&A expenditures for the year ended March 31, 2015 increased $1,456 or 181% from $804 for the year ended March 31, 2014. This increase was due primarily to increased salaries resulting from additional hires, increased consulting fees to support and address human resource gaps and provide management consultation, legal fees for general corporate matters and repair and maintenance costs related to the Markham Facility.

R&D costs for the year ended March 31, 2016 were $356 and increased $159 or 81% from $197 for the year ended March 31, 2015. R&D costs for the year ended March 31, 2015 increased $171 or 658% from $26 for the year ended March 31, 2014. This increase in R&D expenditures was the result of additional research for various initiatives to support the growth of the Company.

Finance costs in the year ended March 31, 2016 were $118, an increase of $41 from $77 in the year ended March 31, 2015. These finance costs arose from shareholder loans made to the Company. The increase was due primarily to shareholder loans that were outstanding for the full year ended March 31, 2016, however, loans issued during the year ended March 31, 2015 did not begin to incur finance costs until the second quarter of the fiscal year.

Finance costs in the year ended March 31, 2015 were $77, representing an increase of $76 from $1 in the year ended March 31, 2014. These finance costs arose from shareholder loans made during the year to the Company.

Net income and comprehensive income for the year ended March 31, 2016 was $2,531, compared to a loss of $724 for the year ended March 31, 2015 and a loss of $894 for the year ended March 31, 2014.

Adjusted Product Contribution Margin (Non-IFRS Measure)

The following is the Company's Adjusted Product Contribution Margin as compared to the reported gross profit, which includes the gain on changes in fair value of biological assets, in accordance with IFRS for the three and nine months ended December 31, 2016 and 2015:

	Three months ended December 31,		Nine months ended December 31,	
	2016	**2015**	**2016**	**2015**
Gross Profit	$9,714	$2,887	$27,623	$8,043
Cost of finished harvest inventory sold	$5,434	$2,873	$16,888	$5,843
Fair value recovery	($324)	-	($324)	-
Gain on fair value changes of biological assets	($6,230)	($2,325)	($20,682)	($6,400)
Net gain on fair value measurement of biological assets	($1,120)	$548	($4,118)	($557)
Adjusted product contribution margin	**$8,594**	**$3,435**	**$23,505**	**$7,486**
Grams sold	**993,259**	**468,100**	**2,500,779**	**1,095,400**
Adjusted product contribution margin, per gram sold	**$8.65**	**$7.34**	**$9.40**	**$6.83**

Adjusted Product Contribution Margin for the three and nine months ended December 31, 2016 was $8,594 and $23,505, respectively, representing an increase of $5,159 and $16,019 compared to the Adjusted Product Contribution Margin of $3,435 and $7,486 for the three and nine months ended December 31, 2015, respectively. This increase was the result of operational growth in production capacity and sales.

Adjusted Product Contribution Margin per gram sold for the three and nine months ended December 31, 2016 was $8.65 and $9.40, respectively, representing an increase of $1.31 and $2.57 per gram sold compared to $7.34 and $6.83 per gram sold for the three and nine months ended December 31, 2015, respectively. Improvements in Adjusted Product Contribution Margin per gram sold are primarily attributable to sales volume increases that allow for better utilization of, and the spread of cost allocations attributable to, labour, production and overhead costs.

The following is the Company's Adjusted Product Contribution Margin as compared to the reported gross profit, which includes the gain on changes in fair value of biological assets in accordance with IFRS, for the years ended March 31, 2016, 2015 and 2014:

Years ended March 31,	**2016**	**2015**	**2014**
Gross profit	$12,517	$2,659	-
Cost of finished harvest sold	$9,803	$950	-
Gain on fair value changes of biological assets	($10,392)	($2,945)	-
Net gain on fair value measurement of biological assets	($589)	($1,995)	-
Adjusted product contribution margin	**$11,928**	**$664**	**-**
Grams sold	**1,688,800**	**269,620**	**-**
Adjusted product contribution margin, per gram sold	**$7.06**	**$2.46**	**-**

Adjusted Product Contribution Margin for the year ended March 31, 2016 was $11,928 or $7.06 per gram sold, which was an increase of $11,264 or $4.60 per gram sold from Adjusted Product Contribution Margin for the year ended March 31, 2015 of $664 or $2.46 per gram sold. This increase was the result of operation growth in production and sales. Improvement in Adjusted Product Contribution Margin per gram is attributable to sales volume increases that allow for better utilization of, and the spread of cost allocations attributable to, labour, production and overhead costs.

Cash Cost Per Gram Sold (Non-IFRS Measure)

The following are the Company's cash production costs, on a total and per gram sold basis, for the three and nine months ended December 31, 2016 and 2015, as compared to reported production costs (excluding costs resulting from the fair value of biological assets), which represents cost of sales, in accordance with IFRS:

	Three months ended December 31,		**Nine months ended December 31,**	
	2016	**2015**	**2016**	**2015**
Production costs	$1,832	$1,950	$6,474	$4,954
Amortization included in production costs	($302)	($215)	($771)	($428)
Recovery of production costs	$405	-	-	-
Post production costs	($396)	($332)	($1,145)	($922)
Cash production costs	$1,539	$1,403	$4,558	$3,604
Grams sold	993,259	468,100	2,500,779	1,095,400
Cash cost per gram sold	$1.55	$3.00	$1.82	$3.29

The cash cost per gram sold for the three and nine months ended December 31, 2016 was $1.55 and $1.82, respectively. Cash cost per gram sold for the three and nine months ended December 31, 2016 decreased $1.45 or 48% and $1.47 or 45%, respectively compared to the same periods of 2015 where the cash cost per gram sold was $3.00 and $3.29 per gram, respectively. The cost improvement per gram was due to increased production and yield improvements that resulted in improved efficiencies in labour utilization and allocation of fixed costs.

During the three months ended December 31, 2016 the Company recognized a recovery of inventory that resulted in a net decrease in production costs of $405. This recovery was the result of dried cannabis held for extraction that was produced during the nine months ended December 31, 2016 but was not valued until the Markham Commercial Licence was amended to allow the Company to produce cannabis oil. While the adjustment does not affect the nine months ended December 31, 2016, it does impact production costs for the three months ended December 31, 2016 and, therefore, has been added back in estimating cash production costs for that quarter.

The following is the Company's cash production costs, on a total and per gram sold basis, for the years ended March 31, 2016, 2015 and 2014 as compared to reported production costs (excluding costs resulting from the fair value of biological assets), which represents cost of sales, in accordance with IFRS:

Years ended March 31,	**2016**	**2015**	**2014**
Production costs	$7,374	$2,335	-
Amortization included in production costs	($590)	($205)	-
Post production costs	($1,335)	($629)	-
Cash production costs	$5,449	$1,501	-
Grams sold	**1,688,800**	**269,620**	**-**
Cash cost per gram sold	**$3.23**	**$5.57**	**-**

The cash cost per gram sold was $3.23 for the year ended March 31, 2016. This was a decrease of $2.34 per gram sold or 42% compared to $5.57 per gram sold for the year ended March 31, 2015. The cost improvement per gram was due to increased production resulting in more efficient labour utilization and allocation of fixed costs.

Adjusted EBITDA (Non-IFRS Measure)

Adjusted EBITDA for the three and nine months ended December 31, 2016 was $4,093 and $12,229, respectively, representing an increase of $2,539 and $9,560 from Adjusted EBITDA for the same periods in 2015 (or $1,554 and $2,669, respectively). This increase was the result of continued operational growth in production capacity, patient demand and sales.

	Three months ended December 31,		Nine months ended December 31,	
	2016	**2015**	**2016**	**2015**
Income before income taxes	$2,527	$421	$12,751	$1,963
Adjustments:				
Amortization	$432	$299	$1,104	$627
Stock based compensation	$2,251	$275	$2,449	$579
Interest income	($13)	($18)	($19)	($32)
Finance costs	$16	$29	$62	$89
Net impact, fair value of biological assets (fair value gains less cost of finished harvest inventory sold)	($1,120)	$548	($4,118)	($557)
Adjusted EBITDA	**$4,093**	**$1,554**	**$12,229**	**$2,669**

Adjusted EBITDA for the year ended March 31, 2016 was $4,622, which was an increase of $6,881 from Adjusted EBITDA loss for the year ended March 31, 2015 of ($2,259). This increase was a result of operational growth in production capacity, patient demand and sales.

Years ended March 31,	**2016**	**2015**	**2014**
Income (loss) before income taxes	$3,371	($724)	($1,017)
Adjustments			
Amortization	$870	$362	$92
Stock based compensation	$903	$37	$19
Interest income	($51)	($16)	-
Finance costs	$118	$77	$1
Net impact, fair value of biological assets (fair value gains less cost of finished harvest inventory sold)	($589)	($1,995)	-
Adjusted EBITDA	**$4,622**	**($2,259**	**($905)**

Liquidity, Capital Resources and Financing

The Company believes it has sufficient liquidity to support continued operations and to meet its short-term liabilities and commitments as they become due. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budget and cash forecasts to ensure it has sufficient funds to fulfill obligations. In managing working capital, the Company may, where necessary, limit or control the amount of working capital used for operations or other initiatives, pursue additional financing, manage the timing of its expenditures, or sell assets. The Company is not subject to externally imposed capital requirements.

While the Company believes that it has the ability to generate sufficient amounts of cash and cash equivalents, in the short term and long term, to maintain current operational capacity, additional sources of capital and/or financing will be required to meet planned growth requirements and to fund development activities at the Bradford Facility. Liquidity will fluctuate based on demand for working capital resources required for these initiatives.

The Company is subject to risks and uncertainties that could significantly impair its ability to raise funds through debt or equity or to generate profits sufficient to meet future obligations, operational, or development needs. See "*Risk Factors*" for information on the risks and uncertainties that could have a negative effect on the Company's liquidity.

The table below sets out the cash and working capital (including cash and cash equivalents) as at December 31, 2016, and March 31, 2016:

As at	December 31, 2016	March 31, 2016
Cash and cash equivalents	$25,503	$917
Working capital, including cash and cash equivalents	$29,438	$6,304

The Company's working capital as at December 31, 2016, was $29,438 and has increased $23,134 compared to December 31, 2015 ($6,304). This increase in working capital was due primarily to $24,694 raised through the issuance of Class A Shares.

Accounts receivables as at December 31, 2016 was $4,866, a decrease from March 31, 2016 of $6,563. This decrease of $1,697 was due primarily to increased efforts focused on improving collection of accounts receivable.

Inventories as at December 31, 2016 were $6,002, an increase of $4,360 compared to March 31, 2016 of $1,642. The increase in inventories was due to increased deemed costs arising from fair value gains on biological assets and increased production due to the addition of cannabis oil inventory that was previously not valued.

Biological assets as at December 31, 2016 were $3,024, an increase of $1,208 compared to March 31, 2016 of $1,816. This increase was due to increased fair value gains on biological assets resulting from increased production and the addition of cannabis oil extracts that increased the expected yield and fair value of biological assets.

The table below sets out the Company's cash and working capital (including cash) as at March 31, 2016, 2015 and 2014:

As at March 31,	2016	2015	2014
Cash and cash equivalents	$917	$135	$279
Working capital, including cash	$6,304	$336	($2,046)

The Company's working capital as at March 31, 2016 was $6,304 and has increased when compared to March 31, 2015 ($336) and March 31, 2014 negative working capital ($2,046). This was driven primarily by an increase in accounts receivable ($6,563 as at March 31, 2016 compared to $709 as at March 31, 2015 and $286 as at March 31, 2014), which changed significantly due to increased sales during the year ended March 31, 2016.

Inventories as at March 31, 2016 were $1,642 (2015 - $3,580; 2014 - $6). The decrease in inventories as at March 31, 2016 compared to March 31, 2015 was due to increased turnover of inventory driven by higher sales. During 2014, the Company did not produce cannabis inventory.

Biological assets as at March 31, 2016 were $1,816 (2015 - $474; 2014 - nil). This increase in biological assets was due to an increase in production compared to the prior year.

The table below summarizes the Company's cash flows for the three and nine months ended December 31, 2016 and 2015:

	Three months ended December 31,		**Nine months ended December 31,**	
	2016	**2015**	**2016**	**2015**
Net cash provided by (used in)				
Operating activities	$9,450	$1,036	$15,811	$1,528
Financing activities	$4,537	$38	$31,282	$4,970
Investing activities	($9,163)	($2,414)	($22,507)	($4,689)
Cash and cash equivalents, beginning of period	$20,679	$3,284	$917	$135
Cash and cash equivalents, end of period	$25,503	$1,944	$25,503	$1,944

Cash and cash equivalents as at December 31, 2016 was $25,503, which was higher when compared with a balance of $1,944 as at December 31, 2015.

Cash Flow Provided by Operating Activities (Three and nine months ended December 31, 2016 and 2015)

Cash flow provided by operating activities for the three months ended December 31, 2016 was $9,450, representing an increase of $8,414 over the cash flow provided by operating activities of $1,036 for the three months ended December 31, 2015.

Increased sales, gross profit and net income is due primarily to increases in production capacity and patient demand, resulted in an increase in operating cash flow during the three and nine months ended December 31, 2016 compared to the same periods ended December 31, 2015. See "*Sales*" under "*Results of Operations for the three and nine months ended December 31, 2016 and 2015*" above.

Cash Flow Provided by (Used in) Financing Activities (Three and nine months ended December 31, 2016 and 2015)

Cash flow provided by financing activities for the three months ended December 31, 2016 was $4,537, an increase of $4,499 compared to cash flow provided by financing activities for the three months ended December 31, 2015 of $38. Cash flow provided by financing activities for the nine months ended December 31, 2016 was $31,282, an increase of $26,312 compared to cash flow provided by financing activities for the nine months ended December 31, 2015 of $4,970.

The increase in cash flows provided by financing activities was primarily due to capital raised through the issue of 71,964 Class A Shares for $24,694 and the Former Credit Facility of $7,500.

Cash Flow Used in Investing Activities (Three and nine months ended December 31, 2016 and 2015)

Cash flow used in investing activities totalled $9,163 for the three months ended December 31, 2016. This is an increase of $6,749 compared to the three months ended December 31, 2015 of $2,414. Cash flow used in investing activities totalled $22,507 for the nine months ended December 31, 2016. This is an increase of $17,818 compared to the nine months ended December 31, 2015 of $4,689.

This increase in cash flows used in investing activities is primarily due to the purchase the Bradford Facility, and an increase in additions to plant and equipment during the three and nine months ended December 31, 2016, which included additional spending on production rooms, leasehold improvements, furniture and other equipment related to the construction and development of this facility.

The table below summarizes the Company's cash flows for the years ended March 31, 2016, 2015 and 2014:

Years ended March 31	**2016**	**2015**	**2014**
Net cash provided by (used in)			
Operating activities	$1,416	($4,489)	($533)
Financing activities	$5,001	$6,640	$2,260
Investing activities	($5,635)	($2,295)	($1,449)
Cash and cash equivalents, beginning of period	$135	$279	$1
Cash and cash equivalents, end of period	$917	135	$279

Cash and cash equivalents as at March 31, 2016 was $917, which was higher when compared with a balance of $135 as at March 31, 2015 and $279 as at March 31, 2014.

Cash Flow Provided by Operating Activities (Years ended March 31, 2016, 2015 and 2014)

Cash flow provided by operating activities for the year ended March 31, 2016 was an inflow of $1,416, representing an increase of $5,905 from the outflow of $4,489 for the year ended March 31, 2015. This increase was primarily driven by increased sales during the year ended March 31, 2016.

Cash Flow Provided by (Used in) Financing Activities (Years ended March 31, 2016, 2015 and 2014)

Cash flow provided by financing activities for the year ended March 31, 2016 was $5,001, a decline of $1,639 compared to the year ended March 31, 2015 ($6,640). This decline was primarily due to an advance and shareholder loans made to the Company in the year ended March 31, 2015, while no advances or loans were made to the Company for the year ended March 31, 2016. The Company issued 65,273 Class A Shares for $6,400 which included $1,000 for which funds were advanced in the year ended March 31, 2015, and therefore cash proceeds received in the year ended March 31, 2016 from the share issuance was $5,400. Shareholder loans of $500 were paid back during the year ended March 31, 2016, resulting in a cash outflow.

Cash Flow Used in Investing Activities (Years ended March 31, 2016, 2015 and 2014)

Cash flow used in investing activities during the year ended March 31, 2016 totalled $5,635. This is an increase of $3,340 compared to the year ended March 31, 2015 of $2,295, and which was an increase of $846 compared to the year ended March 31, 2014 of $1,449. These increases are primarily due to an increase in additions to plant and equipment during each year which included additional spending on production rooms, leasehold improvements, furniture and other equipment at the Markham Facility.

Commitments for Capital Expenditures

On July 22, 2016, the Company completed the purchase of the Bradford Facility. The purchase price of the property was $8,750, and was primarily funded through the collateralized Former Credit Facility in the amount of $7,500. The Former Credit Facility was collateralized and provided the lender with first ranking security against the Bradford Facility as well as all personal property of the Company.

The Bradford Facility is under construction and development using a phased approach, in preparation for production which the Company expects to commence mid-year 2017. As at December 31, 2016, approximately $4,114 of future payments has been committed in relation to the development of this facility.

Commitments

The Company has debt and operating lease contractual obligations that it has committed to and which are presented in the table below:

	Payments Due by Period effective as of January 1, 2017				
Contractual Obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Debt	$7,500	$357	$2,143	$2,143	$2,857
Operating Leases	$2,285	$272	$586	$641	$786
Total Contractual Obligations	**$9,785**	**$629**	**$2,729**	**$2,784**	**$3,643**

Off-Balance Sheet Arrangements

The Company has the following off-balance sheet arrangements in addition to those as described below under "*Transactions with Related Parties*".

On April 19, 2015, as part of an amendment to its licence agreement with Tikun Olam, Tikun Olam agreed to reduce future royalties owed by MedReleaf under the terms of the original licence agreement by an amount equal to $250 which is to be offset against future royalties owed by MedReleaf at the earliest possible time provided that this does not occur prior to July 17, 2017. As at December 31, 2016, the Company did not apply any portion of the $250 to royalty fees.

The Company is currently committed to making payments under an operating lease for its premises. As at December 31, 2016, the approximate aggregate future minimum lease payments, exclusive of common area costs, totalled $2,285.

The Company is involved in legal proceedings of a nature considered normal to its business. The Company believes that none of the litigation in which it is currently involved, or has been involved since the beginning of the most recently completed financial year, individually or in the aggregate, is material to its consolidated financial condition or results of operations. See "*Legal Proceedings*".

Transactions with Related Parties (Three and nine months ended December 31, 2016 and 2015)

The Company has engaged in transactions and has outstanding balances with related parties of the Company.

Included in accounts payable and accrued liabilities as at December 31, 2016 is $5 (March 31, 2016 - $9) of reimbursable expenses incurred by Vive Technologies Inc., whose principal is Jeremy Friedberg, a consultant and shareholder of the Company, and by Two Plus Management Corp., a consulting company whose principal is Neil Closner, an executive officer and shareholder of the Company.

During the three and nine months ended December 31, 2016, the Company paid consulting fees totalling nil and $122, respectively (December 31, 2015 - $196 and $402) to Two Plus Management Corp.

During the three and nine months ended December 31, 2016, the Company paid nil in consulting fees (December 31, 2015 - nil and $17) to MENA Investment Network Inc., a shareholder of the Company whose principal is Stephen Arbib, a director of the Company.

During the three and nine months ended December 31, 2016, the Company paid $17 and $42 in consulting fees (December 31, 2015 - $11 and $32) to Vive Technologies Inc..

Pursuant to its licence agreement with Tikun Olam, the Company paid to Tikun Olam total royalty expenses for the three and nine months ended December 31, 2016 of $95 and $269 (December 31, 2015 - $48 and $78). These royalties were applied to the outstanding principal and interest on the share purchase loan. The remaining balance of the share purchase loan receivable as at December 31, 2016 was $18 (March 31, 2016 - $280).

These transactions are in the normal course of operations and are measured at the exchange amounts, being the amounts agreed to by the parties.

Transactions with Related Parties (Years ended March 31, 2016, 2015 and 2014)

The Company has engaged in transactions and has outstanding balances with related parties of the Company.

Included in accounts payable and accrued liabilities as at March 31, 2016 is $9 (2015 - $27; 2014 - nil), of reimbursable expenses incurred by Two Plus Management Corp., a consulting company whose principal is Neil Closner, an executive officer and shareholder of the Company.

During the year ended March 31, 2016, the Company paid consulting fees totalling $505 (2015 - $264; 2014 - $180) to Two Plus Management Corp.

The Company paid $17 in 2016 (2015 - $121; 2014 - nil) in consulting fees to MENA Investment Network Inc., a shareholder of the Company whose principal is Stephen Arbib, a director of the Company.

Pursuant to its licence agreement with Tikun Olam, the Company paid to Tikun Olam total royalty expenses for fiscal 2016 of $152 (2015 - nil; 2014 - nil). These royalties were applied to the outstanding principal and interest on the share purchase loan. The remaining balance of the share purchase loan receivable as at March 31, 2016 was $280 (2015 - $400; 2014 - nil).

The Company also paid nil in consulting fees to a representative of Tikun Olam in 2016 (2015 - $100; 2014 - nil).

During the years ended March 31, 2016, 2015 and 2014, key management executives of the Company were compensated $2,182, $745, and $211, respectively. These expenses were made through wages and short-term benefits of $1,165 in 2016, $137 in 2015, and $41 in 2014. Consulting fees of $279 were paid in 2016, $571 in 2015, and $160 in 2014. Share based compensation related to options granted to these executives of $738 was expensed in 2016 (2015 - $37; 2014 - $11).

These transactions are in the normal course of operations and are measured at the exchange amounts, being the amounts agreed to by the parties.

Critical Accounting Estimates

The preparation of the Financial Statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, and the related disclosure of contingent liabilities. The Company bases its judgments on historical experience and on various other assumptions that it believes are reasonable under the circumstances, the results of which form the basis for making estimates about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these

estimates under different assumptions or conditions.

The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the Financial Statements:

Inventory

Inventory, consisting of harvested goods, cannabis oil extracts and accessories is measured at the lower of cost and net realizable value.

Cost includes production costs directly attributable to the production or purchase of inventory items as well as deemed costs attributable to fair value gains on the transformation of biological assets. These deemed costs are estimated using assumptions that include, but are not limited to, average selling prices, remaining costs to complete, the allocation rate and method of production costs, the stage of plant growth and cycles, and expected yields. Any change in these assumptions could negatively impact operational results, the actual realizable value of inventory and future expected gains.

Cannabis is measured and weighed at different stages throughout its life and production cycle. Due to its biological nature, cannabis loses moisture, and therefore weight over time. The Company, in measuring inventory, must make assumptions as to the amount of loss attributable to moisture loss or evaporation, which may result in actual an actual finished product weight less than was estimated.

Extracts are a by-product that are derived from dried cannabis. Extracts are added to oils and sold as cannabis oil in vials or capsules and are priced based on the total combined amount of THC and cannabinoid content. The Company estimates the amount of THC and cannabinoid expected to be derived from each gram of dried cannabis.

Biological Assets

The Company measures biological assets consisting of cannabis plants at fair value less costs to sell up to the point of harvest. Determining the fair value of these assets requires the Company to make assumptions and estimates that include, but are not limited to, average selling prices, remaining costs to complete, the allocation rate and method of production costs, the stage of plant growth and cycles and expected yields. The Company cautions its readers to understand the fair value impact of these assets when reading these statements as on a net basis they represent gains that can only be realized upon the sale of harvested goods and any changes in assumptions or estimates could have a significant and negative impact on actual results.

Estimated Useful Lives and Amortization of Property and Equipment

The amortization of property and equipment is dependent on estimates of the useful lives, which are determined through the exercise of judgement. Actual useful lives may differ from those estimates and may require future write-down or impairment. The assessment of any impairments of these assets takes in to account such factors as economic and market conditions and the useful lives of these assets.

Share-based Compensation

In determining the amount and timing of expenditures related to share-based compensation, the Company uses judgement to determine key estimates such as the value of shares, the rate of forfeiture of options granted, the expected life of the option, the volatility of the value of the shares and the risk-free interest rate used.

Non-interest Shareholder Loans

Non-interest bearing loans are recorded at fair value, using estimates of interest rates, maturities and repayment of the loans.

Income Taxes

In calculating the amount of current and deferred income tax expenses, liabilities and assets, management must use judgement in making estimates and assumptions including but not limited to, the timing of when future liabilities or benefits will be realized, the tax rates expected to be in effect and applicable to temporary differences when they reverse, taxable income, and the utilization of tax loss carry forwards and credits available, if any.

Changes in Accounting Policies

The IASB has published amendments to IAS 16, Property, Plant and Equipment ("**IAS 16**"), and IAS 41, Agriculture ("**IAS 41**") that change the accounting for bearer plants. The amendments specify that, because the operation of bearer plants are similar in nature to manufacturing, they should be accounted for under IAS 16 rather than IAS 41. This policy was adopted by the Company effective April 1, 2016 with no material effect since disclosed in the March 31, 2016 annual financial statements. The product growing on the bearer plants will continue to be within the scope of IAS 41.

New standards and interpretations not yet adopted

On July 24, 2014, the IASB issued the complete IFRS 9, Financial Instruments (2014) ("**IFRS 9 (2014)**"). The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. The standard introduces additional changes relating to financial liabilities. The final standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment, and new general hedge accounting requirements. The Company is currently assessing the impact of the new standard on its condensed interim financial statements.

On May 28, 2014, the IASB issued IFRS 15, Sales from Contracts with Customers ("**IFRS 15**"). The new standard is effective for annual periods beginning on or after January 1, 2018. The standard can be applied retrospectively, or using a cumulative catch-up approach. The standard contains a single model that applies to contracts with customers and two approaches to recognizing sales: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when sales are recognized. New estimates and judgmental thresholds have been introduced which may affect the amount and/or timing of sales recognized. The Company is currently assessing the impact of the new standard on its condensed interim financial statements.

In 2016, the IASB issued IFRS 16, Leases ("**IFRS 16**"), replacing IAS 7, Leases, and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted. The Company is currently assessing the impact of the new standard on its condensed interim financial statements.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, share purchase loan, loan receivable, accounts payable and accrued liabilities, credit facility and shareholder loans.

Cash and cash equivalents

Included in cash and cash equivalents are short term investments in short-term Guaranteed Investment Certificates which involves exposure to credit and interest rate risk. Credit risk is managed by selecting high quality issuers and low risk investments which minimizes the potential of default by the issuer of the certificates. Interest rate risk is mitigated by the short-term nature of the securities, which mature within less than three months.

Accounts Receivable

Accounts receivable is comprised of amounts due from patients, insurance providers, third party e-commerce payment processing facilitators, and input tax credit refunds. Accounts receivable are subject to credit risk and liquidity risk that could result in an inability to collect amounts due. Credit risk is mitigated by regular monitoring of aged receivables and managing the underlying business relationships with insurance providers. Liquidity risk is mitigated by requiring advance payment for most non-insurance or high risk transactions.

Share Purchase Loan

The share purchase loan consists of a promissory note issued by Tikun Olam in favour of the Company, in exchange for Class A Shares. The note is subject to credit risk which is mitigated by managing the underlying business relationship. Royalties earned and payable to Tikun Olam are applied to any outstanding interest or principal on the note.

Loan Receivable

Loans receivable consist of a loan advanced to MMMG, LLC. The loan is subject to credit risk that could result in an inability to collect principal and/or interest due. The Company mitigates this risk by managing the underlying business relationship, and through an option to convert all or any portion of the outstanding principal into equity securities of MMMG, LLC.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities is comprised of trade and non-trade payables, employee related costs and compensation accrued, sales tax and other government remittances payable, and other Company obligations expected to be settled within one year. These obligations are subject to liquidity risk, in that the Company may not be able to settle its obligations as they become due. See "*Liquidity, Capital Resources and Financing*", above, for discussion on how the Company manages liquidity risk.

Former Credit Facility

The Former Credit Facility is a variable rate, secured real property loan and is subject to interest and liquidity risk. The Company regularly monitors economic and market conditions to assess the likelihood and impact of changes in variable interest rates. See "*Liquidity, Capital Resources and Financing*", above, for discussion on how the Company manages liquidity risk.

Disclosure Controls and Internal Controls over Financial Reporting

Internal Controls Over Financial Reporting

In accordance with National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, 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 reporting issuer.

Limitations of Controls and Procedures

The Company's management, including the CEO and CFO, believes that any DCP or ICFR, 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

Immediately prior to the Closing, our authorized share capital will consist of: (i) an unlimited number of Common Shares; and (ii) 3,997.34 Class B Shares of which 81,880,206 Common Shares and 3,997.34 Class B Shares are expected to be issued and outstanding. On the Closing, it is expected that ● Common Shares (● Common Shares, if the Over-Allotment Option is exercised in full) and 3,997.34 Class B Shares will be issued and outstanding.

The summary below of the rights, privileges, restrictions and conditions attaching to the Common Shares and Class B Shares following the Capital Reorganization is subject to and qualified in its entirety by reference to our articles and by-laws which will be available under our profile on SEDAR at www.sedar.com.

Common Shares

Once the Class A Shares are redesignated as Common Shares pursuant to the Capital Reorganization, the holders of the Common Shares will be entitled to receive notice of, attend and vote, on the basis of one vote in respect of each Common Share held, at all meetings of holders of shares. The holders of the Common Shares will be entitled to receive any dividends declared by the Board in respect of the Common Shares. The holders of the Common Shares will be entitled to receive, on a *pro rata* basis, our remaining property and assets available for distribution upon our liquidation, dissolution or winding-up, whether voluntary or involuntary, subject to the rights of the Class B Shares. For a description of our dividend policy, see "*Dividend Policy*".

Class B Shares

Pursuant to the Capital Reorganization, the Class C Shares, all of which are held by Igor Gimelshtein, the CFO and Corporate Secretary of the Company, will be redesignated as Class B Shares. The terms of the Class B Shares provide that only Igor Gimelshtein can hold them, pursuant to the terms of his employment agreement with the Company. See "*Executive Compensation – Employment Agreements and Potential Payments upon Termination or Change of Control – Igor Gimelshtein*".

The holder of Class B Shares is not entitled to notice of, to attend at, nor to vote at any meeting of the shareholders of the Company, and is not entitled to any dividends. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holder of the Class B Shares shall be entitled to receive, in respect of each such share, before any distribution of any part of the assets of the Company among the holders of the Common Shares and any other class of shares of the Company ranking junior to the Class B Shares, an amount equal to the Redemption Price (defined below) per Class B Share held.

Subject to the OBCA and to the terms of Igor Gimelshtein's employment agreement with the Company, all of the Class B Shares outstanding on the date (the "**Redemption Date**") on which Igor Gimelshtein delivers a notice of resignation or the date on which his employment is terminated for just cause, shall be automatically redeemed by the Company on the Redemption Date at a price per Class B Share equal to $0.001.

Subject to the foregoing, on the earlier of March 23, 2018 and the date of closing of a change of control (as defined in Igor Gimelshtein's employment agreement) the 3,997.34 Class B Shares will automatically convert into 464,054 Common Shares, subject to adjustment.

Advance Notice Procedures and Shareholder Proposals

Under the OBCA, shareholders may make proposals for matters to be considered at the annual meeting of shareholders. Such proposals must be sent to us in advance of any proposed meeting by delivering a timely written notice in proper form to our registered office in accordance with the requirements of the OBCA. The notice must include information on the business the shareholder intends to bring before the meeting.

Our by-laws, as amended prior to the Closing pursuant to the Capital Reorganization, will provide that holders of Common Shares seeking to nominate candidates for election as directors must provide timely notice in writing. To be timely, a shareholder's notice must be received by the Company: (i) in the case of an annual meeting of holders of Common Shares, not less than 30 days prior to the date of the annual meeting of holders of Common Shares; provided, however, that in the event that the annual meeting of holders of Common Shares is to be held on a date that is less than 50 days after the date on which the first public announcement (the "**Notice Date**") of the date of the annual meeting was made, notice by a holder of Common Shares may not be given later than the close of business on the 10th day following the Notice Date; and (ii) in the case of a special meeting (which is not also an annual meeting) of holders of Common Shares called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting of holders of Common Shares was made.

Such advance notice provisions will be designed to: (i) facilitate orderly and efficient meetings of shareholders; (ii) ensure that all shareholders receive adequate notice of director nominations and sufficient information with respect to all nominees; and (iii) allow shareholders to register an informed vote having been afforded reasonable time for appropriate deliberation.

As a whole, these provisions are intended to provide shareholders, directors and our management with a clear framework for nominating directors. These provisions could also have the effect of delaying until the next shareholder meeting the nomination of certain persons for director that are favoured by the holders of a majority of our outstanding voting securities.

Other than the advance notice procedures summarized above, our by-laws will have terms that are customary for corporations incorporated under the OBCA.

The summary of the advance notice requirements under our by-laws described above is qualified in its entirety by reference to the full text of our amended by-laws, a copy of which will be available under our profile on SEDAR at www.sedar.com.

OPTIONS AND RIGHTS TO PURCHASE SECURITIES

Prior to the Closing, our Board of Directors will establish an incentive stock option plan (the "**Stock Option Plan**"), under which Options may be granted to executive officers, employees and consultants of the Company and its subsidiaries. After giving effect to the Capital Reorganization and the Closing Option Grant, an aggregate of ● Common Shares will be reserved for issuance under the Stock Option Plan and an aggregate of 2,655,226 Common Shares will be reserved for issuance under the Legacy Option Agreements. For a summary of the terms of the Legacy Option Agreements and the Stock Option Plan, see "*Executive Compensation – Components of Executive Compensation – Long-Term Incentives – Legacy Option Agreements*" and "*Executive Compensation – Components of Executive Compensation – Long-Term Incentives – Stock Option Plan*".

Directors (other than those who are also executive officers) will not be entitled to Options.

The following table sets out the aggregate number of options to purchase Common Shares expected to be outstanding upon the Closing, including after giving effect to the Capital Reorganization, as a result of which all outstanding options will become options to acquire Common Shares. There are not expected to be any options to purchase Common Shares outstanding upon the Closing held by current or former directors of the Company (excluding our executive director).

Category	**Common Shares Issuable under Options Granted[(1)]**	**Exercise Price[(2)] ($)**	**Expiry Dates**
Current and former executive officers of the Company, as a group (5 in total)	1,837,019	●	From 2019 to 2022
Current and former employees of the Company, as a group (3 in total)	818,207	●	From 2019 to 2022

Notes:

(1) Includes Common Shares to be issuable under options previously granted pursuant to the Legacy Option Agreements but excludes Options expected to be granted pursuant to the Closing Option Grant, which are expected to be granted immediately following the Closing.

(2) Represents the weighted average exercise price of all outstanding options to purchase Common Shares, whether vested or unvested.

PRIOR SALES

The following table summarizes the issuances of Common Shares or securities convertible into Common Shares (including for this purpose Class A Shares, Class B Shares and Class C Shares) during the 12-month period preceding the date of this prospectus. After giving effect to the Capital Reorganization, the Class A Shares and options to acquire Class A Shares will become Common Shares and options to acquire Common Shares, respectively. See "*Corporate Structure – Capital Reorganization*" and "*Executive Compensation – Components of Executive Compensation – Long-Term Incentives – Legacy Option Agreements*".

	As at the Date Hereof			As Adjusted for Capital Reorganization		
Date of Issuance	**Type of Security**	**Number of Securities Issued**	**Issuance / Exercise Price per Security**	**Type of Security**	**Number of Securities Issued**	**Issuance / Exercise Price per Security**
March 23, 2017	Class A Shares	4,177.33	n/a[(1)]	Common Shares	484,949	n/a
February 2, 2017	Class A Shares	94	$0.01[(2)]	Common Shares	10,912	$0.0001
November 3, 2016	Class A Shares	3,175	$343.45	Common Shares	368,588	$2.96
October 31, 2016	Options to acquire Class A Shares	1,092	$343.45	Options to acquire Common Shares	126,771	$2.96
October 18, 2016	Class A Shares	3,771	$343.45	Common Shares	437,778	$2.96
October 14, 2016	Class A Shares	17,248.34	$343.45	Common Shares	2,002,375	$2.96
October 7, 2016	Class A Shares	13,256	$0.01[(2)]	Common Shares	1,538,900	$0.0001
September 9, 2016	Class A Shares	10,061	$343.45	Common Shares	1,167,990	$2.96
September 1, 2016	Class A Shares	19,656.16	$343.45	Common Shares	2,281,901	$2.96
August 31, 2016	Class A Shares	18,053	$343.45	Common Shares	2,095,789	$2.96
August 22, 2016	Class A Shares	94	$0.01[(2)]	Common Shares	10,912	$0.0001
August 22, 2016	Options to acquire Class A Shares	8,230	$0.01[(2)]	Options to acquire Common Shares	955,428	$0.0001
June 27, 2016	Class A Shares	19,422.5	$0.01[(2)]	Common Shares	2,254,775	$0.0001
May 19, 2016	Class A Shares	93	$0.01[(2)]	Common Shares	10,796	$0.0001
May 18, 2016	Class A Shares	1,022	$0.01[(2)]	Common Shares	118,644	$0.0001
May 18, 2016	Options to acquire Class A Shares	1,022	$0.01[(2)]	Options to acquire Common Shares	118,644	$0.0001

Notes:

(1) The Class A Shares issued on March 23, 2017 were issued on conversion of Class C Shares.
(2) Represents the exercise price per security received upon the exercise of stock options pursuant to Legacy Option Agreements.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The following table sets out the number of securities of each class of securities of the Company that, to the knowledge of the Company, are anticipated to be held in escrow or subject to a contractual restriction on transfer at the Closing, and the percentage that number represents of the outstanding securities of that class.

Designation of Class	Number of Securities Held in Escrow or that are Subject to a Contractual Restriction on Transfer[(1)]	Percentage of Class[(2)]
Common Shares	●	●%

Notes:

(1) These Common Shares will be subject to a contractual restriction on transfer pursuant to the Lock-up Agreements. See "*Plan of Distribution – Lock-up Arrangements*".

(2) Immediately prior to the Closing.

DIVIDEND POLICY

MedReleaf has not paid dividends since the date of its incorporation and it does not expect to pay dividends in the near future. The Company expects that it will retain earnings to finance further growth. The Board of Directors will determine if and when dividends should be declared and paid in the future and any such determination will be based on the Company's financial position, business environment, operating results, capital requirements, any contractual restrictions on the payment of dividends and any other factors that the Board may deem relevant at the time.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets out the information regarding ownership of our Common Shares owned by each Selling Shareholder and each other person or company who, to the knowledge of the Company, will beneficially own, control or direct, directly or indirectly, more than 10% of the issued and outstanding Common Shares immediately following the Closing:

	Immediately following the Capital Reorganization and prior to the Closing			Immediately following the Closing[3]	
Name	**Number of Common Shares Owned**	**% of Common Shares Owned**	**Number of Offered Shares to be sold pursuant to the Secondary Offering[2]**	**Number of Common Shares Owned**	**% of Common Shares Owned**
Zola Finance Inc.	15,525,404[3]	19.0%	●	●[11]	●%[11]
MENA Investment Network Inc.	4,792,418[4]	5.9%	●	●[12]	●%[12]
AJA Holdings 2013 Inc.	6,254,629[4]	7.6%	●	●[13]	●%[13]
Rayray Investments Inc.	696,545[5]	0.9%	●	●[14]	●%[14]
2564459 Ontario Limited.	11,812,934[5]	14.4%	●	●[15]	●%[15]
Tikun Olam Ltd.	10,675,394[6]	13.0%	●	●[16]	●%[16]
Baronford Heights Limited	9,012,844[7]	11.0%	●	●[17]	●%[17]
Eva Fashion Limited	7,577,601[8]	9.3%	●	●[18]	●%[18]
MedMen Opportunity Fund, LP	4,789,910[9]	5.8%	●	●[19]	●%[19]
Neil Closner	2,891,708[10]	3.5%	●	●[20]	●%[20]

Notes:

(1) Assumes no exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the Underwriters will purchase additional Offered Shares from the Company and the Selling Shareholders on a 40%/60% basis, respectively. See "*Plan of Distribution*".

(2) Assumes no acquisition of Offered Shares.

(3) The Common Shares owned by Zola Finance Inc. are owned of record, and, to the knowledge of the Company, beneficially by such entity and controlled by Tarik Ouass.

(4) These Common Shares are owned of record and, to the knowledge of the Company, beneficially by MENA Investment Network Inc. and are controlled by Stephen Arbib. In addition, to the knowledge of the Company, Stephen Arbib beneficially owns the Common Shares owned of record by AJA Holdings 2013 Inc. Accordingly, to the knowledge of the Company, Stephen Arbib beneficially owns, or controls and directs, an aggregate of 11,047,047 Common Shares representing approximately 13.5% of the Common Shares (immediately following the Capital Reorganization and prior to the Closing) and, immediately following the Closing, he will beneficially own, or control or direct, an aggregate of ● Common Shares representing approximately ●% of the Common Shares.

(5) The Common Shares owned by each of Rayray Investments Inc. and 2564459 Ontario Limited are owned of record and, to the knowledge of the Company, beneficially by Raymond Leach. Accordingly, to the knowledge of the Company, Raymond Leach beneficially owns an aggregate of 12,509,479 Common Shares representing approximately 15.3% of the Common Shares (immediately following the Capital Reorganization and prior to the Closing) and, immediately following the Closing, he will beneficially own an aggregate of ● Common Shares representing approximately ●% of the Common Shares.

(6) These Common Shares are owned of record and, to the knowledge of the Company, beneficially by Tikun Olam. To the knowledge of the Company, the Common Shares owned by Tikun Olam are controlled by Tsachi Cohen. See "*About this Prospectus – Enforcement of Judgments Against Foreign Persons or Companies*".

(7) The Common Shares owned by Baronford Heights Limited are owned of record and, to the knowledge of the Company, beneficially by Theodore Wine.

(8) The Common Shares owned by Eva Fashion Limited were acquired on July 9, 2015 and are owned of record and, to the knowledge of the Company, beneficially by such entity, and are controlled by Vadim Soiref. See "*About this Prospectus – Enforcement of Judgments Against Foreign Persons or Companies*".

(9) The Common Shares owned by MedMen Opportunity Fund, LP are owned of record and, to the knowledge of the Company, beneficially by such entity and are controlled by its general partner, MedMen Opportunity Fund GP, LLC. A total of 3,193,215 Common Shares were acquired on September 1, 2016 and a total of 1,596,695 Common Shares were acquired on October 14, 2016. The aggregate acquisition cost in respect of the Common Shares acquired was $10,004,426 ($2.09 on an average per Common Share basis).

(10) The Common Shares owned by Neil Closner are owned of record and beneficially. A total of 1,352,807 Common Shares were acquired on April 9, 2015 and a total of 1,538,901 Common Shares were acquired on October 7, 2016 upon the exercise of stock options under Legacy Option Agreements. The aggregate acquisition cost in respect of the Common Shares acquired on October 7, 2016 was $132.56 ($0.0001 on an average per Common Share basis).

(11) If the Over-Allotment Option is exercised in full, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively. On a fully diluted basis, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively (● and ●% if the Over-Allotment Option is exercised in full).

(12) If the Over-Allotment Option is exercised in full, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively. On a fully diluted basis, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively (● and ●% if the Over-Allotment Option is exercised in full).

(13) If the Over-Allotment Option is exercised in full, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively. On a fully diluted basis, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively (● and ●% if the Over-Allotment Option is exercised in full).

(14) If the Over-Allotment Option is exercised in full, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively. On a fully diluted basis, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively (● and ●% if the Over-Allotment Option is exercised in full).

(15) If the Over-Allotment Option is exercised in full, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively. On a fully diluted basis, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively (● and ●% if the Over-Allotment Option is exercised in full).

(16) If the Over-Allotment Option is exercised in full, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively. On a fully diluted basis, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively (● and ●% if the Over-Allotment Option is exercised in full).

(17) If the Over-Allotment Option is exercised in full, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively. On a fully diluted basis, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively (● and ●% if the Over-Allotment Option is exercised in full).

(18) If the Over-Allotment Option is exercised in full, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively. On a fully diluted basis, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively (● and ●% if the Over-Allotment Option is exercised in full).

(19) If the Over-Allotment Option is exercised in full, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively. On a fully diluted basis, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively (● and ●% if the Over-Allotment Option is exercised in full).

(20) If the Over-Allotment Option is exercised in full, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively. On a fully diluted basis, the number and approximate percentage of Common Shares owned will be ● and ●%, respectively (● and ●% if the Over-Allotment Option is exercised in full).

THE BOARD OF DIRECTORS AND MANAGEMENT

The following table sets out information regarding our anticipated directors and executive officers at the Closing. As of the date of this prospectus, our Board of Directors consists of Neil Closner, Annette Wine, Stephen Arbib and Raymond Leach. On or prior to the Closing, it is anticipated that each of Annette Wine, Stephen Arbib and Raymond Leach will resign from the Board and each of Lloyd M. Segal, Deborah Rosati, Norma Beauchamp and Ronald Funk, who are not currently directors, will be appointed such that there will be a total of five directors on the Board on or prior to the Closing. As each of Lloyd M. Segal, Deborah Rosati, Norma Beauchamp and Ronald Funk are not members of the Board at the time of this prospectus, the Company does not believe any such individuals have any liability for the contents of this prospectus in such capacity under the applicable securities laws of the provinces and territories of Canada. The Company's directors are elected annually and all of the above-noted individuals are expected to hold office until the next annual meeting of holders of Common Shares, at which time they may be re-elected or replaced.

Upon the Closing, the proposed directors and executive officers (as a group) are expected to beneficially own, or exercise control or direction over, a total of ● Common Shares, representing approximately ●% of the total outstanding Common Shares (or ● Common Shares, representing approximately ●% of the total Common Shares assuming the exercise in full of the Over-Allotment Option).

The following table sets out certain summary information in respect of the current and proposed directors and executive officers of the Company.

Name and Place of Residence	Position(s)/Title	Date First Became a Director	Principal Occupation(s) for the Past Five Years
Current Board of Directors			
Neil Closner Ontario, Canada	Director and Chief Executive Officer	February 28, 2013	Chief Executive Officer of the Company; formerly a consultant
Stephen Arbib Ontario, Canada	Director	July 29, 2013	President of MENA Investment Network Inc.
Annette Wine Ontario, Canada	Director	July 29, 2013	Counsel to a private investment company
Raymond Leach Ontario, Canada	Director	March 25, 2015	Retired; formerly the Chief Executive Officer of API Alternative Processing Systems Inc.
Board of Directors at Closing			
Lloyd M. Segal Quebec, Canada	Director and Chairman of the Board(1)	On or prior to Closing	Entrepreneur-in-residence at Versant Ventures; managing partner of Persistence Capital Partners; Corporate Director
Neil Closner Ontario, Canada	As stated above	As stated above	As stated above
Norma Beauchamp Ontario, Canada	Director(1)	On or prior to Closing	President and Chief Executive Officer of Cystic Fibrosis Canada; formerly Head of MS Patient-Centered Care at Sanofi Canada
Ronald Funk Ontario, Canada	Director(1)	On or prior to Closing	Consultant
Deborah Rosati Ontario, Canada	Director(1)	On or prior to Closing	Corporate Director
Executive Officers (excluding Neil Closner already listed above)			
Igor Gimelshtein Ontario, Canada	Chief Financial Officer and Corporate Secretary	N/A	Chief Financial Officer and Corporate Secretary of the Company; formerly Vice-President at Birch Hill Equity Partners Management Inc.
Eitan Popper Ontario, Canada	President	N/A	President of the Company; formerly Managing Partner at MENA Investment Network Inc.
Angelo Fefekos Ontario, Canada	Vice-President, Clinical Affairs and Quality Compliance	N/A	Vice-President, Quality Control and Compliance of the Company; formerly a Manager at Mount Sinai Hospital
Darren Karasiuk Ontario, Canada	Vice-President, Strategy	N/A	Vice-President, Strategy of the Company; formerly Vice-President, Insight & Advisory at Deloitte and prior to that Vice-President, Strategy, Corporate and Public Affairs at Environics Research
Ivan Latysh Ontario, Canada	Vice-President, Information Technology	N/A	Vice-President, Information Technology of the Company; formerly Director of Technology at Sapient Canada and prior to that Principal Software Engineer at Infor Canada

Note:

(1) Subject to an undertaking to resign if unable to obtain a security clearance as required by the ACMPR and Health Canada.

Applicable corporate law permits the Board of Directors to appoint directors to fill any casual vacancies that may occur. The Board of Directors is permitted to add additional directors between successive annual meetings of holders of Common Shares so long as the number appointed does not exceed more than one-third of the number of directors appointed at the previous annual meeting. Individuals appointed as directors to fill casual vacancies on the Board of Directors or added as additional directors hold office like any other director until the next annual meeting at which time they may be re-elected or replaced.

Biographies

The following is a brief biography of each of the individuals who will comprise our directors and executive officers upon the Closing:

Non-Executive Directors

Lloyd M. Segal, *Director, Chairman*

Lloyd M. Segal is currently an Entrepreneur-in-residence at Versant Ventures, a leading global healthcare venture capital firm. Previously, Mr. Segal was a managing partner of Persistence Capital Partners and a director of Valeant Pharmaceuticals International from 2007-2014. In 2013, Mr. Segal was honored by the Financial Times as Outstanding Director of the Year. Mr. Segal also serves on the board of The GBC American Growth Fund Inc. He has previously served as a director of several public and private corporations in the U.S. and Canada, and has served as CEO of public and private companies. He served as CEO of Thallion Pharmaceuticals, a biotechnology company sold to Bellus Health in 2013; as founding CEO of Caprion Pharmaceuticals (now Caprion Proteomics), a leading healthcare CRO; and CEO of Advanced Bioconcept, an early innovator in the development and sale of novel discovery tools for life science research, which was sold to NEN Life Sciences Products (now PerkinElmer Inc.) in 1998. Mr. Segal holds a BA in politics from Brandeis University and an MBA (Hons.) from Harvard Business School.

Deborah Rosati, *Director*

Deborah Rosati brings over 30 years of experience in technology, consumer, retail, private equity, and venture capital spaces to her role with the Company. Ms. Rosati has extensive knowledge and experience as a corporate director, particularly in the areas of financial and enterprise risk management, corporate strategy, transformational changes, mergers and acquisitions, corporate governance, and CEO and board succession planning. Currently, Ms. Rosati serves as a director and chair of the nominating and corporate governance committee for Sears Canada Inc., and director and chair of the audit committee for NexJ Systems Inc. She is also a co-founder and CEO of Women Get On Board, a leading member-based company that connects, promotes, and empowers women to corporate boards. She has been recognized as a Diversity 50 candidate in 2014, and as one of WXN's Top 100 Canada's Most Powerful Women in the corporate director award category in 2012. Ms. Rosati's community engagements include serving as a member of the Adrenalys Advisory Council and the Advisory Council at the Goodman School of Business at Brock University, from which she holds an HBA in business administration. Ms. Rosati became a Certified Director in 2008 (ICD.D) and has been a Chartered Professional Accountant (CPA) for over 30 years. In 2009, she was named as a Fellow Chartered Professional Accountant (FCPA).

Norma Beauchamp, *Director*

Norma Beauchamp is the President and Chief Executive Officer of Cystic Fibrosis Canada, as well as director of Acerus Pharmaceuticals Corporation, where she is a member of both the audit and corporate governance and nominating committees. Ms Beauchamp brings over three decades of experience in the corporate and non-profit sectors to her role with the Company, having held senior leadership positions in Canada and Germany, including executive positions at Bayer, Sanofi, and the Canadian Foundation for Women's Health. Ms. Beauchamp has served on the boards of St. Joseph's Health Centre Foundation, Providence Healthcare Foundation and the Breast Cancer Society of Canada. Throughout her career she has been a patient advocate, working with patient and healthcare organizations to enhance access to care. Ms. Beauchamp has completed the University of Toronto's Rotman School

of Management Directors Education Program (ICD.D), and holds a Bachelor of Business Administration in Marketing from Bishop's University.

Ronald Funk, *Director*

Ronald Funk brings over 30 years of experience in business and consulting to his role with the Company. Since 2009, he has managed his own consulting practice, working with clients on acquisitions, restructurings, strategy development and government relations. Mr. Funk has worked on projects in various locations around the world, with clients engaged in a range of industries, including heavily regulated consumer products such as tobacco, alcohol, and food products. Other industries in which he has consulted include retail, advanced data analytics, gaming, and real estate development. Before opening his consulting practice, Mr. Funk was employed for approximately 30 years by Rothmans, Benson & Hedges Inc., serving in various roles and capacities, including Vice President of Sales, Human Resources, Corporate Affairs and Competitive Improvement. In these senior roles, he developed and executed a number of strategies that resulted in material growth in both market share and profitability. Mr. Funk currently serves as an independent director of Carey Management Inc., a privately held business that owns Canada's largest independent wholesale distributor. Mr. Funk has also served as the Chairman of the Ontario Convenience Stores Association and Treasurer of the Canadian Convenience Stores Association. Mr. Funk holds a Kellogg-Schulich MBA from the Kellogg School of Management and the Schulich School of Business.

Executive Director

Neil Closner, *Chief Executive Officer and Director*

Neil Closner is the CEO of the Company as well as a director. Mr. Closner co-founded the Company and has been a key driver of the Company's growth and vision. His responsibilities include oversight of all general management for the organization, strategic leadership on growth opportunities and fostering an entrepreneurial spirit throughout the Company. Mr. Closner brings nearly two decades of start-up, technology and health care experience to the MedReleaf team. Previously, he was a member of the senior leadership team at Toronto's Mount Sinai Hospital where he served as Vice-President of Business Development. Mr. Closner began his career as a health-care focused investment banker with Salomon Smith Barney (now Citigroup) and has also served as the founder, CEO or on the board of directors for more than half a dozen technology and health-care related start-up companies. Mr. Closner is Chairman of the board of the Cannabis Canada Association, representing the majority of Licensed Producers. He also sits on the executive committee and on the board of directors of Technion Canada. Mr. Closner studied economics at the London School of Economics and Political Science in London, England, and holds a BA from McGill University and an MBA from the Wharton School of Business at the University of Pennsylvania.

Executive Officers

Igor Gimelshtein, *Chief Financial Officer and Corporate Secretary*

Igor Gimelshtein is the CFO and Corporate Secretary of the Company, providing leadership on financial matters, including capital structure, forecasting, budgeting and reporting, as well as corporate development and data-driven business optimization. Previously, he was a Vice-President at Birch Hill Equity Partners, a Canadian mid-market private equity firm. While at Birch Hill, Mr. Gimelshtein worked on the development and management of a number of the portfolio companies and potential investments across a wide range of industries, each of which was aimed at generating significant growth and value-creation. Mr. Gimelshtein played a key role in Birch Hill's investments in companies such as Softchoice, Shred-it, DHX Media (formerly Cookie Jar Entertainment), Carmanah Design and Manufacturing, and Mastermind Toys. Prior to joining Birch Hill, Mr. Gimelshtein worked in San Francisco and New York for Union Square Advisors as an investment banker focused on the technology sector. At Union Square he evaluated and executed mergers and acquisitions and financing transactions across the software, internet and digital media, and hardware sectors. Mr. Gimelshtein is an active philanthropist, spending the majority of his volunteer time working with the executive team and board of directors of the Toronto Foundation on various initiatives. Mr. Gimelshtein holds an HBA (Ivey Scholar) from the Richard Ivey School of Business at Western University.

Eitan Popper, *President*

Eitan Popper is a co-founder and the President of MedReleaf. Mr. Popper brings over 15 years of international partnerships, large-scale project development, and engineering experience to the Company's senior executive team. Mr. Popper's responsibilities include oversight of all infrastructure and cultivation. As part of the senior executive team he is also involved in strategic partnerships and growth opportunities. Prior to joining the Company, Mr. Popper was a Managing Partner at the MENA Investment Network Inc., a Canadian investment firm developing cross-border industrial projects in the Middle East. Previously, Mr. Popper was Vice-President of Project Development at the Merhav Group, where he was involved in the development of large-scale oil and gas, power, renewable energy, and infrastructure projects in South and Central America, Africa and the Middle East. While at Merhav, Mr. Popper served as a board member of Eltek, a leading printed circuit board manufacturer traded on NASDAQ. Mr. Popper holds a B.Sc. in Civil Engineering from the Universidad Iberoamericana in Mexico, an M.Sc. in Environmental Fluid Mechanics from Stanford University, and an MBA from the Recanati School of Business at Tel Aviv University.

Angelo Fefekos, *Vice-President, Clinical Affairs and Quality Compliance*

Angelo Fefekos is the Vice-President, Clinical Affairs and Quality Compliance of the Company, responsible for the development, implementation and oversight of the Company's quality assurance and control systems and processes, regulatory compliance, as well as the development and design of new cannabis products. Mr. Fefekos also oversees the design and management of clinical trials, which meet standards of excellence for ethics, scientific merit and regulatory compliance. Mr. Fefekos brings over a decade of healthcare experience in quality assurance, laboratory technology and clinical management skills to the Company. Prior to joining MedReleaf, Mr. Fefekos managed a team of 40 scientific staff in the Division of Diagnostic Medical Genetics at Mount Sinai Hospital in Toronto. In this role, he was responsible for all aspects of the division's diagnostic operations. While at Mount Sinai, Mr. Fefekos also managed Allograft Technologies, one of Canada's largest tissue banks, and was responsible for the redesign and implementation of protocols related to the recovery, processing, distribution, sterility assurance and post-market surveillance activities of transplanted human tissues. Throughout Mr. Fefeko's career, he has developed and implemented standardized workflow processes designed to increase patient safety. Mr. Fefekos has extensive knowledge and experience with accreditation and regulatory requirements in the production of health products, medical laboratory testing and health services. Mr. Fefekos is a member of the College of Medical Laboratory Technologists of Ontario and holds an MBA from Athabasca University.

Darren Karasiuk, *Vice-President, Strategy*

Darren Karasiuk is the Vice-President, Strategy of the Company, responsible for business development and preparing the Company for the expected introduction of a recreational cannabis market in Canada, while ensuring that MedReleaf's business strategy and growth plan is founded in industry-leading analytics and data-driven insights. Mr. Karasiuk brings over 15 years of insight generation, marketing strategy and public affairs experience to his role. Prior to joining MedReleaf, Mr. Karasiuk was Vice-President, Insights and Advisory at Deloitte where he was a leader in the firm's cannabis practice, co-authoring the Deloitte Survey, a comprehensive study on the Canadian recreational cannabis marketplace. Previously, Mr. Karasiuk was Vice-President, Strategy, Corporate and Public Affairs at Environics Research, where he conducted many of Canada's earliest studies on pharmacist and physician perceptions of medical cannabis. He has also been the Canadian associate for the Marijuana Policy Group, a leading Denver-based economic and policy consulting firm specializing in helping to shape regulated medical and recreational cannabis markets. Mr. Karasiuk's advisory experience has focused largely on the integration of consumer and marketplace data, financial modeling, corporate strategy and behavioural science, with a view to uncovering drivers of consumer behaviour and uncovering hidden market segments, as well as informing price, brand, product portfolio, communications and public affairs strategies. Mr. Karasiuk is also experienced working within highly regulated industries including private and public healthcare, pharma, tobacco, consumer packaged goods, and energy, as well as all three levels of government. Mr. Karasiuk holds an MA from Western University and an MBA from Kellogg-Schulich.

Ivan Latysh, *Vice-President, Information Technology*

Ivan Latysh is the Vice-President, Information Technology of the Company, and has over 30 years of experience in information technology across multiple verticals and provides leadership for the continued development of an innovative, robust and secure information technology environment at MedReleaf. Prior to joining the Company, Mr. Latysh held a number of senior positions within the marketing and professional services industries. Most recently, he was Director of Technology at Sapient Nitro, a leading technology, marketing and insights consultancy. At Sapient-Nitro, Mr. Latysh acted as a delivery lead for e-commerce implementations for some of North America's most well-known retail brands. Previously, Mr. Latysh was Principal Software Engineer at Infor and Chief Technology Officer at RefineData Solutions Inc. This experience has provided Mr. Latysh with a deep understanding of various technical environments, information security and software development methodologies. Throughout his career, Mr. Latysh has also effectively managed and led software development initiatives. Mr. Latysh holds an MA in Electronics Engineering and Computer Programming from Dnipropetrovsk State University, Ukraine.

Corporate Cease Trade Orders or Bankruptcies

To the Company's knowledge, no current or proposed director, or executive officer is, as at the date of the prospectus, or was within 10 years before the date of the prospectus, a director, chief executive officer or chief financial officer of any company (including the Company) that:

(a) was subject to a cease trade order or similar order or an order that denied the company access to any statutory exemptions, that was in effect for a period of more than 30 consecutive days; or

(b) was subject to a cease trade order or similar order or an order that denied the company access to any statutory exemptions, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the Company's knowledge, no current or proposed director or executive officer or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(a) is, as at the date of the prospectus, or has been within the 10 years before the date of the prospectus, a director or executive officer of any company (including the 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 compromise with creditors or had a receive, receiver manager or trustee appointed to hold its assets; or

(b) has, within the 10 years before the date of the prospectus, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the Company's knowledge, no current or proposed director or executive officer or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

(a) 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

(b) 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

The members of the Board of Directors are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict is required to disclose his or her interest and abstain from voting on such matter. See "*Corporate Governance*".

Other than disclosed herein, there are no known existing or potential conflicts of interest among the Company, its directors and officers or other members of management of the Company or of any proposed director, officer or other member of management as a result of their outside business interests except that certain of the 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 the Company and their duties as a director or officer of such other companies. See "*Corporate Governance – Board of Directors*" and "*Risk Factors*".

EXECUTIVE COMPENSATION

The following section describes the significant elements of the Company's proposed executive compensation program following the Closing, with particular emphasis on the process for determining compensation payable to the Company's CEO, CFO and, other than the CEO and the CFO, each of the three most highly compensated executive officers of the Company, or the three most highly compensated individuals acting in a similar capacity, whose total compensation was, individually, more than $150,000 for the most recently completed financial year (collectively, the "**NEOs**"). For the Company's fiscal 2017, the NEOs are expected to be the following (assuming the continued employment of such individuals with the Company): Neil Closner (CEO), Igor Gimelshtein (CFO and Corporate Secretary), Eitan Popper (President), Angelo Fefekos (Vice-President, Clinical Affairs and Quality Compliance) and Darren Karasiuk (Vice-President, Strategy).

Upon the Closing, the Company will establish a standing committee to be named the Corporate Governance and Compensation Committee, which will meet with management to review the Company's executive compensation program and, if deemed appropriate, make further recommendations to the Board regarding changes to the program in light of the then relevant factors. An overview of the role and responsibilities of the Corporate Governance and Compensation Committee can be found elsewhere in this prospectus under "*Corporate Governance*".

Overview

The Corporate Governance and Compensation Committee, in consultation with the CEO, will be responsible for establishing, reviewing and overseeing the compensation policies of the Company and compensation of the NEOs.

It is anticipated that the CEO will make recommendations to the Corporate Governance and Compensation Committee each year with respect to the compensation for the NEOs. The Corporate Governance and Compensation Committee will review the recommendations of the CEO in determining whether to make a recommendation to the Board of Directors or recommend any further changes to compensation for the executives. In addition, the Corporate Governance and Compensation Committee will annually review and make recommendations to the Board of Directors regarding the compensation for the CEO.

Compensation Consultant

The Board has the authority to obtain independent advice from third parties regarding executive compensation. After March 31, 2016, the Board retained Hugessen Consulting Inc. ("**Hugessen**"), a compensation consultant, to provide it with independent advice on executive compensation and related performance assessment and governance matters. The nature and scope of services provided by Hugessen to the Board to date has included establishing a compensation comparator group, benchmarking compensation for the NEOs and reviewing and commenting on the short-term and long-term incentive plans. Hugessen does not provide any services to management directly and work conducted by Hugessen raises no conflicts of interest. Any services provided by Hugessen require pre-approval of the Board. The aggregate amount of fees incurred to date in connection with services provided by Hugessen for this mandate was approximately $99,000.

Compensation Philosophy and Objectives

The Company's executive compensation practices are based on a pay-for-performance philosophy that is designed to attract, motivate and retain its executives. Assessment of performance will be based on the Company's financial and operational performance, as well as individual contributions, and effective risk management. This philosophy is intended to effectively support the Company's goals of retaining and attracting the highest calibre of talent in order to maintain its leadership position in the industry.

Pay will be benchmarked and compared on a target Total Direct Compensation basis (base salary plus short-term target annual incentive plus target annual long-term equity-based incentive). The Board reviews benchmarking data for external market context, and views the 50th percentile of total compensation as a point of reference and a guideline, but does not target executive compensation to a fixed percentile relative to one specific peer group.

Informed judgment, including consideration of MedReleaf's internal hierarchy, criticality of the role, market context and performance, will be applied to peer data so as to avoid an entirely "mechanical" process for setting each position's pay.

Comparator Group

To benchmark the level and mix of executive compensation arrangements, a peer group was derived consisting of a group of comparably-sized reporting issuers operating in industries related to the Company's industry that are broadly representative of MedReleaf's executive employee market.

Based on the above, the following peer group was used in October 2016 to review and determine the compensation market:

Corby Spirit and Wine Limited	Merus Labs International Inc.	Theratechnologies Inc.
Absolute Software Corp	Cipher Pharmaceuticals Inc.	Canopy Growth Corp.
CRH Medical Corp.	Acerus Pharmaceuticals Corp.	Aphria Inc.
Computer Modelling Group Ltd.	Brick Brewing Co. Ltd.	

Components of Executive Compensation

Consistent with the Company's historical approach, the compensation program for executives on the Closing will consist of three major elements: (i) base salary; (ii) annual short-term incentives; and (iii) long-term incentives. Perquisites and personal benefits are not a significant element of compensation of the NEOs.

Base Salary

A primary element of the Company's compensation program is base salary. The Company's view is that a competitive base salary is a necessary element for attracting and retaining qualified executive officers. Base salaries are set and adjusted to reflect the scope of an executive's responsibility and prior experience, and the overall market demand for such executives at time of hire. Base salaries will be reviewed annually.

Effective April 1, 2017, base salaries for the NEOs are as follows: Mr. Closner: $375,000; Mr. Gimelshtein: $225,000; Mr. Popper: $215,000; Mr. Fefekos: $215,000; and Mr. Karasiuk: $170,000.

Short-Term Incentives

MedReleaf will grant short-term incentive awards to its executive officers in the form of annual cash bonuses, which are intended to motivate and reward such executive officers for achieving and surpassing annual corporate and individual goals approved by the Board. The Company believes that a performance-based bonus program promotes its overall compensation objectives by tying a meaningful portion of an executive's compensation to the overall growth of the business, thereby aligning the interests of executive officers with the interests of holders of Common Shares and other stakeholders. Bonuses for the CEO will be recommended by the Corporate Governance and Compensation Committee and approved by the Board, while bonuses for all other NEOs will be recommended by the CEO and reviewed and approved by the Corporate Governance and Compensation Committee. In the past, bonus levels were mainly determined based on the informed judgement of the Board. Following completion of the Offering, the Company intends to put in place a more structured scorecard to assess performance, while still allowing the Corporate Governance and Compensation Committee to use its informed judgment to determine the final bonus levels.

For fiscal 2018, each of Messrs. Closner, Gimelshtein, Popper, Fefekos and Karasiuk will be eligible for target annual incentives in an amount of 60%, 50%, 50%, 50% and 20% respectively, of each of their respective base salaries. The performance criteria applicable to the bonuses potentially payable to the NEOs are expected to include: (a) revenue growth versus the Canadian cannabis industry growth; (b) earnings before interest, tax, depreciation and amortization versus budget; (c) various strategic goals related to current operations; and (d) recreational and international strategy.

Long-Term Incentives

The executive officers of the Company, along with other employees, will be eligible to participate in the long-term incentive program of the Company which will be comprised of stock options issued pursuant to the Stock Option Plan. The purpose of the long-term incentive program is to promote greater alignment of interests between employees and shareholders, and to support the achievement of the Company's longer-term performance objectives, while providing a long-term retention element.

<u>One-time Option Grant to Employees in Connection with Offering</u>

In connection with and conditional upon completion of the Offering, it is expected that the Board will approve a one-time grant of Options pursuant to the Stock Option Plan to purchase an aggregate of ● Common Shares to certain officers and employees, including the NEOs, which Options will be exercisable at the Offering Price (the "**Closing Option Grant**"). A total of 12.5% of the Options granted to the NEOs pursuant to the Closing Option Grant will vest every six months following the Closing Date. Other than Options expected to be granted in connection with the Closing Option Grant, it is expected that no further Options will be granted to the NEOs for a period of three years following the Closing.

<u>Legacy Option Agreements</u>

Historically, the Company granted options to purchase Class A Shares to certain employees pursuant to stock option agreements (the "**Legacy Option Agreements**"). Options granted under the Legacy Option Agreements will remain outstanding following the Closing and options thereunder will vest and be exercisable in accordance with their terms, however the Company expects that option grants in the future will be made under the Stock Option Plan. Options outstanding under Legacy Option Agreements are counted towards the aggregate limit of shares issuable upon exercise of Options under the Stock Option Plan.

Stock Option Plan

Prior to the Closing, the Company will adopt the Stock Option Plan in order to facilitate the grant of new stock options ("**Options**") to officers (including NEOs), employees and consultants of the Company or its subsidiaries and to enable the Company to obtain and retain services of these individuals, which is essential to its long-term success. The key features of the Stock Option Plan are described below.

Pursuant to the Company's Stock Option Plan, the Company may grant Options for the purchase of Common Shares to any employee, executive officer or consultant of the Company or its subsidiaries. The purpose of the Stock Option Plan is to advance the interests of the Company by providing additional incentive to eligible persons, encouraging stock ownership by such persons, increasing the proprietary interest of such persons in the success of the Company, encouraging such persons to remain with the Company, and attracting new employees, executive officers or consultants of the Company or its subsidiaries. The maximum number of Common Shares that may be issued under the Stock Option Plan is 10% of the total number of Common Shares issued and outstanding from time to time, less Common Shares issuable under any other security-based compensation arrangements at any given time, subject to adjustment pursuant to the Stock Option Plan. The Stock Option Plan is an "evergreen" plan, and any Common Shares subject to an Option which has been granted and which has been exercised, cancelled, repurchased, expired or terminated, will again be available under the Stock Option Plan. The Stock Option Plan also provides that the total number of Common Shares that may be issued to insiders of the Company within a one-year period, or issuable to insiders at any given time under all security-based compensation arrangements, shall not exceed 10% of the Company's then issued and outstanding Common Shares.

The exercise price of the Options is fixed by the Board of Directors at the date of grant and may not be less than the five-day volume-weighted average trading price as determined in accordance with the rules of the TSX. Options vest at the discretion of the Board of Directors, but in the absence of such determination, Options will vest evenly on an annual basis over a three year period starting on the first anniversary of the grant. Options granted under the Stock Option Plan may have a term of up to five years (subject to an extension of the scheduled expiry date in the event the option would otherwise expire during a blackout period). Options granted under the Stock Option Plan are not transferable or assignable except, with the consent of the Company, to an RRSP, RRIF or personal holding company of the participant (provided there occurs no change in beneficial ownership) and also pursuant to the laws of descent. The administration and operation of the Stock Option Plan may be delegated by the Board of Directors to a committee thereof.

The Stock Option Plan also contains provisions providing for the adjustment of the exercise price or the substitution or adjustment of the number and kind of shares or other securities to be received upon exercise of outstanding Options in the event of any share dividend or subdivision, recapitalization, consolidation, combination or exchange of shares, or other fundamental or similar corporate change, in order to preserve proportionally the interests of participants under the Stock Option Plan.

Unless otherwise permitted by the Board of Directors, upon the termination of a participant's employment without cause or due to the resignation of such participant (other than a resignation for good reason in connection with, or during the 12 month period following, a change of control), any unvested Options held by the participant as at the termination date immediately expire, and all vested Options held by the participant as at the termination date may be exercised until the earlier of the expiry date of the Options or 30 days after the termination date, after which time all Options will expire.

Upon the death of a participant, any unvested Options held by the participant as at the termination date shall vest and any vested Options held by the participant (including any Options that vest on the termination date) may be exercised until the earlier of the expiry date of the Options or 180 days after the termination date, after which all Options will expire.

Upon the retirement of a participant's employment with the Company, any unvested Options held by the participant as at the termination date will continue to vest in accordance with its vesting schedule, and all vested Options held by the participant at the termination date may be exercised until the earlier of the expiry date of the Options or three years following the termination date, provided that if the participant breaches any post-employment restrictive covenants in favour of the Company (including non-competition or non-solicitation covenants), then any options

held by such participant, whether vested or unvested, will immediately expire and the participant shall pay to the Company any "in-the-money" amounts realized upon exercise of Options following the termination date.

Upon termination of a participant's employment for cause, all Options (whether vested or unvested) held by the participant as at the termination date immediately expire.

In connection with a change of control of the Company, the Board will take such steps as are reasonably necessary or desirable to cause the conversion or exchange or replacement of outstanding Options into or for, rights or other securities of substantially equivalent (or greater) value in the continuing entity, provided that the Board may accelerate the vesting of Options if: (i) the required steps to cause the conversion or exchange or replacement of Options are impossible or impracticable to take or are not being taken by the parties required to take such steps (other than the Company); or (ii) the Company has entered into an agreement which, if completed, would result in a change of control and the counterparty or counterparties to such agreement require that all outstanding Options be exercised immediately before the effective time of such transaction or terminated on or after the effective time of such transaction. If a participant is terminated without cause or resigns for good reason during the 12 month period following a change of control, or after the Company has signed a written agreement to effect a change of control but before the change of control is completed, then any unvested Options will immediately vest and may be exercised within 30 days of such date.

Subject to any required regulatory approvals, the Board may, in its sole and absolute discretion, and without the approval of holders of Common Shares, terminate the Stock Option Plan at any time, and amend or revise the terms thereof, including any Options granted thereunder, which may include:

- amendments of a "housekeeping" or clerical nature, including those meant to clarify the meaning of an existing provision of the Stock Option Plan, correct or supplement any provision of the Stock Option Plan that is inconsistent with any other provision of the Stock Option Plan, correct any grammatical or typographical errors or amend the provisions of the Stock Option Plan regarding its administration;

- the addition of, or a change to, the vesting provisions of an Option or the Stock Option Plan;

- amendments to reflect any requirements of applicable law or the requirements of any regulatory authorities to which the Company is subject;

- a change to the termination provisions of an Option or the Stock Option Plan which does not entail an extension beyond the original expiry date of an Option;

- the addition of a form of financial assistance and any amendment to a financial assistance provision which is adopted;

- the addition of a cashless exercise feature, payable in cash or securities, and any amendment to a cashless exercise feature which is adopted; and

- the addition of any clawback provision and any amendment to a clawback provision which is adopted,

provided that no such amendment or revision may, without the consent of the participant, materially adversely affect such participant's rights under any Option previously granted under the Stock Option Plan.

Notwithstanding the foregoing, approval of the holders of Common Shares (including disinterested approval, where required) is required, in addition to any required regulatory approvals, for the following amendments to the Stock Option Plan (and any Option granted thereunder):

- any increase in the maximum number of Common Shares that may be issuable pursuant to Options granted under the Stock Option Plan;

- any change to the definition relating to the persons eligible to participate in the Stock Option Plan;

- a reduction in the exercise price of an Option, or a cancellation and reissuance of Options or extension of the expiry date of an Option or any amendment to the insider participation limits;

- any amendment to the provision restricting transfers or assignability of Options or to the definition of permitted assign; and

- any grant of additional powers to the Board to amend the Stock Option Plan or any Options granted thereunder without approval of holders of Common Shares, including any amendment to the amendment provisions of the Stock Option Plan.

If the Stock Option Plan is terminated, any Options outstanding on the date of such termination will be unaffected and continue to be outstanding, on the same terms and conditions, and the provisions of the Stock Option Plan applicable to such Options will remain in force until all such Options are exercised, have expired, or are terminated in accordance with their terms, and the Board will remain able to make such amendments in respect of such Options or the Stock Option Plan as it would have been entitled to make if the Stock Option Plan were still in effect.

Pension Benefits and Nonqualified Deferred Compensation

The Company does not have a company-sponsored pension plan, and none of its NEOs participate in a nonqualified deferred compensation plan.

Other Perquisites and Benefits

The Company also provides a limited benefits package to executive officers that consists of health and dental benefits, life insurance, long term disability insurance and an employee and family assistance plan. Some executive officers also receive a car allowance.

Compensation Risk Assessment

Following the Closing, the Board will review the potential risks associated with the structure and design of the various compensation plans of the Company, including a comprehensive review of the material compensation plans and programs for all employees.

Summary Compensation Table

The following table presents total compensation amounts expected to be paid, accrued or otherwise expensed by the Company with respect to fiscal 2018, for each of the NEOs (assuming the continued employment of each NEO).

Name and principal position	Year	Salary[1]	Share awards[2]	Option awards	Non-equity incentive plan compensation		Pension Value	All other compensation[4]	Total compensation
					Annual incentive plans[3]	Long-term incentive plans			
Neil Closner *CEO*	2018	$375,000	-	$●[5]	-	-	-	-	$●
Igor Gimelshtein *CFO and Corporate Secretary*	2018	$225,000	-	$●[5]	-	-	-	-	$●
Eitan Popper *President*	2018	$215,000	-	$●[5]	-	-	-	-	$●
Angelo Fefekos *Vice-President, Clinical Affairs and Quality Compliance*	2018	$215,000	-	$●[5]	-	-	-	-	$●
Darren Karasiuk *Vice-President, Strategy*	2018	$170,000	-	$●[5]	-	-	-	-	$●

Notes:

(1) Amounts reflect the annualized base salary for each NEO to be in effect as of the Closing.
(2) The Company does not intend to grant any share-based awards to our NEOs in fiscal 2018.
(3) The total amount of all short-term incentive bonuses to be paid or payable in or with respect to fiscal 2018 has yet to be determined. However, in connection with the year ended March 31, 2017, the Board has approved the following cash bonuses to the NEOs which will be paid during fiscal 2018: (a) Mr. Closner - $225,000; and (b) each of Messrs. Gimelshtein, Popper and Fefekos – $150,000. In addition, in April 2017, Mr. Closner was paid a lump-sum payment of $100,000 in connection with an amendment to his employment agreement.
(4) None of the NEOs are entitled to perquisites or other personal benefits which, in the aggregate, are worth over $50,000 or over 10% of their base salary.
(5) Other than options expected to be granted in connection with the Closing Option Grant, it is not expected that NEOs will receive further grants of Options for a period of three years following the Closing.

Outstanding Option-based and Share-based Awards

The following table sets out, for each NEO, the value of all option-based and share-based awards that are anticipated to be outstanding on the Closing (after giving effect to the Capital Reorganization). The Company does not anticipate having any share-based awards outstanding on the Closing.

Name	Option-based awards			
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options[1]
Neil Closner	451,013 Common Shares[2]	$●[2]	Sept. 16, 2018	$●
	318,437 Common Shares[2]	$●[2]	Aug. 22, 2021	$●
	● Common Shares[3]	$●	●	$●
Igor Gimelshtein	232,181 Common Shares[2]	$●[2]	Oct. 31, 2021	$●
	● Common Shares [3]	$●	●	$●
Eitan Popper	239,147 Common Shares[2]	$●[2]	June 29, 2020	$●
	● Common Shares[3]	$●	●	$●
Angelo Fefekos	237,289 Common Shares[2]	$●[2]	Feb. 24, 2019	$●
	232,181 Common Shares[2]	$●[2]	Jan 10, 2022	$●
	● Common Shares[3]	$●	●	$●
Darren Karasiuk	126,771 Common Shares[2]	$●[2]	October 31, 2022	$●
	● Common Shares[3]	$●	●	$●

Notes:

(1) The value of unexercised in-the-money options is calculated based on the Offering Price.
(2) These options were granted in connection with the Legacy Option Agreements and were initially exercisable for Class A Shares, however the number of Common Shares issuable and the exercise price per Common Share have been adjusted to give effect to the Capital Reorganization. See "*Executive Compensation – Components of Executive Compensation – Long-Term Incentives*".
(3) These Options will be granted immediately following the Closing pursuant to the Closing Option Grant at an exercise price per Common Share equal to the Offering Price, assumed to be $10.00, being the midpoint of the estimated price range set out on the cover page of this prospectus. See "*Executive Compensation – Components of Executive Compensation*".

Incentive Plan Awards – Value Vested or Earned During the Year

The following table indicates, for each NEO, the value of incentive plan awards expected to be vested or earned during fiscal 2018 (assuming the continued employment of each NEO).

Name	Option-Based Awards – Value Vested During the Year[(1)]	Share-Based Awards – Value Vested During the Year	Non-Equity Incentive Plan Compensation – Value Earned During the Year
Neil Closner	$●	-	-
Igor Gimelshtein	$●	-	-
Eitan Popper	$●	-	-
Angelo Fefekos	$●	-	-
Darren Karasiuk	$●	-	-

Note:

(1) The value of options expected to vest in fiscal 2018 is calculated based on the Offering Price, and assumes the completion of the Capital Reorganization.

NEO Employment Agreements including Provisions Relating to Termination or Change of Control

The Company has written employment agreements with each of its NEOs and each executive officer is entitled to receive compensation established by the Company as well as other benefits in accordance with plans available to the most senior employees.

Upon the Closing, each of these employment agreements will be reviewed by the Board in consultation with the Corporate Governance and Compensation Committee and may, as considered appropriate, be amended to reflect the changed status of the Company and the compensation framework developed following the Closing. A summary of the termination and/or change of control provisions of the current employment agreements follows.

Neil Closner

Mr. Closner's executive employment agreement provides that if his employment is terminated without cause, he will be entitled to receive: (a) any unpaid vacation pay and accrued but unpaid base salary to the date of termination and a *pro rated* amount of bonus to the date of termination, calculated on the basis of the average of the annual bonus payments received by him in respect of the previous three financial years; (b) payment of 12 months' base salary, plus an amount equal to the average of the annual bonus payments received by him in respect of the previous three financial years; and (c) payment of one additional month of base salary and $1/12^{th}$ of the foregoing bonus amount for each completed year of active employment, calculated from February 28, 2014, up to a maximum of six months. Mr. Closner's benefits will also continue for a period of 12 months following the date of termination, with the exception of life insurance and disability insurance and any other coverage that the insurer(s) will not agree to continue throughout such period, which shall be continued only during any period required by the *Employment Standards Act, 2000* (Ontario).

If Mr. Closner's employment is terminated for just cause, he will not have the right to claim any of the compensation described above.

If Mr. Closner voluntarily resigns, he must provide at least two months' written notice, in which case he will be entitled to a *pro-rated* amount of his annual bonus to the effective date of resignation, calculated on the basis of the average of the annual bonus payments received by him in respect of the previous three financial years.

Mr. Closner's employment agreement also contains customary confidentiality covenants and certain restrictive covenants that will continue to apply following the termination of his employment, including a non-solicitation provision in effect during his employment and for the 12 months following the termination of his employment and a non-competition provision in effect during his employment and for the six months following the termination of his employment.

Igor Gimelshtein

Mr. Gimelshtein's executive employment agreement provides that if his employment is terminated without cause, he will be entitled to receive a lump sum payment of 12 months (the "**Gimelshtein Period**") of base annual salary and car allowance, plus an amount equal to the annual bonus payments received by him in respect of the previous completed financial year *pro-rated* from the commencement of the current financial year to the date of termination, plus any accrued but unpaid base salary, benefits and car allowance owing to the date of termination as well as benefits continuation for the duration of the Gimelshtein Period, with the exception of life insurance and disability insurance and any other coverage that the insurer(s) will not agree to continue throughout such period, which shall be continued only during any period required by the *Employment Standards Act, 2000* (Ontario).

If Mr. Gimelshtein's employment is terminated without cause within 12 months of a change of control (defined as the sale by the Company of all or substantially all of the outstanding shares or assets of the Company), the Gimelshtein Period will be increased to 24 months.

Mr. Gimelshtein's employment agreement also contains customary confidentiality covenants and certain restrictive covenants that will continue to apply following the termination of his employment, including non-solicitation and non-competition provisions in effect during his employment and for the Gimelshtein Period.

In connection with the entering into of the employment agreement with Mr. Gimelshtein, the Company issued to him all of the Class C Shares (to be redesignated as Class B Shares in connection with the Capital Reorganization) which have the rights, privileges, restrictions and conditions described under "*Description of Share Capital – Class B Shares*".

Eitan Popper

Mr. Popper's executive employment agreement provides that if his employment is terminated without cause, he will be entitled to receive a lump sum payment of six months of compensation, including salary and car allowance, plus one additional month of compensation for each completed year of active employment, up to a maximum of 12 months (the "**Popper Period**"), as well as an amount equal to the annual bonus payments received by him in the previous financial year *pro-rated* from the commencement of the current financial year to the date of termination of his employment. Mr. Popper is also entitled to benefit continuation for the duration of the Popper Period, with the exception of life insurance and disability insurance and any other coverage that the insurer(s) will not agree to continue throughout such period, which shall be continued only during any period required by the *Employment Standards Act, 2000* (Ontario).

If Mr. Popper's employment is terminated without cause within 12 months of a change of control (defined as the sale by the Company of all or substantially all of the outstanding shares or assets of the Company), the Popper Period will be increased to 24 months.

If Mr. Popper's employment is terminated for just cause, he will not have the right to claim any of the compensation described above.

Mr. Popper's employment agreement also contains customary confidentiality covenants and certain restrictive covenants that will continue to apply following the termination of his employment, including non-solicitation and non-competition provisions in effect during his employment and for the Popper Period.

Angelo Fefekos

Mr. Fefekos' executive employment agreement provides that if his employment is terminated without cause, he will be entitled to receive a lump sum payment of six months of compensation, including salary and car allowance, plus one additional month of compensation for each completed year of active employment, up to a maximum of 12 months (the "**Fefekos Period**"), as well as an amount equal to the annual bonus payments received by him in the previous financial year *pro-rated* from the commencement of the current financial year to the date of termination of his employment. Mr. Fefekos is also entitled to benefit continuation for the duration of the Fefekos Period, with the

exception of life insurance and disability insurance and any other coverage that the insurer(s) will not agree to continue throughout such period, which shall be continued only during any period required by the *Employment Standards Act, 2000* (Ontario).

If Mr. Fefekos' employment is terminated without cause within 12 months of a change of control (defined as the sale by the Company of all or substantially all of the outstanding shares or assets of the Company), the Fefekos Period will be increased to 24 months.

Mr. Fefekos' employment agreement also contains customary confidentiality covenants and certain restrictive covenants that will continue to apply following the termination of his employment, including a non-solicitation and non-competition provision, in each case in effect during his employment and extending for a period of one year following the termination of his employment.

Darren Karasiuk

Mr. Karasiuk's executive employment agreement provides that if his employment is terminated without cause, he will be entitled to receive the greater of three months' written notice or compensation in lieu of notice or the minimum amount of notice or pay in lieu thereof required pursuant to the *Employment Standards Act, 2000* (Ontario), statutory severance pay and a *pro rated* bonus under any bonus plan.

Mr. Karasiuk's employment agreement also contains customary confidentiality covenants and certain restrictive covenants that will continue to apply following the termination of his employment, including a non-solicitation provision in effect during his employment and for one year following termination of employment and a non-competition provision in effect during his employment and six months following termination of employment.

DIRECTOR COMPENSATION

The Board of Directors, through the Corporate Governance and Compensation Committee, will be responsible for reviewing and approving the directors' compensation arrangements and any changes to those arrangements.

Following the Closing, the Corporate Governance and Compensation Committee will establish the compensation arrangements for each director that is not an employee of the Company or one of its affiliates. The directors' compensation program will be designed to attract and retain the most qualified individuals to serve on the Board of Directors. Each of the proposed directors will receive an initial grant of $50,000 worth of DSUs at the Offering Price. It is expected that non-executive directors, other than the Chair of the Board, will be paid an annual retainer of $100,000. It is expected that the Chair of the Board will receive an annual retainer of $140,000. It is also expected that committee chairs will receive an additional retainer. It is not expected that directors will receive any fees in connection with any Board or committee meetings.

Directors will be reimbursed for their reasonable out-of-pocket expenses incurred in serving as directors. It is expected that non-executive directors will be required to receive at least 50% of their annual retainer in DSUs as described under "*DSU Plan for Non-Executive Directors*" below. Non-executive directors will be able to elect to increase the percentage of their compensation received in DSUs up to 100%. This process helps to align non-executive directors' interests with the Company's long-term interests by including equity-based compensation in the director compensation package.

Directors who are employees of, and who receive a salary from, the Company or one of its affiliates will not be entitled to receive any remuneration for serving as directors, but will be entitled to reimbursement of their reasonable out-of-pocket expenses incurred in serving as directors.

It is expected that the Corporate Governance and Compensation Committee will establish a share ownership guideline pursuant to which directors will be expected to hold Common Shares and DSUs having a minimum value of three times their annual retainer, within five years of first being elected to the Board.

DSU Plan for Non-Executive Directors

Upon the Closing the Company will adopt the DSU Plan. The principal purposes of the DSU Plan are to: (i) enhance the Company's ability to attract and retain talented individuals to serve as members of the Board; (ii) advance the long-term interests of the Company by providing such persons with the opportunity and incentive, through equity-based compensation, to participate in the long-term success of the Company; and (iii) promote a greater alignment of interests between such persons and shareholders of the Company.

A DSU is a notional security that entitles non-executive directors to receive cash upon ceasing to be members of the Board. The value of each such DSU will correspond to the volume-weighted average trading price of the Common Shares for the five trading days immediately preceding such date, as reported by the TSX.

Non-executive directors may, at any time, elect to receive up to 100% of the annual compensation paid by the Company for service on the Board or any committee thereof (including any annual retainer or meeting fees) in the form of DSUs by completing an election form, subject to any minimum percentage that may be imposed by the Board.

A non-executive director is entitled to terminate or change his or her election related to the discretionary percentage of director compensation to be received in the form of DSUs, subject to any minimum requirements that may be imposed by the Board, but no discretionary elections (or any changes to same) shall be permitted during any blackout period, in accordance with the terms of the DSU Plan. Periodically, the Board or Corporate Governance and Compensation Committee may make discretionary grants of DSUs to non-executive directors, subject to the terms and conditions of the DSU Plan.

Unless determined otherwise by the Board or the Corporate Governance and Compensation Committee at the time of grant, DSUs vest immediately when granted and are non-transferable and non-assignable other than by operation of law.

Settlement of a non-executive director’s DSUs upon ceasing to be a member of the Board shall occur no later than December 15 of the calendar year following the year in which the director ceased to be a member of the Board. On such settlement date, the Company shall pay a lump sum cash payment equal to the Market Value (as such term is defined in the DSU Plan) on such settlement date of one Common Share for each DSU credited to the non-executive director’s notional account.

DSUs will not entitle a director to any voting or other shareholder rights. Any DSUs credited to a non-executive director may be included for purposes of calculating his or her respective equity in accordance with guidelines that may be imposed from time to time by the Company.

If, and when dividends are paid on Common Shares, unless the Board decides otherwise, additional DSUs shall be credited to each non-executive director who holds DSUs on the record date for such dividend, equal to the number (rounded down to the nearest whole DSU) determined by dividing: (i) product of the amount of the dividend by the number of DSUs held by the non-executive director on such record date by (ii) the Market Value of a Common Share on the date on which the dividends were paid on the Common Shares.

In the event of a Change of Control (as such term is defined in the DSU Plan), the Board may make such provision as it considers appropriate in the circumstances, including changing the vesting schedule for any DSU or providing for a substitute award of the continuing entity on the same terms and conditions as the DSUs.

In the case of an adjustment to the issued shares of the Company following a dividend of shares, a special cash dividend, an amalgamation, a combination, merger or consolidation, a share-for-share exchange or any other similar change in the capital structure of the Company, the Board, in its discretion, may make such proportionate adjustments, if any, as it deems appropriate to reflect such changes to the DSUs outstanding under the DSU Plan.

The Board may amend the DSU Plan or awards made under the DSU Plan at any time, provided, however, that no such amendment may materially and adversely affect any DSU previously granted to a non-executive director without the consent of the non-executive director, except to the extent required by applicable law.

CORPORATE GOVERNANCE

General

The securities regulatory authorities in Canada adopted National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**") and National Policy 58-201 – *Corporate Governance Guidelines* ("**NP 58-201**"). NP 58-201 contains a series of guidelines for effective corporate governance. The guidelines deal with such matters as the constitution and independence of corporate boards, their functions, the effectiveness and education of board members and other items dealing with sound corporate governance.

For the purposes of this disclosure, the applicable meaning of "independent" is that which is provided in NI 58-101, which states that a director is considered "independent" if he or she has no direct or indirect "material relationship" with the Company, which is one that could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a member's independent judgment; provided that, with respect to the members of the Audit Committee, the meaning of "independent" shall be that defined under, and required by, NI 52-110.

Four of the five members who are expected to form the Board of Directors following the Closing are "independent", as that term is defined in NI 58-101, being Lloyd M. Segal, Deborah Rosati, Norma Beauchamp and Ronald Funk. Neil Closner is not considered "independent" because he also functions as the Chief Executive Officer of the Company.

Upon the Closing, charters will be implemented for the Board and each of its standing committees, as well a position description for the CEO. Position descriptions for each of the chair of the Board, and the chairs of each of the Corporate Governance and Compensation Committee, the Health, Safety and Quality Control Committee and the Audit Committee, will be included in their respective charters. Each of these charters and position descriptions will be available on the Company's website at www.medreleaf.com. A copy of the charter of the Audit Committee is appended to this prospectus at Appendix "B".

Board of Directors

Overview

The Company's articles provide for a minimum of one and a maximum of 10 directors, and the Board of Directors has the power to set the number of directors within the minimum and maximum number. In addition, in accordance with the OBCA, the Board of Directors may appoint one or more additional directors who shall hold office until the close of the next annual meeting of holders of Common Shares, provided that the total number of directors so appointed may not exceed one-third of the number of directors elected at the previous annual meeting of holders of Common Shares.

Upon the Closing, the Board of Directors will be comprised of five directors; Lloyd M. Segal, Deborah Rosati, Norma Beauchamp**,** Ronald Funk and Neil Closner. Certain members of the Board of Directors are also members of the board of directors of other reporting issuers, as noted below:

Name of Director	Name(s) of Reporting Issuer(s) and Exchange
Lloyd M. Segal	The GBC American Growth Fund Inc.
Deborah Rosati	NexJ Systems Inc. (TSX)
	Sears Canada Inc. (TSX)
Norma Beauchamp	Acerus Pharmaceuticals Corporation (TSX)

The mandate of the Board of Directors will require that the Board meet as many times as it considers necessary to carry out its responsibilities effectively, and in any event on a quarterly basis, at minimum, and that all Board meetings include meetings of independent directors without any members of management present to allow for open discussions between such independent directors. A copy of the mandate of the Board of Directors is appended to this prospectus at Appendix "A".

Director Tenure

It is expected that each of the proposed directors of the Company will serve until the close of the next annual meeting of holders of Common Shares or until his or her successor is elected or appointed. The Board is not expected to adopt a term limit for directors. The Board believes that the imposition of director term limits may discount the value of experience and continuity amongst board members and runs the risk of excluding experienced and potential valuable board members. The Board will rely on an annual director assessment procedure, as more fully described below, in evaluating Board members, and believes that it can best strike the right balance between continuity and fresh perspectives without mandated term limits.

Board and Senior Management Diversity

MedReleaf recognizes and embraces the benefits of having diversity on the Board and in its senior management. Presently and following the Closing, the Company has and will have no female executive officers and currently has and will have on the Closing two females 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 senior management provide the necessary range of perspectives, experience and expertise required to achieve our objectives and deliver for the Company's 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 given due consideration by the Corporate Governance and Compensation Committee.

With respect to the Board composition, on an annual basis, the Corporate Governance and Compensation Committee will: (i) assess the effectiveness of the Board appointment/nomination process at achieving the Company's diversity objectives; (ii) measure the annual and cumulative progress in achieving its gender diversity targets, if targets have been adopted; and (iii) monitor implementation of the policy. Currently, the Board does not believe that targets or strict rules set out 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 Corporate Governance and Compensation Committee will: (i) assess the effectiveness of the senior management appointment process at achieving the Company's diversity objectives; (ii) consider and, if determined advisable, recommend to the Board for adoption, measurable objectives for achieving diversity in senior management; and (iii) monitor implementation of the policy. At any given time the Board may seek to adjust one or more objectives concerning senior management diversity and measure progress accordingly.

Board Mandate

The mandate of the Board of Directors is to provide oversight for the Company and to act honestly and in good faith with a view to its best interests. The Board acts in accordance with the OBCA and the Company's articles of incorporation and by-laws, as well as with other applicable laws and Company policies. The Board will discharge its responsibilities both directly and through the work performed by its standing committees, as well as any other committees appointed from time to time on an *ad hoc* basis. The Board will review and approve any transactions and decisions that fall within its approval mandate in advance and will review the results of these decisions on a regular basis. A copy of the mandate of the Board of Directors is attached as Appendix "A" to this prospectus and will be available on the Company's website at www.medreleaf.com.

Position Descriptions

Chair of the Board and Committee Chairs

It is expected that Lloyd M. Segal will be the Chair of the Board of Directors. A written position description for the Chair is included as part of the mandate of the Board of Directors, which sets out the position's key responsibilities, including duties related to working with senior management, Board meetings, shareholders' meetings, director development and communication with shareholders and regulators. The charters for the standing committees of the Board will include each committee chairman's responsibilities, including chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee. These charters and position descriptions will be considered by the Board of Directors for approval annually.

CEO

Neil Closner is the Company's CEO. The primary functions of the CEO are to lead the management of the Company's business and affairs and to lead the implementation of the resolutions and the policies of the Board of Directors. Prior to the Closing, the Board will develop a written position description for the CEO which will set out the CEO's key responsibilities, including duties relating to strategic planning, operational direction and interaction with the Board of Directors and communication with shareholders. The CEO position description will be considered by the Board of Directors for approval annually.

Orientation and Continuing Education

Upon the Closing, the Board will consist of directors who are familiar with the industry or who bring particular expertise to the Board from their professional experience. New directors will be 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 MedReleaf, its financial situation and its strategic planning. All directors will receive a record of public information about the Company, as well as other relevant corporate and business information including corporate governance practices of the Company, the structure of the Board and its standing committees, its corporate organization, the charters of the Board and its standing committees, the Company's articles, the Code and other relevant corporate policies. Senior management will make regular presentations to the Board on the main areas of the business and the directors will have the opportunity to ask questions and tour MedReleaf's facilities.

Code of Business Conduct and Ethics

The Company has a code of business conduct and ethics (the "**Code**") for directors, officers, employees and consultants.

Directors and executive officers are required by applicable law and the Company's 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.

Employees and consultants of MedReleaf are required to immediately report any such conflicts of interest to their direct supervisor, a member of the human resources team or a senior executive officer. The Code also sets out: (i) standards for the Company's and its employees' relationships with customers and others; (ii) standards for the accuracy of the Company's books and records and the provision of information to external auditors; and (iii) rules regarding the ownership, protection and proper use of the Company's assets.

Any waiver of the Code's provisions in respect of a director or officer must be approved by the Board, and the CEO may approve waivers in respect of employees and consultants, and must report such waivers to the Board.

A copy of the Code will be available on the Company's website at www.medreleaf.com.

Committees

Prior to the Closing, the Board of Directors will implement charters for each of its proposed standing committees, namely the Audit Committee, the Corporate Governance and Compensation Committee, and the Health, Safety and Quality Control Committee. The Board of Directors will delegate to the applicable committee those duties and responsibilities set out in each standing committee's charter and the charters will be reviewed annually by the Board.

Audit Committee

Prior to the Closing, the Board will establish a standing committee to be named the Audit Committee. The role of the Audit Committee will be to assist the Board in fulfilling its financial oversight obligations, including the responsibility: (i) to assist the Board in fulfilling its responsibility to oversee the Company's accounting and financial reporting processes and audits of the Company's financial statements; (ii) to review the Company's financial reports and other financial information, disclosure controls and procedures and internal accounting and financial controls; (iii) to oversee the work of the external auditor in preparing or issuing an audit report or related work, monitor the independence of the external auditor and pre-approve all auditing services and permitted non-audit services provided by the external auditor; and (iv) to serve as an independent and objective party to monitor the Company's financial reporting processes and internal control systems. A copy of the charter of the Audit Committee is attached as Appendix "B" to this prospectus and will be available on the Company's website at www.medreleaf.com.

The members of the Audit Committee will be determined prior to the filing of the (final) prospectus. Each member of the Audit Committee will be "independent" and "financially literate" within the meaning of NI 52-110. 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 level of complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements. All expected members of the Audit Committee will have experience reviewing financial statements and dealing with related accounting and auditing issues.

Pre-Approval Policies and Procedures

The Audit Committee charter will include responsibilities regarding the provision of non-audit services by MedReleaf's external auditors. This policy encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditor's independence and requires Audit Committee pre-approval of permitted audit and audit-related services.

Auditor Fees

Fees billed by KPMG LLP in the years ended March 31, 2016 and 2015 were approximately $95,000 and $45,000 respectively, as detailed below. “Audit fees” refers to the aggregate fees billed by the external auditor for audit services. “Audit related fees” refers to aggregate fees billed for assurance and related services by the Company’s external auditor that are reasonably related to the performance of the audit or review of the Financial Statements and not reported under Audit Fees including the review of interim filings and travel related expenses for the annual audit. “Tax fees” includes fees for professional services rendered by the external auditor for tax compliance, tax advice, and tax planning. “All other fees” includes all fees billed by the external auditors for services not covered in the other three categories.

	Year ended March 31, 2016	**Year ended March 31, 2015**
Audit fees	$30,000	$30,000
Audit-related fees	$50,000	-
Tax fees	$15,000	-
All other fees	-	$15,000
Total	**$95,000**	**$45,000**

Corporate Governance and Compensation Committee

Prior to the Closing, the Board will establish a standing committee to be named the Corporate Governance and Compensation Committee, to be comprised of three directors, each of whom will be considered to be “independent”, as that term is defined in NI 58-101. The members of the Corporate Governance and Compensation Committee will be determined prior to the filing of the (final) prospectus.

The Corporate Governance and Compensation Committee will fulfill its responsibility by performing the following primary functions: (i) monitoring the composition and performance of the Board and its standing committees; (ii) overseeing the development and regular assessment of the Company’s approach to corporate governance issues, and ensuring that such approach supports the effective functioning of the Company with a view to the best interests of the Company; (iii) overseeing the development and regular assessment of the Company’s compensation structure for directors and members of senior management; and (iv) the development and regular assessment of the performance of senior management.

The Corporate Governance and Compensation Committee will annually review and assess the performance goals and objectives relevant to the CEO, the CFO and other members of senior management, and recommend any changes to such goals and objectives to the Board for consideration. The Corporate Governance and Compensation Committee will also review and assess the Company’s succession plan for the CEO, CFO, and other members of senior management.

Compensation Oversight

With respect to compensation, the Corporate Governance and Compensation Committee will: (i) annually review the compensation structure and policies in respect of senior management and may recommend any changes to such structure and policies to the Board for consideration; (ii) seek and consider the CEO’s recommendations for compensation of the other members of senior management and may recommend any changes to such compensation to the Board for consideration; and (iii) review the Company’s incentive compensation and other equity-based plans and recommend changes to such plans to the Board when necessary, and exercise all authority of the Board with respect to the administration of such plans; and (iv) annually review directors’ compensation and may recommend any changes to the Board for consideration.

The Corporate Governance and Compensation Committee will develop the Company's compensation policies for directors and senior management to ensure that they: (i) properly reflect their respective duties and responsibilities; (ii) are competitive in attracting, retaining and motivating qualified candidates for such roles; (iii) align the interests of the directors and senior management with that of shareholders and the Company as a whole; and (iv) are based on established corporate and individual performance goals and objectives.

Board Nominations

The Corporate Governance and Compensation Committee will also be tasked with seeking and evaluating suitable candidates to serve on the Board. In so doing, the Corporate Governance and Compensation Committee will: (i) consider what competencies and skills the Board, as a whole, should possess; (ii) assess what competencies and skills each existing director possesses; (iii) recommend to the Board the necessary and desirable competencies of directors, taking into account the Company's strategic direction and changing circumstances and needs; (iv) identify individuals qualified to become new Board members and recommending to the Board the new director nominees for the next annual general meeting of shareholders; and (v) annually conduct, review and report to the Board the results of an assessment of the Board's performance and effectiveness.

To assist the Corporate Governance and Compensation Committee's task in assessing the contribution of individual directors and in the creation of a more transparent, effective corporate governance culture, the Board will enact the compensation structure more fully described under "*Director Compensation*".

The complete and full responsibilities, powers and operation of the Corporate Governance and Compensation Committee will be set out in its charter, a copy of which will be available on the Company's website at www.medreleaf.com.

Health, Safety and Quality Control Committee

Prior to the Closing, the Board will appoint a Health, Safety and Quality Control Committee comprised of three directors, a majority of whom will be considered to be "independent", as that term is defined in NI 58-101. The members of the Health, Safety and Quality Control Committee will be determined prior to the filing of the (final) prospectus.

The Health, Safety and Quality Control Committee will be responsible for reviewing the Company's policies and procedures related to product quality assurance and to ensure that its production facilities have appropriate standards and implementation programs, including employee education and instruction in respect of such standards. In carrying out its mandate, the Health, Safety and Quality Control Committee will: (i) review the Company's policies, programs, and practices in respect of product handling, packaging, and transportation; (ii) monitor the adequacy of compliance systems in respect of applicable legislation and regulations, including the ACMPR, the Health Canada Security Directives for Controlled Substances, the *Pest Control Products Act* (Canada), the CDSA, and the FDA, and (iii) report and make recommendations to the Board on such areas of regulatory compliance as are considered appropriate.

The complete and full responsibilities, powers and operation of the Health, Safety and Quality Control Committee will be set out in its charter, a copy of which will be available on the Company's website at www.medreleaf.com.

Assessments

As described above, the Corporate Governance and Compensation Committee will be responsible for overseeing and assessing the functioning of the Board of Directors and the committees of the Board. The Corporate Governance and Compensation Committee will annually review and evaluate and make recommendations to the Board with regard to the size, composition and role of the Board and its standing committees (including any additional 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.

Majority Voting Policy

While the Board will be responsible for recommending the nominees to be elected by holders of Common Shares at each annual meeting of shareholders, the Company will adopt a majority voting policy to deal with situations where a candidate recommended by the Board for election has more votes withheld than are voted in favour of such nominee. The Company believes that each director should have the confidence and support of the shareholders. Where a director nominee has more votes withheld than are voted in favour of such nominee, the nominee, even though duly elected as a matter of corporate law, will be required to tender his or her resignation which will be accepted by the Board, absent extraordinary circumstances, within 90 days after the date of the shareholder meeting.

Timely Disclosure, Confidentiality and Insider Trading

MedReleaf will adopt a policy in respect of timely disclosure, confidentiality and insider trading to govern the conduct of the Company's directors, officers, employees and other insiders with respect to the proper maintenance and disclosure of confidential information and the trading of the Company's securities, particularly in the context of material information concerning the Company and its affairs. Among other matters, the policy will: (i) establish a disclosure committee to be chaired by the CEO; (ii) establish a procedure for the designation of individuals authorized to speak on behalf of the Company; (iii) establish rules and procedures for the disclosure of material information and the maintenance of confidential information; (iv) set out prohibited trading activities, including regular and special black-out periods; and (v) describe reporting requirements applicable to insiders. Under the policy, the directors, officers and employees will not be permitted to purchase financial instruments to hedge or offset a decrease in the market value of the Company's securities.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of MedReleaf's directors or executive officers, nor any associate of such director or executive officer is indebted to the Company or its subsidiary or has any indebtedness to another entity that is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company or its subsidiary.

ELIGIBILITY FOR INVESTMENT

In the opinion of Norton Rose Fulbright Canada LLP, counsel to the Company, and Fasken Martineau DuMoulin LLP, counsel to the Underwriters, based on the current provisions of the Tax Act, provided that on the date of the Offering (i) the Offered Shares are listed on a "designated stock exchange" (as defined in the Tax Act), which currently includes the TSX, or (ii) the Company is a "public corporation" (as defined in the Tax Act), the Offered Shares will on that date be "qualified investments" under the Tax Act for a trust governed by a "registered retirement savings plan" ("**RRSP**"), "registered retirement income fund" ("**RRIF**"), "registered disability savings plan" ("**RDSP**"), "deferred profit sharing plan", "registered education savings plan" ("**RESP**") or "tax-free savings account" ("**TFSA**"), each as defined in the Tax Act.

Notwithstanding that the Offered Shares may be "qualified investments" for a RRSP, RRIF or TFSA, if the Offered Shares are a "prohibited investment" within the meaning of the Tax Act for a RRSP, RRIF or TFSA, the annuitant of the RRSP or RRIF or the holder of TFSA, as the case may be, will be subject to penalty taxes as set out in the Tax Act. The Offered Shares will generally not be a prohibited investment for a RRSP, RRIF or TFSA if the annuitant or holder, as the case may be, (a) deals at arm's length with the Company for the purposes of the Tax Act, and (b) does not have a "significant interest" (as defined for purposes of the prohibited investment rules in the Tax Act) in the Company. In addition, the Offered Shares will not be a prohibited investment if the Offered Shares are "excluded property" as defined in the Tax Act for purposes of the prohibited investment rules. Under tax proposals to amend the Tax Act contained in the federal budget released on March 22, 2017, the prohibited investment rules will also apply to a trust governed by a RESP or RDSP, effective after March 22, 2017.

Prospective purchasers of Offered Shares who intend to invest through a RRSP, RRIF, TFSA, RDSP or RESP should consult their own tax advisors with respect to whether the Offered Shares would be a prohibited investment having regard to their particular circumstances.

RISK FACTORS

An investment in the Offered Shares should be considered a highly speculative investment that involves significant risk. A prospective purchaser of Offered Shares should carefully consider all of the information disclosed in this prospectus prior to making a decision to purchase the Offered Shares. In addition to the other information presented in this prospectus, the following risk factors should be given special consideration when evaluating an investment in the Company. Some of the following factors are interrelated and, consequently, prospective purchasers of Offered Shares should treat such risk factors as a whole. The following information is a summary only of certain risk factors that prospective purchasers of Offered Shares should consider and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this prospectus. These risks and uncertainties are not the only ones that could affect the Company or the Offered Shares and additional risks and uncertainties not currently known to the Company, or that it currently deems immaterial, may also impair the business, financial condition and results of operations of the Company and/or the value of the Offered Shares. If any of the following risks or other risks occur, they could have a material adverse effect on the Company's business, financial condition and results of operations and/or the value of the Offered Shares. There is no assurance that any risk management steps taken by the Company will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

Risks Related to the Business and the Industry

The Company is dependent upon its Licences and, in particular, its Markham Commercial Licence, for its ability to grow, store and sell medical cannabis and other products derived therefrom and such Licences are subject to ongoing compliance, reporting requirements and renewal

The Company's ability to grow, store and sell cannabis for medical purposes in Canada is dependent on its Licences and, in particular, its Markham Commercial Licence. The Licences are subject to ongoing compliance, reporting requirements and renewal. The Markham Commercial Licence was last renewed on February 10, 2017 for a term ending August 15, 2018. The Markham Commercial Licence allows MedReleaf to, among other things, and during the term of such licence, produce at its Markham Facility up to 6,000 kilograms of dried cannabis and up to 1,760 kilograms of cannabis oil, and to sell and distribute within Canada up to 5,000 kilograms of dried cannabis, up to 1,319 kilograms of bottled cannabis oil, and up to 440 kilograms of encapsulated cannabis oil. Although MedReleaf believes it will meet the requirements of the ACMPR for future renewals of its Licences, there can be no guarantee that Health Canada will renew the Licences or, if renewed, that it will be renewed on the same or similar terms or that Health Canada will not revoke the Licences. Should the Company fail to comply with the requirements of the Licences or should Health Canada not renew the Licences when required, or renew the Licences on different terms or revoke the Licences, there would be a material adverse effect on the Company's business, financial condition and results of operations.

Government licences are currently, and in the future may be, required in connection with MedReleaf's operations, in addition to other unknown permits and approvals which may be required. To the extent such permits and approvals are required and not obtained, the Company may be prevented from operating and/or expanding its business, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may not always succeed in complying with the regulatory requirements for Licensed Producers as set out by the ACMPR and Health Canada

Successful execution of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities, including the ACMPR, and obtaining all regulatory approvals, where necessary, for the sale of its products. The commercial medical cannabis industry is a new industry in Canada and the ACMPR is a new regime and has no close precedent in Canadian law. The effect of Health Canada's administration, application and enforcement of the regime established by the ACMPR on the Company and its business, and any delays in obtaining, or failure to obtain, applicable regulatory approvals which may be required, may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, Health Canada inspectors routinely assess the Company's facilities against applicable regulatory requirements and provide follow-up reports noting any observed deficiencies. Accordingly, MedReleaf regularly incurs ongoing costs and obligations related to regulatory compliance. While the Company endeavours to comply with all relevant laws, regulations and guidelines and, 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, any failure by the Company to comply with applicable regulatory requirements of the ACMPR, or more vigorous enforcement thereof by Health Canada, could require extensive changes to the Company's operations, increased compliance costs, penalties or restrictions on the Company's operations or give rise to material liabilities or a revocation of the Company's Licences and other permits, which could have a material adverse effect on the Company's business, financial condition and results of operations. Further, Health Canada may change its administration, application or enforcement procedures at any time, which could impact the Company's costs and resources.

The laws, regulations and guidelines generally applicable to the medical cannabis industry may change in ways currently unforeseen by the Company, including changes with respect to the reimbursement program established for Veterans or the cancellation thereof and the expected implementation of the Cannabis Act

MedReleaf's operations are subject to the ACMPR and various other laws, regulations and guidelines relating to the manufacture, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis for medical purposes but also including laws and regulations relating to controlled substances, health and safety, privacy, the conduct of operations and the protection of the environment. To the knowledge of the Company's management, other than routine corrections that may be required by Health Canada from time to time, the Company is currently in material compliance with all existing laws, regulations and guidelines. If any changes to such laws, regulations or guidelines occur, which are matters beyond the control of the Company, the Company may incur significant costs in complying with such changes or it may be unable to comply therewith, which in turn may result in a material adverse effect on the Company's business, financial condition and results of operations.

A significant portion of the Company's sales and revenues are generated through the distribution of its cannabis-based pharmaceutical products to Veteran patients, who are eligible for reimbursement from VAC (subject to limits on price and daily amount). On November 22, 2016, the Canadian federal Minister for VAC announced that the federal government would be limiting the reimbursement amount for cannabis for medical purposes and reducing the quantity of medical cannabis that it will cover for Veteran patients. The reimbursement price cap of $8.50 per gram, whether taken in dried or fresh cannabis or the equivalent value in cannabis oil form took effect immediately (November 22, 2016). The revised VAC reimbursement policy also established a limit of three grams per day of dried or fresh cannabis, or the equivalent in cannabis oil, which change is scheduled to take effect on May 22, 2017. The revised VAC reimbursement policy also includes a process that potentially allows for the daily limit to be exceeded by individual Veteran patients by way of an exemption request to be submitted to VAC by a medical specialist. If a significant number of the Company's eligible Veteran patients do not obtain such an exemption, MedReleaf's sales and revenues could be adversely affected. In addition, further decreases of either the dollar amount per gram of medical cannabis or the number of grams per day, or both, for which VAC will reimburse Veterans, or the discontinuance of such reimbursement policy, could have a material adverse effect on the Company's business, financial condition and results of operations.

The Liberal Party of Canada, which has formed the current federal Government of Canada, has made electoral commitments to legalize, regulate and tax recreational cannabis use in Canada. On April 20, 2016, the Liberal Party of Canada made a commitment to introduce legislation to meet its electoral commitments by the spring of 2017. On June 30, 2016, the Government of Canada launched the Task Force and a public consultation for the creation of a new legislative system with respect to the legalization of cannabis. After taking consultations, the Task Force prepared and tabled the Legalization Report on December 13, 2016. The Legalization Report outlines a framework for a new system to legalize, regulate and restrict access to cannabis, and contains recommendations to federal, provincial, territorial and municipal governments on how to promote and protect public health and safety. On April 13, 2017, the Cannabis Act was introduced. The Government of Canada has provided guidance that the recreational cannabis market will be operational in late 2018 or early 2019, however there is no assurance that the legalization of cannabis by the Government of Canada will occur as anticipated or at all.

Furthermore, the legislative framework pertaining to the Canadian recreational cannabis market will be subject to significant provincial and territorial regulation, which may vary across provinces and territories and result in an

asymmetric regulatory and market environment, different competitive pressures and significant additional compliance and other costs and/or limitations on the Company's ability to participate in such market. While the impact of any new legislative framework for the regulation of the Canadian recreational cannabis market is uncertain, any of the foregoing could result in a material adverse effect on the Company's business, financial condition and operating results.

Future clinical research studies on the effects of medical cannabis may lead to conclusions that dispute or conflict with the Company's understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). The statements made in this prospectus concerning the potential medical benefits of cannabinoids, including with respect to the PTSD Study, are based on published articles and reports. 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 MedReleaf believes that the articles, reports and studies, including the PTSD Study referenced in this prospectus support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance 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 Offered 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 medical benefits, 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 the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition and results of operations.

The Markham Facility is, and the Bradford Facility is expected to become, integral to the Company's business and adverse changes or developments affecting either of the Markham Facility or the Bradford Facility may impact the Company's business, financial condition and results of operations

The Company's activities and resources are currently focused on the Company's Markham Facility. The Markham Commercial Licence is specific to the Markham Facility. Adverse changes or developments affecting the Markham Facility, including but not limited to a *force majeure* event or a breach of security, could have a material adverse effect on the Company's business, financial condition and prospects. 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 MedReleaf's ability to continue operating under the Markham Commercial Licence or the prospect of renewing the Markham Commercial Licence or would result in a revocation of the Markham Commercial Licence.

The Company has also purchased and is expecting to complete the build-out of its Bradford Facility (subject to demand for the Company's cannabis-based pharmaceutical products and receipt of a commercial licence under the ACMPR in respect of such facility), and the Company has also received the Bradford Cultivation Licence. Management of the Company expects that the Bradford Facility has the potential to significantly increase the Company's cultivation and growing capacity. However, no assurance can be given that Health Canada will approve any amendment to the Bradford Cultivation Licence to increase production volumes or permit sales of cannabis-based pharmaceutical products under such licence. If the Company is unable to secure a commercial production licence in respect of the Bradford Facility, the expectations of management with respect to the increased future cultivation and growing capacity may not be borne out, which could have a material adverse effect on the Company's business, financial condition and results of operations. Further, construction delays or cost over-runs in respect of the build-out of the Bradford Facility, howsoever caused, could have a material adverse effect on the Company's business, financial condition and results of operations.

The medical cannabis industry and market are relatively new in Canada, and this industry and market may not continue to exist or grow as anticipated or the Company may ultimately be unable to succeed in this new industry and market

As a Licensed Producer, MedReleaf is operating its business in a relatively new medical cannabis industry and market. In addition to being subject to general business risks, a business involving an agricultural product and a regulated consumer product, the Company needs to continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations. These activities may not promote the Company's brand and products as effectively as intended, or at all. Competitive conditions, consumer tastes, patient requirements and spending patterns in this new industry and market are relatively unknown and may have unique circumstances that differ from existing industries and markets.

In addition, the ACMPR also 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 on their behalf. This could potentially significantly reduce the market for the Company's products, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Accordingly, there are no assurances that this industry and market will continue to exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects the medical cannabis industry and market could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may compete for market share with other companies, including Licensed Producers, which may have longer operating histories and more financial resources, manufacturing and marketing experience than the Company

The Company does and expects to continue to face intense competition from other Licensed Producers and companies, some of which can be expected to have longer operating histories and more financial resources, manufacturing and marketing experience than the Company. In addition, there is potential that the medical cannabis industry will undergo consolidation, creating larger companies with financial resources, manufacturing and marketing capabilities, and products that are greater than those of the Company. As a result of this competition, the Company may be unable to maintain its operations or develop them as currently proposed on terms it considers acceptable or at all. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the Company's business, financial condition and results of operations.

To date, Health Canada has granted licences and Licensed Producer status under the ACMPR to 41 applicants (who, collectively, hold 43 licences). There are, however, several hundred applicants for Licensed Producer status. The number of licences granted and the number of Licensed Producers ultimately authorized by Health Canada could have an impact on the operations of the Company. The Company expects to face additional competition from new market entrants that are granted licences under the ACMPR or existing licence holders which are not yet active in the industry. If a significant number of new licences are granted by Health Canada in the near term, the Company may experience increased competition for market share and may experience downward price pressure on its products as new entrants increase production. The Company also faces competition from illegal dispensaries and the black market that are unlicensed and unregulated, and that are selling cannabis and cannabis products, including products with higher concentrations of active ingredients, and using delivery methods, including edibles and extract vaporizers, that the Company is prohibited from offering to individuals as they are not currently permitted by the ACMPR. Any inability or unwillingness of law enforcement authorities to enforce existing laws prohibiting the unlicensed cultivation and sale of cannabis and cannabis-based products could result in the perpetuation of the black market for cannabis and/or have a material adverse effect on the perception of cannabis use. Any or all of these events could have a material adverse effect on the Company's business, financial condition and results of operations.

If the number of users of cannabis for medical purposes 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 R&D, sales and patient support. The Company may not have sufficient resources to maintain R&D, sales and patient support efforts on a competitive basis which could have a material adverse effect on the Company's business, financial condition and results of operations.

Furthermore, several recommendations of the Task Force including, but not limited to, permitting home cultivation and potentially easing barriers to entry into a Canadian recreational cannabis market could materially and adversely affect the business, financial condition and results of operations of the Company. There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources, 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.

As well, the legal landscape for medical and recreational cannabis is changing internationally. More countries have passed laws that allow for the production and distribution of cannabis for medical purposes in some form or another. The Company has some international strategic alliances in place, which may be affected if more countries legalize medical cannabis. Increased international competition and limitations placed on the Company by Canadian regulations might lower the demand for the Company's products on a global scale.

The Company may be unable to attract or retain key personnel with sufficient experience in the medical cannabis industry, and may prove unable to attract, develop, and retain additional employees required for the Company's development and future success

The success of the Company is currently largely dependent on the performance of its management team (collectively, "**Key Persons**"). The Company's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. In addition, the Company's lean management structure may be strained as the Company pursues growth opportunities in the future. The loss of the services of a Key Person, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. MedReleaf does not currently maintain key-person insurance on the lives of any of its Key Persons.

Further, as a Licensed Producer, each Key Person is subject to a security clearance by Health Canada. Under the ACMPR a security clearance cannot be valid for more than five years and must be renewed before the expiry of a current security clearance. There is no assurance that any of the Company's existing personnel who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. A failure by a Key Person to maintain or renew his or her security clearance, would result in a material adverse effect on the Company's business, financial condition and results of operations. In addition, if a Key Person leaves the Company, and the Company is unable to find a suitable replacement that has a security clearance required by the ACMPR in a timely manner, or at all, there could occur a material adverse effect on the Company's business, financial condition and results of operations.

Significant interruption in the Company's access to certain key inputs such as raw materials, electricity, water and other utilities may impair its cannabis growing operation

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 utilities. Any significant interruption, price increase or negative change in the availability or economics of the supply chain for key inputs and, in particular, rising or volatile energy costs could have a material adverse effect on MedReleaf's business, financial condition and results of operations. In addition, the Company's operations would be significantly affected by a prolonged power outage. Pursuant to an agreement with a third party contractor, in the event of a prolonged power outage, a mobile back-up generator will be provided by the contractor to maintain the Markham Facility's

operations, however, there can be no certainty that this generator will be in place without delay or that it will cover the Company's power needs for the duration of any given power outage.

The ability of the Company to compete and grow cannabis is dependent on it having access, at a reasonable cost and in a timely manner, to labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure program relating to the ongoing development and expansion of the Bradford Facility may be significantly greater than anticipated by the Company's management, in which circumstance the Company may curtail, or extend the timeframes for completing, such capital expenditure plans. This could have a material adverse effect on the Company's business, financial condition and results of operations.

MedReleaf may seek to expand its business and operations into jurisdictions outside of Canada, and there are risks associated with doing so

The Company may in the future expand its operations and business into jurisdictions outside of Canada. There can be no assurance that any market for the Company's products will develop in any such foreign jurisdiction. The Company may face new or unexpected risks or significantly increase its exposure to one or more existing risk factors, including economic instability, changes in laws and regulations and the effects of competition. These factors may limit the Company's capability to successfully expand its operations and may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may enter into strategic alliances, or expand the scope of currently existing relationships with third parties with whom it believes will have a beneficial impact on its business, financial condition and results of operation and there are risks associated with such activities

The Company currently has, and may in the future enter into, strategic alliances with third parties that the Company believes will complement or augment its existing business. MedReleaf's ability to complete strategic alliances is dependent upon, and may be limited by, the availability of suitable candidates and capital. In addition, strategic alliances could present unforeseen integration obstacles or costs, may not enhance our business, and may involve risks that could adversely affect the Company, including significant amounts of management time that may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve, or that the Company's existing strategic alliances will continue to achieve, the expected benefits to the Company's business or that the Company will be able to consummate future strategic alliances on satisfactory terms, or at all. Any of the foregoing could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is subject to risks inherent in an agricultural business

The Company's business involves the growing of cannabis for medical purposes, which is 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 MedReleaf grows its products indoors under climate controlled conditions and all growing conditions are carefully monitored with trained personnel, there can be no assurance that natural elements, such as insects and plant diseases, will not have a material adverse effect on the Company's business, financial condition and results of operations.

MedReleaf may not be able to transport its medical cannabis products to patients in a safe and efficient manner

Due to its direct-to-patient shipping model, the Company depends on fast and efficient third party transportation services to distribute its products. Any prolonged disruption of third party transportation services could have a material adverse effect on the Company's business, financial condition and results of operations. Rising costs associated with third party transportation services used by the Company to ship its products may also adversely impact the Company's business, financial condition and results of operations.

Due to the nature of MedReleaf'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 adverse effect on the Company's business, financial condition and results of operations. 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 Licences or the prospect of renewing its Licences or the prospect of receiving an amendment to the Bradford Cultivation Licence.

The Company will seek to maintain adequate insurance coverage in respect of the risks faced by it, however, insurance premiums for such insurance may not continue to be commercially justifiable and there may be coverage limitations and other exclusions which may not be sufficient to cover potential liabilities faced by the Company

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, there could be a material adverse effect on the Company's business, financial condition and results of operations.

If MedReleaf is not able to comply with all safety, health and environmental regulations applicable to its operations and industry, it may be held liable for any breaches thereof

Safety, health and environmental legislation affects nearly all aspects of the Company's operations, including product development, working conditions, waste disposal, emission controls and the maintenance of air and water quality standards and land reclamation and, with respect to environmental regulation, imposes limitations on the generation, transportation, storage and disposal of solid and hazardous waste. 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 may in the future be 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 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. 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 may 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, compliance expenditures or otherwise have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may be subject to product liability claims

As a manufacturer and distributor of products designed to be ingested by humans, MedReleaf 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 for medical purposes involves 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 or contributed to 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 and goodwill with its patients and consumers generally, and could have a material adverse effect on the Company's business, financial condition and results of operations. There can be no assurances that MedReleaf 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.

The Company's cannabis-based pharmaceutical products may be subject to recalls for a variety of reasons

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 MedReleaf 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, whether frivolous or otherwise. Additionally, if any of the products produced by MedReleaf were subject to recall, the reputation and goodwill of that product and/or the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for products produced by MedReleaf and could have a material adverse effect on the Company's business, financial condition and results of operations. Additionally, product recalls may lead to increased scrutiny of the operations of MedReleaf by Health Canada or other regulatory agencies, requiring further management attention, increased compliance costs and potential legal fees, fines, penalties and other expenses. Furthermore, any product recall affecting the medical cannabis industry more broadly could lead consumers to lose confidence in the safety and security of the products sold by Licensed Producers generally, which could have a material adverse effect on the Company's business, financial condition and results of operations.

MedReleaf may not be able to successfully develop new products or find a market for their sale

The medical cannabis industry is in its early stages of development and it is likely that the Company, and its competitors, will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company may need to expend significant amounts of capital in order to successfully develop and generate revenues from new products introduced by the Company. As well, the Company may be required to obtain additional regulatory approvals from Health Canada and any other applicable regulatory authority, which may take significant amounts of time. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may experience breaches of security at its facilities or in respect of electronic documents and data storage and may face risks related to breaches of applicable privacy laws

Given the nature of the Company's product and its lack of legal availability outside of channels approved by the Government of Canada, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

In addition, MedReleaf collects and stores personal information about its patients and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, there are a number of federal and provincial laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the privacy rules under the *Personal Information Protection and Electronics Documents Act* (Canada) ("**PIPEDA**"), protect medical records and other personal health information by limiting their use and disclosure of health information to the minimum level reasonably necessary to accomplish the intended purpose. If the Company was found to be in violation of the privacy or security rules under PIPEDA or other laws protecting the confidentiality of patient health information, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company may become subject to liability arising from any fraudulent or illegal activity by its employees, contractors and consultants

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

MedReleaf, or the medical cannabis industry more generally, may receive unfavourable publicity or become subject to negative consumer perception

The Company believes the medical cannabis industry is highly dependent upon consumer perception regarding the medical benefits, safety, efficacy and quality of the cannabis distributed for medical purposes to such consumers. Consumer perception of MedReleaf's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, political statements both in Canada and in other countries, media attention and other publicity (whether or not accurate or with merit) regarding the consumption of cannabis products for medical purposes, including unexpected safety or efficacy concerns arising with respect to the products of the Company or its competitors. 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 and financial condition 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 an adverse effect on any demand for the Company's products which could have a material adverse effect on the Company's business, financial condition and results of operations. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis for medical purposes in general, or the Company's products specifically, or associating the consumption of 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.

The Company may not be able to develop and maintain lasting consumer relationships with patients

MedReleaf'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 brand awareness, its ability to continually produce desirable and effective cannabis products, the successful implementation of the Company's patient-acquisition plan and the continued growth in the aggregate number of patients selecting cannabis for medical purposes as a treatment option. The Company's failure to acquire and retain patients could have a material adverse effect on the Company's business, financial condition and results of operations.

MedReleaf may be unable to expand its operations in accordance with patient demand or to manage its operations beyond their current scale

The Company's revenue has grown in recent years. The Company's ability to sustain its growth will depend on a number of factors, many of which are beyond the Company's control, including, but not limited to, the availability of sufficient capital on suitable terms, changes in laws and regulations respecting the production of cannabis products and competition from other Licensed Producers and the black market, and the ability or authorization to produce sufficient volumes of the Company's cannabis-based pharmaceutical products to match patient demand. In addition, the Company is subject to a variety of business risks generally associated with growing companies. Future growth and expansion could place significant strain on the Company's management personnel and likely will require the Company to recruit additional management personnel.

There can be no assurance that MedReleaf will be able to manage its expanding operations (including any acquisitions) effectively, that it will be able to sustain or accelerate its growth or that such growth, if achieved, will result in profitable operations, that it will be able to attract and retain sufficient management personnel necessary for continued growth, or that it will be able to successfully make strategic investments or acquisitions. The failure to accomplish any of the foregoing could have a material adverse effect on the Company's business, financial condition and results of operations.

Demand for cannabis-based pharmaceutical products is dependent on a number of social, political and economic factors that are beyond the Company's control. While the Company believes that demand for such products will continue to grow, there is no assurance that such increase in demand will occur, that the Company will benefit from any demand increase, or that its business will remain profitable. If the Company is unable to sustain profitability, the value of the Common Shares may significantly decrease.

MedReleaf may not be able to secure adequate or reliable sources of funding required to operate its business and meet consumer demand for its products

There is no guarantee that the Company will be able to achieve its business objectives. 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 objectives 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. In addition, from time to time, the Company may enter

into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may 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 also contain provisions which, if breached, may entitle lenders or their agents to accelerate repayment of loans and/or realize upon security over the assets of the Company, 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 Credit Facilities impose limitations on the types of transactions or financial arrangements that the Company may engage in

The Credit Agreement contains certain restrictive covenants including, subject to certain exceptions, restrictions on the Company's ability to incur indebtedness, grant liens, make corporate changes, dispose of assets, make investments including acquisitions and pay dividends. There are also limitations on the scope of the Company's business. In addition to the foregoing restrictions, the Company must maintain certain financial ratios. Events beyond the Company's control, including changes in general economic and business conditions, may affect the Company's ability to observe or satisfy these covenants, which could result in a default under the Credit Agreement. If an event of default under the Credit Agreement occurs, the agent 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 Credit Agreement.

Management has limited experience with the requirements and demands of managing a publicly-traded company

Management has historically operated the business of the Company as a privately-owned company. The individuals who will constitute MedReleaf's senior management team have had limited experience in managing a publicly-traded entity. The Company will be required to develop control systems and procedures required to operate as a public company, and these systems and procedures could place a significant strain on the Company's management systems, infrastructure and other resources. The Company can provide no assurances that its management's past experience will be sufficient to enable the Company to successfully operate as a public company. Although management has engaged a number of professional service providers to assist the Company with complying with its continuous disclosure, filing, and other requirements applicable to public entities, if management of the Company is unable to satisfactorily manage the Company as a public entity and ensure that it remains in compliance with all continuous disclosure and other requirements applicable to public entities, there could occur a material adverse effect on the Company's business, financial condition and results of operations.

Management may not be able to successfully implement adequate internal controls over financial reporting

Proper systems of internal controls over financial accounting and disclosure are critical to the operation of a public company. However, the Company does not expect that its DCP or ICFR will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be 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, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially adversely affected, which could cause investors to lose confidence in the Company's reported financial information, which in turn could result in a reduction in the value of the Common Shares.

The Company may not be able to successfully identify and execute future acquisitions or dispositions, or to successfully manage the impacts of such transactions on its operations

Although there is no present intention to undertake any of the following transactions, material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Company's operations, and (vi) loss or reduction of control over certain of the Company's assets.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the results of operations, business prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Conflicts of interest may arise between MedReleaf and its directors and officers as a result of other business activities undertaken by such individuals

The Company may be subject to various potential conflicts of interest because of the fact that some of its directors and executive officers may be engaged in a range of business activities. In addition, the Company's directors and executive officers 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 and subject to any contractual restrictions restricting such activities. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with business interests that interfere with their ability to devote time to the Company's business and affairs, which could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws and policies of the Company. For example, a director who has a material interest in a matter before the Board or any committee on which he or she serves is required to disclose such interest as soon as the director becomes aware of it and absent himself or herself from the meeting while discussions and voting with respect to the matter are taking place. In accordance with applicable laws, the directors of the Company are required to act honestly and in good faith with a view to the best interests of the Company.

The Company may become involved in regulatory or agency proceedings, investigations and audits

The Company's business requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Company to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and results of operation.

The Company may be subject to litigation in the ordinary course of its business

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the value of the Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources, including the time and attention of management and available working capital. Litigation may also create a negative perception of MedReleaf's brand.

Certain events or developments in the medical cannabis industry more generally may impact MedReleaf's reputation

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. As a producer and distributor of a controlled substance in Canada that has been commonly associated with various other narcotics, violence and criminal activities, there is a risk that our business might attract negative publicity. There is also risk that the action(s) of other Licensed Producers, or the action(s) of other companies and service providers in the cannabis industry, may negatively affect the reputation of the industry as a whole and thereby negatively impact the reputation of the Company. 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 and the medical cannabis industry in general, 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 or the medical cannabis industry 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 business strategy and realize on its growth prospects, thereby having a material adverse impact on the Company's business, financial condition and results of operations.

Third parties with whom the Company does business may perceive themselves as being exposed to reputational risk as a result of their relationship with the Company

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. Failure to establish or maintain business relationships due to reputational risk arising in connection with the nature of the Company's business could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may be subject to risks related to the protection and enforcement of its intellectual property rights, and may become subject to allegations that the Company is in violation of intellectual property rights of third parties

The ownership and protection of our intellectual property rights is a significant aspect of the Company's future success. Currently we rely on trade secrets, technical know-how and proprietary information that are not protected by patents to maintain our competitive position. We try to protect such intellectual property by entering into confidentiality agreements with parties that have access to it, such as our partners, collaborators, employees and consultants. Any of these parties may breach these agreements and we may not have adequate remedies for any specific breach. In addition, our trade secrets and technical know-how, which are not protected by patents, may otherwise become known to or be independently developed by competitors, in which event our business, financial condition and results of operations could be materially adversely affected.

Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products, trade secrets, technical know-how and proprietary information. Policing the unauthorized use of the Company's current or future intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as the Company may be unable to effectively monitor and evaluate the products being distributed by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the Company's current or future trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for the benefit of the Company, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the Company's current or future trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect the business, financial condition and results of operations of the Company.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licenses from third parties who allege that the Company has infringed on their lawful rights. However, such licenses may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

MedReleaf may be subject to risks related to its information technology systems, including cyber-attacks

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, intentional damage and destruction, 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.

The Company may face disruption in connection with labour organization efforts

None of the Company's employees are currently subject to a collective bargaining agreement. The Company is currently engaged in a dispute before Ontario's Agricultural, Food and Rural Affairs Appeal Tribunal (the "**AFRAA Tribunal**") in connection with an unsuccessful unionization effort by the United Food and Commercial Workers union ("**UFCW Canada**") at the Company's Markham Facility. See "*Legal Proceedings*".

Should the Company be unsuccessful before the AFRAA Tribunal, the AFRAA Tribunal may award remedies to UFCW Canada and/or the employees named in the application, including a declaration that the Company violated its employees' rights under the *Agricultural Employees Protection Act*, 2002 (Ontario) (the "**AEPA**"), reinstatement of terminated employees, damages suffered by terminated employees (including for loss of earnings and/or benefits) and an order that MedReleaf provide UFCW Canada a reasonable opportunity to make representations respecting the terms and conditions of employment of its members. The UFCW Canada has also challenged the constitutionality of the AEPA arguing that, among other things, it fails to provide a meaningful right for employees subject to the AEPA to bargain collectively.

No assurance can be given that the decision by the AFRAA Tribunal will be favourable to the Company or that the outcome of the application will not adversely impact the Company's reputation and results of operations.

If the AFRAA Tribunal decides in favour of the Company, no assurance can be given that there will not occur any further attempts to organize all or part of the Company's employees. Although the AEPA does not require an employer to enter into a collective agreement with any employees' association, employers are required to give an employees' association (which may be represented by a union) a reasonable opportunity to make representations respecting the terms and conditions of employment of one or more of its members.

Licensed Producers, including MedReleaf, are constrained by law in their ability to market their products

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada. The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected. See "*Regulatory Overview*".

Risks Related to the Offering

There is currently no market for the Common Shares and none may develop following the Offering

There is currently no public market for the Common Shares. The Offering Price of the Offered Shares have been determined by negotiation between the Company, the Selling Shareholders and the Underwriters. The Company cannot predict the price at which the Common Shares will trade upon the Closing and there can be no assurance that an active trading market will develop after the Closing or, if developed, that such a market will be sustained at the Offering Price. In addition, if an active public market does not develop or is not maintained, holders of Common Shares may have difficulty selling their Common Shares.

The price of the Common Shares in public markets may experience significant fluctuations

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following: (i) actual or anticipated fluctuations in the Company's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the Company; (iv) addition or departure of the Company's executive officers and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on Common Shares; (vi) sales or perceived sales of Common Shares; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's 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 public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Common Shares may decline even if the Company's operating results 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 may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in the Common Shares by those institutions, which could materially adversely affect the trading price of the Common Shares. 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 for a protracted period of time, there could be a material adverse effect on the Company's business, financial condition and results of operations, as well as the trading price of the Common Shares.

Management has indicated its plan for the use of proceeds of the Treasury Offering hereunder but will ultimately exercise its discretion in how such funds are put to use

The Company currently intends to allocate the net proceeds received from the Treasury Offering as described under "*Use of Proceeds*", however, management will have discretion in the actual application of the net proceeds, and may elect to allocate the net proceeds differently from that described under "*Use of Proceeds*" if it believes it would be in the Company's best interests to do so. Shareholders may not agree with the manner in which management chooses to allocate and spend the net proceeds of the Offering. The failure by management to apply these funds effectively

could have a material adverse effect on the Company's business. Additionally, the Company may not be successful in implementing the Company's business strategies and the Company's actual capital expenditures and capital expenditure requirements may be materially different from forecasted expenditures described in this prospectus.

Holders of Common Shares may be subject to dilution resulting from future offerings of Common Shares by the Company

MedReleaf may raise additional funds in the future by issuing equity securities. Holders of Common Shares will have no pre-emptive rights in connection with such further issues. The Board of Directors has 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. In addition, additional Common Shares may be issued by the Company in connection with the exercise of options granted following the completion of the Offering. Such additional equity issuances could, depending on the price at which such securities are issued, substantially dilute the interests of the holders of Common Shares.

It is not anticipated that any dividend will be paid to holders of Common Shares for the foreseeable future

No dividends on the Common Shares have been paid to date. The Company anticipates that, for the foreseeable future, it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Board of Directors after taking into account many factors, including the Company's earnings, operating results, financial condition, current and anticipated cash needs, and restrictions in financing agreements.

Significant holders of the Common Shares, including Locked-up Persons, may seek to sell all or a portion of their shareholdings in the future, which could reduce the market price of the Common Shares

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 – Lock-up Arrangements*" and "*Escrowed Securities and Securities Subject to Contractual Restriction on Transfer*". These sales, or the market perception that the holders of a large number of Common Shares intend to sell Common Shares, could significantly reduce the market price of the Common Shares, including to below the Offering Price. There is no assurance that Locked-up Persons will maintain ownership of their holdings of Common Shares for any significant period of time following the expiration of the contractual lock-up period, if at all. Furthermore, we cannot predict the effect, if any, that future public sales of these securities or the availability of these securities for sale will have on the market price of the Common Shares. If the market price of the Common Shares were to drop as a result, this might impede our ability to raise additional capital and might cause remaining holders of Common Shares to lose all or part of their investments.

In addition, the Underwriters might waive the provisions of the Lock-up Agreements and allow the Locked-up Persons 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 the Common Shares in the market and the Company's 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 holdings of Common Shares by management of the Company and other employees.

The market price for Common Shares may be less than the Offering Price

The price of the Common Shares will fluctuate with market conditions and other factors. If a holder of Common Shares sells its Common Shares, the price received may be more or less than the original investment.

Requirements to comply with public company reporting obligations, as well as those of any stock exchange, may strain the Company's systems and resources

As a public entity, the Company will be subject to the reporting requirements and related rules and regulations of the Canadian provincial securities regulators, as well as the rules of any stock exchange on which the Company's securities may be listed from time to time. These requirements may place a strain on the Company's systems and resources. The applicable securities legislation requires that MedReleaf file annual, quarterly and event-driven reports with respect to its business and financial condition and operations, and requires that MedReleaf maintain effective DCP and ICFR. In order to maintain and improve the effectiveness of the Company's disclosure controls and procedures, significant resources and management oversight will be required. The Company will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. However, the Company cannot assure prospective purchasers of Offered Shares that these procedures and processes will be sufficient to allow it to satisfy its obligations as a public company on a timely basis. In addition, sustaining MedReleaf's growth will also require it to commit additional management, operational and financial resources to identify new professionals to join the Company and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management's attention from other business concerns, which could have a material adverse effect on the Company's business, financial condition, financial performance and cash flows. MedReleaf expects to incur significant additional annual expenses related to these steps and, among other things, additional directors' and officers' liability insurance, director fees, reporting requirements of the applicable Canadian securities regulatory authorities and other regulators, transfer agent fees, hiring additional accounting, legal and administrative personnel, increased auditing and legal fees and similar expenses.

Tax and accounting requirements may change in ways that are unforeseen to the Company and the Company may face difficulty or be unable to implement and/or comply with any such changes

The Company is subject to numerous tax and accounting requirements, and changes in existing accounting or taxation rules or practices, or varying interpretations of current rules or practices, could have a significant adverse effect on the Company's financial results, the manner in which it conducts its business or the marketability of any of its products. In the future, the geographic scope of the Company's business may expand, and such expansion will require the Company to comply with the tax laws and regulations of multiple jurisdictions. Requirements as to taxation vary substantially among jurisdictions. Complying with the tax laws of these jurisdictions can be time consuming and expensive and could potentially subject the Company to penalties and fees in the future if the Company were to inadvertently fail to comply. In the event the Company was to inadvertently fail to comply with applicable tax laws, this could have a material adverse effect on the business, results of operations and financial condition of the Company.

LEGAL PROCEEDINGS

The Company currently, and from time to time, is involved in legal proceedings, as well as demands, claims and threatened litigation, that arise in the normal course of the Company's business. The Company is currently engaged in a dispute before the AFRAA Tribunal in connection with an unsuccessful unionization effort by UFCW Canada at the Markham Facility. In 2015, UFCW Canada filed applications for union certification before the Ontario Labour Relations Board (the "**OLRB**") and the Canada Industrial Relations Board (the "**CIRB**"). The OLRB ordered that a vote of employees be held, which received a majority of votes against unionization. The OLRB also found that it lacked jurisdiction to consider the UFCW Canada's application for certification because the Company is not governed by the *Labour Relations Act* (Ontario) and is instead governed by the AEPA. UFCW Canada's application for certification to the CIRB was similarly dismissed on the basis that the CIRB lacked jurisdiction. UFCW Canada subsequently initiated the current complaint before the AFRAA Tribunal, which includes a challenge of the constitutionality of the AEPA.

MedReleaf believes that the ultimate amount of liability, if any, for any pending claims of any type (either alone or combined, and including the application before the AFRAA Tribunal) will not materially affect its financial position or results of operations. However, the ultimate outcome of any litigation is uncertain and, regardless of outcome, litigation can have an adverse impact on the Company's business because of defence costs, negative publicity, diversion of management resources and other factors. See "*Risk Factors*".

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this prospectus, none of the directors or executive officers of the Company, nor any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the Company's outstanding voting securities, nor any associate or affiliate of the foregoing persons, has or has had any material interest, direct or indirect, in any transaction within the three years prior to the date of this prospectus that has materially affected or is reasonably expected to materially affect the Company or its subsidiaries.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are KPMG LLP located at Vaughan Metropolitan Centre, 100 New Park Place, Suite 1400, Vaughan, Ontario L4K 0J3 Canada.

The transfer agent and registrar of the Common Shares is TSX Trust Company, at its principal offices in Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by the Company to the date hereof which are currently in effect and considered to be currently material:

1. the Underwriting Agreement (see "*Plan of Distribution – General*" for details regarding the Underwriting Agreement); and

2. the Credit Agreement (see "*Description of Material Indebtedness*").

The material contracts described above will be available on the Company's SEDAR profile at www.sedar.com.

EXPERTS

KPMG LLP are the external auditors of the Company and have confirmed that they are independent of the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario (registered name of the Institute of Chartered Accountants of Ontario).

Certain legal matters relating to the distribution of the Offered Shares will be passed upon by Norton Rose Fulbright Canada LLP, on behalf of the Company, and by Fasken Martineau DuMoulin LLP, on behalf of the Underwriters. As at the date hereof the partners and associates of Norton Rose Fulbright Canada LLP as a group, and the partners and associates of Fasken Martineau DuMoulin LLP as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding Common Shares.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories 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 and territories, 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 such 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 or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

GLOSSARY

This glossary defines certain business, industry, technical and legal terms used in this prospectus for the convenience of the reader. It is not a comprehensive list of all defined terms used in this prospectus.

"**ACMPR**" means the *Access to Cannabis for Medical Purposes Regulations* (Canada) issued pursuant to the CDSA.

"**Adjusted EBITDA**" has the meaning given to such term under "*Management's Discussion and Analysis*".

"**Adjusted Offering Price**" has the meaning given to such term under "*Corporate Structure – Capital Reorganization*".

"**AEPA**" has the meaning given to such term under "*Risk Factors*".

"**AFRAA Tribunal**" has the meaning given to such term under "*Risk Factors*".

"**Annual Financial Statements**" has the meaning given to such term under "*Management's Discussion and Analysis*".

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

"**Bradford Cultivation Licence**" has the meaning given to such term under "*Business of the Company – Company Overview*".

"**Bradford Facility**" means the Company's 210,596 square foot facility on approximately 11 acres of land located in an industrialized zone in Bradford, Ontario.

"**CAGR**" means compound annual growth rate.

"**cannabis**" means cannabis, its preparations and derivatives, as set out in item 1 of Schedule II to the CDSA.

"**Cannabis Act**" means *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts*.

"**cannabis-based pharmaceutical product**" means any fresh cannabis or dried cannabis and/or cannabis oil that a Licensed Producer is licensed to sell or provide to patients pursuant to, and in accordance with, the ACMPR or any similar predecessor regulations.

"**cannabis oil**" means an oil, in liquid form at room temperature of 22 ±2°C, that contains cannabis in its natural form.

"**Capital Reorganization**" has the meaning given to such term under "*Corporate Structure – Capital Reorganization*".

"**CBD**" means cannabidiol, an active cannabinoid identified in cannabis which is considered to have therapeutic applications.

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

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

"**CEO**" means Chief Executive Officer.

"**CFO**" means Chief Financial Officer.

"**CIRB**" has the meaning given to such term under "*Legal Proceedings*".

"**Class A Shares**" means the class A common shares in the capital of the Company, as constituted immediately prior to the Capital Reorganization.

"**Class B Conversion**" has the meaning given to such term under "*Corporate Structure – Capital Reorganization*".

"**Class B Shares**" means the class B shares in the capital of the Company, as constituted immediately prior to the Capital Reorganization and, following the Capital Reorganization, the Class C Shares as redesignated pursuant to the Capital Reorganization.

"**Class C Shares**" means the class C shares in the capital of the Company, as constituted immediately prior to the Capital Reorganization.

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

"**Closing Date**" means the date of the Closing, which is scheduled to occur on or about ●, 2017 or on such earlier or later date as the Company and the Underwriters may agree, but in any event not later than 42 days after the date of the receipt for the (final) prospectus.

"**Closing Option Grant**" has the meaning given to such term under "*Executive Compensation – Components of Executive Compensation – Long-Term Incentives – One-time Option Grant to Employees in Connection with Offering*".

"**Code**" has the meaning given to such term under "*Corporate Governance – Board of Directors – Code of Business Conduct and Ethics*".

"**Common Shares**" means the common shares in the capital of the Company, after giving effect to the Capital Reorganization.

"**Credit Agreement**" has the meaning given to such term under "*Description of Material Indebtedness*".

"**Credit Facilities**" has the meaning given to such term under "*Description of Material Indebtedness*".

"**DCP**" has the meaning given to such term under "*Management's Discussion and Analysis – Disclosure Controls and Internal Controls over Financial Reporting*".

"**Deloitte Survey**" has the meaning given to such term under "*MedReleaf's Growth Opportunities – Canadian Recreational Market*".

"**dried cannabis**" means harvested cannabis that has been subjected to any drying process, but does not include seeds.

"**DSU Plan**" means the deferred share unit plan of the Company, in respect of which DSUs may be granted to non-executive directors of the Company.

"**DSUs**" means a deferred share unit granted under the DSU Plan.

"**EBITDA**" has the meaning given to such term under "*Management's Discussion and Analysis – Non-IFRS Measures*".

"**European Qualified Investors**" has the meaning given to such term on the face page of this prospectus.

"**fair value cost adjustment**" has the meaning given to such term under "*Management's Discussion and Analysis*".

"**FCA**" has the meaning given to such term on the face page of this prospectus.

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

"**Financial Promotions Order**" has the meaning given to such term on the face page of this prospectus.

"**Financial Statements**" has the meaning given to such term under "*Management's Discussion and Analysis*".

"**fiscal 2018**" means the current fiscal year of the Company ending March 31, 2018.

"**Former Credit Facility**" has the meaning given to such term under "*Business of the Company – Development and History of the Business – Business Milestones*".

"**fresh cannabis**" means freshly harvested cannabis buds and leaves, but does not include plant material that can be used to propagate cannabis.

"**FSMA**" has the meaning given to such term on the face page of this prospectus.

"**G&A**" has the meaning given to such term under "*Management's Discussion and Analysis*".

"**GMP**" means GMP Securities L.P.

"**Hugessen**" has the meaning given to such term under "*Executive Compensation – Compensation Consultant*".

"**IASB**" means the International Accounting Standards Board.

"**ICFR**" has the meaning given to such term under "*Management's Discussion and Analysis – Disclosure Controls and Internal Controls over Financial Reporting*".

"**ICH Good Manufacturing Practices**" has the meaning given to such term under "*MedReleaf's Competitive Advantages – Quality Assurance*".

"**IFRS**" means International Financial Reporting Standards as issued by the IASB.

"**ISO**" means the International Organization for Standardization.

"**IT**" has the meaning given to such term under "*Risk Factors*".

"**Key Persons**" has the meaning given to such term under "*Risk Factors*".

"**Legacy Option Agreements**" has the meaning given to such term under "*Executive Compensation – Components of Executive Compensation – Long-Term Incentives – Legacy Option Agreements*".

"**Legalization Report**" has the meaning given to such term under "*Overview of Cannabis and the Cannabis Industry – Drivers of Growth*".

"**Licences**" has the meaning given to such term under "*Business of the Company – Company Overview*".

"**Licensed Dealer**" means the holder of a licence issued under Section 9.2 of the NCR.

"**Licensed Producer**" means the holder of a licence issued under Section 35 of the ACMPR or any similar licence issued under predecessor legislation.

"**Lock-up Agreements**" has the meaning given to such term under "*Plan of Distribution – Lock-up Arrangements*".

"**Locked-up Persons**" has the meaning given to such term under "*Plan of Distribution – Lock-up Arrangements*".

"**Locked-up Securities**" has the meaning given to such term under "*Plan of Distribution – Lock-up Arrangements*".

"**Markham Commercial Licence**" has the meaning given to such term under "*Business of the Company – Company Overview*".

"**Markham Facility**" means the Company's 55,000 square foot indoor production facility located in Markham, Ontario.

"**MCID**" has the meaning given to such term under "*MedReleaf's Research and Development – Clinical Research*".

"**MD&A**" has the meaning given to such term under "*Management's Discussion and Analysis*".

"**MedReleaf**" or "**Company**" means MedReleaf Corp., incorporated under the OBCA.

"**MedReleaf Australia**" means MedReleaf Holdings (Australia) Ltd., a wholly-owned subsidiary of the Company incorporated under the OBCA.

"**Minister**" means the Federal Minister of Health (Canada).

"**MMAR**" means the *Marihuana Medical Access Regulations* (Canada), issued pursuant to the CDSA and since repealed.

"**MMPR**" means the *Marihuana for Medical Purposes Regulations* (Canada) issued pursuant to the CDSA and since repealed.

"**MMPR Licence**" has the meaning given to such term under "*Business of the Company - Development and History of the Business – Licence Milestones*".

"**NCI system**" means non-certificated inventory system of CDS.

"**NCR**" means the *Narcotic Control Regulations* (Canada) issued pursuant to the CDSA.

"**NEO**" has the meaning given to such term under "*Executive Compensation*".

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators.

"**NI 58-101**" has the meaning given to such term under "*Corporate Governance – General*".

"**Note Repayments**" has the meaning given to such term under "*Corporate Structure – Capital Reorganization*".

"**Notes**" has the meaning given to such term under "*Corporate Structure – Capital Reorganization*".

"**Notice Date**" has the meaning given to such term under "*Description of Share Capital – Advance Notice Procedures and Shareholder Proposals*".

"**NP 58-201**" has the meaning given to such term under "*Corporate Governance – General*".

"**OBCA**" means the *Business Corporations Act* (Ontario).

"**Offered Shares**" has the meaning given to such term on the face page of this prospectus.

"**Offering**" means the Treasury Offering and the Secondary Offering.

"**Offering Price**" means the price of each Common Share that will be issued pursuant to the Offering, as indicated on the face page of this prospectus.

"**OLRB**" has the meaning given to such term under "*Legal Proceedings*".

"**Options**" has the meaning given to such term under "*Executive Compensation – Components of Executive Compensation – Long-Term Incentives – Stock Option Plan*".

"**Over-Allotment Option**" has the meaning given to such term on the face page of this prospectus.

"**patient**" means a person registered as a "client" with a Licensed Producer under the ACMPR.

"**PBO Report**" has the meaning given to such term under "*MedReleaf's Growth Opportunities*".

"**PIPEDA**" has the meaning given to such term under "*Risk Factors*".

"**President's List**" has the meaning given to such term on the face page of this prospectus.

"**PTSD**" means post-traumatic stress disorder.

"**PTSD Study**" has the meaning given to such term under "*MedReleaf's Research and Development – Clinical Research*".

"**Quarterly Financial Statements**" has the meaning given to such term under "*Management's Discussion and Analysis*".

"**R&D**" has the meaning given to such term under "*MedReleaf's Research and Development*".

"**Relevant Member State**" has the meaning given to such term on the face page of this prospectus.

"**relevant persons**" has the meaning given to such term on the face page of this prospectus.

"**Responsible Person in Charge**" has the meaning given to such term under "*MedReleaf's Facilities – Storage and Security*".

"**Revolving Loan**" has the meaning given to such term under "*Description of Material Indebtedness*".

"**RDSP**" has the meaning given to such term under "*Eligibility for Investment*".

"**RESP**" has the meaning given to such term under "*Eligibility for Investment*".

"**RRIF**" has the meaning given to such term under "*Eligibility for Investment*".

"**RRSP**" has the meaning given to such term under "*Eligibility for Investment*".

"**Secondary Offering**" has the meaning given to such term on the face page of this prospectus.

"**Section 56 Exemption**" means the exemption from sections 4, 5 and 7 of the CDSA, subsection 8(1) of the NCR, and relevant provisions of the MMPR authorized by Health Canada that allowed Licensed Producers to conduct activities with cannabis and cannabis oil.

"**Security Directive**" has the meaning given to such term under "*MedReleaf's Facilities – Storage and Security*".

"**SEDAR**" has the meaning given to such term under "*Marketing Materials*".

"**Selling Shareholders**" has the meaning given to such term on the face page of this prospectus.

"**Supplemental Licence**" has the meaning given to such term under "*Business of the Company – Development and History of the Business – Licence Milestones*".

"**Stock Option Plan**" has the meaning given to such term under "*Options and Rights to Purchase Securities*".

"**Study Veterans**" has the meaning given to such term under "*MedReleaf's Research and Development – Clinical Research*".

"**Task Force**" has the meaning given to such term under "*Overview of Cannabis and the Cannabis Industry – Drivers of Growth*".

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder in effect on the date hereof.

"**Term Loan**" has the meaning given to such term under "*Description of Material Indebtedness*".

"**TFSA**" has the meaning given to such term under "*Eligibility for Investment*".

"**THC**" means delta-9-tetrahydrocannabinol, an active cannabinoid identified in cannabis which is considered to have therapeutic applications.

"**Tikun Olam**" has the meaning given to such term under "*Business of the Company – Development and History of the Business – Business Milestones*".

"**Transfer Restriction Removal**" has the meaning given to such term under "*Corporate Structure – Capital Reorganization*".

"**Treasury Offering**" has the meaning given to such term on the face page of this prospectus.

"**TSX**" has the meaning given to such term on the face page of this prospectus.

"**UFCW Canada**" has the meaning given to such term under "*Risk Factors*".

"**UK**" has the meaning given to such term on the face page of this prospectus.

"**Underwriters**" has the meaning given to such term on the face page of this prospectus.

"**Underwriters' Fee**" has the meaning given to such term on the face page of this prospectus.

"**Underwriting Agreement**" means the underwriting agreement dated ● among the Company, the Selling Shareholders and the Underwriters.

"**United Kingdom Prospectus Rules**" has the meaning given to such term on the face page of this prospectus.

"**United States**" has the meaning given to such term on the face page of this prospectus.

"**U.S. Securities Act**" means the *United States Securities Act of 1933*, as amended.

"**VAC**" has the meaning given to such term under "*MedReleaf's Principal Markets – Veteran Patients*".

"**Veterans**" has the meaning given to such term under "*MedReleaf's Principal Markets – Patient Acquisition*".

APPENDIX "FS" - FINANCIAL STATEMENTS

Index to Financial Statements

Financial Statements of

MEDRELEAF CORP.

Years ended March 31, 2016, 2015 and 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of MedReleaf Corp.

We have audited the accompanying financial statements of MedReleaf Corp., which comprise the statements of financial position as at March 31, 2016, 2015 and 2014, the statements of comprehensive income (loss), shareholders' equity (deficiency) and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of MedReleaf Corp. as at March 31, 2016, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

January 18, 2017
Vaughan, Canada

MEDRELEAF CORP.

Statements of Financial Position

March 31, 2016, 2015 and 2014

	2016	2015	2014
Assets			
Current assets:			
Cash	$ 916,724	$ 135,133	$ 278,888
Accounts receivable (notes 4 and 10)	6,562,969	709,027	285,714
Inventories (note 6)	1,642,210	3,580,310	5,546
Biological assets (note 7)	1,815,572	474,269	–
Advances to shareholder	26,966	–	–
Share purchase loan (notes 10 and 16)	280,267	399,982	–
Prepaid expenses	421,758	33,324	5,993
	11,666,466	5,332,045	576,141
Loan receivable (note 5)	269,315	–	–
Plant and equipment (note 8)	7,966,819	3,394,084	1,393,217
Security deposit	108,657	156,211	156,211
	$ 20,011,257	$ 8,882,340	$ 2,125,569
Liabilities and Shareholders' Equity (Deficiency)			
Current liabilities:			
Accounts payable and accrued liabilities (note 16)	$ 2,837,162	$ 1,084,695	$ 825,814
Advance (note 9)	–	1,000,000	–
Shareholder loans (note 11)	2,525,729	2,910,914	1,796,058
	5,362,891	4,995,609	2,621,872
Deferred tax liability (note 15)	839,977	–	–
Asset retirement obligation (note 12)	195,000	107,300	37,536
	6,397,868	5,102,909	2,659,408
Shareholders' equity (deficiency):			
Share capital (note 10)	11,594,641	5,000,227	190
Contributed surplus (note 13)	764,648	55,765	19,028
Retained earnings (deficit)	1,254,100	(1,276,561)	(553,057)
	13,613,389	3,779,431	(533,839)
Commitments (note 18)			
Subsequent events (note 19)			
	$ 20,011,257	$ 8,882,340	$ 2,125,569

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

On behalf of the Board:

_____ Director

_____ Director

MEDRELEAF CORP.

Statements of Comprehensive Income (Loss)

Years ended March 31, 2016, 2015 and 2014

	2016	2015	2014
Sales	$ 19,301,801	$ 2,998,736	$ –
Production costs	7,374,056	2,335,077	–
Gross profit before gain on fair value changes of biological assets	11,927,745	663,659	–
Cost of finished harvest inventory sold	(9,802,758)	(949,832)	–
Gain on fair value changes of biological assets	10,391,799	2,944,780	–
Gross profit	12,516,786	2,658,607	–
Expenses:			
Selling and marketing (note 16)	3,138,628	706,459	93,839
General and administrative (note 16)	5,304,322	2,260,291	803,801
Research and development	356,097	196,884	26,456
Amortization of plant and equipment	280,394	157,436	92,050
Interest income (note 16)	(51,304)	(15,728)	–
Finance costs (notes 11 and 16)	118,011	76,769	853
	9,146,148	3,382,111	1,016,999
Income (loss) before income taxes	3,370,638	(723,504)	(1,016,999)
Deferred income tax expense (recovery) (note 15)	839,977	–	(122,945)
Net income (loss) and comprehensive income (loss)	$ 2,530,661	$ (723,504)	$ (894,054)
Weighted average number of shares:			
Basic	575,850	440,884	232,577
Diluted	642,977	411,498	267,908
Earnings (loss) per share:			
Basic	$ 4.40	$ (1.64)	$ (3.84)
Diluted	3.94	(1.76)	(3.34)

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

MEDRELEAF CORP.

Statements of Shareholders' Equity (Deficiency)

Years ended March 31, 2016, 2015 and 2014

	Share capital	Contributed surplus	Retained earnings (deficit)	Total
Balance, April 1, 2013	$ 1	$ –	$ –	$ 1
Loss for the year	–	–	(894,054)	(894,054)
Non-interest shareholder loans (note 11)	–	–	340,997	340,997
Issuance of Class B shares (note 10)	189	–	–	189
Stock-based compensation (note 13)	–	19,028	–	19,028
Balance, March 31, 2014	190	19,028	(553,057)	(533,839)
Loss for the year	–	–	(723,504)	(723,504)
Issuance of Class A common shares (note 10(b), (c), (d))	4,999,988	–	–	4,999,988
Issuance of Class B shares (note 10(a))	37	–	–	37
Issuance of Class C shares (note 10(e))	12	–	–	12
Stock-based compensation (note 13)	–	36,737	–	36,737
Balance, March 31, 2015	5,000,227	55,765	(1,276,561)	3,779,431
Net income	–	–	2,530,661	2,530,661
Issuance of Class A common shares (note 10(f))	6,400,017	–	–	6,400,017
Exercise of stock options	194,397	(194,058)	–	339
Stock-based compensation (note 13)	–	902,941	–	902,941
Balance, March 31, 2016	$ 11,594,641	$ 764,648	$ 1,254,100	$ 13,613,389

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

MEDRELEAF CORP.

Statements of Cash Flows

Years ended March 31, 2016, 2015 and 2014

	2016	2015	2014
Cash provided by (used in):			
Operating activities:			
Net income (loss)	$ 2,530,661	$ (723,504)	$ (894,054)
Items not involving cash:			
Gain on changes in fair value of biological assets	(10,391,799)	(2,944,780)	–
Cost of finished harvest inventory sold	9,802,758	949,832	–
Amortization	869,988	362,139	92,050
Stock-based compensation expense	902,941	36,737	19,028
Finance costs	118,011	76,769	853
Deferred income tax expense (recovery)	839,977	–	(122,945)
Change in non-cash operating working capital:			
Accounts receivable	(5,853,942)	(423,313)	(285,714)
Inventories	1,185,838	(2,054,085)	(5,546)
Prepaid expenses	(388,434)	(27,331)	(5,993)
Security deposit	47,554	–	(156,211)
Accounts payable and accrued liabilities	1,752,467	258,881	825,814
	1,416,020	(4,488,655)	(532,718)
Financing activities:			
Advance	–	1,000,000	–
Shareholder loans	(500,000)	1,039,982	2,260,000
Stock options exercised	339	–	–
Interest paid	(19,315)	(131)	–
Issuance of share capital	5,519,732	4,600,055	189
	5,000,756	6,639,906	2,260,189
Investing activities:			
Loan receivable	(250,000)	–	–
Advances to shareholder	(26,966)	–	–
Additions to plant and equipment	(5,358,219)	(2,295,006)	(1,448,584)
	(5,635,185)	(2,295,006)	(1,448,584)
Increase (decrease) in cash	781,591	(143,755)	278,887
Cash, beginning of year	135,133	278,888	1
Cash, end of year	$ 916,724	$ 135,133	$ 278,888
Royalties applied to share purchase loan	$ 119,715	$ –	$ –

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

1. The Company and its operations:

MedReleaf Corp. (the "Company") is a private company incorporated on February 28, 2013 under the Ontario Business Corporations Act. The principal activities of the Company are the production and sale of medical Cannabis as regulated by Access to Cannabis for Marijuana for Medical Purposes Regulations ("ACMPR"). On February 14, 2014, the Company received its license from Health Canada to operate as a licensed producer of medical Cannabis pursuant to the provisions of the ACMPR and the Controlled Drugs and Substances Act (Canada). Annually, the Company must submit an application for renewal of its license to Health Canada containing information prescribed by the ACMPR. The Company has renewed its initial license with the current term ending on February 15, 2017. The Company's head office is located at Markham Industrial Park, Markham, Ontario L3R 6G4 and its registered and records office is located at Suite 3800, Royal Bank Plaza, South Tower, 200 Bay Street, Toronto, Ontario M5J 2Z4.

2. Basis of presentation:

(a) Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements were authorized for issuance by the Company's Board of Directors ("Board") on January 18, 2017.

(b) Basis of measurement:

The financial statements were prepared on a historical cost basis, except for biological assets, which are measured at fair value as explained in the accounting policies below. Other measurement bases are described in the applicable notes.

(c) Use of judgments and estimates:

The preparation of the 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.

2. Basis of presentation (continued):

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. Significant estimates used in the preparation of these financial statements include, but are not limited to the following:

(i) Valuation of biological assets:

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 up to the point of harvest, sales price, and expected remaining future yields for the cannabis plants.

(ii) Estimated useful lives and amortization of property and equipment:

Amortization of property and equipment 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 take into account factors such as economic and market conditions and the useful lives of assets.

(iii) 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.

(iv) Non-interest shareholder loans:

Non-interest bearing shareholder loans are recorded at fair value, using estimates of rates that would be charged for similar instruments. The determination of a market interest rate takes into account, loans with similar maturities, cash flow patterns, currency, credit risk and interest rates. If there are no specified repayment dates on the shareholder loans, estimates of maturity and repayment are taken into consideration.

3. Significant accounting policies:

The accounting policies described below have been applied consistently to all years presented in these financial statements.

(a) Biological assets:

The Company measures biological assets consisting of cannabis plants at fair value less costs to sell up to the point of harvest. Production costs related to the transformation of biological assets to the point of harvest are capitalized and included in the fair value measurement of biological assets. Agricultural produce consisting of cannabis is measured at fair value less costs to sell at the point of harvest, which becomes the basis for the cost of harvested goods inventories after harvest.

Gains or losses arising from changes in fair value less costs to sell during the years, exclusive of capitalized production costs, are included in the results of operations of the related year. Upon harvest, capitalized production costs are transferred to finished harvest and included in the results of operations during the year in which the harvested cannabis is sold and revenue recognized.

(b) Inventories:

Inventories, consisting of harvested goods and accessories are measured at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less costs to sell at harvest, which becomes deemed cost. Cost is determined using the weighted average method. Any subsequent post-harvest costs are capitalized to inventories to the extent that cost is less than net realizable value. Net realizable value is 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.

Production costs represent all cost of inventories recognized as expense in the years, except deemed costs of inventory that arise from the fair value measurement of biological assets transferred to finished harvest inventory. Cost of finished harvest sold represents the deemed costs of inventory sold that arises from the fair value measurement of biological assets, exclusive of any capitalized costs.

3. Significant accounting policies (continued):

(c) Plant and equipment:

Plant and equipment are recorded at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Amortization is recognized on a straight-line basis, over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use. Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted, prospectively, if appropriate.

The estimated useful lives for the current and comparative periods are as follows:

Computer hardware	3 years
Computer software	3 years
Furniture and equipment	5 years
Leasehold improvements	Term of lease
Production rooms	10 years

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of the equipment and are recognized in the statements of comprehensive income (loss).

3. Significant accounting policies (continued):

(d) Impairment of long-lived assets:

Plant and equipment with finite lives are tested for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Events or changes in circumstances which may indicate impairment include: a significant change to the Company's operations, a significant decline in performance or a change in market conditions which adversely affects the Company. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For purposes of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units" or "CGU"). The recoverable amount is the greater of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

(e) Revenue recognition:

Revenue from the sale of cannabis is recognized when the Company has transferred the significant risks and rewards of ownership to the patient and it is probable that the Company will receive the previously agreed upon payment. Significant risks and rewards are generally considered to be transferred when the Company has delivered the product to the patient. Revenue is recognized at the fair value of consideration received or receivable.

(f) Research and development:

Research costs are expensed as incurred. Development costs 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 in the statements of comprehensive income (loss) as incurred. To date, no development costs have been capitalized.

3. Significant accounting policies (continued):

(g) Investment tax credits:

The Company claims investment tax credits as a result of incurring scientific research and experimental development expenditures. Investment tax credits are recognized when the related expenditures are incurred, and there is reasonable assurance of their realization. Management has made a number of estimates and assumptions in determining the expenditures eligible for the investment tax credit claim. It is possible that the allowed amount of the investment tax credit could be materially different from the recorded amount upon assessment by the Canada Revenue Agency.

(h) Income taxes:

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in the statements of comprehensive income (loss) except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the years, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Significant accounting policies (continued):

(i) Share-based payment transactions:

Certain members of the Company's personnel participate in share-based compensation plans. The share-based compensation costs are expensed by the Company and included in general and administrative in profit or loss. The grant date fair value of share-based payment awards granted to the Company's employees is recognized as compensation cost, with a corresponding increase in contributed surplus within shareholders' equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as compensation cost is adjusted to reflect the number of awards for which the related service vesting conditions are expected to be met, such that the amount ultimately recognized as compensation cost is based on the number of awards that vest.

(j) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal 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 rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(k) Asset retirement:

The Company recognizes its best estimate of an asset retirement as a liability in the year in which it incurs a legal or constructive obligation associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The Company concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is amortized on a straight-line basis over the life of the asset. The best estimate of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a current market-based pre-tax discount rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each year for changes in the timing or amount of cash flows, changes in the discount rate and the unwinding of the discount. Changes in the obligation due to the passage of time are recognized in finance cost. Changes in the obligation due to the changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is amortized over the remaining life of the asset. Actual costs incurred upon the settlement of the asset retirement obligation are charged against the liability.

3. Significant accounting policies (continued):

(l) Foreign currency:

The financial statements are presented in Canadian dollars, the Company's functional currency.

Monetary assets and liabilities denominated in foreign currencies at the reporting dates are translated into the functional currency at the exchange rate at that date. Other statements of financial position items denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the respective transaction dates. Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at average rates of exchange prevailing during the years. The resulting gains or losses on translation are included in the determination of net income (loss).

(m) Financial assets:

All financial assets are initially recorded at fair value and designated upon initial recognition into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables, or at fair value through profit or loss ("FVTPL").

Financial assets classified as held-to-maturity are subsequently measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over its life.

Financial assets classified as available-for-sale are subsequently measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss), except for losses in value that are considered other than temporary or a significant or prolonged decline.

Financial assets classified as loans and receivables are subsequently measured at amortized cost. Financial assets classified as loans and receivables consist of accounts receivable. The Company records an allowance for doubtful accounts against accounts receivable that management believes are impaired. The Company records specific allowances against patient receivables based on their past experiences with the patients and knowledge of the patients' financial conditions. The Company also considers cash flow cycles of patients.

3. Significant accounting policies (continued):

Financial assets classified as FVTPL are subsequently measured at fair value through the statements of comprehensive income (loss). Financial assets classified as FVTPL consist of cash.

Financial assets are derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from an asset.

Impairment of financial assets:

Financial assets that are measured at amortized cost are assessed for impairment at the end of each reporting year. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and the event has a negative impact on the estimated cash flows of the financial asset and the loss can be reliably estimated.

The amount of the impairment loss recognized is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statements of comprehensive income (loss).

If, in a subsequent year, the amount of the impairment loss of a financial asset other than the accounts receivable decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statements of comprehensive income (loss) to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. Significant accounting policies (continued):

(n) Financial liabilities:

All financial liabilities are initially recorded at fair value and designated upon initial recognition as FVTPL or other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives are also classified as FVTPL unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the statements of comprehensive income (loss). There were no financial liabilities designated at FVTPL upon initial recognition.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(o) New standards and interpretations not yet adopted:

On July 24, 2014, International Accounting Standards Board (the "IASB") issued the complete IFRS 9, Financial Instruments (2014) ("IFRS 9 (2014)"). The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. The standard introduces additional changes relating to financial liabilities. The final standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment, and new general hedge accounting requirements. The Company is currently assessing the impact of the new standard on its financial statements.

3. Significant accounting policies (continued):

On May 28, 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The new standard is effective for annual periods beginning on or after January 1, 2018. The standard can be applied retrospectively, or using a cumulative catch-up approach. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced which may affect the amount and/or timing of revenue recognized. The Company is currently assessing the impact of the new standard on its financial statements.

In 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), replacing IAS 7, Leases, and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted. The Company is currently assessing the impact of the new standard on its financial statements.

The IASB has published amendments to IAS 16, Property, Plant and Equipment ("IAS 16"), and IAS 41, Agriculture ("IAS 41") that change the accounting for bearer plants. The amendments specify that because the operation of bearer plants are similar in nature to manufacturing, they should be accounted for under IAS 16 rather than IAS 41.

The produce growing on the bearer plants will continue to be within the scope of IAS 41.

4. Accounts receivable:

	2016	2015	2014
Trade accounts receivable	$ 6,562,969	$ 709,027	$ –
Harmonized sales tax receivable	–	–	285,714
	$ 6,562,969	$ 709,027	$ 285,714

4. Accounts receivable (continued):

The movement in the allowance for impairment in respect of trade accounts receivables during the year was as follows:

	2016	2015	2014
Balance, beginning of year	$ (8,000)	$ –	$ –
Additions	(23,197)	(8,000)	–
Balance, end of year	$ (31,197)	$ (8,000)	$ –

5. Loan receivable:

The Company entered into a loan agreement on September 25, 2015 with MMMG, LLC (the "Borrower"), a Nevada limited liability company for $250,000 bearing interest at 15% per annum and maturing in September 2017. Under the agreement, at any time prior to maturity, the Company may convert all or any portion of the outstanding principal into shares of the Borrower's equity securities. As at March 31, 2016, the Company has not elected to convert its principal portion into shares and only principal plus accrued interest is outstanding.

6. Inventories:

	2016	2015	2014
Harvested goods, capitalized costs	$ 510,441	$ 1,892,303	$ –
Harvested goods, deemed cost from fair value gains on biological assets	1,131,769	1,672,738	–
Accessories	–	15,269	5,546
	$ 1,642,210	$ 3,580,310	$ 5,546

The amount of inventories recognized as an expense during the year ended March 31, 2016 is $17,176,814 (2015 - $3,284,909; 2014 - nil) which included $9,802,758 (2015 - $949,832; 2014 - nil) of inventories deemed as cost arising from the fair value gains on the transformation of biological assets.

7. Biological assets:

Biological assets consist of cannabis on plants. The changes in the carrying value of biological assets are as follows:

		Cannabis on plants
Carrying amount, March 31, 2014	$	–
Changes in fair value less costs to sell due to biological transformation		2,944,780
Production costs capitalized		1,908,443
Transferred to inventory upon harvest		(4,378,954)
Carrying amount, March 31, 2015		474,269
Changes in fair value less costs to sell due to biological transformation		10,391,799
Production costs capitalized		2,696,357
Transferred to inventory upon harvest		(11,746,853)
Carrying amount, March 31, 2016	$	1,815,572

The Company's estimates, by their nature, are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological assets.

These estimates include the following assumptions:

(a) Selling prices were determined by estimating the Company's average selling price and mix of product strains during the period;

(b) Costs incurred and remaining costs to complete were estimated by calculating the average production costs up to the point of harvest over the total production period;

(c) The percentage of costs incurred for each stage of plant growth;

(d) The stage of plant growth at which point of harvest is determined;

(e) Costs to sell and other fulfillment costs were determined by estimating the Company's average cost per gram; and

(f) Expected yields of harvested plants are estimated and risk adjusted at each stage of growth.

8. Plant and equipment:

	Computer hardware	Computer software	Furniture and equipment	Leasehold improvements	Production rooms	Total
Cost						
Balance, April 1, 2013	$ –	$ –	$ –	$ –	$ –	$ –
Additions	26,265	–	294,441	940,126	187,752	1,448,584
Asset retirement	–	–	–	36,683	–	36,683
Balance, March 31, 2014	26,265	–	294,441	976,809	187,752	1,485,267
Additions	164,784	12,301	734,960	257,742	1,125,219	2,295,006
Asset retirement	–	–	–	68,000	–	68,000
Balance, March 31, 2015	191,049	12,301	1,029,401	1,302,551	1,312,971	3,848,273
Additions	75,409	19,145	1,116,072	872,220	3,275,373	5,358,219
Asset retirement	–	–	–	84,504	–	84,504
Balance, March 31, 2016	$ 266,458	$ 31,446	$ 2,145,473	$ 2,259,275	$ 4,588,344	$ 9,290,996
Accumulated amortization						
Balance, April 1, 2013	$ –	$ –	$ –	$ –	$ –	$ –
Amortization	4,378	–	29,444	47,006	9,388	90,216
Asset retirement	–	–	–	1,834	–	1,834
Balance, March 31, 2014	4,378	–	29,444	48,840	9,388	92,050
Amortization	36,219	2,050	133,056	108,332	75,036	354,693
Asset retirement	–	–	–	7,446	–	7,446
Balance, March 31, 2015	40,597	2,050	162,500	164,618	84,424	454,189
Amortization	76,251	7,291	318,831	173,713	277,396	853,482
Asset retirement	–	–	–	16,506	–	16,506
Balance, March 31, 2016	$ 116,848	$ 9,341	$ 481,331	$ 354,837	$ 361,820	$ 1,324,177
Carrying amounts						
March 31, 2014	$ 21,887	$ –	$ 264,997	$ 927,969	$ 178,364	$ 1,393,217
March 31, 2015	150,452	10,251	866,901	1,137,933	1,228,547	3,394,084
March 31, 2016	149,610	22,105	1,664,142	1,904,438	4,226,524	7,966,819

Included in production costs is amortization in the amount of $589,594 (2015 - $204,703; 2014 - nil).

9. Advance:

The advance was from a prospective investor in the Company's Class A common shares pursuant to an investment agreement (the "Agreement") signed February 19, 2015. The advance was interest free until completion of the share subscription. If the Agreement was terminated, interest would accumulate and be payable in arrears at LIBOR plus 1% per annum. On June 29, 2015, the share subscription was finalized (note 10).

10. Share capital:

Authorized:
- Unlimited Class A common shares
- Unlimited Class B shares
- 12,352 Class C shares

Issued:

	Class A common shares		Class B shares		Class C shares	
	Number of Shares	Share capital	Number of shares	Share capital	Number of shares	Share capital
On incorporation	100,000	$ 1	–	$ –	–	$ –
Issuance of Class B shares	–	–	188,680	189	–	–
Balance, March 31, 2014	100,000	1	188,680	189	–	–
Issuance of Class A common shares	179,831	4,999,988	–	–	–	–
Issuance of Class B shares	–	–	37,736	37	–	–
Issuance of Class C shares	–	–	–	–	12,352	12
Balance, March 31, 2015	279,831	4,999,989	226,416	226	12,352	12
Issuance of Class A common shares	65,273	6,400,017	–	–	–	–
Conversion of Class C shares to Class A shares	4,177	149,469	–	–	(4,177)	(4)
Exercise of stock options related to Class A common shares	14,263	44,932	–	–	–	–
Balance, March 31, 2016	363,544	$ 11,594,407	226,416	$ 226	8,175	$ 8

10. Share capital (continued):

Class A common shares are voting and participating and are entitled to dividends as and when declared by the Board, subject to the prior rights of other share classes. The Class A common shareholders are entitled to receive the remaining property of the Company upon liquidation, dissolution or winding up.

Class B shares are voting, non-participating, convertible shares, redeemable by the Company. Each Class B share is issued at $0.001 and carries an entitlement of one vote. They will be converted on a 1:1 basis into Class A common shares upon the repayment of the non-interest bearing shareholder loans (note 11).

Class C shares are non-voting, convertible, redeemable by the Company and issued pursuant to the terms of an employment agreement dated March 2, 2015. Each Class C share is issued at $0.001. On each of the first, second and third anniversary of March 23, 2015, 4,177.33 Class C shares will be automatically converted on a 1:1 basis into Class A common shares. In the event of a change of control, all outstanding unconverted shares will be converted on a 1:1 basis into Class A common shares.

Upon incorporation, the Company issued 100,000 Class A common shares for $1.

On July 17, 2013, the Company issued 188,680 Class B shares for $189.

During the year ended March 31, 2015, the following series of transactions occurred:

(a) On April 1, 2014, the Company issued 37,736 Class B shares for $37;

(b) On July 18, 2014, the Company issued 82,621 Class A common shares for $1,999,994;

(c) On August 8, 2014, the Company issued 41,311 Class A common shares for $999,996;

(d) On September 11, 2014, the Company issued 55,899 Class A common shares for $1,999,998; and

(e) On March 30, 2015, the Company issued 12,352 Class C shares for $12.

10. Share capital (continued):

As part of the July 18, 2014 Class A common shares issued above in exchange for 16,524 Class A common shares, the Company received a promissory note in the amount of $399,982 from Tikun Olam Ltd. The promissory note bears interest at 5.0% per annum, with the principal balance and any unpaid interest due and receivable on July 18, 2019. This has been accounted for as a share purchase loan.

Interest receivable, related to the promissory note, in the amount of $34,664 (2015 - $13,970; 2014 - nil) has been included in accounts receivable and interest income.

During the year ended March 31, 2016, the following series of transactions occurred:

(f) The Company issued 65,273 Class A common shares for $6,400,017.

(g) The holder of the Class C shares converted 4,177 shares to Class A common shares in accordance with the terms of a stock option agreement.

(h) The holders of Class A common stock options exercised 14,263 options for a stated share capital value of $44,932.

11. Shareholder loans:

Shareholder loans are comprised of non-interest bearing promissory notes in the fair value amount of $2,091,083 (2015 - $2,496,962; 2014 - $1,796,058), representing an imputed interest of 4.7%. These shareholder loans are unsecured and have no fixed-terms of repayment.

Shareholder loans also include interest-bearing promissory notes in the amount of $399,982 (2015 - $399,982; 2014 - nil) plus accrued and unpaid interest in the amount of $34,664 (2015 - $13,970; 2014 - nil). These promissory notes bear interest at 5.0% per annum, with the principal balance and any unpaid interest due and payable on July 18, 2019. Included in general and administrative expense are interest charges relating to these interest-bearing promissory notes.

12. Asset retirement:

The Company has recorded an asset retirement obligation for the estimated costs to remediate the Company's building upon termination of lease. The fair value of the liability is $195,000 (2015 - $107,300; 2014 - $37,536). The following is a reconciliation of the changes in the decommissioning liability:

	Asset retirement obligation
Balance, April 1, 2013	$ –
Additions	36,683
Accretion	853
Balance, March 31, 2014	37,536
Additions	68,000
Accretion	1,764
Balance, March 31, 2015	107,300
Additions	84,504
Accretion	3,196
Balance, March 31, 2016	$ 195,000

The provision for the asset retirement obligation is based on the following key assumptions:

- the total undiscounted cash flow as at March 31, 2016 is $275,191;
- the expected settlement is in fiscal 2024;
- the current market-based pre-tax discount rate is 3.45%; and
- an inflation rate of 1.25%.

13. Stock-based compensation:

The Company has stock option plans to encourage ownership of the Company's Class A common shares by its officers, directors, employees and certain non-employees. Stock options for employees have a maximum term of five years. The options vesting period ranges between one and five years. Stock options for certain executives vest based on performance milestones and have an indefinite term.

A summary of the Company's plans and changes during the respective years is presented below:

	Number	Exercise price	Weighted average exercise
Outstanding options, April 1, 2013	–	$ –	$ –
Granted	71,355	0.01	0.01
Cancelled	–	–	–
Exercised	–	–	–
Outstanding options March 31, 2014	71,355	0.01	0.01
Granted	13,852	0.01	0.01
Cancelled	–	–	–
Exercised	–	–	–
Outstanding options, March 31, 2015	85,207	0.01	0.01
Granted	12,662	0.01 - 98.05	50.23
Cancelled	–	–	–
Exercised	18,440	0.01 - 98.05	0.01
Outstanding options, March 31, 2016	79,429	0.01 - 98.05	8.01
Options exercisable, March 31, 2016	25,846	$ 0.01 - 98.05	$ 4.92

13. Stock-based compensation (continued):

The following table summarizes the range of exercise prices and the weighted average of exercise prices as at March 31, 2016:

Exercise price	Options outstanding	Options exercisable	Weighted average exercise
$0.001	8,175	–	–
$0.010	64,770	24,550	0.01
$98.05	6,484	1,296	98.05
	79,429	25,846	4.92

The estimated fair value of options granted was determined on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2016	2015	2014
Fair value of options	$0.48 - $98.05	$24.21 - $35.78	$0.48 - $24.21
Exercise price	$0.01 - $98.05	$0.001 - $0.010	$0.01
Risk free interest rate	0% - 1%	0% - 1%	0% - 1%
Dividend yield	–	–	–
Volatility factor of the future expected market price of shares	75%	75%	75%
Weighted average expected life of the options	5 years	5 years	5 years

During the years ended March 31, 2016, March 31, 2015 and March 31, 2014, share-based compensation expense relating to stock options of $902,941, $36,737 and $19,028, respectively, was included as part of general and administrative expense in the statements of comprehensive income (loss).

14. Financial instruments and risk management:

The Company's financial instruments consist of cash, accounts receivable, share purchase loan, loan receivable, accounts payable and accrued liabilities and shareholder loans. At March 31, 2016, March 31, 2015 and March 31, 2014, the carrying values of these instruments approximate their fair values based on the nature of these instruments.

(a) Fair value measurements of financial assets and liabilities recognized in the statements of financial position:

Financial assets and liabilities are categorized using a fair value hierarchy as follows:

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

The levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized in the statements of financial position at fair value are categorized as follows:

Cash	Level 1
Biological assets (note 7)	Level 3

There were no transfers between levels during the years ended March 31, 2016, March 31, 2015 or March 31, 2014.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2015.

14. Financial instruments and risk management (continued):

(c) Credit risk:

The Company is exposed to credit risk related to cash, cash equivalents invested in short-term securities, outstanding accounts receivable and loans receivable.

The Company manages credit risk from cash and cash equivalents by selecting high quality issuers and low risk investments which minimizes the potential to default by the issuer of the certificates. All cash and cash equivalents are held with major Canadian financial institutions.

Credit risk from accounts receivable is mitigated by regular monitoring of aged receivables and managing the underlying business relationships with insurance providers. A significant concentration of receivables, are held with insurance providers. Receivables due from non-insurance providers, require advance payment through third party credit card processing agents, which minimizes credit risk.

Credit risk from loans receivable arises from the possibility that principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationships.

(d) Capital management:

The Company's objectives in managing capital include: maintaining a capital structure that provides financing opportunities and options while maintaining compliance with debt facility covenants; maintaining its ability to meet capital and operating expenditure requirements; maintaining and, where necessary, raising sufficient capital to support future development of the business; maintaining the ability to meet short- and long-term debt servicing and financing obligations; and providing the ability to continue as a going concern.

The Company's capital management strategy is designed to maintain a flexible capital structure consistent with its capital objectives that optimizes the cost of capital within management's assessed level of acceptance risk, and positions the Company to respond to changes in economic conditions.

The Company reviews its approach to capital management and associated risks on on-going basis. There were no changes to the Company's approach to capital management during the year.

14. Financial instruments and risk management (continued):

(e) Market risk:

The Company operates in an industry regulated by ACMPR. Changes in legislation could have a significant impact on the Company's operations.

15. Income taxes:

The Company is subject to income taxes at a combined federal and provincial statutory income tax rate of 26.5%.

The reconciliation of the annual income tax expense (recovery) is set out below:

	2016	2015	2014
Income (loss) before income taxes	$ 3,370,638	$ (723,504)	$ (1,016,999)
Expected income tax expense (recovery) at Canadian statutory income tax rates	$ 893,219	$ (191,729)	$ (269,505)
Increase (decrease) in:			
Non-deductible expenses	229,287	12,450	1,438
Recognition of deferred tax assets	(282,529)	142,745	139,784
Other		36,534	5,338
Income tax expense (recovery)	$ 839,977	$ –	$ (122,945)

15. Income taxes (continued):

The components of the deferred tax liability are as follows:

	2016	2015	2014
Deferred tax assets:			
Non-capital losses and SR&ED pools	$ 1,198,765	$ 1,410,874	$ 255,169
Plant and equipment	22,893	–	–
Other	80,251	51,287	9,947
	1,301,909	1,462,161	265,116
Deferred tax assets not recognized	–	(282,529)	(139,784)
	1,301,909	1,179,632	125,332
Deferred tax liabilities			
Capital assets	–	(6,256)	(2,387)
Effects of cash-basis taxation	(2,060,023)	(1,066,571)	–
Shareholder loans	(81,863)	(106,805)	(122,945)
	(2,141,886)	(1,179,632)	(125,332)
Deferred tax liabilities	$ (839,977)	$ –	$ –

The Company has non-capital losses of $3.6 million (2015 - $4.5 million; 2014 - $0.8 million). The expiry of these losses commences in 2034. The Company has deductible SR&ED pools of $0.8 million that do not expire.

16. Related party transactions:

Included in accounts payable and accrued liabilities is $8,610 (2015 - $26,637; 2014 - nil) of reimbursable expenses incurred by Two Plus Management Corp. whose principal owner is Neil Closner an executive and shareholder of the Company.

During the year, the Company paid $504,500 (2015 - $263,500; 2014 - $179,500) in consulting fees to Two Plus Management Corp.

The Company paid $16,520 (2015 - $120,719; 2014 - nil) in consulting fees to MENA Investment Network Inc., a shareholder of the Company, whose principal is Stephen Arbib, a director of the Company.

On July 17, 2013, the Company entered into a license and distribution agreement ("License Agreement") for a term of 12 years (renewable for a further 5-year period) with Tikun Olam Ltd., a corporation incorporated under the laws of Israel and a shareholder of the Company. The License Agreement grants the Company exclusive license to use Tikun Olam Ltd.'s intellectual property, as defined in the License Agreement, for the cultivation, processing, marketing, sale and other commercialization of medical marijuana in Canada and New York State.

Under the License Agreement, the Company is subject to royalties on certain net revenue in connection with Tikun Olam Ltd.'s intellectual property commencing in the third year of the term of the License Agreement (July 18, 2015). Total royalties expense for fiscal 2016 amounted to $152,071 (2015 - nil; 2014 - nil). In accordance with the share purchase promissory note (note 10), these amounts have been offset against the share purchase loan outstanding.

The Company paid nil (2015 - $100,000; 2014 - nil) in consulting fees to a representative from Tikun Olam Ltd.

17. Remuneration of directors and key management of the Company:

The remuneration awarded to directors and senior key management includes the following:

	2016	2015	2014
Wages and short-term benefits	$ 1,164,611	$ 136,923	$ 40,577
Consulting fees	278,520	571,231	159,500
Share-based payments	738,475	36,737	10,551
	$ 2,181,606	$ 744,891	$ 210,628

18. Commitments:

The Company is committed to payments under an operating lease for their premises. Under the terms of the lease agreement, the Company is required to pay a proportion of common area costs, such as, realty taxes, maintenance and insurance in addition to the minimum lease payments. As at March 31, 2016, the approximate future minimum lease payments, exclusive of common area costs are as follows:

2017	$ 261,891
2018	275,675
2019	289,458
2020	303,243
2021	317,026
Thereafter	1,033,781
	$ 2,481,074

19. Subsequent events:

(a) Purchase of production facility in Central Ontario:

On July 22, 2016, the Company completed the purchase of a 210,596 square foot production facility on approximately 11 acres of land, located in an industrialized zone in Central Ontario. The purchase price of the property was $8,750,000, and was primarily funded through a continuing collateralized credit facility.

(b) Continuing collateralized credit facility:

On July 22, 2016, the Company secured a real property loan, in the amount of $7,500,000 (the "credit facility"). The credit facility is collateralized and provides the lender with first ranked security against the new production facility as well as all personal property of the Company. The lender is ranked second behind registered landlord(s) for all improvements to leased properties.

19. Subsequent events (continued):

(c) Private placement:

On August 31, 2016, the board of directors and the requisite number of shareholders of record, approved a private placement offering of Class A common shares. The offering authorized the Company to raise up to $25,000,000 of capital through the issuance of up to 72,791 Class A common shares (the "Offering"). As of the date of issue of these financial statements, the Company issued 71,929 Class A shares at an aggregate price of $24,704,000.

(d) Veteran's Affairs Canada's new reimbursement policy:

On November 22, 2016, Veteran's Affairs Canada ("VAC") announced, effective on that date, a new Reimbursement Policy for Cannabis for Medical Purposes (the "policy"). The key points of the policy include:

- Veterans will be eligible for reimbursement of fresh or dried marijuana or cannabis oil;
- Coverage may be limited to an amount of 3 grams per day, but there is a prescribed process for obtaining coverage amounts in excess of 3 grams per day; and
- The maximum reimbursement rate is capped at $8.50 per gram of dried marijuana or the equivalent amount of fresh marijuana or cannabis oil.

Management is assessing the financial impact of these regulatory changes and developing strategies to mitigate any potential impact.

(e) License to produce oils:

On November 8, 2016, the Company received its license from Health Canada to produce extracted cannabis oils. The Company expects to begin producing and selling extract oils by the end of its third fiscal quarter in 2017.

(f) Shareholder loan repayment:

During the month of October 2016, the Company repaid outstanding loans payable to certain shareholders of the Company. The total amount of principal and interest repaid was $446,793.

Condensed Interim Financial Statements
(Expressed in thousands of Canadian dollars)

MEDRELEAF CORP.

Three and nine months ended December 31, 2016
and 2015
(Unaudited)

MEDRELEAF CORP.

Condensed Interim Statements of Financial Position
(Expressed in thousands of Canadian dollars)
(Unaudited)

	December 31, 2016	March 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 25,503	$ 917
Accounts receivable (notes 4 and 9)	4,866	6,563
Inventories (note 6)	6,002	1,642
Biological assets (note 7)	3,024	1,816
Advances to shareholder	108	27
Share purchase loan (notes 9 and16)	18	280
Prepaid expenses	608	422
Loan receivable (note 5)	301	–
	40,430	11,667
Loan receivable (note 5)	–	269
Property, plant and equipment (note 8)	29,465	7,967
Security deposit	239	109
	$ 70,134	$ 20,012
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note16)	$ 6,471	$ 2,837
Taxes payable (note 15)	2,000	–
Collateralized credit facility, current	357	–
Shareholder loans (note10)	2,164	2,526
	10,992	5,363
Deferred tax liability (note15)	2,820	840
Asset retirement obligation (note 11)	202	195
Collateralized credit facility (note 12)	6,592	–
	20,606	6,398
Shareholders' equity:		
Share capital (note 9)	38,733	11,595
Contributed surplus (note 13)	770	765
Retained earnings	10,025	1,254
	49,528	13,614
Commitments (note 17)		
Subsequent events (note 18)		
	$ 70,134	$ 20,012

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

On behalf of the Board:

_____ Director

_____ Director

MEDRELEAF CORP.

Condensed Interim Statements of Comprehensive Income
(Expressed in thousands of Canadian dollars)
(Unaudited)

	Three months ended December 31,		Nine months ended December 31,	
	2016	2015	2016	2015
Sales	$ 10,426	$ 5,385	$ 29,979	$ 12,440
Production costs (notes 6 and 8)	1,832	1,950	6,474	4,954
Gross profit before gain on fair value of biological assets	8,594	3,435	23,505	7,486
Cost of finished harvest sold (note 6)	(5,434)	(2,873)	(16,888)	(5,843)
Fair value recovery (note 6)	324	–	324	–
Gain on fair value changes of biological assets (note 7)	6,230	2,325	20,682	6,400
Gross profit	9,714	2,887	27,623	8,043
Expenses:				
Selling and marketing (note 16)	1,742	867	5,120	1,941
General and administrative (note 16)	5,162	1,412	8,823	3,648
Research and development	150	91	553	236
Amortization of property, plant and equipment	130	84	333	199
Interest income (note 9)	(13)	(18)	(19)	(32)
Finance costs (notes 11 and 16)	16	30	62	88
	7,187	2,466	14,872	6,080
Income before income taxes	2,527	421	12,751	1,963
Deferred income tax expense (note 15)	789	196	3,980	381
Net income and comprehensive income	$ 1,738	$ 225	$ 8,771	$ 1,582
Weighted average number of shares - basic	706,983	597,981	657,206	566,399
Weighted average number of shares - diluted	735,976	667,837	691,904	631,899
Earnings per share - basic	$ 2.46	$ 0.38	$ 13.35	$ 2.79
Earnings per share - diluted	2.36	0.34	12.68	2.50

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

MEDRELEAF CORP.

Condensed Interim Statements of Shareholders' Equity
(Expressed in thousands of Canadian dollars)
(Unaudited)

Nine months ended, December 31, 2015	Share capital	Contributed surplus	Retained earnings (deficit)	Total
Balance, March 31, 2015	$ 5,000	$ 56	$ (1,277)	$ 3,779
Net income	–	–	1,582	1,582
Issuance of Class A common shares (note 9)	6,400	–	–	6,400
Exercise of stock options	42	(42)	–	–
Stock-based compensation (note 13)	–	579	–	579
Balance, December 31, 2015	$ 11,442	$ 593	$ 305	$ 12,340

Nine months ended, December 31, 2016	Share capital	Contributed surplus	Retained earnings (deficit)	Total
Balance, March 31, 2016	$ 11,595	$ 765	$ 1,254	$ 13,614
Net income	–	–	8,771	8,771
Issuance of Class A common shares (note 9)	24,694	–	–	24,694
Exercise of stock options	2,444	(2,444)	–	–
Stock-based compensation (note 13)	–	2,449	–	2,449
Balance, December 31, 2016	$ 38,733	$ 770	$ 10,025	$ 49,528

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

MEDRELEAF CORP.

Condensed Interim Statements of Cash Flows
(Expressed in thousands of Canadian dollars)
(Unaudited)

	Three months ended December 31,		Nine months ended December 31,	
	2016	2015	2016	2015
Cash provided by (used in):				
Operating activities:				
Net income:	$ 1,738	$ 225	$ 8,771	$ 1,582
Items not involving cash:				
Gain from changes in fair value of biological assets	(6,230)	(2,325)	(20,682)	(6,400)
Cost of finished harvest inventory sold	5,434	2,873	16,888	5,843
Fair value recovery	(324)	–	(324)	–
Amortization	432	299	1,104	627
Stock-based compensation	2,251	275	2,449	579
Finance costs	16	30	62	88
Finance costs capitalized	–	–	–	–
Current income tax expense	400	–	2,000	–
Deferred income tax expense	389	196	1,980	381
Change in non-cash operating working capital:				
Accounts receivable	4,002	(1,840)	1,696	(3,223)
Inventories	(1,001)	449	(1,450)	792
Prepaid expenses	(77)	19	(186)	(48)
Security deposit	–	–	(131)	–
Accounts payable and accrued liabilities	2,420	835	3,634	1,307
	9,450	1,036	15,811	1,528
Financing activities:				
Shareholder loans advanced	–	–	–	(500)
Shareholder loans repaid	(303)	47	(133)	79
Stock options exercised	–	1	–	1
Deferred finance costs paid	(19)	–	(601)	–
Interest paid	(149)	(10)	(178)	(10)
Collateralized debt facility	–	–	7,500	–
Issuance of share capital	5,008	–	24,694	5,400
	4,537	38	31,282	4,970
Investing activities:				
Loan receivable	–	–	–	(250)
Advances to shareholder	(3)	(38)	(81)	(51)
Additions to plant and equipment	(9,160)	(2,376)	(22,426)	(4,388)
	(9,163)	(2,414)	(22,507)	(4,689)
Increase (decrease) in cash	4,824	(1,340)	24,586	1,809
Cash, beginning of period	20,679	3,284	917	135
Cash, end of period	$ 25,503	$ 1,944	$ 25,503	$ 1,944
Royalties applied to:				
Share purchase loan	$ 95	$ 48	$ 269	$ 78

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

1. The Company and its operations:

MedReleaf Corp. (the "Company") is a private company incorporated on February 28, 2013 under the Ontario Business Corporations Act. The principal activities of the Company are the production and sale of medical cannabis as regulated by Access to Cannabis for Marijuana for Medical Purposes Regulations ("ACMPR"). On February 14, 2014, the Company received its license from Health Canada to operate as a licensed producer of medical cannabis pursuant to the provisions of the ACMPR and the Controlled Drugs and Substances Act (Canada). Annually, the Company must submit an application for renewal of its license to Health Canada containing information prescribed by the ACMPR. The Company has renewed its initial license with the current term ending on August 18, 2017. The Company's head office is located at Markham Industrial Park, Markham, Ontario L3R 6G4 and its registered and records office is located at Suite 3800, Royal Bank Plaza, South Tower, 200 Bay Street, Toronto, Ontario M5J 2Z4.

2. Basis of presentation:

(a) Statement of compliance:

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). In preparing these statements, the Company applied International Accounting Standard ("IAS") 34, Interim Financial Reporting ("IAS 34"), as issued by the IASB and accordingly, certain information and note disclosures normally included in the Company's annual financial statements, may have been omitted or condensed. These condensed interim financial statements should be read in conjunction with the Company's 2016 annual financial statements and accompanying notes.

These condensed interim financial statements have been prepared on a going concern basis.

These financial statements were authorized for issuance by the Company's Board of Directors ("Board") on April 15, 2017.

(b) Basis of measurement:

The financial statements were prepared on a historical cost basis, except for biological assets, which are measured at fair value.

2. Basis of presentation (continued):

(c) Use of judgments and estimates:

The preparation of the 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 periods affected. Significant estimates used in the preparation of these condensed interim financial statements include, but are not limited to the following:

(i) Valuation of biological assets:

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 up to the point of harvest, sales price, and expected remaining future yields for the cannabis plants.

(ii) Estimated useful lives and amortization of property and equipment:

Amortization of property and equipment 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 take into account factors such as economic and market conditions and the useful lives of assets.

(iii) 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.

2. Basis of presentation (continued):

(iv) Non-interest bearing shareholder loans:

Non-interest bearing shareholder loans are recorded at fair value, using estimates of rates that would be charged for similar instruments. The determination of a market interest rate takes into account, loans with similar maturities, cash flow patterns, currency, credit risk and interest rates. If there are no specified repayment dates on the shareholder loans, estimates of maturity and repayment are taken into consideration.

3. Significant accounting policies:

These condensed interim financial statements have been prepared in accordance with IAS 34 using the same accounting policies and standards as were used for the Company's 2016 annual financial statements.

The IASB has published amendments to IAS 16, Property, Plant and Equipment ("IAS 16"), and IAS 41, Agriculture ("IAS 41") that change the accounting for bearer plants. The amendments specify that because the operation of bearer plants are similar in nature to manufacturing, they should be accounted for under IAS 16 rather than IAS 41. This policy was adopted by the Company effective April 1, 2016 with no material effect.

New standards and interpretations not yet adopted:

On July 24, 2014, the IASB issued the complete IFRS 9, Financial Instruments (2014) ("IFRS 9 (2014)"). The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. The standard introduces additional changes relating to financial liabilities. The final standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment, and new general hedge accounting requirements. The Company is currently assessing the impact of the new standard on its condensed interim financial statements.

3. Significant accounting policies (continued):

On May 28, 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The new standard is effective for annual periods beginning on or after January 1, 2018. The standard can be applied retrospectively, or using a cumulative catch-up approach. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced which may affect the amount and/or timing of revenue recognized. The Company is currently assessing the impact of the new standard on its condensed interim financial statements.

In 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), replacing IAS 17, Leases, and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted. The Company is currently assessing the impact of the new standard on its condensed interim financial statements.

4. Accounts receivable:

Accounts receivable represents amounts due from patients, insurance providers, and third party e-commerce payment processing facilitators. As at December 31, 2016, the Company had accounts receivable of $4,866 (March 31, 2016 - $6,563), net of an allowance for impairment of accounts receivable of $130 (March 31, 2016 - $31) and inclusive of $432 harmonized sales tax refunds receivable (March 31, 2016 - nil). During the three and nine months ended December 31, 2016, $87 and $138 of bad debt expense, respectively, was included in general and administrative expenses for the period (December 31, 2015 - nil and nil).

(Expressed in thousands of Canadian dollars)

4. Accounts receivable (continued):

The table below summarizes the aged accounts receivable as at December 31, 2016 and March 31, 2016:

	December 31, 2016	March 31, 2016
Current	$ 2,707	$ 2,755
30 days	1,330	2,155
60 days	112	1,579
90+ days	415	105
Trade accounts receivable	4,564	6,594
Harmonized sales tax receivable	432	–
Allowance for impairment of receivables	(130)	(31)
Accounts receivable	$ 4,866	$ 6,563

The movement in the allowance for doubtful accounts in respect of trade accounts receivable during the nine months ended December 31, 2016 and the year ended March 31, 2016 was as follows:

	December 31, 2016	March 31, 2016
Balance, beginning of year	$ 31	$ 8
Additions	99	23
Balance, end of period	$ 130	$ 31

5. Loan receivable:

The Company entered into a loan agreement on September 25, 2015 with MMMG, LLC (the "Borrower"), a Nevada limited liability company for $250 bearing interest at 15% per annum and maturing in September 2017. Under the agreement, at any time prior to maturity, the Company may convert all or any portion of the outstanding principal into shares of the Borrower's equity securities. As at December 31, 2016, the Company has not elected to convert its principal portion into shares and only principal plus accrued interest is outstanding.

(Expressed in thousands of Canadian dollars)

6. Inventories:

	Capitalized cost	Biological asset fair value cost adjustment	Deemed cost
Accessories, supplies and consumables	$ –	$ –	$ –
Work-in-process, dried cannabis and extracts	–	–	–
Finished goods, dried cannabis and extracts	510	1,132	1,642
Carrying amount, March 31, 2016	$ 510	$ 1,132	$ 1,642

	Capitalized cost	Biological asset fair value cost adjustment	Deemed cost
Accessories, supplies and consumables	$ 105	$ –	$ 105
Work-in-process, dried cannabis and extracts	602	1,651	2,253
Finished goods, dried cannabis and extracts	1,096	2,548	3,644
Carrying amount, December 31, 2016	$ 1,803	$ 4,199	$ 6,002

Inventories consist of, accessories available for resale; supplies and consumables for use in the production of inventories and the transformation of biological assets; capitalized inventory costs; and deemed costs of inventories arising from fair value gains on the transformation of biological assets.

The amount of inventories recognized as an expense during the three and nine months ended December 31, 2016 is $7,266 and $23,362, respectively (December 31, 2015 - $4,823 and $10,797).

(Expressed in thousands of Canadian dollars)

7. Biological assets:

Biological assets consist of cannabis on plants. The changes in the carrying value of biological assets are as follows:

	Cannabis on plants
Carrying amount, March 31, 2015	$ 474
Changes in fair value less costs to sell due to biological transformation	10,392
Production costs capitalized	2,697
Transferred to inventories upon harvest	(11,747)
Carrying amount, March 31, 2016	1,816
Changes in fair value less costs to sell due to biological transformation	20,682
Production costs capitalized	3,611
Transferred to inventories upon harvest	(23,085)
Carrying amount, December 31, 2016	$ 3,024

The Company's estimates, by their nature, are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological assets.

7. Biological assets (continued):

These estimates include the following assumptions:

(a) Selling prices were determined by estimating the Company's average selling price and mix of product strains during the period;

(b) Costs incurred and remaining costs to complete were estimated by calculating the average production costs up to the point of harvest over the total production period;

(c) The percentage of costs incurred for each stage of plant growth;

(d) The stage of plant growth at which point of harvest is determined;

(e) Costs to sell and other fulfillment costs were determined by estimating the Company's average cost per gram; and

(f) Expected yields of harvested plants are estimated and risk adjusted at each stage of growth.

8. Property, plant and equipment:

On July 22, 2016, the Company completed the purchase of a 210,596 square foot production facility on approximately 11 acres of land, located in an industrialized zone in Bradford Ontario. The purchase price of the property was $8,750, and was primarily funded through a continuing collateralized credit facility. The facility will be used for the production and sale of medical cannabis. As at December 31, 2016, the facility was under construction and not available for its intended use. Cost related to the construction of the facility are capitalized as construction in process and were not amortized during the three and nine months ended December 31, 2016.

(Expressed in thousands of Canadian dollars)

8. Property, plant and equipment (continued):

Amortization will commence when each planned phase of construction is completed and available for use. During the three and nine months ended December 31, 2016 interest paid of $87 and $126 (December 31, 2015 - nil and nil) on the collateralized credit facility was capitalized and included in building improvement costs. During the three and nine months ended December 31, 2016, $31 and $50 of deferred finance fees were amortized and capitalized as a building cost.

Included in production costs for the three and nine months ended December 31, 2016 is amortization in the amount of $302 and $771 respectively (December 31, 2015 - $215 and $428).

	Computer hardware/ software	Furniture and equipment	Leasehold improvements	Production rooms	Construction in process	Trade-marks	Building	Land	Total
Cost									
Balance, March 31, 2015	$ 203	$ 1,029	$ 1,303	$ 1,313	$ –	$ –	$ –	$ –	$ 3,848
Additions	95	1,116	872	3,275	–	–	–	–	5,358
Asset retirement	–	–	85	–	–	–	–	–	85
Balance, March 31, 2016	298	2,145	2,260	4,588	–	–	–	–	9,291
Additions	207	1,538	629	315	11,457	8	3,844	4,604	22,602
Asset retirement	–	–	–	–	–	–	–	–	–
Balance, December 31, 2016	$ 505	$ 3,683	$ 2,889	$ 4,903	$ 11,457	$ 8	$ 3,844	$ 4,604	$ 31,893
Accumulated amortization									
Balance, March 31, 2015	$ 43	$ 163	$ 164	$ 84	$ –	$ –	$ –	$ –	$ 454
Amortization	83	318	174	278	–	–	–	–	853
Asset retirement	–	–	17	–	–	–	–	–	17
Balance, March 31, 2016	126	481	355	362	–	–	–	–	1,324
Amortization	97	438	210	343	–	–	–	–	1,088
Asset retirement	–	–	16	–	–	–	–	–	16
Balance, December 31, 2016	$ 223	$ 919	$ 581	$ 705	$ –	$ –	$ –	$ –	$ 2,428
Carrying amounts									
March 31, 2016	$ 172	$ 1,664	$ 1,905	$ 4,226	$ –	$ –	$ –	$ –	$ 7,967
December 31, 2016	282	2,764	2,308	4,198	11,457	8	3,844	4,604	29,465

(Expressed in thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

9. Share capital:

Authorized:
- Unlimited Class A common shares
- Unlimited Class B shares
- 12,352 Class C shares

Issued:

	Class A common shares		Class B shares		Class C shares	
	Number of Shares	Share capital	Number of shares	Share capital	Number of shares	Share capital
Balance, March 31, 2015	279,831	$ 5,000	226,416	$ –	12,352	$ –
Issuance of Class A common shares	65,273	6,400	–	–	–	–
Conversion of Class C shares to Class A shares	4,177	150	–	–	(4,177)	–
Exercise of stock options related to Class A common shares	14,263	45	–	–	–	–
Balance, March 31, 2016	363,544	11,595	226,416	–	8,175	–
Issuance of Class A common shares	71,964	24,694	–	–	–	–
Exercise of stock options related to Class A common shares	39,120	2,444	–	–	–	–
Balance December 31, 2016	474,628	$ 38,733	226,416	$ –	8,175	$ –

Class A common shares are voting and participating and are entitled to dividends as and when declared by the Board, subject to the prior rights of other share classes. The Class A common shareholders are entitled to receive the remaining property of the Company upon liquidation, dissolution or winding up.

Class B shares are voting, non-participating, convertible shares, redeemable by the Company. Each Class B share is issued at $0.001 and carries an entitlement of one vote. They will be converted on a 1:1 basis into Class A common shares upon the repayment of the non-interest bearing shareholder loans (note 10).

9. Share capital (continued):

Class C shares are non-voting, convertible, redeemable by the Company and issued pursuant to the terms of an employment agreement dated March 2, 2015. Each Class C share is issued at $0.001 per share. On each of the first, second and third anniversary of March 23, 2015, 4,177.33 Class C shares will be automatically converted on a 1:1 basis into Class A common shares. In the event of a change of control, all outstanding unconverted shares will be converted on a 1:1 basis into Class A common shares.

As part of the July 18, 2014 Class A common shares issue in exchange for 16,524 Class A common shares, the Company received a promissory note in the amount of $400 from Tikun Olam Ltd. The promissory note bears interest at 5.0% per annum, with the principal balance and any unpaid interest due and receivable on July 18, 2019. This has been accounted for as a share purchase loan.

Interest receivable, related to the promissory note, in the amount of nil (March 31, 2016 - $35) has been included in accounts receivable. During the three and nine months ended December 31, 2016 $2 and $5 (December 31, 2015 - $5 and $14) of interest has been included in interest income.

During the year ended March 31, 2016, the following series of transactions occurred:

(a) The Company issued 65,273 Class A common shares for $6,400.

(b) The holder of the Class C shares converted 4,177 shares to Class A common shares in accordance with the terms of a stock option agreement.

(c) The holders of Class A common stock options exercised 14,263 options for a stated share capital value of $45.

9. Share capital (continued):

During the nine months ended December 31, 2016, the following series of transactions occurred:

(i) On August 31, 2016, the Board of directors and the requisite number of shareholders of record, approved a private placement offering of Class A common shares. The offering authorized the Company to raise up to $25,000 of capital through the issuance of up to 72,791 Class A common shares (the "Offering"). During the nine months ended December 31, 2016, the Company issued 71,964 Class A common shares for a stated share capital value of $24,694 related to the Offering.

(ii) The holders of Class A common stock options exercised 39,120 options for a stated share capital value of $2,444.

10. Shareholder loans payable:

Shareholder loans are comprised of non-interest bearing promissory notes in the amount of $2,164 (March 31, 2016 - $2,091), representing an imputed interest of 4.7%. These shareholder loans are unsecured and have no fixed-terms of repayment. The non-interest bearing notes are recorded at fair value, and have a face value of $2,400 as at December 31, 2016 and March 31, 2016. Included in finance costs for the three and nine months ended December 31, 2016 are amortized interest charges of $25 and $73 (December 31, 2015 - $24 and $70) relating to these shareholder loans.

Shareholder loans also include interest-bearing promissory notes in the amount of nil (March 31, 2016 - $400) plus accrued and unpaid interest in the amount of nil (March 31, 2016 - $35).

The promissory notes incurred interest at 5.0% per annum. During the three and nine months ended December 31, 2016, the Company repaid all outstanding interest and principal of $447 on the interest-bearing promissory notes. Included in finance costs for the three and nine months ended December 31, 2016 are interest charges of $2 and $12 (December 31, 2015 - $5 and $21) relating to these interest-bearing promissory notes.

(Expressed in thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

11. Asset retirement:

The Company has recorded an asset retirement obligation for the estimated costs to remediate the Company's building upon termination of lease. The liability is $202 (March 31, 2016 - $195). The following is a reconciliation of the changes in the decommissioning liability:

	Asset retirement obligation
Balance, March 31, 2015	$ 107
Additions	85
Accretion	3
Balance, March 31, 2016	195
Additions	–
Accretion	7
Balance, December 31, 2016	$ 202

The provision for the asset retirement obligation is based on the following key assumptions:

- the total undiscounted cash flow as at December 31, 2016 and March 31, 2016 is $275;
- the expected settlement is in fiscal 2024;
- the current market-based pre-tax discount rate is 3.45%; and
- an inflation rate of 1.25%.

12. Collateralized credit facility:

On July 22, 2016, the Company secured a real property loan, in the amount of $7,500 (the "credit facility"). The credit facility is collateralized and provides the lender with first ranked security against the new production facility as well as all personal property of the Company. The lender is ranked second behind registered landlord(s) for all improvements to leased properties. The credit facility is an open variable rate loan with a five-year term, ending July 2, 2021. The credit facility can be extended beyond the maturity date subject to lender approval. As at December 31, 2016, the interest rate is approximately 4.7% per annum.

The credit facility requires the Company to maintain a fixed coverage ratio of not less than 1.30:1.00 commencing the fiscal year ended March 31, 2018 and for each fiscal year end thereafter. As at December 31, 2016 the Company is in compliance with all covenants related to the credit facility.

In securing the credit facility, the Company incurred $601 of finance related costs during the nine months ended December 31, 2016. Finance costs paid are offset against the credit facility and amortized over the term of the credit facility. As at December 31, 2016, $551 of unamortized deferred finance fees were netted against the credit facility. During the three and nine months ended December 31, 2016, $31 and $50 of deferred finance fees were amortized and capitalized as a building cost.

13. Stock-based compensation:

The Company has stock option plans to encourage ownership of the Company's Class A common shares by its officers, directors, employees and certain non-employees. Stock options for employees have a maximum term of five years. The options vesting period ranges between one and five years. Stock options for certain executives, vest based on performance milestones and have an indefinite term.

(Expressed in thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

13. Stock-based compensation (continued):

A summary of the Company's plans and changes during the respective periods is presented below:

	Number	Exercise price	Weighted average exercise
Outstanding options, March 31, 2015	85,207	$ 0.01	$ 0.01
Granted	12,662	0.01 - 98.05	50.23
Cancelled	–	–	–
Exercised	18,440	0.01 - 98.05	0.01
Outstanding options March 31, 2016	79,429	0.01 - 98.05	8.01
Granted	10,344	0.01 - 343.45	36.27
Cancelled	23,512	0.01	0.01
Exercised	39,120	0.01 - 98.05	10.33
Outstanding options, December 31, 2016	27,141	$ 0.01 - 343.45	$ 44.69
Options exercisable, March 31, 2016	25,846	$ 0.01 - 98.05	$ 4.92
Options exercisable, December 31, 2016	2,596	98.05	98.05

The following table summarizes the range of exercise prices and the weighted average of exercise prices as at December 31, 2016 and March 31, 2016:

Exercise price	Options outstanding	Options exercisable	Weighted average exercise
$0.001	8,175	–	–
$0.010	64,770	24,550	0.01
$98.05	6,484	1,296	98.05
Outstanding options, March 31, 2016	79,429	25,846	4.92
$0.001	8,175	–	–
$0.010	9,330	–	0.01
$98.05	8,544	2,596	98.05
$343.45	1,092	–	343.45
Outstanding options, December 31, 2016	27,141	2,596	44.69

(Expressed in thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

13. Stock-based compensation (continued):

The estimated fair value of options granted was determined on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2016	March 31, 2016
Fair value of options	$0.48 - $343.45	$0.48 - $98.05
Exercise price	0.01 - 343.45	0.001 - 98.05
Risk free interest rate	0% - 1%	0% - 1%
Dividend yield	–	–
Volatility factor of the future expected market price of shares	75%	75%
Weighted average expected life of the options	5 years	5 years

During the three and nine months ended December 31, 2016, share-based compensation expense relating to stock options of $2,251 and $2,449, respectively (December 31, 2015 - $275 and $579), was included as part of general and administrative expenses in the condensed interim statements of comprehensive income.

14. Financial instruments and risk management:

The Company's financial instruments consist of cash, accounts receivable, credit facility, share purchase loan, loan receivable, accounts payable and accrued liabilities and shareholder loans. At December 31, 2016 and March 31, 2016, the carrying values of these instruments approximate their fair values based on the nature of these financial instruments.

14. Financial instruments and risk management (continued):

(a) Fair value measurements of financial assets and liabilities recognized in the condensed interim statements of financial position:

Financial assets and liabilities are categorized using a fair value hierarchy as follows:

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

The levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized in the condensed interim statements of financial position at fair value are categorized as follows:

Cash and cash equivalents	Level 1
Biological assets (note 7)	Level 3

There were no transfers between levels during the nine months ended December 31, 2016, or the year ended March 31, 2016.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2016.

14. Financial instruments and risk management (continued):

(c) Credit risk:

The Company is exposed to credit risk related to cash, cash equivalents invested in short term securities, outstanding accounts receivable, and loans receivable.

The Company manages credit risk from cash and cash equivalents by selecting high quality issuers and low risk investments which minimizes the potential to default by the issuer of the certificates. All cash and cash equivalents are held with major Canadian financial institutions.

Credit risk from accounts receivable is mitigated by regular monitoring of aged receivables and managing the underlying business relationships with insurance providers. A significant concentration of receivables, are held with insurance providers. Receivables due from non-insurance providers, require advance payment through third party credit card processing agents, which minimizes credit risk.

Credit risk from loans receivable arises from the possibility that principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationships.

(d) Interest rate risk:

The Company is exposed to the risk of interest rate fluctuations on its variable rate collateralized debt facility. Interest rate risk exposure on short term investments is mitigated by selecting low risk investments.

(e) Market risk:

The Company operates in an industry regulated by ACMPR. Changes in legislation could have a significant impact on the Company's operations.

14. Financial instruments and risk management (continued):

(f) Capital management:

The Company's objectives in managing capital include: maintaining a capital structure that provides financing opportunities and options while maintaining compliance with debt facility covenants; maintaining its ability to meet capital and operating expenditure requirements; maintaining and, where necessary, raising sufficient capital to support future development of the business; maintaining the ability to meet short and long term debt servicing and financing obligations; and providing the ability to continue as a going concern.

The Company's capital management strategy is designed to maintain a flexible capital structure consistent with its capital management objectives that optimizes the cost of capital within management's assessed level of acceptable risk, and positions the Company to respond to changes in economic conditions.

The Company reviews its approach to capital management and associated risks on an on-going basis. There were no changes to the Company's approach to capital management during the three and nine months ended December 31, 2016.

15. Income taxes:

The Company is subject to income taxes at a combined federal and provincial statutory income tax rate of 26.5%. Effective August 31, 2016, the Company ceased to be a Canadian Controlled Private Corporation for tax reporting purposes and fully utilized all non-capital losses carried forward.

16. Related party transactions:

Included in accounts payable and accrued liabilities as at December 31, 2016 is $5 (March 31, 2016 - $9) of reimbursable expenses incurred by Vive Technologies Inc. owned by Jeremy Friedberg, a shareholder of the Company and by Two Plus Management Corp. owned by Neil Closner, an executive and shareholder of the Company.

During the three and nine months ended December 31, 2016, the Company paid nil and $122, respectively (December 31, 2015 - $196 and $402) in consulting fees to Two Plus Management Corp.

For the three and nine months ended December 31, 2016, the Company paid nil (December 31, 2015 - nil and $17) in consulting fees to MENA Investment Network Inc., a shareholder of the Company, whose principal is Stephen Arbib, a director of the Company.

For the three and nine months ended December 31, 2016, the Company paid $17 and $42 (December 31, 2015 - $11 and $32) in consulting fees to Vive Technologies Inc.

On July 17, 2013, the Company entered into a license and distribution agreement ("License Agreement") for a term of 12 years (renewable for a further 5-year period) with Tikun Olam Ltd., a corporation incorporated under the laws of Israel and a shareholder of the Company. The License Agreement grants the Company exclusive license to use Tikun Olam Ltd.'s intellectual property, as defined in the License Agreement, for the cultivation, processing, marketing, sale and other commercialization of medical marijuana in Canada and New York State.

Under the License Agreement, the Company is subject to royalties on certain net revenue in connection with Tikun Olam Ltd.'s intellectual property commencing in the third year of the term of the License Agreement (July 18, 2015). Total royalties expense for the three and nine months ended December 31, 2016 were $95, and $269 respectively (December 31, 2015 - $48 and $78). In accordance with the share purchase promissory note (note 10), these amounts have been offset against the share purchase loan outstanding.

(Expressed in thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

17. Commitments:

The Company is committed to payments under an operating lease for their premises. Under the terms of the lease agreement, the Company is required to pay a proportion of common area costs, such as, realty taxes, maintenance and insurance in addition to the minimum lease payments.

The approximate future minimum lease payments, exclusive of common area costs, are as follows:

	December 31, 2016	March 31, 2016
Less than 1 year	$ 272	$ 262
1 - 3 years	586	565
4 - 5 years	641	620
Thereafter	786	1,034
	$ 2,285	$ 2,481

The Company is committed to principal and interest payments under a continuing collateralized open variable rate credit facility. Under the terms of the credit facility, the Company is required to pay interest only payments from September 1, 2016 through to August 1, 2017. Commencing September 1, 2017, the Company is required to make monthly interest and principal payments.

The approximate future principal and estimated interest payments are as follows:

	December 31, 2016	March 31, 2016
Less than 1 year	$ 357	$ –
1 - 3 years	2,143	–
4 - 5 years	2,143	–
Thereafter	2,857	–
	$ 7,500	$ –

17. Commitments (continued):

The Company has made commitments to specific vendors for capital projects related to on-going construction projects. As at December 31, 2016, approximately $4,114 of future payments have been committed and are required to be paid within one year related to capital commitments.

18. Subsequent events:

(a) The Town of Bradford city council has approved a grant totalling more than $90 to go toward the development of the Company's new production facility through the town's Industrial Areas Community Improvement Plan.

APPENDIX "A" – MANDATE OF THE BOARD OF DIRECTORS

1 PURPOSE

The members of the board of directors (the "**Board**") of MedReleaf Corp. (the "**Corporation**") are ultimately responsible for the stewardship of the Corporation's business and affairs. In exercising their powers and discharging their duties, the directors shall act honestly and in good faith with a view to the best interests of the Corporation and shall exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Although directors may be appointed or elected by the shareholders to bring special expertise or point of view to Board deliberations, they are not chosen to represent a particular constituency, and the best interests of the Corporation as a whole shall be paramount at all times.

Subject to the limitations set forth under applicable laws, the Board may discharge its responsibilities, including those listed below, through one or more Board committees. The Board shall have three standing committees: (i) the Audit Committee, (ii) the Corporate Governance and Compensation Committee and (iii) the Health, Safety and Quality Control Committee (together, the "**Standing Committees**"). In addition to the Standing Committees, the Board may appoint ad hoc committees periodically to address certain issues of a more short-term nature.

2 COMPOSITION, TERM AND INDEPENDENCE

2.1 Board composition

Subject to the Corporation's constating documents and applicable laws, the Board shall be comprised of a minimum of three and a maximum of 10 directors. The Board shall periodically review its size in light of its duties and responsibilities from time to time.

2.2 Board term

Subject to the Corporation's constating documents and applicable laws, directors shall be elected by the shareholders at each annual meeting of shareholders ("**AGM**") at which an election of directors is required, and shall hold office until the next AGM.

2.3 Independence

(a) The Board shall be comprised of a majority of independent directors. A director shall be considered independent if he or she would be considered independent for the purposes of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

(b) The Board shall appoint an independent lead director (the "**Lead Director**") from among the directors, who shall serve for such term as the Board may determine. If the Corporation has a non-executive Chair, then the role of the Lead Director will be filled by the non-executive Chair. The Lead Director or non-executive Chair shall chair any meetings of the independent directors and assume such other responsibilities as the independent directors may designate in accordance with any applicable position descriptions or other applicable guidelines that may be adopted by the Board from time to time.

3 MANDATE AND RESPONSIBILITIES

To fulfill its mandate, the Board assumes responsibility for the following matters:

3.1 Appointment of senior management

(a) The Board has the responsibility for (i) appointing the Chief Executive Officer ("**CEO**") and all other senior executives and delegating to the CEO and other senior executives the authority over the day-to-day management of the business and affairs of the Corporation, and (ii) assessing the

performance of the CEO, following a review of the recommendations of the Corporate Governance and Compensation Committee. To the extent feasible, the Board shall satisfy itself as to the integrity of the CEO and other executive officers and that the executive officers create a culture of integrity throughout the Corporation.

(b) The Board has the responsibility for determining the compensation to be paid to the CEO, and approving the compensation to be paid to all other executive officers following a review of the recommendations of the Corporate Governance and Compensation Committee and of the CEO (with respect to the other executive officers' compensation).

(c) The Board may, from time to time, delegate to executive officers the authority to enter into certain types of transactions, including financial transactions, subject to specified limits. Investments and other expenditures above the specified limits and material transactions outside the ordinary course of business shall be reviewed by, and subject to the prior approval of, the Board.

(d) The Board oversees that appropriate succession planning programs are in place, including programs to appoint, train, develop and monitor senior management.

3.2 Strategic planning

(a) The Board has the responsibility for adopting a strategic planning process and approving and reviewing, on at least an annual basis, the strategic direction of the Corporation and its business, operational, and financial plans. Such strategic planning shall take into account, among other things, the opportunities and risks of the Corporation's business and affairs.

(b) The Board has the responsibility for:

(i) adopting processes for monitoring the Corporation's progress toward its strategic and operational goals, and providing input and guidance to management in light of changing circumstances affecting the Corporation; and

(ii) taking action when the Corporation's performance falls short of its goals or when other special circumstances warrant.

3.3 Monitoring of financial performance and financial reporting

The Board has the responsibility for:

(a) approving the audited financial statements, interim financial statements and the notes and management's discussion and analysis accompanying such financial statements.

(b) reviewing and approving material transactions outside the ordinary course of business and those matters which the Board is required to approve under the Corporation's constating documents or applicable laws, including the payment of dividends, the issuance, purchase and redemption of securities, the acquisitions and dispositions of material capital assets and material capital expenditures.

(c) overseeing the accurate reporting of the financial performance of the Corporation to shareholders, other stakeholders and regulators (as applicable) on a timely basis; and

(d) overseeing that the financial results are reported fairly and in accordance with generally accepted accounting standards and disclosure requirements under applicable laws.

3.4 Risk management

The Board has the responsibility for:

(a) identifying, in conjunction with management, the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to effectively monitor and manage such risks, with a view to balancing such risks against the potential shareholder returns and the long-term viability of the Corporation; and

(b) implementing a system of internal control measures, including management of all information systems, and ensuring that any remedial actions or adoption of new control measures are implemented effectively.

3.5 Corporate governance

(a) The Board has the responsibility for developing the Corporation's approach to corporate governance, including developing a set of corporate governance guidelines for the Corporation.

(b) Following a review of the recommendations of the Corporate Governance and Compensation Committee, the Board has the responsibility for approving and monitoring compliance with all of the Corporation's policies and procedures related to corporate governance.

3.6 Communications and stakeholder engagement

The Board has the responsibility for adopting a communications policy which addresses, among other things:

(a) the timely disclosure of any material changes, material facts and other developments that have a significant and material impact on the Corporation;

(b) how the Corporation interacts with analysts, investors, other key stakeholders and the public;

(c) determining who is authorized to communicate on behalf of the Corporation;

(d) measures for the Corporation to comply with its continuous and timely disclosure obligations and to avoid selective disclosure;

(e) understanding and enforcing the prohibition on tipping and restrictions on the purchase and sale of securities of the Corporation, including by insiders and other persons with a special relationship with the Corporation;

(f) the management and use of electronic communications channels, including the Corporation's website;

(g) reporting periodically, at least annually, to shareholders on its stewardship for the preceding year; and

(h) the Corporation's development of stakeholder engagement programs and the implementation of systems which accommodate feedback from stakeholders.

3.7 Orientation and continuing education

The Board has the responsibility for:

(a) developing a description of the expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials;

(b) ensuring that all new directors receive a comprehensive orientation, that they fully understand the role and duties of the Board, as well as the contribution individual directors are expected to make (including the commitment of time and resources that the Corporation expects from its directors)

and that they understand the nature, operation and strategic direction of the Corporation's business; and

(c) providing continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as ensuring that their knowledge and understanding of the Corporation's business, including opportunities and risks, remains current.

3.8 Nomination of directors

In connection with the nomination or appointment of directors, the Board has the responsibility for reviewing periodically, at least annually, what competencies and skills the Board, as a whole, should possess, and assessing what competencies and skills each existing director possesses, identifying any gaps while taking into account the Corporation's strategic direction and changing needs. In the course of this process, the members of the Board shall identify the strengths in a director that would benefit the Board and then seek out individuals who may possess such strengths.

3.9 Board evaluation

The Board has the responsibility for assessing periodically, at least annually, the Board, the Standing Committees and any other committee, and each individual director regarding his, her or its effectiveness and contribution. Such assessment will consider, in the case of the Board or any Standing Committee or any other committee, its performance against its mandate or charter and, in the case of an individual director, his or her attendance and against the competencies and skills each individual director is expected to bring to the Board.

The Chair of the Board, together with the independent lead director, if any, shall be responsible for assessing the effectiveness of the Board as a whole as well as individual Board members.

3.10 Role and responsibilities of the Chair of the Board

In addition to the duties and responsibilities of the Board generally, the Chair of the Board has the duties and responsibilities set out below.

(a) ***Working with Management***

The Chair has the responsibility to:

(i) act as the principal sounding board, counselor and confidant for the CEO, including helping to review strategies, define issues, maintain accountability, and build relationships;

(ii) in co-operation with the CEO, assist in representing the Corporation both internally and externally, including as a designated spokesman;

(iii) regularly communicate and ensure the CEO is aware of concerns of the Board, shareholders, other stakeholders and the public; and

(iv) assess, in conjunction with the Corporate Governance and Compensation Committee and the Board, the performance of the CEO and other executive officers, and provide input with respect to compensation and succession.

(b) ***Managing the Board***

The Chair has the responsibility to:

(i) chair the Board;

(ii) ensure the Board is aware of its obligations to the Corporation, shareholders, management, other stakeholders and lead the Board in carrying out such obligations pursuant to applicable law;

(iii) establish, in conjunction with the Corporate Governance and Compensation Committee, the frequency of Board meetings and review such frequency from time to time, as considered appropriate or as requested by the Board;

(iv) recommend the committees of the Board and their composition, review the need for, and the performance and suitability of such committees and make such adjustments as are deemed necessary from time to time;

(v) ensure the co-ordination of the agenda, information packages and related events for Board meetings;

(vi) ensure the Board receives adequate and regular updates from the CEO and executive officers on all material issues relating to the Corporation;

(vii) act as a liaison and regularly communicate with all directors and committee chairs to co-ordinate input from directors, and optimize the effectiveness of the Board and its committees; and

(viii) in conjunction with the Corporate Governance and Compensation Committee, review and assess director attendance, performance and compensation as well as the size and composition of the Board.

3.11 Corporate policies

The Board shall adopt and periodically review policies and procedures designed to ensure that the Corporation and its directors, officers and employees comply with all applicable laws, rules and regulations and conduct the Corporation's business ethically and with honesty and integrity.

4 MEETINGS

4.1 Meetings

Directors are expected to attend, in person or via tele- or video-conference, all meetings of the Board and the committees upon which they serve, to come to such meetings fully prepared, and to remain in attendance for the duration of the meeting. Where a director's absence from a meeting is unavoidable, the director should, as soon as practicable after the meeting, contact the Chair, the CEO, or the Secretary for a briefing on the substantive elements of the meeting.

Subject to the Corporation's constating documents and applicable laws, the time at which and the place where the meetings of the Board shall be held, the calling of meetings and the procedure at such meetings shall be determined by the Chair. The Board shall meet as many times as it considers necessary to carry out its responsibilities effectively and shall, in any event, meet at least once per quarter. Meetings of the Board will also include in-camera meetings of the independent members of the Board without management present.

4.2 Attendance

The Board Committee may invite such officers, directors or employees of the Corporation, financial, technical or legal advisors, or other persons as it sees fit, from time to time, to attend at meetings of the Board and to assist in the discussion of matters being considered by the Board.

4.3 Authority to engage advisors

The Board shall have the authority to engage, at the expense of the Corporation, such outside advisors as it

determines necessary or advisable to carry out its duties, including legal, financial, technical and accounting advisors, and establish the compensation of such advisors.

4.4 Review

The Board shall review and assess the adequacy of this Mandate, taking into account the strategic direction of the Corporation, its changing needs, and propose recommended changes for approval.

This Mandate is not intended to give rise to civil liability on the part of the Corporation or its directors or officers to shareholders, other security holders, customers, suppliers, competitors, employees or other persons or to any other liability whatsoever on their part.

Effective Date: ●, 2017

APPENDIX "B" – CHARTER OF THE AUDIT COMMITTEE

1 PURPOSE

The purpose of the Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of MedReleaf Corp. (the "**Corporation**") is to:

(a) assist the Board in fulfilling its responsibility to oversee the Corporation's accounting and financial reporting processes and audits of the Corporation's financial statements;

(b) review the Corporation's financial reports and other financial information, disclosure controls and procedures and internal accounting and financial controls;

(c) review the Corporation's financial statements, management's discussion and analysis and annual and interim profit or loss press releases before public release;

(d) serve as an independent and objective party to monitor the Corporation's financial reporting processes and internal control systems;

(e) recommend to the Board of Directors the appointment of the external auditors, to be approved by the shareholders, compensation, and retention (and where appropriate, replacement) of the external auditors;

(f) oversee the work of the external auditor in preparing or issuing an audit report or related work, monitor the independence of the external auditor and pre-approve all auditing services and permitted non-audit services provided by the external auditor;

(g) receive direct reports from the external auditor and resolve any disagreements between management and the external auditor regarding financial reporting;

(h) review the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation; and

(i) carry out the specific responsibilities set forth below in furtherance of this stated purpose.

2 COMPOSITION AND TERM

Committee members shall be appointed by the Board, and shall serve at the pleasure of the Board. Any member of the Committee may be removed or replaced at any time by the Board and shall, in any event, cease to be a member of the Committee upon ceasing to be a member of the Board. The Board shall designate one member as chair of the Committee (the "**Chair**").

The Committee shall be comprised of three or more directors, each of whom shall be "independent" and "financially literate", as required by and defined in National Instrument 52-110 – *Audit Committees* ("**NI 52 110**"), subject to any exceptions permitted under NI 52-110.

3 MANDATE AND RESPONSIBILITIES

The Committee's role is one of oversight of the integrity of the Corporation's accounting and financial reporting process, including financial reporting processes, internal controls over financial reporting and disclosure controls procedures. It is recognized that the Corporation's management is responsible for preparing the financial statements and notes thereto and that the Corporation's external auditor is ultimately accountable to the Board and the Committee, as representatives of the shareholders and other stakeholders, for providing an audit opinion on the financial statements and notes.

The mandate and responsibilities of the Committee are as follows:

(a) *Appointment of External auditor.* The Committee shall have direct responsibility for recommending the appointment, compensation, retention (and where appropriate, replacement), and oversight of the work of any accounting firm selected to be the Corporation's external auditor for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Corporation, and to review the performance of the external auditors.

(b) *Appointment of Chief Financial Officer and Internal Auditor.* The Committee shall participate in the identification of candidates for the positions of Chief Financial Officer and the manager of the Corporation's internal auditing function, if any, and shall advise management with respect to the decision to hire a particular candidate.

(c) *Disclosure Controls and Procedures.* The Committee shall review periodically with management the Corporation's disclosure controls and procedures.

(d) *Internal Controls.* The Committee shall discuss periodically with management and the external auditor the quality and adequacy of the Corporation's internal controls and internal auditing procedures, if any, including any significant deficiencies in the design or operation of those controls which could adversely affect the Corporation's ability to record, process, summarize and report financial data and any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal controls. The Committee shall also discuss with the external auditor how the Corporation's financial systems and controls compare with industry practices.

(e) *Accounting Policies.* The Committee shall review periodically with management and the external auditor the quality, as well as acceptability, of the Corporation's accounting policies, and discuss with the external auditor how the Corporation's accounting policies compare with those in the industry. The Committee shall discuss with the external auditors the quality and not just the acceptability of the Corporation's accounting principles, including all critical accounting policies and estimates used, any alternate treatment of financial information that have been discussed with management, the ramifications of use of such alternative classifications, recognitions, derecognitions, measurements, presentations and disclosures and treatments and the auditor's preferred treatment, as well as any other material communications with management.

(f) *Pre-approval of All Audit Services and Permitted Non-Audit Services.* The Committee shall approve, in advance, all audit services and all permitted non-audit services to be provided to the Corporation by the external auditor; provided that any non-audit services performed pursuant to an exception to the pre-approval requirement permitted by applicable securities regulators shall not be deemed unauthorized and as permitted under the rules of professional conduct of the Chartered Professional Accountants of Ontario.

(g) *Annual Audit.* In connection with the annual audit of the Corporation's financial statements, the Committee shall:

(i) request from the external auditor a formal written statement delineating all relationships between the external auditor and the Corporation;

(ii) discuss with the external auditor any disclosed relationships and their impact on the external auditor's objectivity and independence, and take appropriate action to oversee the independence of the external auditor;

(iii) approve the selection, and the terms of the engagement, of the external auditor;

(iv) review with management and the external auditor the audited financial statements to be filed on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and review and consider with the external auditor the matters required to be discussed under applicable statements of auditing standards;

(v) perform the procedures set forth under the heading "Financial Reporting Procedures" below with respect to the annual financial statements;

(vi) review with the Corporation's counsel, external auditors and management any legal or regulatory matter that could have a significant impact on the Corporation's financial statements;

(vii) review and make recommendations with respect to any litigation, claim or contingency that could have a material effect upon the financial position of the Corporation and the appropriateness of the disclosure thereof in the documents reviewed by the Committee; and

(viii) review with management and the external auditor the Corporation's critical accounting policies and estimates.

(h) *Financial Reporting Procedures*. In connection with the Committee's review of each reporting of the Corporation's annual financial information, the Committee shall:

(i) discuss with the external auditor whether all material correcting adjustments identified (if any) by the external auditor in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board of London, England and adopted by the Canadian Accounting Standards Board, Generally Accepted Auditing Standards of Canada and the rules of the applicable securities regulators, as may be amended from time to time, are reflected in the Corporation's financial statements;

(ii) review with the external auditor all material communications between the external auditor and management, such as any management letter or schedule of unadjusted differences (if any);

(iii) review with management and the external auditor any significant financial or other arrangements of the Corporation which do not appear on the Corporation's financial statements and any transactions or courses of dealing with third parties that are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties, and which arrangements or transactions are relevant to an understanding of the Corporation's financial statements; and

(iv) resolve any disagreements, if any, between management and the external auditor regarding financial reporting.

(i) *Insurance Coverage*. Review and make recommendation regarding insurance coverage (annually or as may be otherwise appropriate).

(j) *Audit Committee Charter*. The Committee shall review and reassess at least annually the adequacy of this Audit Committee Charter and recommend any proposed changes to the Board for approval.

4 MEETINGS AND PROCEDURES

4.1 Meetings

The time at which and the place where the meetings of the Committee shall be held, the calling of meetings and the procedure at such meetings shall be determined by the Chair. The Committee shall meet as many times as it considers necessary to carry out its responsibilities effectively and shall, in any event, meet at least once per quarter.

4.2 Quorum

Unless otherwise determined by the Committee, two or more members of the Committee shall constitute a quorum.

4.3 Attendance

The Committee may invite such officers, directors or employees of the Corporation, external auditors, insurance agents and brokers, financial, technical or legal advisors, or other persons as it sees fit, from time to time, to attend at meetings of the Committee and to assist in the discussion of matters being considered by the Committee.

4.4 Chair

The Chair shall preside at all meetings of the Committee. In the Chair's absence, or if the position is vacant, the Committee may select another member as Chair. The Chair will have the right to exercise all powers of the Committee between meetings but will attempt to involve all other members as appropriate prior to the exercise of any powers and will, in any event, advise all other members of any decisions made or powers exercised. In case of an equality of votes on any matter voted on by the Committee, the Chair shall have a second casting vote.

4.5 Decisions

Decisions of the Committee shall be evidenced by resolutions passed at meetings of the Committee and recorded in the minutes of such meetings or by an instrument in writing signed by all of the members of the Committee.

4.6 Secretary and Minutes

The Chair shall appoint a secretary for each meeting to keep minutes of such meeting. The minutes of the Committee will be in writing and duly entered into the books of the Corporation. The minutes of the Committee will be circulated to all members of the Board, redacted as may be determined necessary by the Chair to remove any sensitive personnel information not otherwise material to the Board.

4.7 Authority to Engage Advisors

The Committee shall have the authority to engage, at the expense of the Corporation, such outside advisors as it determines necessary or advisable to carry out its duties, including legal, financial, tax, technical and accounting advisors, and establish the compensation of such advisors.

4.8 Reporting to the Board

The Committee shall report to the Board on such matters and questions relating to the mandate and activities of the Committee as the Committee may deem appropriate or as the Board may from time to time request or refer to the Committee.

4.9 Complaints

Any issue of significant financial misconduct shall be brought to the attention of the Committee for its consideration. In this regard, the Committee shall establish and maintain procedures for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

5 RESOURCES AND AUTHORITY

The Committee is granted all authority required by NI 52-110, including without limitation the authority to:

(a) investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Corporation;

(b) engage independent legal, tax, accounting or other advisors to obtain such advice and assistance as the Committee determines necessary to carry out its duties and set and pay the compensation for any advisors so engaged; and

(c) communicate directly with the external auditors (and internal auditors, if any).

The Committee may request any officer or employee of the Corporation or the Corporation's counsel or other advisors to attend a meeting of the Committee or to meet with any member of, or consultants to, the Committee.

The Corporation shall provide the Committee all appropriate funding, as determined by the Committee, for payment of compensation to any such advisors and any external auditor, as well as for any ordinary administrative expenses of the Committee that it determines are necessary or appropriate in carrying out its responsibilities.

This Charter is not intended to give rise to civil liability on the part of the Corporation or its directors or officers to shareholders, other security holders, customers, suppliers, competitors, employees or other persons or to any other liability whatsoever on their part.

Effective Date: ●, 2017

CERTIFICATE OF THE COMPANY

Date: May 8, 2017

This amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated prospectus as required by the securities legislation of each of the provinces and territories of Canada.

(Signed) "*Neil J. Closner*"	(Signed) *"Igor Gimelshtein"*
Chief Executive Officer	Chief Financial Officer

On behalf of the Board of Directors

(Signed) "*Raymond G. Leach*"	(Signed) "*Stephen Arbib*"
Director	Director

CERTIFICATE OF THE SELLING SHAREHOLDERS

Date: May 8, 2017

This amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated prospectus as required by the securities legislation of each of the provinces and territories of Canada.

On Behalf of the Selling Shareholder
ZOLA FINANCE INC.

(Signed) "*Minerva Acosta*"

(Signed) "*Elvia Acosta*"

On Behalf of the Selling Shareholder
2564459 ONTARIO LIMITED

(Signed) "*Raymond G. Leach*"

On Behalf of the Selling Shareholder
TIKUN OLAM LTD.

(Signed) "*Tsachi Cohen*"

On Behalf of the Selling Shareholder
BARONFORD HEIGHTS LIMITED

(Signed) "*Theodore Wine*"

On Behalf of the Selling Shareholder
EVA FASHION LIMITED

(Signed) "*Vadim Soiref*"

On Behalf of the Selling Shareholder
AJA HOLDINGS 2013 INC.

(Signed) "*Stephen Arbib*"

On Behalf of the Selling Shareholder
MENA INVESTMENT NETWORK INC.

(Signed) "*Stephen Arbib*"

On Behalf of the Selling Shareholder
MEDMEN OPPORTUNITY FUND, LP
by its general partner **MEDMEN OPPORTUNITY FUND GP, LLC**

(Signed) "*Adam Bierman*"

NEIL CLOSNER

(Signed) "*Neil Closner*"

On Behalf of the Selling Shareholder
RAYRAY INVESTMENTS INC.

(Signed) "*Raymond G. Leach*"

CERTIFICATE OF THE UNDERWRITERS

Date: May 8, 2017

To the best of our knowledge, information and belief, this amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated prospectus as required by the securities legislation of each of the provinces and territories of Canada.

GMP SECURITIES L.P.

(Signed) "*Steve Ottaway*"

Steve Ottaway
Managing Director

CLARUS SECURITIES INC.

(Signed) "*Robert Orviss*"

Robert Orviss
Managing Director

CANACCORD GENUITY CORP.

(Signed) "*Steve Winokur*"

Steve Winokur
Managing Director

EIGHT CAPITAL

(Signed) "*John Esteireiro*"

John Esteireiro
Managing Director

PI FINANCIAL CORP.

(Signed) "*Blake Corbet*"

Blake Corbet
Managing Director