

*A copy of this draft filing statement has been filed with the TSX Venture Exchange and is subject to their review and comment. This draft filing statement has not yet become final in accordance with Section 12.4 of TSX Venture Exchange Policy 2.4 for the purposes of the Qualifying Transaction described in this draft filing statement. Information contained in this draft filing statement may not be complete and may have to be amended.*

**SABER CAPITAL CORP.**

**FILING STATEMENT**

with respect to a Qualifying Transaction  
pursuant to Policy 2.4 of the TSX Venture Exchange

**Dated as of November 30, 2016**

*Neither the TSX Venture Exchange Inc. (the "TSXV") nor any securities regulatory authority has in any way passed upon the merits of the Qualifying Transaction described in this Filing Statement.*

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## FORWARD-LOOKING INFORMATION

This Filing Statement contains forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or states that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Saber, Emblem or the Resulting Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information.

Examples of such statements include: (a) the intention to complete the Transaction, (b) the description of the Resulting Issuer that assumes completion of the Transaction; and (c) in respect of the Resulting Issuer and Emblem, statements pertaining to Emblem’s proposed operations and method for funding thereof, expectations regarding the ability to raise capital and to be able to obtain and maintain all applicable licences and permits for Emblem’s operations, treatment under governmental regulatory regimes and tax laws, capital expenditure programs and the timing and method of financing thereof and future development plans and status of assets, future growth and performance.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking information contained in this Filing Statement. Such forward-looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of Saber and Emblem to complete the Transaction, satisfy conditions under the Arrangement Agreement, satisfy the requirements of the TSXV such that it will issue the Final Exchange Bulletin, obtain necessary financing, successfully integrate Saber and Emblem and manage risks; the economy generally; and current and future stock prices, results of operations, availability of permits and licences, market conditions, the regulatory and foreign environment, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, fluctuations in foreign currency exchange rates, business prospects and opportunities, transportation delays, accidents, labour disputes and other risks of the medical marijuana industry, political developments, arbitrary changes in law, delays in obtaining governmental approvals and anticipated and unanticipated costs. The factors identified above are not intended to represent a complete list of the factors that could affect Saber, the Resulting Issuer or Emblem. Additional risk factors are noted under the heading “*Risk Factors*”.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this Filing Statement. These risk factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of this Filing Statement. All subsequent forward-looking information attributable to Saber, the Resulting Issuer or Emblem herein is expressly qualified in its entirety by the cautionary statements contained in or referred to herein. Saber, the Resulting Issuer and Emblem do not undertake any obligation to release publicly any revisions to this forward-looking information to reflect events or circumstances that occur after the date of this Filing Statement or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

## **GLOSSARY OF DEFINED TERMS**

In this Filing Statement, the following capitalized words and terms will have the meanings indicated. Terms and abbreviations used in the financial statements of Saber, Emblem and the Resulting Issuer in the schedules to this Filing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated:

ACMPR	Access to Cannabis for Medical Purposes Regulations.
ACMPR License:	Licence No. 10-MM0167/2016 to produce medical marihuana under the ACMPR issued to ECC.
ACMPR License Date:	August 26 2015, and subsequently renewed on July 27, 2016 (originally issued under the MMPR).
Affiliate:	means a Company that is affiliated with another Company as described below:  A Company is an “Affiliate” of another Company if:  (a) one of them is the Subsidiary of the other, or  (b) each of them is controlled by the same Person.  A Company is “controlled” by a Person if:  (a) voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person, and  (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company.  A Person beneficially owns securities that are beneficially owned by:  (a) a Company controlled by that Person, or  (b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person;.
Agent:	PI Financial Corp.
Amalco:	The corporation resulting from the Amalgamation, which will be a wholly-owned subsidiary of Saber.
Amalgamation:	The amalgamation of Emblem and Newco to form Amalco pursuant to Section 181 of the CBCA, which will result in the indirect acquisition by Saber of all of the issued and outstanding securities of Emblem.
Arrangement Agreement:	The arrangement agreement dated August 23, 2016 entered into by Saber, Emblem (then “KindCann Holdings Limited”) and Newco.

Associate:	When used to indicate a relationship with a Person, means (a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer; (b) any partner of the Person; (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity; or (d) in the case of a Person, relative of that Person, including (i) that Person's spouse or child, or (ii) any relative of the Person or of his or her spouse who has the same residence as that Person; but (iii) where the TSXV determines that two Persons will, or will not, be deemed to be associates with respect to a member firm, member corporation or holding company of a member corporation, then such determination will be determinative of their relationships in the application of Rule D with respect to that member firm, member corporation or holding company.
BCBCA:	<i>Business Corporations Act</i> (British Columbia), as amended from time to time.
Brokered Subscription Receipt Offering:	The brokered private placement by Saber of 6,690,000 Subscription Receipts at the price of \$1.15 per Subscription Receipt for gross proceeds of \$8,004,000 completed on November 10, 2016.
Business Day:	Any day excepting a Saturday or Sunday or a day recognized as a holiday in Toronto, Ontario, or a day on which banks in Toronto are not open for business.
CBCA:	<i>Canada Business Corporations Act</i> , as amended from time to time.
CBD:	Cannabidiol.
CDSA:	<i>The Controlled Drug and Substances Act (Canada)</i> .
Company:	Unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.
Companies:	Emblem, Saber and Newco, as applicable.
Compensation Options:	The 787,300 issued and outstanding options to purchase broker units at an exercise price of \$0.50 per broker unit. Each broker unit will consist of (a) one Emblem Common Share; and (b) one half of one broker warrant to purchase an Emblem Common Share at an exercise price of \$0.75.
Completion of the Qualifying Transaction:	The date the Final Exchange Bulletin is issued by the TSXV.
Consolidation:	The consolidation of the Saber Common Shares on the basis of one Saber Post-Consolidation Common Share for each four pre-consolidation Saber Common Shares then outstanding.

Continuance:	The proposed continuance of Saber from a corporation existing under the BCBCA to a corporation existing under the CBCA.
Control Person:	Any Person or Company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.
CPC:	A corporation: <ul style="list-style-type: none"> <li>(a) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and</li> <li>(b) in regard to which the Final Exchange Bulletin has not yet been issued.</li> </ul>
CPC Policy	TSXV Policy 2.4 <i>Capital Pool Companies</i> .
Depository:	Computershare Trust Company, which will act as the depository for the exchange of: (a) the Emblem Common Shares for the Saber Post-Consolidation Common Shares; and (b) the Emblem Existing Warrants for the Saber Warrants, in connection with the Amalgamation.
Director Elections:	The election of four or more directors to the Saber Board to be effected in connection with the Transaction.
ECC:	Emblem Cannabis Corp., a corporation existing under the CBCA and a wholly-owned subsidiary of Emblem.
Effective Date:	The effective date of the Amalgamation as set forth in the certificate of amalgamation issued in respect of the Amalgamation by the Director appointed pursuant to the CBCA.
Emblem:	Emblem Corp., a corporation existing under the CBCA.
Emblem Board:	The board of directors of Emblem.
Emblem Common Shares:	The common shares in the capital of Emblem.
Emblem Common Shareholders:	At the relevant time, the holders of Emblem Common Shares.

Emblem Existing Warrants:	The common share purchase warrants of Emblem outstanding as of the date of this Filing Statement, each entitling the holder thereof to acquire one Emblem Common Share at an exercise price of: <ul style="list-style-type: none"> <li>(a) \$0.75 until 5:00PM (Toronto time) on the date that is five years from the date on which the shares of Emblem are traded on the TSXV;</li> <li>(b) \$0.75 until 5:00PM (Toronto time) on June 23, 2021; or</li> <li>(c) \$1.20 until 5:00pm (Toronto time) on September 9, 12, 15 or 19, 2018 (as applicable).</li> </ul>
Emblem Named Executives:	Harvey Shapiro, Gordon Fox, Maxim Zavet, Daniel Saperia and John Laurie, as the context may require.
Emblem Preferred Shares:	Class A preferred shares in the capital of Emblem.
Emblem Special Shares:	The 14,065,285 non-voting shares in the capital of Emblem, comprising of 4,812,846 Emblem Special Shares registered to Gord Fox or his affiliate, 4,812,846 Emblem Special Shares registered to Harvey Shapiro or his affiliate and 4,439,594 Emblem Special Shares registered to Max Zavet or his affiliate.
Emblem Stock Options:	The 4,870,000 issued and outstanding options to purchase Emblem Common Shares at an exercise price of \$0.50 per Emblem Common Share, which includes 600,000 Emblem Stock Options granted on September 16, 2015 and exercisable until September 16, 2020, 2,440,000 Emblem Stock Options granted on December 16, 2015 and exercisable until December 16, 2020 and 1,830,000 Emblem Stock Options granted on July 31, 2016 and exercisable until July 31, 2021.
Emblem Subsidiaries:	Collectively, ECC, KRL, Oakbank and GrowWise.
Escrow Agent:	Computershare Trust Company of Canada, in its capacity as escrow agent for the Resulting Issuer securities held in escrow under the Value Security Escrow Agreement to be entered into on or before closing of the Transaction.
Existing Facility:	The existing production facility of Emblem located in Paris, Ontario.
Existing Facility Expansion:	The expansion of the Existing Facility of Emblem in Paris, Ontario by the construction of additional grow rooms in the Existing Facility with the result that after commissioning of such grow rooms the annualized production capacity of the entire building, will be reasonably expected to allow for capacity of an aggregate of 2,100 kilograms of marihuana.
Filing Statement:	This Filing Statement, together with all schedules attached hereto and including the summary hereof.

Final Exchange Bulletin	The TSXV Bulletin which is issued following closing of the Qualifying Transaction and the submission of all required documentation and that evidences the final TSXV acceptance of the Qualifying Transaction.
Finder's Fee:	1,500,000 Saber Post-Consolidation Common Shares to be issued in connection with the completion of the Transaction.
Governmental Authority:	Any foreign, national, provincial, local or state government, any political subdivision or any governmental, judicial, public or statutory instrumentality, court, tribunal, agency (including those pertaining to health, safety or the environment), authority, body or entity, or other regulatory bureau, authority, body or entity having legal jurisdiction over the activity or person or entity in question including, without limitation, the TSXV.
GrowWise:	GrowWise Health Limited, a company to which Emblem owns 50% of the issued and outstanding shares.
IFRS:	International Financial Reporting Standards.
Insider:	When used in relation to an issuer, means (a) a director or senior officer of the issuer; (b) a director or senior officer of the company that is an Insider or subsidiary of the issuer; (c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or (d) the issuer itself if it holds any of its own securities.
Initial Public Offering or IPO:	A transaction that involves an Issuer issuing securities from its treasury pursuant to its first Prospectus.
KRL:	KindCann Realty Limited, a corporation existing under the CBCA and a wholly-owned subsidiary of Emblem.
MMAR:	<i>The Marihuana Medical Access Regulations.</i>
MMPR:	<i>The Marihuana for Medical Purposes Regulations.</i>
Name Change:	The change of the name of the Resulting Issuer from "Saber Capital Corp." to "Emblem Corp.".
Newco:	Saber Acquisition Co., a wholly-owned subsidiary of Saber incorporated under the CBCA for the purposes of carrying out the Amalgamation.
Non-Brokered Subscription Receipt Offering:	The non-brokered private placement by Saber of 11,821,985 Subscription Receipts at the price of \$1.15 per Subscription Receipt for gross proceeds of approximately \$13,595,000 completed on November 10, 2016.
Oakbank:	9845992 Canada Limited, formerly operating under the name Oakbank Holdings Limited, which is a wholly owned subsidiary of Emblem.

Offering Price:	The offering price of the Subscription Receipts under the Subscription Receipts Offerings, being \$1.15 per Subscription Receipt.
Offerings:	Collectively, the Short Form Offering and the Subscription Receipt Offerings.
Person:	Includes any individual, sole proprietorship, partnership, limited partnership, firm, unincorporated association, unincorporated organization, syndicate, trust, joint venture, body corporate, Governmental Authority, and any other entity or organization of any nature whatsoever, and includes any of the foregoing when they are acting as trustee, executor, administrator or other legal representative.
Qualifying Transaction:	A transaction where a capital pool company acquires significant assets other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means.
Regulatory Approval:	Any approval, consent, waiver, permit or exemption from any Government Authority having jurisdiction or authority over any party or the subsidiary of any party which is required or advisable to be obtained in order to permit the Amalgamation to be effected including, for greater certainty, the approval by the TSXV, and “Regulatory Approvals” means all such approvals, consents, waivers, permits, orders or exemptions.
Resulting Issuer:	The issuer that exists upon issuance of the Final Exchange Bulletin in respect of the Transaction.
Resulting Issuer Common Shares:	Common shares in the capital of the Resulting Issuer.
Resulting Issuer Compensation Options:	The compensation options of the Resulting Issuer to be issued in connection with the Transaction in exchange for the Compensation Options pursuant to the terms and conditions of the Arrangement Agreement.
Resulting Issuer Special Shares:	The non-voting preferred shares in the capital of the Resulting Issuer to be issued to Gord Fox, Harvey Shapiro and Max Zavet (or affiliates thereof) pursuant to the terms and conditions of the Arrangement Agreement and having the same terms and conditions as the Emblem Special Shares in exchange for which such Resulting Issuer Special Shares are issued. The Resulting Issuer Special Shares will be converted to Resulting Issuer Common Shares on a one-for-one basis 18 months following closing of the Transaction.
Resulting Issuer Stock Options:	The stock options of the Resulting Issuer to be issued in connection with the Transaction in exchange for the Saber Stock Options and the Emblem Stock Options pursuant to the terms and conditions of the Arrangement Agreement.
Resulting Issuer Warrants:	Share purchase warrants which may be exercised to purchase Resulting Issuer Common Shares.
Saber:	Saber Capital Corp., a corporation existing under the BCBCA.
Saber Board:	The board of directors of Saber.

Saber Common Shares:	The common shares of Saber, as constituted immediately prior to the Effective Date.
Saber Stock Options:	Stock options to acquire Saber Common Shares.
Saber Post-Consolidation Common Shares:	The Saber Common Shares as constituted immediately following the Consolidation.
Saber Shareholders:	At the relevant time, holders of Saber Common Shares.
Saber Stock Option Plan:	The stock option plan of Saber to take effect upon Completion of the Qualifying Transaction.
Saber Warrants:	The common share purchase warrants of Saber to be outstanding upon completion of the Transaction, comprised of common share purchase warrants of Saber to be issued in exchange for the Emblem Existing Warrants.
September Private Placement:	Emblem's multi-tranche private placement that closed on September 9, 12, 15 and 19, 2016, consisting of 6,867,202 units for gross proceeds of \$5,102,762.25, each unit consisting of one Emblem Common Share and one half of one Emblem Existing Warrant.
Short Form Offering:	A proposed offering of (a) one Saber Post-Consolidation Common Share; and (b) one half of one share purchase warrant, each whole warrant entitling the holder to purchase one Saber Post-Consolidation Common Share at an exercise price of \$1.75, with minimum gross proceeds of \$2,000,000 by way of a short-form offering document pursuant to TSXV Policy 4.6 – <i>Public Offering by Short Form Offering Document</i> .
Subscription Receipts:	The subscription receipts issued by Saber under the Subscription Receipt Offerings, which Subscription Receipts will, upon the satisfaction of certain escrow release conditions as described herein, be automatically exchanged (without payment of additional consideration or action on the part of the purchaser) into units consisting of (a) one Saber Post-Consolidation Common Share; and (b) one half of one share purchase warrant, each whole warrant entitling the holder to purchase one Saber Post-Consolidation Common Share at an exercise price of \$1.75 per Saber Post-Consolidation common Share for a period of three (3) years from closing of the Transaction.
Significant Assets:	One or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions would result in the CPC meeting the initial listing requirements of the TSXV.
Subscription Receipt Offerings:	Collectively, the Brokered Subscription Receipt Offering and the Non-Brokered Subscription Receipt Offering.

Subsidiary:	Includes, with respect to any Person, Company, partnership, limited partnership, trust or other entity, any Company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such Person, Company, partnership, limited partnership, trust or other entity.
THC:	Tetrahydrocannabinol.
Transaction	The Amalgamation, the Name Change, the Consolidation and the Offerings, collectively, all as contemplated by, and in accordance with the terms and conditions of the Arrangement Agreement.
TSXV:	The TSX Venture Exchange Inc.
U.S. Securities Act:	The U.S. Securities Act of 1933, as amended.
U.S. Shareholder:	A holder of Emblem Common Shares resident in the United States.
Value Security Escrow Agreement	The escrow agreement in Exchange Form 5D to be entered into by and among the Escrow Agent, the Resulting Issuer and certain principals and shareholders of the Resulting Issuer on or before closing of the Transaction.

## SUMMARY OF FILING STATEMENT

### Cautionary Language

*The following is a summary of information relating to Saber, Emblem and the Resulting Issuer (assuming the completion of the Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement.*

*The information with respect to Saber contained in this Filing Statement is information that, in the opinion of Saber, would be most likely to influence a securityholder's decision to approve the proposed Transaction.*

*Capitalized terms not otherwise defined in this Summary are defined in the Glossary of Defined Terms or elsewhere in the Filing Statement. This Summary is qualified in its entirety by the more detailed information appearing or referred to elsewhere herein.*

## ARRANGEMENT AGREEMENT

### Overview

On August 23, 2016, Saber entered into the Arrangement Agreement with Emblem and Newco whereby Saber has agreed to acquire all of the issued and outstanding shares of Emblem. Under the terms of the Arrangement Agreement, each shareholder of Emblem will receive one common share of the Issuer in exchange for each Emblem Common Share. The Transaction, if completed, will be structured as a three-cornered amalgamation whereby Emblem will amalgamate with Newco. In addition, immediately prior to the Amalgamation, Saber will complete the Consolidation on the basis of one (1) Saber Post-Consolidation Common Share for each four (4) Saber Common Shares issued and outstanding immediately prior to the Consolidation. In addition, in conjunction with the Amalgamation, Saber will continue from a corporation existing under the *Business Corporations Act* (British Columbia) to a corporation existing under the CBCA and change its name to "Emblem Corp.". The Arrangement, the Consolidation, the Continuation and the Name Change are expected to constitute Saber's Qualifying Transaction. The Transaction is not a Non-Arm's Length Qualifying Transaction as such term is defined under the policies of the Exchange.

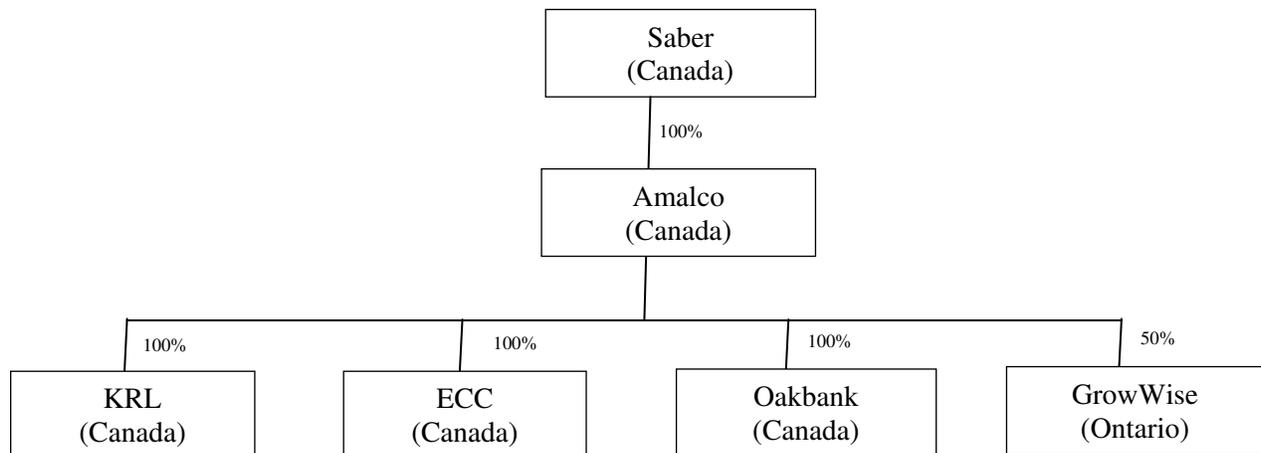
On the Effective Date, assuming all applicable regulatory and shareholder approvals are obtained, the following matters are anticipated to be effected in connection with the completion of the Arrangement Agreement:

1. Articles of Amalgamation will be filed pursuant to which (a) the Amalgamation will be effected as a result of which Emblem and Newco will amalgamate to form Amalco, which will continue as a wholly-owned subsidiary of Saber; (b) each Emblem Common Share will be automatically exchanged for one Saber Post-Consolidation Common Share; (c) each Emblem Existing Warrant will be automatically exchanged for one Saber Warrant; (d) each Compensation Option will be automatically exchanged for one Resulting Issuer Compensation Option; (e) each Emblem Stock Option will be automatically exchanged for one Resulting Issuer Stock Option; and (f) each Emblem Special Share will be automatically exchanged for one Resulting Issuer Special Share.
2. Newco will allot and issue to Saber one fully paid and non-assessable common share of Newco immediately prior to the Effective Date;

3. all Saber Options issued and outstanding immediately prior to the Effective Date will automatically expire on the date which is 90 days following the Effective Date;
4. each of the existing directors of Saber will resign and be replaced by nominees of Emblem, which are expected to be Messrs. Harvey Shapiro, Gordon Fox, Maxim Zavet, Terry Johnson, John Stewart, Jeffrey Fineberg and Lorne Gertner (subject to the receipt of applicable regulatory approvals).
5. each of the existing officers of Saber will resign and be replaced by nominees of Emblem, which will include Gordon Fox as Chief Executive Officer and President, Harvey Shapiro as Vice-President and Secretary, Maxim Zavet as Vice-President, Daniel Saperia as Chief Operating Officer and John Laurie as Chief Financial Officer (subject to the receipt of applicable regulatory approvals).

### **Effect of the Amalgamation**

The effect of the Amalgamation is that: (a) Emblem and Newco will amalgamate to form Amalco which will continue as a wholly-owned subsidiary of Saber, as a result of which all of the property and assets of Emblem will become indirectly held by Saber; and (b) existing shareholders of Emblem will continue to hold an indirect interest in the property and assets of Emblem through the Saber Post-Consolidation Common Shares which they receive pursuant to the Amalgamation. The Amalgamation does not change any of the assets, properties, rights, liabilities, obligations, business or operations of any of Saber, Newco or Emblem on a consolidated basis. A corporate organizational chart reflecting the proposed structure of Saber after giving effect to the above-noted matters is set forth below:



Upon completion of the Transaction (prior to giving effect to the Offerings) and assuming: (a) 37,298,937 Saber Post-Consolidation Common Shares are issued in consideration for all Emblem Common Shares acquired by Saber pursuant to the Transaction; (b) 4,416,602 Saber Post-Consolidation Common Shares issued and outstanding immediately prior to the Amalgamation (exclusive of Saber Post-Consolidation Common Shares issued pursuant to the Offerings); (c) 60,000 Saber Post-Consolidation Common Shares are reserved for issuance upon exercise of all Saber Stock Options immediately prior to the Amalgamation; (d) 16,862,641 Existing Emblem Warrants; (e) 787,300 Compensation Options; (f) 393,650 common share purchase warrants underlying the Compensation Options; (g) 4,870,000 Emblem Stock Options; (h) 14,065,285 Saber Post-Consolidation Common Shares are reserved for issuance upon conversion of the Resulting Issuer Special Shares; and (i) 1,500,000 Saber Post-Consolidation Common Shares issued and outstanding pursuant to the Finder's Fee, then Saber will have approximately 43,215,539 Saber Post-Consolidation Common Shares issued and outstanding and a further 36,978,876

Saber Post-Consolidation Common Shares reserved for issuance immediately following the completion of the Transaction prior to giving effect to the Offerings. The following table summarizes the distribution of Saber Post-Consolidation Common Shares following the completion of the Transaction (after giving effect to the Offering):

Shareholders	Number of Saber Post-Consolidation Common Shares	Percentage of Common Shares of Resulting Issuer on a Pro Forma
Existing Saber Common Shareholders	4,416,602	6.78%
Former Emblem Common Shareholders	37,298,937	57.25%
Subscribers in the Short Form Offering	1,739,130	2.67%
Broker fees in connection with the Short Form Offering	139,130	0.21%
Subscribers in the Brokered Subscription Receipt Offering	6,960,000	10.68%
Broker fees in connection with the Brokered Subscription Receipt Offering	600,278	0.92%
Subscribers in the Non-Brokered Subscription Receipt Offering	11,821,985	18.14%
Fees in connection with the Non-Brokered Subscription Receipt Offering	678,404	1.04%
Finder's Fee	1,500,000	2.30%
TOTAL	65,154,467	100%

### **The Companies**

Saber was incorporated under the BCBCA on February 25, 2008. Saber completed its initial public offering of the Saber Common Shares on July 4, 2011 and on July 6, 2011, Saber began trading the Saber Common Shares on the TSXV as a CPC as defined in the CPC Policy. The Saber Common Shares are currently listed on the NEX board of the TSXV under the symbol "SAB.H". The closing price of the Saber Common Shares on April 8, 2016, the last day upon which trading of the Saber Common Shares occurred prior to the halt of such shares in connection with the announcement of the Transaction, was \$0.07.

The head office and principal address of Saber is located at 67 East 5th Avenue, Vancouver, British Columbia, V5T 1G7. Saber's registered and records office is located at 1055 West Georgia Street, Vancouver, British Columbia, V6E 3P3. For additional information, see "*Part I- Information Concerning Saber*".

Newco was incorporated under the CBCA on August 9, 2016 as a wholly owned subsidiary of Saber, for the sole purpose of effecting the Amalgamation. Newco's registered and records office is located at 1055

West Georgia Street, Vancouver, British Columbia, V6E 3P3. See “*Part II: Information Concerning Emblem – The Transaction – Principal Steps of the Transaction*”.

Emblem was incorporated under the CBCA on October 8, 2014 under the name KindCann Holdings Limited. The corporation changed its name to “Emblem Corp.” on September 1, 2016. Emblem owns all of the shares of ECC, which was incorporated under the CBCA on August 26, 2013 and is the operating entity that holds the ACMPR License. See “*Part II – Information Concerning Emblem – General Development of the Business*”. Emblem also owns all of the shares of KRL, which was incorporated under the CBCA on November 11, 2013. Emblem also owns all of the shares of Oakbank, which was incorporated under the *Business Corporation Act (Ontario)* (“OBCA”) on November 13, 2014, and continued under the CBCA on July 27, 2016 under the name 9845992 Canada Limited. KRL and Oakbank are the registered owners of the Existing Facility. Emblem also holds a 50% interest in GrowWise which was incorporated under the OBCA on March 18, 2015.

No securities of Emblem are currently publicly traded on any stock exchange, and Emblem is not a reporting issuer in any jurisdiction. The registered and head office of Emblem is located at 1366 Yonge Street, Suite 207, Toronto, Ontario M4T 3A7.

#### **RESULTING ISSUER UNAUDITED PRO FORMA CONSOLIDATED SUMMARY FINANCIAL INFORMATION**

The following table sets out selected unaudited pro forma consolidated financial information for the Resulting Issuer, assuming completion of the Amalgamation, as of July 31, 2016 and for the twelve month period ended January 31, 2016 (reflecting the pro-forma consolidation of each of Saber and Emblem as at such dates), and should be considered in conjunction with the more complete information contained in the unaudited pro forma consolidated financial statements of the Resulting Issuer attached as Schedule “C” to this Filing Statement. Unless otherwise indicated, all currency amounts are stated in Canadian dollars.

<b>Balance Sheet Data</b>	<b>As of July 31, 2016<sup>(1)</sup></b>
Current Assets	\$29,515,163
Total Assets	\$38,569,722
Current Liabilities	\$6,128,277
Shareholders' Equity	\$31,891,445
Deficit	(\$20,292,458)

(1) Amounts presented reflect pro forma adjustments as further detailed in Note 3 to the unaudited pro forma consolidated financial statements of the Resulting Issuer attached as Schedule “C” to this Filing Statement, to which reference should be made for a complete summary of all assumptions underlying these amounts.

<b>Income Statement Data</b>	<b>For the 12 Months Ended January 31, 2016</b>
Total Revenue	Nil
Total Expenses	\$3,780,258
Net Loss	\$3,467,933

### **EMBLEM SELECTED FINANCIAL INFORMATION**

The following table sets out selected consolidated financial information for Emblem for the periods indicated and should be considered in conjunction with the more complete information contained in the consolidated financial statements of Emblem attached as Schedule "B" to this Filing Statement. Unless otherwise indicated, all currency amounts relating to the financial statements of Emblem are stated in Canadian dollars.

<b>Statement of Operations and Comprehensive Loss</b>	<b>Year Ended December 31, 2014 (audited)</b>	<b>Year Ended December 31, 2015 (audited)</b>	<b>Nine Month Period Ended September 30, 2016 (unaudited)</b>
Revenue	Nil	Nil	38,250
Loss before fair value adjustment of Emblem Preferred Share liability <sup>(1)</sup>	\$2,485,681	\$3,429,227	\$4,504,851 <sup>(1)</sup>
Net Comprehensive Loss	\$2,485,681	\$3,429,227	\$8,592,654 <sup>(1)</sup>

(1) It should be noted that IFRS requires 19,032,520 of issued Emblem Preferred Shares at December 31, 2015 to be recorded as a \$8,560,847 liability and the fair valuing of this liability at August 18, 2016, when the Emblem Preferred Shares were converted into Emblem Common Shares, resulted in a loss of \$4,087,803 in the nine month period ended September 30, 2016. This loss was then added to the value of the 17,032,500 Emblem Common Shares issued and outstanding on August 18, 2016 in exchange for the Emblem Preferred Shares on a 1:1 ratio. This non cash loss increased Emblem's deficit by \$4,087,803 as at September 30, 2016 but increased Emblem's stated common share capital by the identical \$4,087,803 so the net effect on shareholders' equity was nil.

<b>Statement of Financial Position</b>	<b>Year Ended December 31, 2014 (audited)</b>	<b>Year Ended December 31, 2015 (audited)</b>	<b>Nine Month Period Ended September 30, 2016 (unaudited)</b>
Total Assets	\$10,583,078	\$10,426,752	\$14,843,134
Total Liabilities	\$11,671,394 <sup>(1)</sup>	\$13,703,849 <sup>(1)</sup>	\$6,588,826
Shareholders' Equity	(\$1,088,316)	(\$3,277,097)	\$8,254,207 <sup>(2)</sup>
Deficit of Financial Position	\$2,485,681	\$5,914,908	\$14,507,562 <sup>(2)</sup>
Cash Dividends Declared	Nil	Nil	Nil

(1) Includes IFRS liability related to preferred shares of \$6,316,794 as at December 31, 2014 and \$8,560,847 as at December 31, 2015.

(2) It should be noted that IFRS requires 19,032,520 of issued Emblem Preferred Shares at December 31, 2015 to be recorded as a \$8,560,847 liability and the fair valuing of this liability at August 18, 2016, when the Emblem Preferred Shares were converted into Emblem Common Shares, resulted in a loss of \$4,087,803 in the nine month period ended September 30, 2016. This loss was then added to the value of the 17,032,500 Emblem Common Shares issued and outstanding on August 18, 2016 in exchange for the Emblem Preferred Shares on a 1:1 ratio. This non cash loss increased Emblem's deficit by \$4,087,803 as at September 30, 2016 but increased Emblem's stated common share capital by the identical \$4,087,803 so the net effect on shareholders' equity was nil.

### SABER SELECTED FINANCIAL INFORMATION

Since Saber is currently a CPC, other than its IPO, its business has to date consisted solely of identifying a suitable Qualifying Transaction. The expenses incurred by Saber in connection with its IPO and the listing of the Saber Common Shares on the TSXV were \$81,749. General and administrative expenses incurred by Saber since the start of the financial year ended January 31, 2014 up until July 31, 2016 were \$273,336. As of July 31, 2016, Saber has working capital in the amount of \$687,238, has no outstanding capital commitments, and had not pledged any of its assets as security for loans, or otherwise, and was not subject to any debt covenants. Management believes that Saber has sufficient working capital to meet its anticipated financial obligations for 2016, and to pursue another Qualifying Transaction should the Transaction not be completed.

### AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Assuming that the expenses of the Transaction are \$550,000, following the Transaction, the Resulting Issuer expects to have funds available as set forth below, based upon the current financial position of each of Saber and Emblem:

Source	Amount
Estimated working capital of Saber as at October 31, 2016	\$700,000
Estimated working capital of Emblem as at October 31, 2016	(\$1,675,000)
Estimated net proceeds from mortgage financing November 24, 2016	\$5,350,000
Estimated proceeds from the Offerings	\$23,500,000
Less estimated expenses of the Offerings and Transaction	(\$550,000)
<b>Total available funds</b>	<b>\$27,325,000</b>

The primary purposes of the Transaction are to obtain additional equity capital, create a public market for the Emblem Common Shares, provide additional working capital in order to execute on the Resulting Issuer's future business strategies and facilitate future access by the Resulting Issuer to financing opportunities. The principal purposes for which the available funds of the Resulting Issuer as set forth above are expected to be used during the twelve month period following the Transaction are described below:

Estimated Use of Net Funds	Amount
Estimated investment in the Existing Facility Expansion	\$22,000,000
Estimated investment in cannabis oil production and pharmaceutical formulations	\$2,000,000
Operating Costs	\$2,100,000
Interest expense	\$440,000

<b>Estimated Use of Net Funds</b>	<b>Amount</b>
Working capital available	\$785,000
<b>Total</b>	<b>\$27,325,000</b>

See “*Part III: Information Concerning The Resulting Issuer – Available Funds*”.

Based on current projections and assuming completion of the Offerings, the Resulting Issuer’s working capital available to fund its planned investment and ongoing operations is expected to meet its financial needs for a minimum period of 12 months commencing immediately after the completion of the Transaction.

Notwithstanding the proposed uses of available funds discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult, at this time, to definitively project the total funds necessary to effect the planned activities of the Resulting Issuer. For these reasons, management of Saber and Emblem consider it to be in the best interests of the Resulting Issuer and its shareholders to afford management a reasonable degree of flexibility as to how the funds are employed among the uses identified above, or for other purposes, as the need arises. Further, the above uses of available funds should be considered estimates. See “*Forward-Looking Information*”.

#### **MARKET PRICE OF COMMON SHARES**

The Saber Common Shares are listed on the NEX board of the TSXV under the symbol “SAB.H”. The closing market price of the Saber Common Shares on April 8, 2016, the last trading day immediately preceding the announcement of the Transaction, was \$0.07. See “*Information Concerning Saber – Market Price and Trading Volume Data*” for information relating to the trading price of the Saber Common Shares from February 25, 2008 to April 8, 2016.

#### **BUSINESS OBJECTIVES**

Pursuant to the Transaction, Saber and Emblem will combine their business operations. Set forth below is a summary of the business currently carried on by each of Saber and Emblem and proposed to be carried on by the Resulting Issuer following the Transaction.

##### **Saber**

Saber is a “capital pool company” within the meaning of the regulations of the TSXV. Accordingly, the principal business of Saber has been the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. Saber has not commenced commercial operations and has no assets other than cash.

See “*Part I: Information Concerning Saber – General Development of the Business*”.

##### **Emblem**

Emblem is a private company that owns all of the shares of ECC. ECC is engaged in the cultivation and sale of medical marihuana. ECC had applied for and has received its ACMPR License which allows ECC to produce and sell medical marihuana as a Licensed Producer under the ACMPR.

Emblem also owns 50% of GrowWise, the remaining 50% being owned by White Cedar Pharmacy Corporation (“**White Cedar**”). GrowWise’s business is to: (a) provide Canadian patients with access to advice of qualified Canadian medical practitioners on the use of medical marihuana; (b) provide Canadian patients with education on medical marihuana and the regulatory regime in Canada; (c) enter into arrangements with owners or operators of medical clinics to provide services contemplated in (a) and (b) above; (d) build and staff medical marihuana clinics to be owned and operated by the GrowWise; (e) direct potential medical marihuana patients to Licensed Producers, including Emblem; and (f) earn income from the foregoing activities and ancillary activities associated therewith (the “**GrowWise Business**”).

Emblem also intends to develop and market cannabinoid based medication in standard pharmaceutical dosage formats.

Emblem, White Cedar and GrowWise are party to a shareholders agreement dated October 31, 2016 (the “**GrowWise Shareholders Agreement**”) in connection with Emblem’s 50% equity ownership of GrowWise. The GrowWise Shareholders Agreement governs the management of the GrowWise Business and certain corporate governance aspects of GrowWise as between Emblem and White Cedar. Pursuant to the terms of the GrowWise Shareholders Agreement, White Cedar agreed to use GrowWise as the exclusive preferred provider of certain activities that comprise the GrowWise Business, and Emblem agreed to make available to GrowWise a revolving loan facility.

In respect of their joint ownership of GrowWise, pursuant to an agreement dated July 26, 2016, White Cedar has also granted to Emblem an option to purchase all of the shares in the capital of GrowWise owned by White Cedar. Such shares currently represent the 50% of GrowWise’s equity not already owned by Emblem. The option is exercisable during the 15-day period immediately prior to July 26, 2019 at a price equal to one-half of the book value of GrowWise’s assets net of any arms’ length liabilities of GrowWise.

See “*Part II: Information Concerning Emblem - Narrative Description of the Business*”.

#### **INTERESTS OF INSIDERS**

The following table sets forth the number and percentage of Saber Common Shares which are expected to be beneficially owned, controlled or directed by the proposed principals of the Resulting Issuer immediately following the Transaction, as well as the securities of each of Emblem and Saber beneficially owned, controlled or directed by such persons as of the date of this Filing Statement:

<b>Name and proposed position with Saber following the Transaction</b>	<b>Number and Percentage of Emblem Common Shares held as of September 30, 2016 (not fully-diluted)<sup>(1)(2)</sup></b>	<b>Number and Percentage of Saber Common Shares held as of September 30, 2016 (not fully-diluted)<sup>(1)(3)</sup></b>	<b>Number and percentage of Saber Post-Consolidation Common Shares to be held immediately following Transaction (not fully-diluted)<sup>(4)(5)</sup></b>
Harvey Shapiro, Vice-President and Secretary	2,763,579 <sup>(5)(6)(7)</sup> (7.41%)	Nil (0%)	2,763,579 (4.24%)

<b>Name and proposed position with Saber following the Transaction</b>	<b>Number and Percentage of Emblem Common Shares held as of September 30, 2016 (not fully-diluted) <sup>(1)(2)</sup></b>	<b>Number and Percentage of Saber Common Shares held as of September 30, 2016 (not fully-diluted) <sup>(1)(3)</sup></b>	<b>Number and percentage of Saber Post-Consolidation Common Shares to be held immediately following Transaction (not fully-diluted) <sup>(4)(5)</sup></b>
Gordon Fox Chief Executive Officer, President and Director	2,708,577 <sup>(5)(6)(7)</sup> (7.26%)	Nil (0%)	2,708,577 (4.16%)
Maxim Zavet, Vice-President and Director	1,747,824 <sup>(7)</sup> (4.68%)	Nil (0%)	1,747,824 (2.68%)
Daniel Saperia, Chief Operating Officer	915,641 <sup>(6)</sup> (2.45%)	Nil (0%)	915,641 (1.41%)
John Laurie, Chief Financial Officer	Nil (0%)	Nil (0%)	Nil (0%)
Lorne Gertner, Director	66,666 (0.18%)	Nil (0%)	66,666 (0.10%)
Jeffrey Fineberg, Director	Nil (0%)	Nil (0%)	Nil (0%)
John Stewart, Director	1,798,901 (4.82%)	Nil (0%)	1,798,901 (2.76%)
Terry Johnson, Director	Nil (0%)	Nil (0%)	Nil (0%)

(1) The information as to the number and percentage of securities beneficially owned, controlled or directed, has been obtained from the persons listed individually.

(2) Based on 37,298,937 Emblem Common Shares currently issued and outstanding after 14,065,285 Emblem Common Shares are converted into 14,065,285 special non-voting shares of Emblem.

(3) Based on 4,416,602 Saber Post-Consolidation Common Shares being issued and outstanding immediately prior to the Amalgamation.

(4) Calculated based upon the securities of each of Emblem and Saber beneficially owned, controlled or directed by such persons reported as of the date of this Filing Statement, after giving effect to the Transaction as contemplated in this Filing Statement. See also "*Part III: Information Concerning the Resulting Issuer – Escrowed Securities*".

(5) Based on 65,154,467 Saber Post-Consolidation Common Shares being issued and outstanding on closing of the Transaction (after giving effect to the Offerings). Such number includes the Saber Post-Consolidation Common Shares issued pursuant to the Finder's Fee.

(6) White Cedar owns 2,200,001 Emblem Common Shares. Harvey Shapiro and Gordon Fox each own 25% of the issued and outstanding shares of White Cedar. Daniel Saperia owns less than 1% of the issued and outstanding shares of White Cedar. These figures are not considered in the above table.

(7) Above figures do not include the issuance of the Saber Post-Consolidation Common Shares upon the conversion of the Resulting Issuer Special Shares.

## **CONFLICTS OF INTEREST**

Some of the individuals proposed for appointment as directors or officers of the Resulting Issuer upon the completion of the Transaction are also directors and/or officers of other reporting and non-reporting issuers. As of the date of this Filing Statement and to the knowledge of the directors and officers of Saber and Emblem, there are no existing conflicts of interest between the Resulting Issuer and any of the individuals proposed for appointment as directors or officers of the Resulting Issuer following the completion of the Transaction, other than as may arise in connection with Harvey Shapiro and Gordon Fox's interests in White Cedar.

## **SPONSORSHIP**

Sponsorship for the Qualifying Transaction is required by the CPC Policy unless an exemption from the sponsorship requirement is granted. Saber is relying on an exemption from sponsorship requirements under Section 3.4(a)(ii) of TSXV Policy 2.2 – *Sponsorship and Sponsorship Requirements*.

## **ARM'S LENGTH TRANSACTION**

The Transaction is not a Non-Arm's Length Qualifying Transaction.

## **INTERESTS OF EXPERTS**

No person or company who is named as having prepared or certified a part of this Filing Statement or prepared or certified a report or valuation described or included in this Filing Statement has, or will have immediately following completion of the Transaction, any direct or indirect interest greater than 1% of the issued and outstanding securities in Saber or in Emblem.

## **RISK FACTORS**

**AN INVESTMENT IN SECURITIES OF SABER AND, FOLLOWING THE COMPLETION OF THE TRANSACTION, THE RESULTING ISSUER, IS HIGHLY SPECULATIVE, AND INVOLVES A HIGH DEGREE OF RISK AND SHOULD ONLY BE MADE BY INVESTORS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT.**

An investment in Saber and/or the Resulting Issuer involves a significant degree of risk, including risks related to receiving regulatory approvals, permits and licences; potential changes in government regulation; the requirement to comply with environmental regulation; adequate insurance coverage; public perception of the medical marijuana industry; cash flow and liquidity; the ongoing need for financing; a volatile stock price; potential conflicts of interest; dependence on cash flows of subsidiaries, attracting and retaining key personnel and dependence on certain key executives; competition; transportation disruptions; fluctuation of interest and exchange rates; changes in global financial conditions generally; product liability; product recalls; potential operational risks and costs; and the substantial dilution to the voting power of the Saber Shareholders and the potential substantial dilution to the price of the Saber Post-Consolidation Common Shares. Saber Shareholders should consider that Saber may not realize the anticipated benefits of the Transaction. For a comprehensive discussion of the risk factors relating to the Resulting Issuer, see "*Risk Factors*".

## **CONDITIONAL LISTING APPROVAL**

The TSXV has conditionally accepted the Transaction subject to Saber fulfilling all of the requirements of the TSXV on or before February 28, 2017.

## **RESULTING ISSUER RISK FACTORS**

*An investment in the Saber Common Shares should be considered highly speculative, not only due to the nature of Emblem's existing business and operations, but also because of the uncertainty related to completion of the Transaction. In addition to the other information in this Filing Statement, an investor should carefully consider each of, and the cumulative effect of, the following factors, which assume the completion of the Transaction.*

### **REQUIREMENT FOR PERMITS AND LICENCES**

Emblem and ECC will apply for, as the need arises, all necessary licences and permits, including but not limited to the renewal of those licences and permits under the ACMPR or the extension of those licenses and permits to ECC's expanding facilities, to carry on the activities it expects to conduct in the future. However, the ability of Emblem or its Affiliates to obtain, sustain or renew any such licences and permits or extend them to expanding facilities on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable Canadian regulatory authorities. Any loss of interest in any licence or permit required under the ACMPR, or the failure of appropriate governmental authority to issue or renew such licences or permits upon acceptable terms, would have a material adverse impact upon the Resulting Issuer. The current license expires on January 26, 2018. Although ECC believes it will meet the requirements of the ACMPR for extension of the license, there can be no guarantee that Health Canada will extend or renew the license or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the license or should it renew the license on different terms, the business, financial condition and results of the operation of ECC and the Resulting Issuer would be materially adversely affected.

At the end of each term of the Emblem's ACMPR License, Emblem must submit an application for renewal to Health Canada containing information prescribed by the ACMPR. The ACMPR requires that the Federal Minister of Health, after examining the application and any supplementary information requested, issue a renewed license, unless the applicant fails to meet certain prescribed criteria.

ECC is not currently aware of any reason why it would not be able to receive renewal of its ACMPR License.

### **EMBLEM MAY INCUR SIGNIFICANT NET LOSSES IN THE FUTURE AND MAY NOT ACHIEVE OR MAINTAIN PROFITABILITY**

Emblem is a recently formed business and has limited operating history. Shareholders must rely upon the ability of Emblem and its management to implement its business plan and strategy in a manner that is consistent with the business plan and strategy described in this Filing Statement.

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

Emblem will be subject to the general risks inherent in the ownership and operation of the business of planting, growing, harvesting and marketing medical marihuana, which, as an agricultural product, is subject to the general risks associated with all agricultural products such as changes in raw material costs, the risk and uncertainties of planting, growing and harvesting, environmental matters, considerations relating to product quality, grading and branding, changes in laws and other general economic and market

conditions. Equally important, marihuana, like all agricultural products is essentially a commodity. Although Emblem will use its best marketing efforts to distinguish its products from those of its competitors, there can be no assurance that such efforts will be successful.

## **REGULATORY RISKS**

Emblem's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment. While to the knowledge of Emblem's management, ECC is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of ECC and Emblem may cause adverse effects to ECC's operations and the financial condition of ECC and the Resulting Issuer.

The ACMPR is a new regime established in August 2016, replacing the previous MMPR (established in June 2013), following a February 24, 2016 Federal Court of Canada decision ruling the MMPR unconstitutional as it did not provide "reasonable access" to medical marihuana. As such, revisions to the regime could be implemented which could have an impact on the Resulting Issuer's operations, including increased opportunity for individual producers (see "*Individual Producers*" immediately below).

Furthermore, although the operations of each of Emblem and Saber are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Resulting Issuer's ability to distribute or, in the future, produce medical marihuana. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of medical marihuana, or more stringent implementation thereof could have a substantial adverse impact on the Resulting Issuer.

Additionally, Emblem's pharmaceutical formulations are subject to approval by Health Canada. If Health does not provide such approval, this could have a substantial adverse impact on the Resulting Issuer.

## **INDIVIDUAL PRODUCERS**

Following a February 2016 Federal Court of Canada decision, the MMPR was deemed unconstitutional as it did not provide "reasonable access" for those seeking medical marihuana. Under the new ACMPR, registered persons may produce medical marihuana for their own personal use. If many individuals produce their own medical marihuana, then this may result in a smaller customer base for the Resulting Issuer which may ultimately have a materially adverse effect on the business of the Resulting Issuer.

## **ENVIRONMENTAL REGULATION AND RISKS**

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

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

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

Amendments to current laws, regulations and permits governing the production of medical marijuana, or more stringent implementation thereof, could have a material adverse impact on the Resulting Issuer and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

#### **EMPLOYEE HEALTH AND SAFETY REGULATIONS**

Emblem's operations are subject to laws and regulations concerning and employee health and safety and Emblem will incur ongoing costs and obligations related to compliance with such matters. Failure to comply with safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Emblem's operations or give rise to material liabilities, which could result in a material adverse effect on the operations of Emblem or the Emblem Subsidiaries.

#### **NEW INDUSTRY AND MARKET**

Emblem's business as a licensed producer represents a relatively new industry and young market resulting from the ACMPR (and the MMPR) and its regulated regime. In addition to being subject to general business risks and to risks inherent in the nature of an early stage business, a business involving an agricultural product and a regulated consumer product, Emblem and the Resulting Issuer will need to build brand awareness in the new industry and market through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations, especially against competitors who have already spent some time building their brand. These activities may not promote the Resulting Issuer brand and products as effectively as intended, or at all. This new market and industry into which management is entering will have competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets. There are no assurances that this new industry and market will 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 this new market and industry may materially and adversely affect the business, financial conditions and results of operations of Emblem and the Resulting Issuer.

#### **RELIANCE ON A SINGLE FACILITY**

To date, Emblem's activities and resources have been primarily focused on the Existing Facility. Adverse changes or developments affecting the Existing Facility could have a material adverse effect on the business, financial condition and prospects of Emblem and the Emblem Subsidiaries.

**RELIANCE ON THIRD PARTIES**

The nature of Emblem's business may require engaging third party suppliers and contractors. Non-performance by such third parties may disrupt the operations of the Emblem which could have a substantial adverse impact on the Resulting Issuer.

**RELIANCE ON SKILLED WORKERS**

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

**LIMITED EXPERIENCE OPERATING A LICENSED PRODUCER**

The board and management of the Resulting Issuer will have overall responsibility for management of the Resulting Issuer and, while certain of the Resulting Issuer's directors and officers have extensive experience in management and finance as well as in the operation of publicly-owned businesses, certain officers have limited experience operating a public company. In addition, the Resulting Issuer 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 Resulting Issuer's management systems, infrastructure and other resources. The Resulting Issuer cannot assure shareholders of the Resulting Issuer that its management's past experience will be sufficient to enable the Resulting Issuer to successfully operate as a public company.

Similarly, though certain of the Resulting Issuer's directors and officers have extensive experience in similar industries involving pharmaceutical products, the nature of the new industry and developing market for medical marihuana may result in management having to change focus and strategy and adapt to an evolving and changing market and industry. In addition, the Resulting Issuer will be susceptible to adverse developments in this new market and industry, the sole market in which it will operate upon completion of the Transaction, such as new developments, changing demographics, changing regulatory regime and other factors.

If the Resulting Issuer is unable to successfully operate as a public company or as a licensed producer, this could substantially reduce its earnings and its ability to generate stable positive cash flow from its operations and may reduce the value of the common shares of the Resulting Issuers and adversely affect the Resulting Issuer's ability to raise additional capital.

**ATTRACTING CUSTOMERS**

Emblem's cash-flow is dependent on its ability to attract customers. As Emblem is a young company, it may not be able to attract enough customers to allow it to achieve its cash-flow breakeven point.

**INSURANCE AND UNINSURED RISKS**

Emblem's business (both currently and as proposed following completion of the Transaction) is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets,

personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Emblem will obtain insurance as to its business operations, including general liability, fire, flood and extended coverage. There are, however, certain types of risks, generally of a catastrophic nature, or environmental contamination, which currently are or may in the future become either uninsurable or not insurable on an economically viable basis. The Resulting Issuer may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. The Resulting Issuer might also become subject to liability for pollution or other hazards which may not be insured against or which the Resulting Issuer may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Resulting Issuer to incur significant costs that could have a material adverse effect upon Emblem's (and the Emblem Subsidiaries') financial performance and results of operations.

#### **UNFAVOURABLE PUBLICITY OR CONSUMER PERCEPTION**

Emblem believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana distributed to such consumers. Consumer perception of Emblem's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for Emblem's products and the business, results of operations, financial condition and cash flows of Emblem and the Resulting Issuer. Emblem's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on Emblem and the Resulting Issuer, the demand for Emblem's products, and the business, results of operations, financial condition and cash flows of Emblem and the Resulting Issuer. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or Emblem's products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

#### **COMPLETION OF THE TRANSACTION AND TSXV APPROVAL**

The completion of the Transaction is subject to several conditions precedent. There can be no assurances that the Transaction will be completed on the terms set out in the Arrangement Agreement, as negotiated, or at all. In the event that any of the conditions precedent are not satisfied or waived, the Transaction may not be completed. In addition, there is no guarantee that the Resulting Issuer will be able to satisfy the requirements of the TSXV such that it will issue the Final Exchange Bulletin, or the requirements of the TSXV such that it will list the common shares of the Resulting Issuer.

#### **ONGOING NEED FOR FINANCING**

As the Resulting Issuer will likely operate at a loss throughout much of 2017, its ability to continue operations will be largely reliant on its continued attractiveness to equity investors. The Resulting Issuer

is expected to incur operating losses as it continues to expend funds to develop its business operations. Even if its financial resources upon completion of the Transaction are sufficient to fund its current operations, there is no guarantee that the Resulting Issuer will be able to achieve its business objectives. The continued development of Emblem following the Transaction will require substantial additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Resulting Issuer going out of business. The primary source of funding available to the Resulting Issuer will consist of equity financing. 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 Resulting Issuer. In addition, from time to time, the Resulting Issuer 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 temporarily increase the Resulting Issuer's debt levels above industry standards.

### **VOLATILE STOCK PRICE**

The stock price of the Resulting Issuer is expected to be highly volatile and could be drastically affected by governmental and regulatory regimes and community support for the medical marijuana industry. The Resulting Issuer cannot predict the results of its operations expected to take place in the future. The results of these activities will inevitably affect the Resulting Issuer's decisions related to future operations and will likely trigger major changes in the trading price of the Saber Post-Consolidation Common Shares.

### **POTENTIAL CONFLICTS OF INTEREST**

Some of the individuals who will be appointed as directors or officers of the Resulting Issuer are also directors and/or officers of other reporting and non-reporting issuers. As of the date of this Filing Statement, and to the knowledge of the directors and officers of Saber and Emblem, there are no existing conflicts of interest between the Resulting Issuer and any of the individuals who will continue as directors or officers following the completion of the Transaction, other than as may arise in connection with Harvey Shapiro and Gordon Fox's interest in White Cedar. Additional situations may arise where the directors and/or officers of the Resulting Issuer may be in competition with the Resulting Issuer. Any conflicts will be subject to and governed by the law applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of the Resulting Issuer's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Resulting Issuer are required to act honestly, in good faith and in the best interests of the Resulting Issuer.

### **MARKET FOR EMBLEM COMMON SHARES**

There is currently no market through which the Emblem Common Shares may be sold. An active public market for the common shares of the Resulting Issuers may not develop or be sustained following the Transaction. If an active public market does not develop or is not sustained, the liquidity of the common shares of the Resulting Issuer may be limited, and the price of the common shares of the Resulting Issuer may decline below the purchase price of the Emblem Common Shares and/or the Saber Common Shares obtained in Emblem's recent private placements and the Offerings (as adjusted to give effect to the Consolidation), respectively.

### **FUTURE SALES OF SABER POST-CONSOLIDATION COMMON SHARES BY EXISTING SHAREHOLDERS**

Sales of a large number of Saber Post-Consolidation Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Saber Post-Consolidation Common Shares

and could impair the Resulting Issuer's ability to raise capital through future sales of Saber Post-Consolidation Common Shares. Emblem and Saber may from time to time have previously issued securities at an effective price per share which was lower than the market price of the Saber Post-Consolidation Common Shares from time to time. Accordingly, certain shareholders of the Resulting Issuer may have an investment profit in the Saber Post-Consolidation Common Shares that they may seek to liquidate following the closing of the Transaction.

#### **MARKET PRICE OF SABER POST-CONSOLIDATION COMMON SHARES**

The Emblem Common Shares do not currently trade on any exchange or market, and the Saber Common Shares are currently listed and posted for trading on the TSXV. Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. If the Transaction is completed, the price of the Saber Post-Consolidation Common Shares is also likely to be significantly affected by changes in applicable rules and regulations governing the importation, distribution and production of medical marihuana, or in financial condition or results of operations of the Companies. Other factors unrelated to the performance of Resulting Issuer or Emblem that may have an effect on the price of the Saber Post-Consolidation Common Shares include the following: the extent of analytical coverage available to investors concerning the business of Resulting Issuer or Emblem may be limited if investment banks with research capabilities do not follow the Resulting Issuer's securities; lessening in trading volume and general market interest in the Resulting Issuer's securities may affect an investor's ability to trade significant numbers of Saber Post-Consolidation Common Shares; the size of the Resulting Issuer's public float may limit the ability of some institutions to invest in the Resulting Issuer's securities; and a substantial decline in the price of the Saber Post-Consolidation Common Shares that persists for a significant period of time could cause the Resulting Issuer's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Saber Post-Consolidation Common Shares at any given point in time may not accurately reflect the long-term value of the Resulting Issuer or Emblem following the completion of the Transaction or otherwise. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Resulting Issuer may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

#### **HOLDING COMPANY**

The Resulting Issuer is, at least initially upon completion of the Transaction, a holding company and essentially all of its assets are the capital stock of its subsidiaries. As a result, investors in the Resulting Issuer are subject to the risks attributable to its subsidiaries. As a holding company, the Resulting Issuer conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Resulting Issuer's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Resulting Issuer. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Resulting Issuer's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Resulting Issuer.

## **ATTRACTION AND RETENTION OF KEY PERSONNEL INCLUDING DIRECTORS**

The Resulting Issuer will have a small management team and the loss of a key individual or inability to attract suitably qualified staff could have a material adverse impact on its business. The Resulting Issuer may also encounter difficulties in obtaining and maintaining suitably qualified staff in certain of the jurisdictions in which it conducts business. Emblem and Saber have each sought to and will continue to ensure that management, directors and any key employees are provided with appropriate incentives; however, their services cannot be guaranteed.

## **COMPETITION**

The Canadian medical marihuana industry is competitive in all of its phases. The Resulting Issuer will face strong competition from other companies. Many of these companies have greater financial resources, operational experience and technical capabilities than the Resulting Issuer. As a result of this competition, the Resulting Issuer may be unable to maintain its operations or develop them as currently proposed, on terms it considers acceptable or at all. Consequently, the revenues, operations and financial condition of the Resulting Issuer could be materially adversely affected.

The government has only issued to date a small number of licences under the ACMPR (and its predecessor regimes) to produce and sell medical marihuana. There are, however, several hundred applicants for licences. The number of licences granted could have an impact on the operations of the Resulting Issuer. Because of early stage of the industry in which Emblem operates, the Resulting Issuer may face additional competition from new entrants. If the number of users of medical marihuana in Canada increases, the demand for products will increase and the Resulting Issuer 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 Resulting Issuer will require a continued high level of investment in research and development, marketing, sales and client support. The Resulting Issuer may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

## **LIMITED OPERATING HISTORY**

Emblem has generated \$38,250 of revenue from the sale of products as of September 30, 2016. Emblem is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that Emblem will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

## **TRANSPORTATION DISRUPTIONS**

Due to the perishable and premium nature of Emblem's products, Emblem depends on fast and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of Emblem and the Resulting Issuer. Rising costs associated with the courier services used by Emblem to ship its products may also adversely impact the business of Emblem and its ability to operate profitably.

## **NECESSITY OF CERTAIN INPUTS**

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

## **KEY EXECUTIVES**

Emblem and the Resulting Issuer are each dependent on the services of key executives, including the directors of Emblem and the Resulting Issuer and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of each of Emblem and the Resulting Issuer, the loss of these persons or either company's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations.

## **CURRENT FINANCIAL MARKET CONDITIONS**

Current financial market conditions are subject to volatility and other pressures. Access to public financing may be negatively impacted by global events. These factors may impact the ability of the Resulting Issuer to obtain equity or debt financing in the future and, if obtained, on terms favourable to it. If these increased levels of volatility and market turmoil continue, the operations of the Resulting Issuer could be adversely impacted and the value and the price of the Saber Post-Consolidation Common Shares and other securities could be adversely affected.

## **PRODUCT LIABILITY**

As a distributor of products designed to be ingested by humans, Emblem 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 sale of Emblem's products 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 Emblem's products alone or in combination with other medications or substances could occur. Emblem and the Resulting Issuer may be subject to various product liability claims, including, among others, that Emblem's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against Emblem could result in increased costs, could adversely affect Emblem's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of Emblem and the Resulting Issuer. There can be no assurances that Emblem 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 Emblem's potential products.

**PRODUCT RECALLS**

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of Emblem's products are recalled due to an alleged product defect or for any other reason, Emblem could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Emblem 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 Emblem has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of Emblem's significant brands were subject to recall, the image of that brand and Emblem could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for Emblem's products and could have a material adverse effect on the results of operations and financial condition of Emblem and the Resulting Issuer. Additionally, product recalls may lead to increased scrutiny of Emblem's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

**RISKS INHERENT IN AN AGRICULTURAL BUSINESS**

The Resulting Issuer's business involves the growing of medical marihuana, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Resulting Issuer expects that any such growing will be completed indoors under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

**VULNERABILITY TO RISING ENERGY COSTS**

The Resulting Issuer's medical marihuana growing operations, such operations will consume considerable energy, which will make the Resulting Issuer vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business of the Resulting Issuer and its ability to operate profitably.

**DEPENDENCE ON SUPPLIERS**

The ability of Emblem to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to equipment, parts and components. No assurances can be given that Emblem will be successful in maintaining its required supply of equipment, parts and components. This could have an adverse effect on the financial results of the Resulting Issuer.

**DIVIDEND POLICY**

Other than the common share dividend declared and made by Emblem to holders of Emblem Preferred Shares as of June 30, 2015 and December 31, 2015, which resulted in the issuance of an aggregate of 1,638,900 Emblem Common Shares, no dividends on any of the Saber Common Shares or Emblem Common Shares have been paid by either Saber or Emblem to date. Payment of any future dividends by the Resulting Issuer, if any, will be at the discretion of the board of directors of the Resulting Issuer after taking into account many factors, including the Resulting Issuer's operating results, financial condition, and current and anticipated cash needs.

## **DIFFICULTY TO FORECAST**

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

## **MANAGEMENT OF GROWTH**

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

## **DILUTION TO EMBLEM COMMON SHARES , SABER COMMON SHARES AND COMMON SHARES OF THE RESULTING ISSUER**

It is anticipated that immediately prior to the Transaction, Saber will have 4,416,602 Saber Post-Consolidation Common Shares issued and outstanding (exclusive of any Saber Post-Consolidation Common Shares that may be issued upon the exercise of Saber Options or other convertible securities of Saber). In the event that the Transaction is completed as contemplated hereby, an aggregate of 37,298,937 Saber Post-Consolidation Common Shares will be issued to former holders of Emblem Common Shares in consideration of the acquisition by Saber of all such issued and outstanding Emblem Common Shares.

The increase in the number of Saber Post-Consolidation Common Shares issued and outstanding, and the sales of such shares, may have a depressive effect on the price of the Saber Post-Consolidation Common Shares. In addition, as a result of the issuance of such additional Saber Post-Consolidation Common Shares, the voting power of the existing Saber Shareholders will be substantially diluted.

The Resulting Issuer may, in its sole discretion in accordance with its constating documents and subject to applicable laws, including the policies of the TSXV, issue additional securities (equity, debt or otherwise) from time to time, and the interests of the holders of securityholders may be diluted thereby.

## **ACMPR LITIGATION**

There have been a number of civil suits brought by various parties against the Government of Canada in an attempt to forestall the implementation of or completely eliminate the ACMPR (and/or its predecessor regimes). Emblem believes that efforts to eliminate or materially alter the ACMPR through litigation will be unsuccessful. However efforts to forestall implementation or amend the language of the MMPR and MMAR have enjoyed some success. The ACMPR itself was created following a February 24, 2016 court order. Earlier, an interim injunction was granted, forestalling the application of the MMPR as it relates to the ability of certain patients in financial distress to continue to grow marijuana for their private medical use.

Emblem believes that civil actions involving the Government of Canada concerning various aspects of the ACMPR will continue to appear and that this will create an environment of uncertainty for a considerable period of time. Although, Emblem believes that any litigation process would not ultimately result in a material impact on the overall Canadian market for medical marijuana under the ACMPR, litigation

proceedings are inherently unpredictable and prospective investors should be aware that such proceedings could have a material adverse effect on Emblem's business.

#### **LITIGATION**

Emblem or the Emblem Subsidiaries may become party to litigation from time to time in the ordinary course of business which could result in a material adverse effect on the operations of Emblem or the Emblem Subsidiaries. Should any litigation in which Emblem or the Emblem Subsidiaries become involved be determined against Emblem or the Emblem Subsidiaries, such a decision could result in a material adverse effect on the operations of Emblem or the Emblem Subsidiaries. Even if Emblem or the Emblem Subsidiaries is successful in litigation, litigation can redirect significant company resources.

#### **CHANGE IN TAX LAWS**

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Emblem's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce Emblem's earnings and could make future capital investments or Emblem's operations uneconomic.

## **PART I - INFORMATION CONCERNING SABER**

The following information is presented on a pre-Transaction basis and is reflective of the current business, financial and share capital position of Saber. See “*Part III: Information Concerning the Resulting Issuer*” for pro forma business, financial and share capital information relating to the Resulting Issuer after giving effect to the Transaction.

### **NAME AND INCORPORATION**

Saber was incorporated under the BCBCA on February 25, 2008. Saber completed its IPO on July 4, 2011 and on July 6, 2011, it began trading the Saber Common Shares on the TSXV as a CPC. On July 8, 2013, the TSXV halted trading of the Saber Common Shares as Saber had not completed a Qualifying Transaction within twenty-four months from the date the Saber Common Shares were listed on the TSXV. On October 1, 2013, the Saber Common Shares were transferred from the TSXV to the NEX under the symbol of SAB.H effective October 2, 2013 where it remained suspended until an application for a reinstatement was made by Saber and accepted by the TSXV. Saber was reinstated on the NEX effective February 20, 2014.

The authorized share capital of Saber currently consists of an unlimited number of Saber Common Shares, of which as of the date of this Filing Statement, 4,416,602 Saber Common Shares – no other shares are currently issued and outstanding.

The Saber Shareholders are entitled to receive notice of and attend all meetings of the Saber Shareholders and are entitled to one vote at such meetings, in respect of each Saber Common Share held. In the event of the liquidation, dissolution or winding-up of Saber, the Saber Shareholders are entitled to share rateably in the remaining assets of Saber.

The head office and principal address of Saber is located at 67 East 5th Avenue, Vancouver, British Columbia, V5T 1G7. Saber’s registered and records office is located at #1500 - 1055 West Georgia Street, Vancouver, British Columbia, V6E 3P3.

Saber has no subsidiaries, other than Newco.

### **GENERAL DEVELOPMENT OF THE BUSINESS**

#### **History**

Saber is a “capital pool company” within the meaning of the policies of the TSXV, and accordingly, its business since incorporation has been limited to the identification and evaluation of businesses and assets with a view to completing a Qualifying Transaction, and completing financing transactions in respect thereof. Saber has not conducted commercial operations. See also “*Part I: Information Concerning Saber – Saber Selected Financial Information and Management’s Discussion and Analysis*”.

#### **Financing**

Saber proposes to complete the Short Form Offering which will consist of the issuance of an aggregate of 1,739,130 units at a price of \$1.15 unit, for gross proceeds of \$2,000,000. Each unit under the Short Form Offering will consist of (a) one Saber Post-Consolidation Common Share; and (b) one half of one share purchase warrant, each whole warrant entitling the holder to purchase one Saber Post-Consolidation Common Share at an exercise price of \$1.75 for a period of three (3) years from closing of the Transaction. The Short Form Offering will be completed concurrent with the closing of the Transaction.

On November 10, 2016, Saber completed the Subscription Receipt Offerings which involved the issuance of an aggregate of 6,690,000 Subscription Receipts at the Offering Price for gross proceeds of \$8,004,000 under the Brokered Subscription Receipt Offering and 11,821,985 Subscription Receipts at the Offering Price for gross proceeds of approximately \$13,595,000 under the Non-Brokered Subscription Receipt Offering. Upon the performance of certain conditions (as described below), each Subscription Receipt will be converted into a unit. Each unit under the terms of the Subscription Receipt Offerings consists of (a) one Saber Post-Consolidation Common Share; and (b) one half of one share purchase warrant, each whole warrant entitling the holder to purchase one Saber Post-Consolidation Common Share at an exercise price of \$1.75 for a period of three (3) years from closing of the Transaction. The gross proceeds under the Subscription Receipt Offerings are being held into escrow (“**Escrowed Funds**”) and will be released to the Resulting Issuer upon the occurrence of all of the following conditions:

- a) the completion, satisfaction or waiver of all conditions precedent to the Transaction other than the Escrowed Funds;
- b) the receipt of all shareholder and regulatory approvals required for the Transaction;
- c) written confirmation from each of Saber and Emblem that all conditions of the Transaction have been satisfied or waived, other than release of the Escrowed Funds, and that the Transaction will be completed forthwith upon release of the Escrowed Funds;
- d) the distribution of the units underlying the Subscription Receipts being exempt from applicable prospectus and registration requirements of applicable securities laws;
- e) the Saber Post-Consolidation Common Shares underlying the units being conditionally approved for listing on the TSXV and the completion, satisfaction or waiver of all conditions precedent to such listing other than the release of the Escrowed Funds; and
- f) Saber will have delivered a written notice to the escrow agent and the agent of the Subscription Receipt Offerings, confirming that the certain conditions have been fulfilled or waived.

The Agent acted as agent for the Brokered Subscription Receipt Offering and as compensation for its services, Saber issued to the Agent compensation Subscription Receipts equal to 8% of the Subscription Receipts sold under the Brokered Subscription Receipt Offering. As additional compensation, Saber issued 50,000 compensation Subscription Receipts in payment of a corporate finance fee. In addition, as compensation to certain finders, Saber also issued 8% finder’s Subscription Receipts in connection with the Non-Brokered Subscription Receipt Offering.

The proceeds from the Subscription Receipt Offerings will be used to expand production capacity, to advance pharmaceutical formulation development and for general corporate purposes.

## **SABER SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT’S DISCUSSION AND ANALYSIS**

### **Saber Selected Financial Information**

The following table sets out a summary of the selected financial information for Saber for the periods indicated and should be considered in conjunction with the more complete information contained in the financial statements of Saber attached as Schedule “A” to this Filing Statement. Unless otherwise indicated, all currency amounts are stated in Canadian dollars.

<b>Statements of Loss Data:</b>	<b>Year Ended January 31, 2014 (audited)</b>	<b>Year Ended January 31, 2015 (audited)</b>	<b>Year Ended January 31, 2016 (audited)</b>	<b>Six Month Period Ended July 31, 2016 (unaudited)</b>
Total Expenses	\$227,676	\$100,427	\$43,906	\$129,003
Amounts Deferred in connection with the Transaction	Nil	Nil	Nil	Nil

### **Management's Discussion and Analysis**

Please see attached as Schedule "D" hereto the management's discussion and analysis of Saber for the fiscal year ended January 31, 2016.

### **DESCRIPTION OF SECURITIES**

Saber is authorized to issue an unlimited number of Saber Common Shares. There are 4,416,602 Saber Common Shares issued and outstanding as of the date of this Filing Statement.

Saber Shareholders are entitled to receive notice of any meetings of shareholders of Saber, and to attend and to cast one vote per Saber Common Share at all such meetings. Saber Shareholders do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Saber Common Shares entitled to vote in any election of directors may elect all directors standing for election. Saber Shareholders are entitled to receive on a pro rata basis such dividends on the Saber Common Shares, if any, as and when declared by the Saber Board at its discretion from funds legally available therefor, and upon the liquidation, dissolution or winding up of Saber are entitled to receive on a pro rata basis the net assets of Saber after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Saber Common Shares with respect to dividends or liquidation. The Saber Common Shares do not carry any pre-emptive, subscription, retraction, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions. The Saber Common Shares do not carry any rights with respect to permitting or restricting the issuance of additional securities or any other material restrictions. The Saber Common Shares do not contain any provisions requiring the holder to contribute additional capital.

### **STOCK OPTIONS**

The Saber Board may from time to time, in its discretion, and in accordance with TSXV requirements, grant to directors, senior officers and technical consultants, non-transferable and non-assignable options to purchase Saber Common Shares, exercisable for a period of up to 10 years from the date of grant. The Saber Stock Option Plan is subject to the following restrictions:

- a) Saber must not grant an option to any one individual director, officer, employee, management company employee, consultant or company consultant (the "**Service Provider**") in any 12 month period that exceeds 5% of the outstanding shares in the capital of Saber, unless Saber has obtained approval to do so by a majority of the votes cast by the shareholders of Saber eligible to vote at a shareholders' meeting, excluding votes attaching to shares beneficially owned by insiders and their associates ("**Disinterested Shareholder Approval**");

- b) The aggregate number of options granted to a Service Provider conducting investor relations activities in any 12 month period must not exceed 2% of the outstanding Saber Common Shares calculated at the date of the grant, without the prior consent of the TSXV;
- c) Saber must not grant an option to any one individual consultant in any 12 month period that exceeds 2% of the outstanding shares calculated at the date of the grant of the option, without the prior consent of the TSXV;
- d) The aggregate number of Saber Common Shares reserved for issuance under options granted to insiders must not exceed 10% of the outstanding Saber Common Shares (in the event that the Saber Stock Option Plan is amended to reserve for issuance more than 10% of the outstanding Common Shares) unless Saber has obtained Disinterested Shareholder Approval to do so;
- e) The aggregate number of Saber Common Shares issued for option to insiders in any 12 month period must not exceed 10% of the outstanding Saber Common Shares (in the event that the Saber Stock Option Plan is amended to reserve for issuance more than 10% of the outstanding Saber Common Shares) unless Saber has obtained Disinterested Shareholder Approval to do so;
- f) The issuance to any one optionee within a 12 month period of a number of Saber Common Shares must not exceed 5% of the outstanding Saber Common Shares unless Saber has obtained Disinterested Shareholder Approval to do so;
- g) Any one Person engaged in investor relations activities for Saber must vest in stages over a 12 month period with no more than 1/4 of the such Person's options vesting in any 3 month period; and
- h) The exercise price of an option previously granted to an insider must not be reduced, unless Saber has obtained Disinterested Shareholder Approval to do so.

Incentive stock options to purchase Saber Common Shares have been granted by Saber to date, as set out in the table below:

<b>Name and Position</b>	<b>Number of Saber Common Shares Under Option</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
<b>David J. Doherty</b> President, CEO, CFO and Corporate Secretary	120,000	\$0.10	January 5, 2020
<b>Robert Anderson</b> Technical Consultant	80,000	\$0.10	January 5, 2020
Sisters of Charity Mount Saint Vincent	20,000	\$0.10	July 6, 2021
Christian Life Assembly	20,000	\$0.10	July 6, 2021

#### **PRIOR SALES**

The following table sets forth the number and price at which Saber Common Shares have been issued since the time of its incorporation:

<b>Date</b>	<b>Number and Type of Security<sup>(1)</sup></b>	<b>Issue Price per Security<sup>(1)</sup></b>	<b>Aggregate Issue Price<sup>(1)</sup></b>	<b>Consideration Received</b>
February 25, 2008	1 Saber Common Shares <sup>(2)</sup>	\$0.05	\$0.05	Cash
January 28, 2011	2,000,000 Saber Common Shares <sup>(3)</sup>	\$0.05	\$100,000	Cash
June 27, 2011	2,000,000 Saber Common Shares	\$0.10	\$200,000	Cash
January 27, 2012	7,905,000 Saber Common Shares	\$0.10	\$790,500	Cash
January 27, 2012	481,600 Saber Common Shares	\$0.10	\$48,160	Finder's Fee
March 15, 2012	75,000 Saber Common Shares	\$0.10	\$7,500	Cash
March 23, 2012	95,959 Saber Common Shares	\$0.10	\$9,596	Cash
April 17, 2014	4,800,000 Saber Common Shares	\$0.05	\$240,000	Cash
April 17, 2014	206,850 Saber Common Shares	\$0.05	\$10,343	Finder's Fee
May 16, 2014	1,100,000 Saber Common Shares	\$0.05	\$55,000	Cash
May 16, 2014	77,000 Saber Common Shares	\$0.05	\$3,850	Finder's Fee

(1) All amounts stated on a pre-Consolidation basis.

(2) All such shares were issued to Non-Arm's Length Parties to Saber.

(3) On September 17, 2013, 1,000,000 Saber Common Shares, representing one half of the seed Saber Common Shares purchased by Non-Arms' Length Parties (as defined in the policies of the TSXV) of Saber, were cancelled pursuant to the policies of the TSXV as a result of the Saber's failure to complete a Qualifying Transaction within the time period required by the TSXV.

### STOCK EXCHANGE PRICE

The following table sets out trading information for the Saber Common Shares for the periods indicated as reported by the TSXV.

<b>Period<sup>(1) (2)</sup></b>	<b>High</b>	<b>Low</b>	<b>Trading Volume</b>
Month ended October 31, 2016	N/A	N/A	N/A
Month Ended September 30, 2016	N/A	N/A	N/A

<b>Period<sup>(1) (2)</sup></b>	<b>High</b>	<b>Low</b>	<b>Trading Volume</b>
Month ended August 31, 2016	N/A	N/A	N/A
Month ended July 31, 2016	N/A	N/A	N/A
Month Ended June 30, 2016	N/A	N/A	N/A
Month ended May 31, 2016	N/A	N/A	N/A
Quarter ended April 30, 2016	0.08	0.07	100,400
Quarter ended January 31, 2016	0.08	0.065	147,500
Quarter ended October 31, 2016	0.085	0.065	100,750
Quarter ended July 31, 2016	0.16	0.085	851,500
Quarter ended April 30, 2015	0.135	0.08	864,833
Quarter ended January 31, 2015	0.145	0.055	1,185,000
Quarter ended October 31, 2014	0.11	0.06	698,600

(1) Trading in the Saber Common Shares was halted at the request of Saber on April 8, 2016 pending the announcement of the Transaction. The final closing price on April 8, 2016, the last day on which Saber Common Shares traded prior to the halt in trading, was \$0.07 per share.

(2) Trading in the Saber Common Shares commenced on the TSXV on July 6, 2011.

### **ARM'S LENGTH TRANSACTION**

The Transaction is not a Non-Arm's Length Qualifying Transaction.

### **LEGAL PROCEEDINGS**

There are no legal proceedings to which Saber is, or has been, a party or of which any of its property is, or has been, the subject matter. Additionally, to the reasonable knowledge of the management of Saber, there are no such proceedings contemplated.

### **AUDITOR, TRANSFER AGENTS AND REGISTRARS**

#### **Auditor**

The auditors of Saber are Davidson & Company LLP, located at 1200-609 Granville Street, Vancouver, British Columbia, V7Y 1G6.

#### **Transfer Agent**

Saber's transfer agent and registrar is Computershare Investor Services, located at 510 Burrard St, Vancouver, British Columbia, V6C 3B9.

**MATERIAL CONTRACTS**

Saber has not entered into any material contract and does not intend to enter into any material contract other than the Arrangement Agreement. (See “*Part II: Information Concerning Emblem – The Transaction – Arrangement Agreement*”).

A copy of the Arrangement Agreement will be available for inspection at the head office of Saber, 67 East 5th Avenue, Vancouver, British Columbia, V5T 1G7, during ordinary business hours, until the Effective Date and for a period of thirty (30) days thereafter.

## **PART II - INFORMATION CONCERNING EMBLEM**

The following information has been provided by Emblem and is presented on a pre-Transaction basis and is reflective of the current business, financial and share capital position of Emblem. See “*Part III: Information Concerning the Resulting Issuer*” for pro forma business, financial and share capital information relating to the Resulting Issuer following the Transaction.

### **NAME AND INCORPORATION**

Emblem was incorporated under the CBCA on October 8, 2014 under the name “KindCann Holdings Limited”. On December 29, 2014, Emblem filed articles of amendment to: (a) create a class of preferred shares; and (b) to provide the rights, privileges, restrictions and conditions attaching to the Emblem Common Shares and the newly created Emblem Preferred Shares. On June 4, 2015 and December 22, 2015, Emblem filed articles of amendment to amend the rights, privileges, restrictions and conditions attaching to the Emblem Common Shares and the Emblem Preferred Shares. On August 18, 2016, Emblem filed articles of amendment to (a) subdivide all of the Emblem Common Shares into a greater number of Emblem Common Shares on the basis of 20 post-subdivision Emblem Common Shares for every 1 pre-subdivision Emblem Common Share; (b) subdivide all of the Emblem Preferred Shares into a greater number of Emblem Preferred Shares on the basis of 20 post-subdivision Emblem Preferred Shares for every 1 pre-subdivision Emblem Preferred Share; (c) amend the rights, privileges, restrictions and conditions attaching to the Emblem Common Shares and the Emblem Preferred Shares. On September 1, 2016, Emblem filed articles of amendment to change the corporation’s name from “KindCann Holdings Limited” to “Emblem Corp.”.

By way of a resolution passed by the Emblem Board, the Emblem Preferred Shares were converted into Emblem Common Shares on a 1:1 basis effective August 18, 2016. There are currently no issued and outstanding Emblem Preferred Shares.

No securities of Emblem are currently publicly traded on any stock exchange, and Emblem is not a reporting issuer in any jurisdiction.

### **INTERCORPORATE RELATIONSHIPS**

The registered office of Emblem is located at 1366 Yonge Street, Suite 207, Toronto, Ontario M4T 3A7 and its mailing address is located at 1366 Yonge Street, Suite 207, Toronto, Ontario M4T 3A7. Emblem has the following wholly-owned subsidiaries:

- (a) ECC;
- (b) KRL; and
- (c) Oakbank (currently operating as 9845992 Canada Limited).

Emblem is also a 50% stakeholder in GrowWise.

ECC, KRL and Oakbank are all currently organized under the CBCA. GrowWise is organized under the *Business Corporations Act* (Ontario).

### **GrowWise Shareholders Agreement**

Emblem, White Cedar and GrowWise are party to GrowWise Shareholders Agreement in connection with Emblem’s 50% equity ownership of GrowWise. The GrowWise Shareholders Agreement governs the management of the GrowWise Business and certain corporate governance aspects of GrowWise as

between Emblem and White Cedar. Pursuant to the terms of the GrowWise Shareholders Agreement, White Cedar agreed to use GrowWise as the exclusive preferred provider of certain activities that comprise the GrowWise Business, and Emblem agreed to make available to GrowWise a revolving loan facility.

In respect of their joint ownership of GrowWise, pursuant to an agreement dated July 26, 2016, White Cedar has also granted to Emblem an option to purchase all of the shares in the capital of GrowWise owned by White Cedar. Such shares currently represent the 50% of GrowWise's equity not already owned by Emblem. The option is exercisable during the 15-day period immediately prior to July 26, 2019 at a price equal to one-half of the book value of GrowWise's assets net of any arms' length liabilities of GrowWise.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **Overview of the Business**

#### *Regulatory Framework*

Under Health Canada's MMAR, Canadians have been able to access, possess and grow in limited quantities, dried marihuana for medical purposes since 1999. The regime permitted proposed users to apply to the Federal Minister of Health for a special exemption allowing the individual to possess, consume and/or grow dried marihuana for medical purposes.

The rapid expansion of uptake under the MMAR gave rise to significant unintended consequences. Exponential growth in the number of persons seeking to possess and to produce marihuana for medical purposes, the increase in amounts produced and possessed, and the increase in the number of people who were permitted to grow marihuana in one location gave rise to concerns. These concerns were amplified by the fact that the production of marihuana was taking place in private dwellings, resulting in difficulties and risks not only for the administration of the MMAR, but also, for the health, safety and security of individuals licensed to produce marihuana for medical purposes and for the public in general. In 2011, the Government of Canada proposed changes to the regulatory framework for the production and distribution of medical marihuana. The principle underlying this initiative was that even though it remained an unapproved drug, dried marihuana should be treated as much as possible like other drugs used for medical purposes.

As a result, the MMAR regime was brought to an end effective March 31, 2014 and the MMPR was introduced. The MMPR was based upon the commercial production of marihuana for medical purposes under a licensed regime as distinguished from the private production contemplated under the MMAR. The MMPR intended to improve access to quality dried marihuana for medical purposes, which is to be produced in regulated, sanitary and secure premises.

In February, 2016, the Federal Court of Canada ruled that the MMPR was unconstitutional as it failed to make medical marihuana reasonably accessible.

### **The New Regulations**

The ACMPR came into force on August 24, 2016, replacing the MMPR.

Under the ACMPR regime (mimicking the MMPR), Canadian individuals may obtain a medical document (akin to a prescription) for medical marihuana from a health care practitioner (as defined in the ACMPR but primarily doctors) and then directly submit that prescription to any licensed producer under

the ACMPR for fulfillment. The individual must submit a medical document and other accompanying personal information to the licensed producer before the licensed producer registers the individual as a client. Once registered, the client can go online to the licensed producer's web-site and order securely through the site. Currently, the ACMPR only allows for the direct shipping of medical marihuana to the client's residence or shipping address, or to a caretaker or medical professional on behalf of a patient. This is done in order to track shipments of medical marihuana to the end user. The ACMPR also includes provisions permitting the personal production of medical marihuana.

## **Market**

Health Canada has indicated that it believes that by 2018 there will be over 200,000 medical marihuana users in Canada. In July 2016 there were approximately 82,200 patients registered under the MMPR/ACMPR. The monthly compounded growth rate in the number of patients registered under the MMPR/ACMPR for the period from January to July 2016 is approximately 10%.

## **Licensed Producers**

The ACMPR regime is based upon the production of Medical Marihuana (a) by government licensed producers to sell to patients; and (b) registered individual, in limited amounts, for personal use. The ACMPR provides that licensed producers must adhere to a strict regime with respect to quality control. Licensed producers must accurately label the active ingredient content of the product and must ensure that the product does not contain unacceptable levels of contaminants as specified under the *Food and Drug Act*. Production facilities must ensure "good production practices" and employees must follow "standard operating procedures" with respect to production (i.e. sanitation, standardization and processes) and processing (i.e. packaging, record keeping, safety and security). Finished products must be labeled and packaged according to pharmaceutical standards and must be stored securely as specified under the *Narcotic Control Regulations*.

### *History of Emblem*

Emblem was incorporated under the CBCA on October 8, 2014. Emblem owns all of the shares of ECC, which was incorporated under the CBCA on August 26, 2013 and is the operating entity of Emblem that holds the ACMPR License as of August 26, 2015 which allows ECC to produce and sell as a Licensed Producer (licence amended July 27, 2016 to allow for sale of cannabis to the public and increased production). Emblem and ECC were founded by its founding shareholders for the purpose of making an application to Health Canada under the ACMPR framework (MMPR at the time of application).

KRL, a wholly-owned subsidiary of Emblem, purchased a pre-existing agricultural production facility in Paris, Ontario (i.e. the "Existing Facility"). The Existing Facility is located on three (3) acres of industrial (M2 Special Industrial) zoned lands which is suitable for significant expansion. The Existing Facility has convenient access to Highway #24A (Grand River St, N) and Highway #403. The Existing Facility consists of a 23,500 sq. ft. production building and a separate 3,500 sq. ft. administration building. In October, 2015 Emblem purchased a contiguous 1.2 acre parcel of land with a 5,000 sq. ft. administration building.

The main 23,500 sq. ft. production building has been renovated to incorporate 2,400 sq. ft. of mothering and vegetation rooms and 3,200 sq. ft. of flowering rooms together with attendant drying, packaging & fulfillment areas, vault area and administration. The production building also has an additional three growing rooms comprising 4,800 sq. ft. in the aggregate (the "**Phase 2 Grow Rooms**") that are currently being completed and equipped and are expected to be put into production in February/March of 2017. The production building has high quality shipping/receiving capability and ample parking. After completion

of the Phase 2 Grow Rooms, the production building will allow Emblem to produce about 1,750 kgs of medical marihuana annually.

See “*Part II: Information Concerning Emblem – Narrative Description of the Business*”.

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

### **Emblem**

#### *ACMPR Authorization and Licensing Requirements*

ECC’s license permits it to possess, produce and destroy marihuana allowing ECC to cultivate crops. The license authorizes ECC to produce and retain up to 625 kgs of marihuana in its vault. License capacity is generally adjusted by Health Canada to reflect production capacity and vault capacity.

#### *Registration of Personnel*

An applicant for registration must designate personnel who will oversee licensed activities at the production site.

The applicant must designate a Senior Person in Charge (“**Senior PIC**”) who has overall responsibility for management of the activities carried out by the Licensed Producer under their license at their proposed site and compliance with the ACMPR. The Senior PIC is considered the representative of the applicant and has the authority, as an authorized official, to bind the applicant. Emblem has designated Maxim Zavet as its Senior PIC.

The applicant must also designate a Responsible Person in Charge (“**RPIC**”) who will work at the site and will be responsible for supervising licensed activities. The RPIC will be responsible for ensuring that the activities comply with the *Controlled Drugs and Substances Act*, the *Food and Drugs Act*, the regulations under both as well as the ACMPR. Emblem has designated Maxim Zavet as its RPIC for the purposes of the application but intends to transition the role to another qualified person within the first two years of operations.

The applicant may designate one or more Alternate Responsible Persons in Charge (“**A/RPIC**”) who will work at the site and have the authority to act for the RPIC when the RPIC is absent. Emblem has to date designated 8 of its employees as A/RPICs.

#### *Security Clearances of Personnel, Officers and Directors*

The following individuals are required to have a valid security clearance:

- all directors of a licensed producer;
- all Senior PICs;
- all RPICs; and,
- all A/RPICs.

Emblem's Senior PIC, RPIC and A/RPIC, and all of ECC's current officers and directors, have received the required security clearance.

## **Intellectual Property**

Emblem has registered a number of trademarks with respect to its corporate branding.

## **Principal Products**

Emblem principal business is the sale of cannabis to patients who have received medical authorizations to acquire and use such cannabis. A significant proportion of the cannabis sold by licensed producers in Canada takes the form of dried flower. In July, 2015 it became lawful to extract the cannabis active ingredients (and terpenes), dissolve them in appropriate oils and sell the resulting oils to qualified patients. Emblem will be producing and selling dried cannabis and cannabis oils to qualified patients.

Pricing of Emblem's products will be established in response to market conditions.

Authorizations are generally delivered and accepted on-line. Patient support is critical to success in the medical cannabis business. Emblem expects to launch a robust and user-friendly website and e-commerce platform to ensure the best possible patient experience in November 2016. Emblem has also established a call-centre to provide real time support to patients.

Fulfillment will generally be through the delivery facilities of Canada Post and the private courier industry.

## **Operations**

Emblem is currently producing at the rate of 50-60 kgs of dried flower per month. After completion of the Phase 2 Grow Rooms (February/March 2017) Emblem expects to be producing at the rate of approximately 145 kgs of dried flower per month.

Emblem expects to commence extraction activities in November of 2016 and to be in a position to sell cannabis oil products by March 2017.

Emblem also intends to develop pharmaceutical formulations using cannabinoids as the underlying active ingredient, present them for approval by Health Canada and present such formulations to the Canadian market. Emblem expects to begin research on such formulations early in 2017.

## **GrowWise**

The Canadian physician community has been exercising caution in authorizing medical cannabis. Consequently, prospective patients are encountering considerable difficulty accessing the ACMPR system. As a result, a number of specialty clinics have arisen across Canada providing cannabis medical and educational services. These clinics have become the primary access point for most patients seeking cannabis based healthcare solutions. GrowWise is establishing clinics and education centres to service potential cannabis patients and to provide education and support to patients who receive authorizations.

## **Regulatory Capacity**

Health Canada regulations stipulate that the value of finished goods that can be held in inventory cannot exceed the licensed limitations tied to the security level of the facility. The facility's security level, as outlined in the Health Canada Directive on Physical Security Requirements for Controlled Substances, is established through a mix of perimeter, restricted area and storage vault physical and monitoring requirements as well as proximity to urban areas of the facility. The Existing Facility is currently licensed

as a level 8 facility, which within the Paris geographic area allows for licensee holdings with a value of up to \$6,250,000, or 625 kg of marihuana.

### **Marketing Plans and Strategies**

Marketing and advertising of medical marihuana is currently regulated by the *Narcotic Control Regulations* and the *Food and Drug Act*. Licensed Producers are prohibited from advertising their products or promoting the use of marihuana generally.

Emblem intends to actively engage and educate medical professionals and clients through various permitted marketing and sales initiatives such as:

- providing the products and services of Emblem to patients of existing medical marihuana clinics across Canada
- production of medically appropriate literature for medical professionals and patients;
- sponsorship and active engagements in various national medical conferences;
- support of observational and clinical medical trials to promote the efficacy of medical marihuana;
- provide interactive online webinars to medical professionals;
- create an informative and engaging company web-site focused on strain profiles and medical marihuana education; and
- organize in person meetings and presentations with medical professionals and patients.

### *Market Update*

The ACMPR is a new regime coming into effect on August 24 2016 and replacing the MMPR, following a February 24, 2016 Federal Court of Canada decision ruling to the effect that the MMPR did not provide “reasonable access” to medical marihuana in that it prohibited Canadians from growing their own cannabis for medical purposes. The ACMPR addresses this issue by permitting Canadians having medical authorizations to grow limited amounts of cannabis for their own medical consumption. It is Management’s view that patients who use this authority to grow their own marihuana will represent only a modest proportion of the total Canadian medical marihuana market. Nevertheless, revisions to the regime could be implemented which could have an impact on the Resulting Issuer’s operations, including increased opportunity for individual producers

### **Competition**

Health Canada publishes a list of approved Medical Marihuana Production Licenses granted. However, Health Canada does not publish a list of applications in process.

As of September 30, 2016, Health Canada had granted 35 Medical Marihuana Production Licenses, 20 in Ontario, 8 in British Columbia and 7 elsewhere in Canada.

## **EMBLEM SELECTED FINANCIAL INFORMATION AND MANAGEMENT’S DISCUSSION AND ANALYSIS**

### **Emblem Selected Consolidated Financial Information**

The following table sets out selected consolidated financial information for Emblem for the periods indicated and should be considered in conjunction with the more complete information contained in the consolidated financial statements of Emblem attached as Schedule “B” to this Filing Statement.<sup>(1)</sup> Unless otherwise indicated, all currency amounts relating to the financial statements of Emblem are stated in Canadian dollars.

Statement of Operations and Comprehensive Loss	Year Ended December 31, 2014 (audited)	Year Ended December 31, 2015 (audited)	Nine Month Period Ended September 30, 2016 (unaudited)
Revenue	Nil	Nil	38,250
Loss before fair value adjustment of Emblem Preferred Share liability <sup>(1)</sup>	\$2,485,681	\$3,429,227	\$4,504,851 <sup>(1)</sup>
Net Comprehensive Loss	\$2,485,681	\$3,429,227	\$8,592,654 <sup>(1)</sup>

(1) It should be noted that IFRS requires 19,032,520 of issued Emblem Preferred Shares at December 31, 2015 to be recorded as a \$8,560,847 liability and the fair valuing of this liability at August 18, 2016, when the Emblem Preferred Shares were converted into Emblem Common Shares, resulted in a loss of \$4,087,803 in the nine month period ended September 30, 2016. This loss was then added to the value of the 17,032,500 Emblem Common Shares issued and outstanding on August 18, 2016 in exchange for the Emblem Preferred Shares on a 1:1 ratio. This non cash loss increased Emblem's deficit by \$4,087,803 as at September 30, 2016 but increased Emblem's stated common share capital by the identical \$4,087,803 so the net effect on shareholders' equity was nil.

Statement of Financial Position	Year Ended December 31, 2014 (audited)	Year Ended December 31, 2015 (audited)	Nine Month Period Ended September 30, 2016 (unaudited)
Total Assets	\$10,583,078	\$10,426,752	\$14,843,134
Total Liabilities	\$11,671,394 <sup>(1)</sup>	\$13,703,849 <sup>(1)</sup>	\$6,588,927
Shareholders' Equity	(\$1,088,316)	(\$3,277,097)	\$8,254,207 <sup>(2)</sup>
Deficit	\$2,485,681	\$5,914,908	\$14,507,562 <sup>(2)</sup>
Cash Dividends Declared	Nil	Nil	Nil

(1) Includes IFRS liability related to preferred shares of \$6,316,794 as at December 31, 2014 and \$8,560,847 as at December 31, 2015.

(2) It should be noted that IFRS requires 19,032,520 of issued Emblem Preferred Shares at December 31, 2015 to be recorded as a \$8,560,847 liability and the fair valuing of this liability at August 18, 2016, when the Emblem Preferred Shares were converted into Emblem Common Shares, resulted in a loss of \$4,087,803 in the nine month period ended September 30, 2016. This loss was then added to the value of the 17,032,500 Emblem Common Shares issued and outstanding on August 18, 2016 in exchange for the Emblem Preferred Shares on a 1:1 ratio. This non cash loss increased Emblem's deficit by \$4,087,803 as at September 30, 2016 but increased Emblem's stated common share capital by the identical \$4,087,803 so the net effect on shareholders' equity was nil.

### **Management's Discussion and Analysis**

Please see attached as Schedule "E" hereto the management's discussion and analysis of Emblem for the fiscal year ended December 31, 2015, and for the nine month period ended September 30, 2016.

See also "*Part III: Information Concerning the Resulting Issuer – Description of Business*" below.

### **DESCRIPTION OF SECURITIES**

In connection with the Transaction, all Emblem Common Shares outstanding immediately prior to the Effective Date will be exchanged on the Effective Date for Saber Post-Consolidation Shares. Set forth below is a summary of the terms of such securities.

#### **Emblem Common Shares**

Emblem is authorized to issue an unlimited number of Emblem Common Shares and Emblem Preferred Shares. There are an aggregate of 37,298,937 Emblem Common Shares and nil Emblem Preferred Shares

issued and outstanding as of September 30, 2016. In connection with the Transaction each Emblem Common Share will be cancelled and in consideration therefor, each holder therefor will receive that number of fully paid and non-assessable Saber Post-Consolidation Common Share.

Holders of Emblem Common Shares are entitled to receive notice of any meetings of shareholders of Emblem, and to attend and to cast one vote per Emblem Common Share at all such meetings. Holders of Emblem Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Emblem Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Emblem Common Shares are entitled to receive on a pro rata basis such dividends on the Emblem Common Shares, if any, as and when declared by the Emblem Board at its discretion from funds legally available therefor, and upon the liquidation, dissolution or winding up of Emblem are entitled to receive on a pro rata basis the net assets of Emblem after payment of debts and other liabilities. The Emblem Common Shares do not carry any redemption, retraction, conversion or purchase for cancellation or surrender rights, nor do they contain any sinking or purchase fund provisions. Immediately prior to the completion of the Transaction, holders of Emblem Common Shares will not have pre-emptive rights. The Emblem Common Shares do not carry any rights with respect to permitting or restricting the issuance of additional securities or any other material restrictions. The Emblem Common Shares do not contain any provisions requiring the holder to contribute additional capital.

#### CONSOLIDATED CAPITALIZATION

The following table sets forth the capitalization of Emblem as at the dates referenced below. Except as disclosed under “Prior Sales”, below, there has been no material change in the consolidated capitalization of Emblem since September 30, 2016.

Designation of Security	Amount Authorized	Amount outstanding as at September 30, 2016	Amount outstanding as at October 31, 2016
Common Shares	Unlimited	37,298,937 <sup>(1)</sup>	37,298,937 <sup>(1)</sup>

(1) This figure does not include the exercise of all outstanding Emblem Existing Warrants, Compensation Options and Emblem Stock Options. Please find below a list of outstanding securities of Emblem which may be exercised in Emblem Common Shares:

- a. 10,516,240 Emblem Existing Warrants each exercisable into one Emblem Common Share at an exercise price of \$0.75 until 5:00p.m.(Toronto time) on the date that is five years from the date on which the shares of Emblem are traded on the TSXV;
- b. 2,912,800 Emblem Existing Warrants each exercisable into one Emblem Common Share at an exercise price of \$0.75 until 5:00 p.m. (Toronto time) on June 23, 2021;
- c. 3,433,601Emblem Existing Warrants each exercisable into one Emblem Common Share at an exercise price of \$1.20 until 5:00 p.m. (Toronto time) on September 9, 12, 15 or 19, 2018 (as applicable);
- d. 787,300 Compensation Options each exercisable into one (i) Emblem Common Share; and (ii) one half of one warrant to purchase an Emblem Common Share (“**Compensation Warrant**”). Each Compensation Option may be exercised at an exercise price of \$0.50 until 5:00PM (Toronto, Ontario time) on the date that is two years from the date on which the shares of Emblem are traded on the TSXV. Each Compensation Warrant may be exercisable into one Emblem Common Share at an exercise price of \$0.75 until 5:00PM (Toronto time) on the date that is two years from the date on which the shares of Emblem are traded on the TSXV; and
- e. 4,870,000 Emblem Stock Options each at an exercise price of \$0.50 per Emblem Common Share. Each Emblem Stock Option may be exercised until 5:00PM (Toronto time) on the date that is five years from the date of issuance. In particular, 600,000 Emblem Stock Options were granted on September 16, 2015 and may be exercised until September 16, 2020, 2,440,000 Emblem Stock Options were granted on December 16, 2015 and may be exercised until December 16, 2020 and 1,830,000 Emblem Stock Options were granted on July 31, 2016 and may be exercised until July 31, 2021.

## PRIOR SALES

The following table sets forth the number and price at which securities in Emblem have been sold within the 12 month period prior to the date of this Filing Statement:

Date	Number and Type of Security	Issue Price per Security	Number of Securities Sold	Consideration Received
December 31, 2015	Common Shares	-	909,600 <sup>(1)</sup>	-
June 23, 2016	Common Shares	\$0.50	5,825,600	Cash
June 23, 2016	Warrants	Nil <sup>(2) (3)(4)</sup>	2,912,800	-
September 9, 2016	Common Shares	\$0.75	1,389,340	Cash
September 9, 2016	Warrants	Nil <sup>(2) (3)(4)</sup>	694,670	-
September 12, 2016	Common Shares	\$0.75	4,179,219	Cash
September 12, 2016	Warrants	Nil <sup>(2) (3)(4)</sup>	2,089,609	-
September 15, 2016	Common Shares	\$0.75	1,231,977	Cash
September 15, 2016	Warrants	Nil <sup>(2) (3)(4)</sup>	615,989	-
September 19, 2016	Common Shares	\$0.75	66,666	Cash
September 19, 2016	Warrants	Nil <sup>(2) (3)(4)</sup>	33,333	-

- (1) Issued to holders of Emblem Preferred Shares as a stock dividend in accordance with the terms of such shares.
- (2) Issued as a part of a unit with the Emblem Common Shares issued on the same day.
- (3) 127,038 Existing Emblem Common Shares were issued as compensation for services related to the September Private Placements. Such Emblem Common Shares are considered in the table immediately above.
- (4) 63,519 Existing Emblem Warrants were issued in the 12 month period prior to the date of this Filing Statement as compensation for their services related to the September Private Placements (“**Broker Warrants**”). The Broker Warrants are each exercisable into one Emblem Common Share at an exercise price of \$1.20 until 5:00pm (Toronto, Ontario time) on September 9, 12, or 15, 2018 (as applicable).

## STOCK EXCHANGE PRICE

The Emblem Common Shares are not listed or publicly traded on any stock exchange.

## EXECUTIVE COMPENSATION

The following table sets forth all annual and long-term compensation for services rendered in all capacities to Emblem for the fiscal year ended December 31, 2015 in respect of the Emblem Named Executives. Emblem had no other executive officers during such period who earned annual compensation in excess of \$150,000. See also “Part I: Information Concerning Saber – Executive Compensation”.



**Nine Month Period Ended September 30, 2016**

Name and Principal Position	Cash based compensation	Share-based awards	Option-based awards	Non-equity incentive plan compensation		Pension value	All other compensation	Total compensation
				Annual Incentive Plans	Long-term incentive plans			
Harvey Shapiro, Vice-President and Secretary	\$131,250	Nil	Nil	Nil	Nil	Nil	Nil	\$131,250
Gordon Fox, Chief Executive Officer and President	\$131,250	Nil	Nil	Nil	Nil	Nil	Nil	\$131,250
Maxim Zavet, Vice-President	\$131,250	Nil	Nil	Nil	Nil	Nil	Nil	\$131,250
Daniel Saperia, Chief Operating Officer	\$75,000	Nil	\$32,325	Nil	Nil	Nil	Nil	\$107,325
John Laurie, Chief Financial Officer	\$30,000	Nil	\$86,200	Nil	Nil	Nil	Nil	\$116,200

***Outstanding Share-Based Awards and Option-Based Awards***

Emblem has not issued any share-based or option-based awards to any Emblem Named Executive.

***Incentive Plan Awards – Value Vested During the Year***

Emblem has not issued any incentive plan awards to any Emblem Named Executive.

**Pension Plan Benefits and Defined Contribution Plan**

Emblem has not had in place since its formation (a) any pension plans providing for payments or benefits; or (b) any defined contribution plan.

**Termination of Employment, Change in Responsibilities and Employment Contracts**

Upon completion of the Transaction, the Resulting Issuer will enter into employment agreements, directly or through management companies, with each of the executive officers as approved by the Board of Directors and the Compensation Committee. These agreements will be consistent with industry practice and public company practice, may contain long-term incentives for retention and will provide for, among other things customary non-competition and confidentiality covenants, as well as covenants stipulating that any intellectual property developed in the course of his/her employment is Emblem's property.

No executive officer of Emblem is entitled to any change of control benefits. No management functions of Emblem are performed by persons who are not either directors or senior executive officers of Emblem.

## **Directors' and Senior Executives' Liability Insurance and Indemnity Agreements**

Emblem maintains directors' and senior executives' liability insurance which, subject to the provisions contained in the policy, protects the directors and senior executives, as such, against certain claims made against them during their term of office. Such insurance provides for an aggregate of \$5,000,000 annual protection against liability. The annual premium paid by Emblem for this insurance is \$6,910.

## **Compensation of Directors**

Members of the Emblem Board have not received any compensation for their services as directors for the fiscal year ended December 31, 2015.

## **Compensation Discussion and Analysis**

### **Compensation of Executives**

Emblem's business to date has been focused on completing the application process to become a licensed producer under the AMCPR (and predecessor MMPR) and beginning the production and sale of medical marijuana.

Emblem's executive compensation program is designed to provide short and long-term rewards to the Emblem executive officers that are consistent with individual and corporate performance and their contribution to Emblem's objectives. The objectives of Emblem with respect to compensation of executive officers are to provide compensation levels necessary to attract and retain high quality executives and to motivate key executives to contribute to Emblem. These objectives are to be met by the principal components of Emblem's executive compensation program, which has been focused on a combination of base compensation and long term incentives through the issuance of options.

### ***Base Salary and Other Compensation***

The base salary level and other compensation for Emblem's Chief Executive Officer is based on his overall experience and responsibilities. The base salary and other compensation is determined after considering the salary levels of other executives with similar responsibilities and experience and comparison of salary levels of comparable executives at a variety of companies, with particular emphasis on healthcare companies. The Chief Executive Officer's salary is approved by the Emblem Board.

The base salary levels and other compensation for the other Emblem Named Executives based on the executive's overall experience and responsibilities. The salaries and other compensation are reviewed annually. They are determined primarily on the basis of a review of the Chief Executive Officer's assessment of each executive officer's performance during the prior year, an understanding of normal and appropriate salary levels for executives with responsibilities and experience comparable to that of the executive officer, and the terms of the officer's employment agreement with Emblem. The salaries are approved by the Emblem Board, together with recommendations from the Chief Executive Officer. External sources and advisors are consulted from time to time when necessary or desirable.

### ***Equity Based Compensation***

The Emblem Board believes that in order to (a) assist Emblem in attracting and retaining management and key employees and non-management directors and providing such employees and directors with incentives to continue to serve Emblem; (b) create a greater commonality of interests between such employees, directors and Emblem Common Shareholders through incentive compensation based on the

value of the Emblem Common Shares; and (c) where appropriate, provide such employees and directors an incentive to create or realize value for Emblem Common Shareholders through potential partnership opportunities or alternative strategies, the compensation of executive officers, other key employees and non-management directors should include, in addition to base salary, equity based compensation that is competitive with peer companies.

The Emblem Board may grant options to executive officers and employees following consultation with the Chief Executive Officer to determine whether the performance and the contribution of non-management employees merit options. The criteria that the Emblem Board and Chief Executive Officer may use to consider option grants include previous grants or awards of equity compensation (including options). In granting options, the Emblem Board determines the portion of the potential ownership of Emblem that the Emblem Board wishes to grant as compensation and then determines the value of the options. Allocation is calculated by applying a standard Black-Scholes-Merton model. The Emblem Board believes that this model produces a meaningful and reasonable estimate of fair value.

### **Compensation Risk**

While there has been no formal consideration by the Emblem Board of the implications of risks associated with Emblem's compensation policies and practices, we believe that the current structure of Emblem's executive compensation arrangements, do not encourage executive officers to expose Emblem to inappropriate or excessive risks.

Pursuant to Emblem's insider trading policy: (a) insiders of Emblem, including its executive officers, are not permitted to knowingly sell, directly or indirectly, a security of Emblem where they do not own or have not fully paid the security to be sold, except in limited circumstances authorized by law; and (b) an insider will not knowingly, directly or indirectly, sell a call or buy a put in respect of a security of Emblem.

### **NON-ARM'S LENGTH PARTY TRANSACTIONS**

Since its formation, Emblem has not acquired any assets or services from (a) any director, officer or promoter of Emblem; (b) any party disclosed in this Filing Statement as a principal security holder; or (c) an Associate or Affiliate of any of the persons or companies referred to in sections (a) or (b) except for:

- (a) the Management Services Agreement entered into between Harvey Shapiro, Gordon Fox, F&S Health Care Capital Corporation and Emblem dated January 1, 2015;
- (b) the Management Services Agreement entered into between Maxim Zavet, MZ Prime Holdings Ltd. and Emblem dated January 1, 2015; and
- (c) Advances to GrowWise as per the funding agreement between Emblem and White Cedar. Total amounts provided to GrowWise as per the funding agreement was \$500,000 and funding in excess of the funding agreement was \$406,963.

### **LEGAL PROCEEDINGS**

To the knowledge of Emblem, there are no legal proceedings material to Emblem to which Emblem is a party or of which any of its properties are the subject matter, nor are any such proceedings known to Emblem to be contemplated except for the following:

- (a) An Emblem Preferred Shareholder commenced a dissent application against Emblem on May 27, 2015. The former shareholder is entitled to an amount equal to the fair value of its shares determined as of the date of the dissent notice (May 27, 2015). The cost of the units acquired by the dissenting shareholder was \$1.0 million. The valuation date precedes the date on which Emblem received its Cultivation License. Management of Emblem estimates that the fair value of the dissenting shareholders shares in May 27, 2015 was approximately \$425,000. Management of Emblem has received two independent valuations that are consistent with management's conclusions. Nevertheless it is possible that a court may determine that the fair value of those shares as at May, 2015 is greater than \$425,000. Emblem has accrued an amount that takes into consideration the uncertainty associated with this claim. The matter is subject to an ongoing process which will ultimately determine the settlement amount; the outcome may be materially different than the provision recorded; and
- (b) Certain of Emblem's executives have been named in a claim which also identifies Emblem in relation to certain services provided by an individual. It is Emblem's determination that the claim of \$10 million is primarily against the founders of Emblem and not Emblem itself. The claim for damages against Emblem, specifically, is not pleaded with sufficient particularity to allow an accurate assessment of the quantum of damages being sought, against Emblem, the likely measure of damages sought will either be the market value of the services the plaintiff provided to Emblem or the degree to which Emblem was enriched by those services. Emblem is of the view that the amount of the claim bears no relationship to the value of the services provided. The outcome of this legal matter is subject to negotiations by the officers of Emblem and Emblem is unlikely to be impacted.

#### **AUDITORS**

The auditors of Emblem are Ernst & Young Chartered Professional Accountants, Licensed Public Accountants, located at 222 Bay Street, Toronto Ontario M5K 1J7.

#### **REGISTRAR AND TRANSFER AGENT**

Emblem's transfer agent and registrar is Computershare Trust Company, at 100 University Avenue, 11th Floor, Toronto, Ontario M5J 2Y1.

#### **MATERIAL CONTRACTS**

There are no contracts of Emblem, other than contracts entered into in the ordinary course of business, that are material to Emblem and that were entered into by Emblem on a date after the date that is 2 years prior to the date of this Filing Statement, other than as set forth below:

- Arrangement Agreement.

See "*Part II: Information Concerning Emblem – The Transaction*" and "*Part II: Information Concerning Emblem – Narrative Description of the Business*".

A copy of the Arrangement Agreement may be inspected at any time up to the Effective Date during normal business hours, at the business office of Saber located at #200 - 6751 Westminster Highway, Richmond, British Columbia, V7C 4V4.

#### **RISK FACTORS**

See "*Risk Factors*".

### PART III - INFORMATION CONCERNING THE RESULTING ISSUER

The Transaction will result in all of the issued and outstanding Emblem Common Shares being acquired by the Resulting Issuer, such that following the Effective Date, Emblem will be a wholly-owned subsidiary of the Resulting Issuer. The following information is presented assuming completion of the Transaction, and is reflective of the projected business, financial and share capital position of the Resulting Issuer assuming the completion thereof. This section only includes information respecting the Resulting Issuer, on a consolidated basis, after the Transaction that is materially different from information provided earlier in this Filing Statement. See the various headings under “*Part I: Information Concerning Saber*” and “*Part II: Information Concerning Emblem*” for additional information regarding Saber and Emblem, respectively. See also the pro forma consolidated financial statements of the Resulting Issuer attached hereto as Schedule “C”.

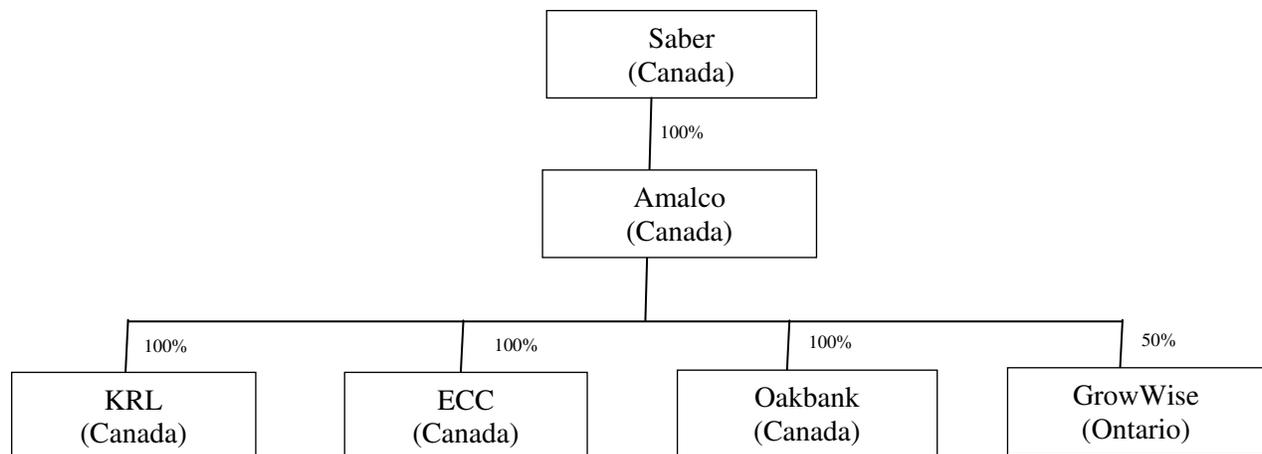
#### NAME AND INCORPORATION

Following the Transaction, the Resulting Issuer will continue to exist under the CBCA under the name Emblem Corp.

Following the Transaction, the registered and head offices of the Resulting Issuer will be located at 1366 Yonge Street, Suite 207, Toronto, Ontario M4T 3A7.

#### INTER-CORPORATE RELATIONSHIPS

Upon completion of the Transaction as contemplated hereby, and subject to the assumptions set forth herein, the corporate organization chart for the Companies is expected to be as follows:



Upon completion of the Transaction (prior to giving effect to the Offerings) and assuming: (a) 37,298,937 Saber Post-Consolidation Common Shares are issued in consideration for all Emblem Common Shares acquired by Saber pursuant to the Transaction; (b) 4,416,602 Saber Post-Consolidation Common Shares issued and outstanding immediately prior to the Amalgamation (exclusive of Saber Post-Consolidation Common Shares issued pursuant to the Offerings); (c) 60,000 Saber Post-Consolidation Common Shares are reserved for issuance upon exercise of Saber Stock Options immediately prior to the Amalgamation; (d) 16,862,641 Existing Emblem Warrants; (e) 787,300 Compensation Options; (f) 393,650 common share purchase warrants underlying the Compensation Options; (g) 4,870,000 Emblem Stock Options; (h) 14,065,285 Saber Post-Consolidation Common Shares are reserved for issuance upon the conversion of the Resulting Issuer Special Shares; and (i) 1,500,000 Saber Post-Consolidation Common Shares issued and outstanding pursuant to the Finder’s Fee, then Saber will have approximately 43,215,539 Saber Post-

Consolidation Common Shares issued and outstanding and a further 36,978,876 Saber Post-Consolidation Common Shares reserved for issuance immediately following the completion of the Transaction prior to giving effect to the Offerings. The following table summarizes the distribution of Saber Post-Consolidation Common Shares following the completion of the Transaction (after giving effect to the Offering):

<b>Shareholders</b>	<b>Number of Saber Post-Consolidation Common Shares</b>	<b>Percentage of Common Shares of Resulting Issuer on a Pro Forma</b>
Existing Saber Common Shareholders	4,416,602	6.78%
Former Emblem Common Shareholders	37,298,937	57.25%
Subscribers in the Short Form Offering	1,739,130	2.67%
Broker fees in connection with the Short Form Offering	139,130	0.21%
Subscribers in the Brokered Subscription Receipt Offering	6,960,000	10.68%
Broker fees in connection with the Brokered Subscription Receipt Offering	600,278	0.92%
Subscribers in the Non-Brokered Subscription Receipt Offering	11,821,985	18.14%
Fees in connection with the Non-Brokered Subscription Receipt Offering	678,404	1.04%
Finder's Fee	1,500,000	2.30%
<b>TOTAL</b>	<b>65,154,467</b>	<b>100%</b>

#### **NARRATIVE DESCRIPTION OF THE BUSINESS**

The Resulting Issuer will be a holding company holding the sole outstanding share of Amalco. Amalco will be the sole shareholder of the operating companies continuing to carry on the business of Emblem as described above under “*Part II: Information Concerning Emblem – General Development of the Business*”.

The primary business objective of the Resulting Issuer following the Transaction is to carry on the business of producing and selling medical marihuana in Canada and its related activities. Emblem currently produces about 55 kgs per month of dried flower marihuana. Emblem is in the process of expanding its Existing Facility in two phases:

1. First, finish three additional grow rooms in its incumbent building, commission them and bring them into production. Emblem expects to be cultivating in those three grow rooms by February or March 2017. After the completion of the three additional grow rooms, Emblem expects to be able to produce approximately 1,750 kgs of dried flower marihuana per year in the Existing Facility.

2. Second, to expand the Existing Facility to accommodate substantial additional cultivation capacity. Emblem plans to execute this expansion by building a series of large, industrial scale buildings and fitted-out grow rooms within such buildings in pre-fabricated modular, clean room format. This will allow Emblem to expand production relatively quickly. Emblem expects to build an initial industrial scale structure of 60,000 sq. ft. commencing in the first quarter of 2017 and, by the end of the first quarter of 2017 to finish modular grow rooms within that structure in sufficient number and size to stay ahead of the demand for its medical dried flower marijuana and other medical products.

Emblem expects that the modular approach to capacity expansion will serve Emblem well if and when marijuana becomes lawful for recreational purposes in that such approach will allow for rapid deployment of growing facilities capable of producing very high quality product.

Emblem will also be completing its extraction capability during the fourth quarter of 2016, which Emblem expects will allow it to produce and sell cannabis oils by the end of the first quarter of 2017.

GrowWise, Emblem's healthcare division, expects to expand its presence in existing clinics and establish free-standing clinics to provide access to physician services and/or cannabis education services. Emblem expects that GrowWise will become an important source of patient referrals over time. To date, GrowWise has registered over 700 patients.

Emblem expects its customer service website to go live in November 2016. Emblem will operate an in-house call centre to provide high quality customer support.

### **Milestones**

Significant milestones for measuring the success of the Resulting Issuer's operations and activities include:

1. Launch of its web-based fulfillment capability in November 2016 (including call centre);
2. Complete and commission three new grow rooms by March 31, 2017, including confirmation from Health Canada that cultivation may commence in those rooms pursuant to Emblem's ACMPR license;
3. Commence the expansion of growing capacity in the modular pre-fabricated format by the first quarter of 2017;
4. Sales of cannabis from the expanded, modular facility by the third quarter of 2017;
5. Further expansion of the GrowWise health clinic and education centre network throughout 2017;
6. Submit multiple pharmaceutical formulations for approval by Health Canada by the fourth quarter of 2017; and
7. Reach cash flow break even on operations no later than the fourth quarter of 2017.

See "*Part III: Information Concerning the Resulting Issuer - Available Funds*".

### **DESCRIPTION OF SECURITIES**

Following completion of the Transaction, the securities of the Resulting Issuer will have the same characteristics as those of Saber Post-Consolidation. The Resulting Issuer will be authorized to issue an unlimited number of Saber Post-Consolidation Common Shares. Holders of Saber Post-Consolidation Common Shares will be entitled to receive notice of any meetings of shareholders of the Resulting Issuer, and to attend and to cast one vote per Saber Post-Consolidation Common Share at all such meetings. Holders of Saber Post-Consolidation Common Shares will not have cumulative voting rights with respect

to the election of directors and, accordingly, holders of a majority of the Saber Post-Consolidation Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Saber Post-Consolidation Common Shares will be entitled to receive on a pro rata basis such dividends on the Saber Post-Consolidation Common Shares, if any, as and when declared by the board of directors of the Resulting Issuer at its discretion from funds legally available therefor, and upon the liquidation, dissolution or winding up of the Resulting Issuer will be entitled to receive on a pro rata basis the net assets of the Resulting Issuer after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Saber Post-Consolidation Common Shares with respect to dividends or liquidation. The Saber Post-Consolidation Common Shares will not carry any pre-emptive, subscription, redemption or conversion rights, nor will they contain any sinking or purchase fund provisions. The Saber Post-Consolidation Common Shares will not carry any rights with respect to permitting or restricting the issuance of additional securities or any other material restrictions. The Saber Post-Consolidation Common Shares will not contain any provisions requiring the holder to contribute additional capital.

See also “*Part I: Information Concerning Saber – Description of Securities*”.

#### PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the capitalization of the Resulting Issuer as at September 30, 2016 upon completion of the Transaction, based upon the pro forma consolidated financial statements of the Resulting Issuer attached to this Filing Statement as Schedule “C”. See also “*Part III: Information Concerning The Resulting Issuer – Escrowed Securities*” below.

Designation of Security	Amount Authorized or to be Authorized	Amount outstanding after giving effect to the Transaction <sup>(1)</sup>	Amount outstanding after giving effect to the Transaction and Offerings <sup>(2)</sup>
Resulting Issuer Common Shares (including Finder’s Fee)	Unlimited	43,215,539	65,154,467
Resulting Issuer Warrants	N/A	16,862,641	27,837,104
Resulting Issuer Stock Options	N/A	4,930,000	4,930,000
Resulting Issuer Compensation Options	N/A	787,300	787,300
Resulting Issuer Warrants (underlying Compensation Options)	N/A	393,650	393,650
Resulting Issuer Special Shares	N/A	14,065,285	14,065,285

(1) Calculations are based upon the following assumptions: (a) 37,298,937 Saber Post-Consolidation Common Shares are issued in consideration for all Emblem Common Shares acquired by Saber pursuant to the Transaction; (b) 4,416,602 Saber Post-Consolidation Common Shares issued and outstanding immediately prior to the Amalgamation (exclusive of Saber Post-Consolidation Common Shares issued pursuant to the Offerings); (c) 60,000 Saber Post-Consolidation Common Shares are reserved for issuance upon exercise of Saber Stock Options immediately prior to the Amalgamation; (d) 16,862,641 Existing Emblem Warrants; (e) 787,300 Compensation Options; (f) 393,650 common share purchase warrants underlying the Compensation Options; (g) 4,870,000 Emblem Stock Options; (h) 14,065,285 Saber Post-Consolidation Common Shares are reserved for issuance upon the conversion of the Resulting Issuer Special Shares; and (i) 1,500,000 Saber Post-Consolidation Common Shares issued and outstanding pursuant to the Finder’s Fee, then Saber will have approximately 43,215,539 Saber Post-Consolidation Common Shares issued and outstanding and a further 37,038,876 Saber Post-Consolidation Common Shares reserved for issuance immediately following the completion of the Transaction prior to giving effect to the Offerings.

(2) Calculations are based upon the following assumptions: (a) 20,521,115 Saber Post-Consolidation Common Shares are issued pursuant to the Offerings; (b) 1,417,813 Saber Post-Consolidation Common Shares are issued as compensation for services related to the Offerings; (c) 10,260,557 Resulting Issuer Warrants are issued pursuant to the Offerings; and (d) 713,905 Resulting Issuer Warrants issued as compensation for services related to the Offerings.

See also “Part III: Information Concerning the Resulting Issuer – Escrowed Securities”.

### FULLY DILUTED SHARE CAPITAL

Upon completion of the Transaction and the Offerings, 65,154,467 Resulting Issuer Common Shares will be issued and outstanding. On a fully-diluted basis, upon completion of the Transaction and the Offerings, 113,162,805 Resulting Issuer Common Shares will be issued and outstanding as more particularly set out below:

Description of Security	Resulting Issuer Common Shares	Fully Diluted Percentage
Existing Saber-Post Consolidation Common Shares	4,416,602	3.90
Emblem Common Shares	37,298,937	32.96
Saber-Post Consolidation Common Shares issued pursuant to the Short Form Offering	1,739,130	1.54
Saber-Post Consolidation Common Shares issued to satisfy broker fees in connection with the Short Form Offering	139,130	0.12
Saber-Post Consolidation Common Shares issued pursuant to the Brokered Subscription Receipt Offering	6,960,000	6.15
Saber-Post Consolidation Common Shares issued to satisfy broker fees in connection with the Brokered Subscription Receipt Offering	600,278	0.53
Saber-Post Consolidation Common Shares issued pursuant to Non-Brokered Subscription Receipt Offering	11,821,985	10.45
Saber-Post Consolidation Common Shares issued to satisfy fees in connection with the Non-Brokered Subscription Receipt Offering	678,404	0.60
Saber-Post Consolidation Common Shares issued pursuant to the Finder’s Fee	1,500,000	1.33
Resulting Issuer Common Shares reserved for issuance on conversion of the Resulting Issuer Special Shares	14,065,285	12.43
Resulting Issuer Common Shares reserved for issuance on exercise of Emblem Stock Options	4,870,000	4.30
Resulting Issuer Common Shares reserved for issuance on exercise of Saber Stock Options	60,000	0.05
Resulting Issuer Common Shares reserved for issuance on exercise of Existing Emblem Warrants	16,862,641	14.90
Resulting Issuer Common Shares reserved for issuance on exercise of Resulting Issuer Warrants issued under the Offerings	10,260,557	9.07

Description of Security	Resulting Issuer Common Shares	Fully Diluted Percentage
Resulting Issuer Common Shares reserved for issuance on exercise of Resulting Issuer Warrants issued to satisfy broker fees in connection with the Short Form Offering and the Brokered Subscription Receipt Offering	708,906	0.63
Resulting Issuer Common Shares reserved for issuance on exercise of Compensation Options	787,300	0.70
Resulting Issuer Common Shares reserved for issuance on exercise of Resulting Issuer Warrants underlying the Compensation Options	393,650	0.35
<b>TOTAL</b>	<b>113,162,805</b>	<b>100.00</b>

#### AVAILABLE FUNDS

Assuming that the expenses of the Transaction are \$550,000, following the Transaction, the Resulting Issuer expects to have funds available as set forth below, based upon the current financial position of each of Saber and Emblem:

Source	Amount
Estimated working capital of Saber as at October 31, 2016	\$700,000
Estimated working capital of Emblem as at October 31, 2016	(\$1,675,000)
Estimated net proceeds from mortgage financing November 24, 2016	5,350,000
Estimated proceeds from the Offerings	23,500,00
Less estimated expenses of the Offerings and Transaction	(550,000)
<b>Total available funds</b>	<b>\$27,325,000</b>

#### DIVIDENDS

No dividends on the Saber Common Shares have been paid by Saber to date. Payment of any future dividends following completion of the Transaction will be at the discretion of the board of directors of the Resulting Issuer after taking into account many factors, including the Resulting Issuer's operating results, financial condition and current and anticipated cash needs.

#### PRINCIPAL PURPOSES OF FUNDS

The primary purposes of the Transaction are to obtain additional equity capital, create a public market for the Emblem Common Shares, provide additional working capital in order to execute on the Resulting Issuer's future business strategies and facilitate future access by the Resulting Issuer to financing opportunities. The principal purposes for which the available funds of the Resulting Issuer as set forth above are expected to be used during the 12 month period following the Transaction are described below:

<b>Estimated Use of Funds</b>	<b>Amount</b>
Estimated investment in the Existing Facility Expansion	\$22,000,000
Estimated investment in cannabis oil production and pharmaceutical formulations	\$2,000,000
Operating Costs	\$2,000,000
Interest expense	\$440,000
Working capital available	\$885,000
<b>Total</b>	<b>\$27,325,000</b>

The Resulting Issuer intends to spend the funds available to it during the twelve month period following the Transaction as stated in this Filing Statement. There may be circumstances, however, where, for sound business reasons, a reallocation of funds may be necessary. See “*Risk Factors*”.

#### **PRINCIPAL SECURITY HOLDERS**

To the knowledge of the directors and officers of Emblem and Saber, upon the completion of the Transaction as described herein, no person will beneficially own, directly or indirectly, or exercise control or direction over, shares carrying more than 10% of voting rights attached to each class of the then outstanding Saber Post-Consolidation Common Shares.

#### **DIRECTORS AND OFFICERS**

The following chart sets forth the name, municipality of residence, proposed position with the Resulting Issuer and principal occupation during the prior five years of each individual who is proposed to be a director or executive officer of the Resulting Issuer following the Transaction, and the number of Saber Common Shares anticipated to be owned by each of such individuals immediately following the Transaction. Each director of the Resulting Issuer will hold office until his successor is elected at the next annual meeting of the Resulting Issuer, or any adjournment thereof, or until his successor is elected or appointed. Assuming completion of the Transaction and the Offerings as described herein, the directors and officers as a group are anticipated to beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 10,901,188 Resulting Issuer Common Shares (representing approximately 18.30% of all issued and outstanding Resulting Issuer Common Shares).

<b>Name, Age and Municipality of Residence</b>	<b>Proposed Positions to be Held</b>	<b>Director of Emblem or Saber Since</b>	<b>Principal Occupation During the Preceding Five Years</b>	<b>Resulting Issuer Common Shares to be Held<sup>(1)</sup></b>
Harvey Shapiro Age 71, Toronto, Ontario	Vice-President, Secretary, and Director	October 8, 2014	Self Employed Businessman	2,763,579
Gordon Fox <sup>(3)</sup> Age 68, Toronto, Ontario	Chief Executive Officer, President and Director	December 30, 2014	Self Employed Businessman	2,708,577

<b>Name, Age and Municipality of Residence</b>	<b>Proposed Positions to be Held</b>	<b>Director of Emblem or Saber Since</b>	<b>Principal Occupation During the Preceding Five Years</b>	<b>Resulting Issuer Common Shares to be Held<sup>(1)</sup></b>
Maxim Zavet Age 37, Toronto, Ontario	Vice President and Director	October 8, 2014	Lawyer	1,747,824
John Stewart <sup>(2)</sup> Age 65, Toronto, Ontario	Director	September 16, 2015	Businessman, former pharmaceutical industry CEO	1,798,901
Lorne Gertner <sup>(2)</sup> Age 61, Toronto, Ontario	Director	N/A	Director Businessman	66,666
Jeffrey Fineberg <sup>(3)</sup> Age 70, Toronto, Ontario	Director	N/A	Lawyer	Nil
Terry Johnson <sup>(2)(3)</sup> Age 69, Toronto, Ontario	Director	N/A	Self employed, marketing industry business	Nil
Daniel Saperia Age 59, Toronto, Ontario	Chief Operating Officer	N/A	COO, pharmacy business	915,641
John Laurie Age 64, Toronto, Ontario	Chief Financial Officer	N/A	CFO, mining business	Nil

(1) Calculated based upon the securities of each of Saber and Emblem beneficially owned, controlled or directed by such persons as of the date of this Filing Statement, after giving effect to the Transaction, as contemplated in this Filing Statement. The information as to the number of securities beneficially owned, controlled or directed, not being within the knowledge of Emblem or Saber, has been obtained from the persons listed individually. The above calculations do not consider the Resulting Issuer Special Shares or convertible securities.

(2) Proposed to be a member of the audit committee of the Resulting Issuer following the Transaction. See “*Part III: Information Concerning the Resulting Issuer - Committees of the Board of Directors*” below.

(3) Proposed to be a member of the compensation committee of the Resulting Issuer following the Transaction. See “*Part III: Information Concerning the Resulting Issuer - Committees of the Board of Directors*” below.

A brief description of each of the directors and executive officers of the Resulting Issuer proposed to serve following the completion of the Transaction follows.

***Gordon Fox (Director, President and CEO)***

Mr. Fox is a former partner at Goodman & Carr LLP, where from 1979 to 1995 he practiced securities law. Gordon is a Co-Founder of White Cedar, serving over 2,600 patients in Ontario. He founded Lytton Capital—a Limited Market Dealer—in 1995.

***Harvey Shapiro (Director, VP and Secretary)***

Co-Founder and CEO of Dynacare Laboratories—a TSX-listed medical diagnostic services company—from 1988 to 2002, Mr. Shapiro acquired for \$23 a share in 2002 by NYSE-listed Laboratory Corp. of

America Holdings (LH: \$124.29 U.S.). He also practiced law at Goodman & Carr LLP from 1973 to 1987.

***Maxim Zavet (Director and VP)***

As founding partner of Levy Zavet PC, Mr. Zavet carries extensive experience within the medical marijuana industry. From his knowledge of the MMPR in Canada and his in-depth knowledge of medical marijuana to his vast, world-wide network of contacts, Maxim holds a first-rate comprehension of the industry's current and future needs.

***Daniel Saperia (COO)***

Mr. Saperia commenced his career managing a boutique public accounting firm that serviced a group of very prestigious clients. He then served as President and CFO for a period of fifteen years at two highly regarded international manufacturing companies. Under his leadership, these companies developed reputations as industry leaders, while experiencing significant growth and enhanced financial performance. Not only acting as Emblem Corp.'s COO, Daniel is also the COO of White Cedar.

***John Laurie (CFO)***

Mr. Laurie is former Treasurer and CFO with a number of Canadian public & private companies. Previously with Moore Wallace and George Weston Limited, John brings a broad range of financial experience including budgeting and budgetary control, capital expenditure management, internal controls design and monitoring, cash flow modeling, tax, & risk management.

***John Stewart (Director)***

Mr. Stewart is former President and CEO of Purdue Pharma Canada (1991-2006) and Purdue Pharma USA (2007-2013), one of the largest privately-held pharmaceutical companies in the world. John launched 11 new products, including OxyContin.

***Terry Johnson (Director)***

Mr. Johnson has worked for Warner Lambert (Pfizer), Johnson & Johnson, Block Drug and Organon Canada and was a partner at Lindley Billingham Johnson Advertising, one of the first pharmaceutical agencies in Canada specializing in pharmaceutical communications. In 1998 Johnson purchased Allard Advertising to form Allard Johnson Communications. Mr. Johnson founded Veritas Communications, a public relations firm and became a partner in Integrated Healthcare Communications (IHC), specializing in physician education.

Mr. Johnson is a member of the Pharmaceutical Marketing Hall of Fame and The Canadian Institute of Marketing.

***Jeffrey Fineberg (Director)***

Jeffrey Fineberg, B. Comm., L.L.B, is Counsel, Dentons Canada LLP, a position that he has held since February, 2011. Prior to that date, Mr. Fineberg was a Partner, Dentons Canada LLP from April 2007, and prior thereto, from February 1978, Mr. Fineberg was a Partner, Goodman and Carr LLP. Mr. Fineberg's legal practice consists primarily of private mergers and acquisitions and financings, private equity and project finance matters, with particular emphasis in the real estate and health care sectors. Mr.

Fineberg is a director of a number of private companies, including the parent company of White Cedar, which is a 50% shareholder of GrowWise, in which Emblem is the other 50% shareholder.

***Lorne Gertner (Director)***

Mr. Gertner is a businessman with experience in the fashion, retail, architecture, real estate, finance and cannabis industries. Mr. Gertner is a co-founder and former chairman of PharmaCan Capital Corporation and he is a cofounder of Tokyo Smoke In. Mr. Gertner is the current Chairman of RG2 Capital Corp., an investment, merchant bank in the cannabis sector. Mr Gertner is currently on the board of Hempco Food and Fiber Inc. (HFF.V) and on the board of the Design Exchange.

Mr. Gertner is a graduate of The John H. Daniels Faculty of Architecture, University of Toronto and has completed the ICD.D designation at the Rotman School of Management.

**Other Reporting Issuer Experience**

The following table sets out the proposed directors, officers and promoters of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

<b>Name</b>	<b>Name and Jurisdiction of Reporting Issuer</b>	<b>Name of Trading Market</b>	<b>Position</b>	<b>From</b>	<b>To</b>
Harvey Shapiro	N/A	N/A	N/A	N/A	N/A
Maxim Zavet	N/A	N/A	N/A	N/A	N/A
Gordon Fox	N/A	N/A	N/A	N/A	N/A
John Stewart	N/A	N/A	N/A	N/A	N/A
Terry Johnson	N/A	N/A	N/A	N/A	N/A
Jeffrey Fineberg	N/A	N/A	N/A	N/A	N/A
Lorne Gertner	Hempco Food and Fibre Inc.	TSXV	Director	2015	Present
	PharmaCan Capital Corp.	TSXV	Director	2014	2016
	White Metal Resources Corp.	TSXV	Director	2011	2016
Daniel Saperia	N/A	N/A	N/A	N/A	N/A
John Laurie	Largo Resources Ltd.	TSXV	CFO	2012	2013

**Committees of the Board of Directors**

It is anticipated that following the conclusion of the Transaction, the only standing committees of the board of directors of the Resulting Issuer will be the audit committee, which is expected to be comprised of Messrs. Gertner (Chairman), Johnson and Stewart and the compensation committee, which is expected to be comprised of Messrs. Johnson (Chairman), Fineberg and Fox.

**Corporate Cease Trade Orders or Bankruptcies, Penalties and Sanctions, and Personal Bankruptcies**

To the knowledge of Saber and Emblem:

- (a) none of the individuals who are proposed to serve as directors or officers of the Resulting Issuer or a securityholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer following the Transaction (collectively, the “**Proposed Principals**”), within 10 years before the date of this Filing Statement, has been, a director, officer or promoter of any person or company that, while that person was acting in that capacity, (a) was the subject of a cease trade or similar order, or an order that denied such company any exemptions under applicable securities law, for a period of more than 30 consecutive days; or (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) none of the Proposed Principals have been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or have entered into a settlement agreement with a securities regulatory authority; or been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable security holder making a decision about the Transaction; and
- (c) none of the Proposed Principals, or a personal holding company of any such persons has, within the 10 years before the date of this Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or promoter.

**Conflicts of Interest**

Some of the individuals proposed for appointment as directors or officers of the Resulting Issuer upon the completion of the Transaction are also directors, officers and/or promoters of other reporting and non-reporting issuers. Jeffrey Fineberg, a director of the Resulting Issuer, holds the position of Counsel at Dentons Canada LLP, the law firm representing Emblem in respect of the Transaction.

Otherwise, as of the date of this Filing Statement and to the knowledge of management of Saber and the management of Emblem, no existing or potential material conflicts of interest exist presently or will exist between the Resulting Issuer or a subsidiary of the Resulting Issuer and any proposed director, officer or promoter of the Resulting Issuer or a subsidiary of the Resulting Issuer following completion of the Transaction, other than as disclosed elsewhere in this Filing Statement. See “*Risk Factors*”.

Conflicts, if any, will be subject to the procedures and remedies prescribed by the CBCA, the *Corporations Act* (British Columbia), the TSXV and applicable securities law, regulations and policies. See “*Part III: Information Concerning the Resulting Issuer – Directors and Officers*”.

## EXECUTIVE COMPENSATION

Set forth in the table below is a summary of the anticipated compensation expected to be paid to each of the proposed Chief Executive Officer, Chief Financial Officer and two other executive officers of the Resulting Issuer for the 12 month period following the completion of the Transaction.

### Proposed Compensation Table

Name and Proposed Principal Position	Salary (\$)	Share Based Awards (\$) <sup>(1)</sup>	Option Based Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$)		Pension Value <sup>(5)</sup> (\$)	All Other Proposed Compensation (\$)	Total Proposed Compensation (\$)
				Annual Incentive Plans <sup>(3)</sup>	Long Term Incentive Plans <sup>(4)</sup>			
Harvey Shapiro, Vice-President and Secretary	\$175,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Maxim Zavet, Vice-President	\$175,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gordon Fox, Chief Executive Officer and President	\$175,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil
John Laurie Chief Financial Officer	\$120,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil

- (1) The Resulting Issuer will not issue any share-based awards for the 12 month period after completing the Transaction.
- (2) Any option-based awards compensation will be calculated using the fair value of any options granted.
- (3) Executive compensation pursuant to the annual incentive plans relate to the achievement of corporate and personal objectives as further described under Annual Cash Incentive above and under Employment Contracts with Emblem Named Executives below. The Emblem Board did not award any cash incentive bonuses to the Emblem Named Executives for the fiscal year ended December 31, 2015.
- (4) The Resulting Issuer will not have any long term incentive plans for the 12 month period after completing the Transaction.
- (5) The Resulting Issuer will not have any pension plans for the 12 month period after completing the Transaction.

See also “*Part I: Information Concerning Saber – Executive Compensation*” and “*Part II: Information Concerning Emblem – Executive Compensation*”.

### Composition of the Compensation Committee

It is anticipated that the Resulting Issuer will form a Compensation Committee upon completion of the Transaction.

Each proposed member of the Compensation Committee will have direct experience relevant to executive compensation, and the necessary skills and experience to enable the committee to make decisions on the suitability of the Resulting Issuer’s compensation policies and practices.

The responsibilities of the Compensation Committee are expected to include, among others:

- the establishment of key human resources and compensation policies, including all incentive and equity based compensation plans;
- the performance evaluation of the Chief Executive Officer, Chairman and President, Vice-President and the Chief Financial Officer, and determination of the compensation for the Chief Executive Officer, Chairman and President, Vice-President, the Chief Financial Officer, and other senior executives of the Resulting Issuer;
- succession planning, including the appointment, training and evaluation of senior management; and
- compensation of directors.

The chairman of the Compensation Committee will report to the board of the Resulting Issuer on the Compensation Committee's operations following each Compensation Committee meeting.

#### **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

Except as set out below, none of the current or past directors, employees or executive officers of Emblem or Saber, and none of the persons who are proposed to be directors, employees or executive officers of the Resulting Issuer following the completion of the Transaction, and none of the Associates of such persons, is or has been indebted to either Emblem or Saber at any time during the most recently completed financial year of each of Emblem and Saber, respectively, or will be indebted to the Resulting Issuer upon completion of the Transaction. Furthermore, none of such persons were indebted to a third party during such period where their indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Emblem or Saber.

- (a) GrowWise is indebted to Emblem as at September 30, 2016 in the amount of \$906,963. Fifty percent (50%) of the shares of GrowWise are held by White Cedar. White Cedar is an Associate of Harvey Shapiro and Gord Fox who are directors and officers of the Resulting Issuer.

#### **INVESTOR RELATIONS ARRANGEMENTS**

The Resulting Issuer has not entered into any promotional or investor relations arrangements.

#### **STOCK OPTIONS**

As of the date of this Filing Statement, it is anticipated that an aggregate of 4,930,000 Resulting Issuer Stock Options will be outstanding resulting in an aggregate of 4,930,000 Resulting Issuer Common Shares being reserved for issuance upon exercise of stock options immediately following the completion of the Transaction. See also "*Part I: Information Concerning Saber – Stock Options Granted*" and "*Part II: Information Concerning Emblem – Stock Options Granted*".

The following table provides information as to options of the Resulting Issuer that, as of the date of this Filing Statement and in anticipation of granting additional options by the board of directors of the Resulting Issuer immediately following completion of the Transaction, are expected to be outstanding immediately following the completion of the Amalgamation:

Category of Optionholder	Number of Options to Acquire Common Shares in the Resulting Issuer or a subsidiary of the Resulting Issuer (held as a Group)
Officers and Directors of the Resulting Issuer <sup>(1)</sup>	2,400,000
Employees of the Resulting Issuer	1,770,000
Non-executive consultants of the Resulting Issuer	400,000
Any person not described above <sup>(2)(3)(4)(5)</sup>	360,000

## Notes:

- (1) Harvey Shapiro, Gordon Fox, Maxim Zabet, Daniel Saperia, John Stewart and John Laurie.
- (2) All officers and directors and past officers and directors of Saber (not already described in the above chart) as a group will hold options to purchase 30,000 Resulting Issuer Common Shares. Mr. David Doherty is the sole officer and director of Saber who will hold options to purchase Resulting Issuer Common Shares. Pursuant to the Arrangement Agreement, all Saber Options issued and outstanding immediately prior to the Effective Date will remain exercisable for Resulting Issuer Common Shares and will automatically expire on the date which is 90 days following the Effective Date. As such, the 30,000 Post-Consolidation options of Saber which will be held by Mr. Doherty (see “*Part I: Information Concerning Saber – Stock Options*”) will expire ninety (90) days following the Effective Date.
- (3) All consultants of Saber (not already described in the above chart) as a group will hold options to purchase 20,000 Resulting Issuer Common Shares or a subsidiary of the Resulting Issuer. Under the terms of the Arrangement Agreement, such options will automatically expire on the date which is 90 days following the Effective Date.
- (4) Sisters of Charity Mount Saint Vincent and Christian Life Assembly will collectively hold options to purchase 10,000 Resulting Issuer Common Shares. Under the terms of the Arrangement Agreement, such options will automatically expire on the date which is 90 days following the Effective Date.
- (5) Mr. John Hawkrigg and Mr. Hugh Jackson are past directors of Emblem (not already described in the above chart) who will hold Resulting Issuer Stock Options. Messrs. Hawkrigg and Jackson will each hold 150,000 Resulting Issuer Stock Options.

Each Resulting Issuer Stock Option issued in exchange for Emblem Stock Options may be exercised into one Resulting Issuer Common Share at an exercise price of \$0.50 per Resulting Issuer Stock Option for a period of five years from the date of issuance of the Emblem Stock Option.

All Resulting Issuer Stock Options held by Principals will be subject to the Value Security Escrow Agreement and all Resulting Issuer Stock Options held by non-Principals will be subject to a 1 year TSXV seed share resale restriction commencing on the closing of the Transaction.

#### STOCK OPTION PLAN

The Resulting Issuer will adopt the Saber Stock Option Plan.

#### ESCROWED SECURITIES

To the knowledge of Emblem and Saber, assuming completion of the Transaction and upon completion of the Offerings, the following securities of the Resulting Issuer anticipated to be held by Principals of the Resulting Issuer and current directors, officers and certain shareholders of Saber and Emblem following the Effective Date will be held in escrow:

Name and municipality of residence of security holder	Prior to giving effect to the Transaction		After giving effect to the Transaction	
	Number and designation of securities held in escrow	Percentage of class	Number and designation of securities to be held in escrow	Percentage of class <sup>(1)</sup>
Harvey Shapiro Toronto, Ontario	Nil	N/A	2,763,579 Common Share	4.24%
			1,333,320 Warrants	4.60%
			400,000 Options	8.11%
Gordon Fox Toronto, Ontario	Nil	N/A	2,708,577 Common Shares	4.16%
			1,308,340 Warrants	4.51%
			400,000 Options	8.11%
Maxim Zavet Toronto, Ontario	Nil	N/A	1,747,824 Common Shares	2.68%
			798,340 Warrants	2.75%
			400,000 Options	8.11%
John Stewart Toronto, Ontario	Nil	N/A	1,798,901 Common Shares	2.76%
			875,000 Warrants	3.02%
			400,000 Options	8.11%
Lorne Gertner Toronto, Ontario	Nil	N/A	66,666 Common Shares	0.10%
			33,333 Warrants	0.11%

Name and municipality of residence of security holder	Prior to giving effect to the Transaction		After giving effect to the Transaction	
	Number and designation of securities held in escrow	Percentage of class	Number and designation of securities to be held in escrow	Percentage of class <sup>(1)</sup>
Daniel Saperia Toronto, Ontario	Nil	N/A	915,641 Common Shares	1.41%
			125,000 Warrants	0.43%
			400,000 Options	8.11%
John Laurie Toronto, Ontario	Nil	N/A	400,000 Options	8.11%
Total	Nil	N/A	10,001,188 Common Shares	15.32%
			4,473,333 Warrants	15.42%
			2,400,000 Options	48.68%

- (1) Calculations are based on the following being issued and outstanding on closing of the Transaction (after giving effect to the Offerings): (i) 65,154,467 Resulting Issuer Common Shares; (ii) 29,018,854 Resulting Issuer Warrants; and (iii) 4,930,000 Resulting Issuer Stock Option, all as more particularly set out under “Part III – Information Concerning the Resulting Issuer – Pro Forma Consolidated Capitalization”.
- (2) White Cedar owns 2,200,001 Emblem Common Shares and 7,500 Emblem Warrants. Harvey Shapiro and Gordon Fox each own 25% of the issued and outstanding shares of White Cedar. Daniel Saperia owns less than 1% of the issued and outstanding shares of White Cedar. These figures are not considered in the above table.
- (3) The table above does not reflect 4,812,846 Resulting Issuer Common Shares to be issued to Harvey Shapiro, 4,812,846 Resulting Issuer Common Shares to be issued to Gordon Fox and 4,439,594 Resulting Issuer Common Shares to be issued to Maxim Zavet upon conversion of the Resulting Issuer Special Shares 18 months following closing of the Transaction. Such Resulting Issuer Common Shares will be held in escrow pursuant to the Value Security Escrow Agreement

The Resulting Issuer Common Shares, the Resulting Issuer Stock Options and the Resulting Issuer Warrants set forth in the table above will be held in escrow by the Escrow Agent pursuant to a Value Security Escrow Agreement. The escrowed securities will be released as to 10% immediately following the issuance of the Final Exchange Bulletin and as to 15% every six months thereafter.

In addition to the above mentioned escrowed securities, and pursuant to section 4.6 of the Arrangement Agreement, certain other securities will be subject to restrictions on transfer. These restrictions include:

- (a) Certain common shares of the Resulting Issuer acquired pursuant to the Short Form Offering – (4 month hold period from the closing of the Arrangement Agreement);
- (b) Common shares of the Resulting Issuer acquired pursuant to the Arrangement Agreement or the prior private placements of units issued by Emblem as described in Section 5.1(h) of the Arrangement Agreement – (4 month hold period from the closing of the Arrangement Agreement);

- (c) Any common shares of the Resulting Issuer owned, directly or indirectly, by Dave Doherty and Rob Anderson and their respective affiliates (save for securities acquired under (a) above) – (6 month hold period from the closing of the Arrangement Agreement); and
- (d) Any common shares of the Resulting Issuer acquired upon exercise of any Resulting Issuer Warrants – (12 month hold period from the closing of the Arrangement Agreement).

### **Seed Share Resale Restrictions**

Further to the above, based on the TSXV's analysis, the following seed share resale restrictions will be applicable to the Resulting Issuer Common Shares issued to Emblem's shareholders:

<b>Issue Date</b>	<b>Shareholder (Group of Shareholders)</b>	<b>Number of Securities (Resulting Issuer Common Shares)</b>	<b>Issue Price</b>	<b>Resale Restrictions &amp; Reason</b>
December 30, 2014	4 Shareholders	1,780,000	<\$0.05	Escrow - In accordance with the Value Security Agreement
June 30, 2015	2 Shareholders	29,940	<\$0.05	Escrow - In accordance with the Value Security Agreement
December 31, 2015	7 Shareholders	307,926	<\$0.05	Escrow - In accordance with the Value Security Agreement
September 9, 2016	3 Shareholders	70,840	<\$0.05	Escrow - In accordance with the Value Security Agreement
September 12, 2016	2 Shareholders	26,652	<\$0.05	Escrow - In accordance with the Value Security Agreement
September 15, 2016	2 Shareholders	29,546	<\$0.05	Escrow - In accordance with the Value Security Agreement
June 23, 2016	62 Shareholders	3,737,160	\$0.50	4 month hold (≥25% to <50% of Transaction Price, < 1 year)

<b>Issue Date</b>	<b>Shareholder (Group of Shareholders)</b>	<b>Number of Securities (Resulting Issuer Common Shares)</b>	<b>Issue Price</b>	<b>Resale Restrictions &amp; Reason</b>
June 26, 2016	1 Shareholder	50,000	\$0.50	4 month hold ( $\geq 25\%$ to $< 50\%$ of Transaction Price, $< 1$ year)
September 9, 2016	12 Shareholders	1,193,500	\$0.75	4 month hold ( $\geq 50\%$ to $< 75\%$ of Transaction Price, $< 3$ months)
September 12, 2016	99 Shareholders	3,872,067	\$0.75	4 month hold ( $\geq 50\%$ to $< 75\%$ of Transaction Price, $< 3$ months)
September 15, 2016	45 Shareholders	1,202,431	\$0.75	4 month hold ( $\geq 50\%$ to $< 75\%$ of Transaction Price, $< 3$ months)

In addition to the above mentioned Resulting Issuer Common Shares, the following securities to be issued pursuant to the Transaction will be subject to a 4-month TSXV seed share resale restriction commencing on the closing of the Transaction: (i) 8,989,040 Resulting Issuer Warrants to be issued to 131 holders of Emblem Existing Warrant; and (ii) 787,300 Resulting Issuer Compensation Options to be issued to the 5 holders of Compensation Options. Furthermore, all Resulting Issuer Stock Options held by non-Principals will be subject to a 1 year TSXV seed share resale restriction commencing on the closing of the Transaction.

#### **AUDITOR, TRANSFER AGENT, AND REGISTRAR**

The auditors of the Resulting Issuer will be Ernst & Young Chartered Professional Accountants, Licensed Public Accountants located at 222 Bay Street, Toronto Ontario M5K 1J7, following the Transaction.

The transfer agent and registrar for the Resulting Issuer will be Computershare Investor Services at its principal offices located at Toronto, Ontario, following the Transaction.

## **PART IV - GENERAL MATTERS**

### **Interests of Experts**

The following opinions or reports have been described or included in this Filing Statement:

- the financial statements of Emblem included in this filing statement have been audited by Ernst & Young LLP, Chartered Professional Accountants, Licensed Public Accountants, as set forth in their audit report. Ernst & Young LLP are the independent auditors of Emblem and is independent 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);
- the audit reports provided by Davidson & Company LLP, Chartered Professional Accountants. Davidson & Company LLP, Chartered Professional Accountants does not: (a) have a direct or indirect interest in the property of Saber, Emblem or the expected property interests of Resulting Issuer; or (b) beneficially own, directly or indirectly, any securities of Emblem, Saber, or the Resulting Issuer or of an Associate or Affiliate or any of them. As of the date of this Filing Statement, Davidson & Company LLP, Chartered Professional Accountants have reported that they are independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia; and
- this Filing Statement was prepared, in part, by Dentons Canada LLP. Jeffrey Fineberg, a director of the Resulting Issuer, is counsel at Dentons Canada LLP.

No person or company who is named as having prepared or certified a part of this Filing Statement or prepared or certified a report or valuation described or included in this Filing Statement has, or will have immediately following completion of the Transaction, any direct or indirect interest in the Resulting Issuer or Emblem.

There are no other expertised reports other than those contained herein.

### **Other Material Facts**

Neither Emblem nor Saber is aware of any other material facts relating to Emblem, Saber or the Resulting Issuer or to the Transaction that are not disclosed under the preceding items and are necessary in order for this Filing Statement to contain full, true and plain disclosure of all material facts relating to Emblem, Saber and the Resulting Issuer, assuming completion of the Transaction, other than those set forth herein.

### **Board Approval**

This Filing Statement has been approved by the directors of Emblem and the directors of Saber. Where information contained in this Filing Statement rests particularly within the knowledge of a person other than Emblem or Saber, each of Emblem or Saber, respectively, has relied upon information furnished by such person.

**PART V - FINANCIAL STATEMENT AND MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIREMENTS**

Attached to and forming a part of this Filing Statement are:

- Schedule "A" Annual Financial Statements of Saber for the fiscal year ended January 31, 2016, 2015 and 2014, and the Interim Financial Statements of Saber for the three and six months ended July 31, 2016.
- Schedule "B" Consolidated Financial Statements of Emblem for the fiscal year ended December 31, 2015 and 2014 and the Interim Condensed Consolidated Financial Statements of Emblem for the nine months ended September 30, 2016.
- Schedule "C" Pro-Forma Consolidated Statements for the Resulting Issuer
- Schedule "D" Management's Discussion and Analysis of Saber for the fiscal year ended January 31, 2016 and for the six month period ended July 31, 2016.
- Schedule "E" Management's Discussion and Analysis of Emblem for the fiscal year ended December 31, 2015 and for the nine months ended September 30, 2016.

**CERTIFICATE OF SABER CAPITAL CORP.**

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of Saber Capital Corp., assuming completion of the Transaction.

DATED: November 30, 2016

ON BEHALF OF THE OFFICERS

*“David J. Doherty”*

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David Doherty, Chief Executive Officer,  
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

*“Frank Taggart”*

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Frank Taggart, Director

*“Craig Taylor”*

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Craig Taylor, Director

**CERTIFICATE OF EMBLEM CORP.**

The foregoing as it relates to Emblem Corp. (“**Emblem**”) constitutes full, true and plain disclosure of all material facts relating to the securities of Emblem.

DATED: November 30, 2016

ON BEHALF OF THE OFFICERS

*“Gordon Fox”*

\_\_\_\_\_  
Gordon Fox, Chief Executive Officer

*“John Laurie”*

\_\_\_\_\_  
John Laurie, Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

*“Harvey Shapiro”*

\_\_\_\_\_  
Harvey Shapiro, Director

*“Maxim Zavet”*

\_\_\_\_\_  
Maxim Zavet, Director

**ACKNOWLEDGEMENT OF PERSONAL INFORMATION**

“Personal Information” means any information about an identifiable individual, and includes information contained in any Items in the attached Filing Statement that are analogous to Items 4.2, 11, 12.1, 15, 17.2, 18.2, 23, 24, 26, 31.3, 32, 33, 34, 35, 36, 37, 38, 40 and 41 of TSX Venture Exchange Form 3B2, as applicable.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

- (a) the disclosure of Personal Information by the undersigned to the TSXV (as defined in Appendix 6B) pursuant to TSX Venture Exchange Form 3B2; and
- (b) the collection, use and disclosure of Personal Information by the TSXV for the purposes described in Appendix 6B or as otherwise identified by the TSXV, from time to time.

**ON BEHALF OF THE BOARD OF DIRECTORS OF SABER CAPITAL CORP.**

*“David Doherty”*

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David Doherty, Chief Executive Officer,  
Chief Financial Officer

**SCHEDULE "A"**  
**FINANCIAL STATEMENTS OF SABER CAPITAL CORP.**

**SABER CAPITAL CORP.**

**(A CAPITAL POOL COMPANY)**

Financial Statements  
For the Year Ended January 31, 2016

(Expressed in Canadian Dollars)

**SABER CAPITAL CORP.**  
(A Capital Pool Company)  
**Index to Financial Statements**  
January 31, 2016  
(Expressed in Canadian Dollars)

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Saber Capital Corp.

We have audited the accompanying financial statements of Saber Capital Corp., which comprise the statements of financial position as at January 31, 2016 and 2015 and the statements of comprehensive loss, changes in shareholder's equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of Saber Capital Corp. as at January 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

May 4, 2016



**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Statements of Financial Position**

(Expressed in Canadian Dollars)

	January 31, 2016	January 31, 2015
	\$	\$
<b>Assets</b>		
Current assets		
Cash	842,193	874,234
Prepaid expense	875	-
	<b>843,068</b>	<b>874,234</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities (Notes 3 and 5)	29,092	21,552
Shareholders' equity		
Share capital (Note 4)	1,270,173	1,270,173
Reserves (Note 4)	41,211	41,211
Deficit	(497,408)	(458,702)
	<b>813,976</b>	<b>852,682</b>
	<b>843,068</b>	<b>874,234</b>

Nature of Operations and Going Concern (Note 1)

Approved and authorized by the Board on May 4, 2016.

**On behalf of the Board:***"David Doherty"*

Director

*"Frank Taggart"*

Director

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Statements of Comprehensive Loss**

(Expressed in Canadian Dollars)

	<b>For the year ended January 31,</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
Bank charges	473	968
Business investigation costs	3,076	2,129
Filing fees	11,568	15,126
Professional fees	25,639	49,039
Rent (Note 5)	3,150	12,600
Share-based compensation (Note 4)	-	20,565
	<b>(43,906)</b>	<b>(100,427)</b>
<b>Interest income</b>	<b>5,200</b>	<b>7,391</b>
<b>Loss and comprehensive loss for the year</b>	<b>(38,706)</b>	<b>(93,036)</b>
<b>Basic and diluted loss per common share</b>	<b>(0.00)</b>	<b>(0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>17,666,409</b>	<b>16,302,240</b>

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

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Statements of Changes in Shareholders' Equity**

(Expressed in Canadian Dollars)

	<b>Share Capital</b>				
	<b>Number of common shares</b>	<b>Amount</b>	<b>Reserves</b>	<b>Deficit</b>	<b>Total</b>
		\$	\$	\$	\$
Balance, January 31, 2014	11,482,559	981,985	37,476	(382,496)	636,965
Common shares issued for cash	5,900,000	295,000	-	-	295,000
Common shares issued as finder's fees	283,850	14,193	-	-	14,193
Share issuance costs	-	(21,005)	-	-	(21,005)
Cancellation of stock options	-	-	(16,830)	16,830	-
Share-based compensation	-	-	20,565	-	20,565
Loss for the year	-	-	-	(93,036)	(93,036)
Balance, January 31, 2015	17,666,409	1,270,173	41,211	(458,702)	852,682
Loss for the year	-	-	-	(38,706)	(38,706)
<b>Balance, January 31, 2016</b>	<b>17,666,409</b>	<b>1,270,173</b>	<b>41,211</b>	<b>(497,408)</b>	<b>813,976</b>

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

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Statements of Cash Flows**

(Expressed in Canadian Dollars)

	For the year ended January 31,	
	2016	2015
	\$	\$
<b>Cash flows used in operating activities</b>		
Net loss for the year	(38,706)	(93,036)
Item not involving cash		
Share-based compensation	-	20,565
Changes in non-cash working capital items		
Prepaid expense	(875)	-
Accounts payable and accrued liabilities	7,540	(1,797)
	<b>(32,041)</b>	<b>(74,268)</b>
<b>Cash flows from financing activities</b>		
Proceeds on issuance of common shares	-	295,000
Share issuance costs	-	(6,812)
	-	288,188
<b>Increase (decrease) in cash</b>	<b>(32,041)</b>	213,920
<b>Cash, beginning of year</b>	<b>874,234</b>	660,314
<b>Cash, end of year</b>	<b>842,193</b>	874,234
<b>Non-cash transactions</b>		
Shares issued for finder's fees	-	14,193
Reclassification of reserves on expired options/warrants	-	16,830

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

# **SABER CAPITAL CORP.**

(A Capital Pool Company)

## **Notes to Financial Statements**

For the year ended January 31, 2016

(Expressed in Canadian Dollars)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

#### **Nature of operations**

Saber Capital Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on February 25, 2008. The Company completed its initial public offering of its common shares on July 4, 2011 and on July 6, 2011, the Company began trading its shares on the TSX Venture Exchange ("TSX-V") as a Capital Pool Company ("CPC") as defined in the TSX-V Policy 2.4.

On July 8, 2013, the TSX-V halted the Company's shares for trading as the Company had not completed a Qualifying Transaction within twenty-four months from the date the Company's shares were listed on the TSX-V.

On October 1, 2013, the common shares of the Company were transferred from the TSX-V to the NEX under the symbol of SAB.H effective October 2, 2013 where it remained suspended until an application for a reinstatement was made by the Company and accepted by the Exchange. The Company was reinstated on the NEX effective February 20, 2014.

The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition of or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

The head office and principal address of the Company is located at 67 East 5<sup>th</sup> Avenue, Vancouver, British Columbia, V5T 1G7. The Company's registered and records office is located at 1055 West Georgia Street, Vancouver, British Columbia, V6E 3P3.

#### **Going concern**

These financial statements have been prepared on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As at January 31, 2016, the Company has not yet achieved profitable operations, has accumulated losses of \$497,408 (2015 - \$458,702) since its inception and is expected to incur further losses in the development of its business. However, management believes that the Company has sufficient working capital to meet its projected minimum financial obligations for the next fiscal year.

The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets, or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2016

(Expressed in Canadian Dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of compliance**

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

These financial statements of the Company for the year ended January 31, 2016 were approved and authorized for issue by the Board of Directors on May 4, 2016.

### **Basis of preparation**

These financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars which is the functional currency of the Company.

### **Use of estimates**

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

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based compensation and other equity-based payments and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

#### Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates, and forfeiture rates. Changes in the input assumptions can materially affect the fair value estimate and the Company's equity reserves.

#### Income taxes

In assessing the probability of realizing deferred tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2016

(Expressed in Canadian Dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Foreign currency translation**

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards ("IAS") 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of comprehensive loss.

### **Share capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from shareholders' equity, net of tax.

### **Share-based payments**

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black-Scholes option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Company transfers the value of expired unexercised vested stock options to deficit from reserves on the date of expiration.

### **Basic and diluted loss per share**

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2016

(Expressed in Canadian Dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Financial instruments**

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale, and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are measured at fair value with changes in carrying value being included in profit or loss. The Company classifies its cash as fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are measured at amortized cost. The Company classifies its accounts payable and accrued liabilities as other financial liabilities.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

For the years presented, the Company does not have any derivative financial assets and liabilities.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2016

(Expressed in Canadian Dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Impairment of assets**

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

### **Income taxes**

#### Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### Deferred income tax:

Deferred income tax is provided using the temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

## SABER CAPITAL CORP.

(A Capital Pool Company)

### Notes to Financial Statements

For the year ended January 31, 2016

(Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income taxes (continued)

#### *Deferred income tax (continued):*

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### Accounting pronouncements not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended January 31, 2016 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's financial statements for the year ending January 31, 2019 or later:

- a) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The amendments are effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

## 3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2016	January 31, 2015
	\$	\$
Accounts payable	19,092	3,517
Accrued liabilities	10,000	18,035
	29,092	21,552

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2016

(Expressed in Canadian Dollars)

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#### **4. SHARE CAPITAL AND RESERVES**

##### **Authorized share capital**

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

##### **Issued share capital**

The Company did not have any share capital activity during the year ended January 31, 2016.

##### *During the year ended January 31, 2015:*

In April 2014, the Company completed the first tranche of its non-brokered private placement of 4,800,000 common shares at the price of \$0.05 per share and raised gross proceeds of \$240,000. The Company issued 206,850 shares to an arm's length finder, being 7% (valued at \$10,343) of the number of shares sold to subscribers introduced by such finder.

In May 2014, the Company completed the second and final tranche of its non-brokered private placement of 1,100,000 common shares at the price of \$0.05 per share and raised gross proceeds of \$55,000. The Company issued 77,000 shares to an arm's length finder, being 7% (valued at \$3,850) of the number of shares sold to subscribers introduced by such finder. In addition, the Company paid \$6,812 in share issue costs in connection with this private placement.

##### **Escrow shares**

During fiscal 2011, the Company issued 2,000,000 common shares at a price of \$0.05 per common share for total proceeds of \$100,000 and cancelled the initial incorporation share which had been issued for \$1.00. These common shares are to be held in escrow and released pro-rata to the holders thereof as follows: 10% of the escrow shares upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V and the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities. As the Company did not complete a Qualifying Transaction by the required deadline, 1,000,000 escrow shares were cancelled in September 2013.

As of January 31, 2016, the Company has 1,000,000 shares remaining in escrow.

##### **Basic and diluted loss per share**

The calculation of basic and diluted loss per share for the year ended January 31, 2016 was based on the loss attributable to common shareholders of \$38,706 (2015 - \$93,036) and a weighted average number of common shares outstanding of 17,666,409 (2015 - 16,302,240).

Basic and diluted loss per share does not include the effect of the 1,000,000 escrow shares which are contingently returnable.

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Notes to Financial Statements**

For the year ended January 31, 2016

(Expressed in Canadian Dollars)

**4. SHARE CAPITAL AND RESERVES (continued)****Stock options**

The Company has an incentive stock option plan in place whereby, the maximum number of shares reserved for issue under the plan shall not exceed 400,000 shares of the Company until completion of the Company's Qualifying Transaction and thereafter up to 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any individual director or officer under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to all technical consultants cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options may be granted for a maximum term of ten years from the date of the grant, (five years if the Company is a Tier 2 Issuer on the TSX-V), are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire by the earlier of within one year thereafter or the expiry date of the option. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Any shares issued upon exercise of the options prior to the Company entering into a Qualifying Transaction will be subject to escrow restrictions.

In addition, the Company may grant stock options to Eligible Charitable Organizations to a maximum of 1% of the outstanding common shares of the Company.

During the year ended January 31, 2016, the Company granted nil (2015 – 200,000) incentive stock options with a fair value of \$nil (2015 - \$20,565) using the Black-Scholes option pricing model with the following variables:

	<b>For the year ended January 31,</b>	
	<b>2016</b>	<b>2015</b>
Risk-free interest rate	-	1.27%
Expected option life	-	5 years
Expected stock price volatility	-	125%
Expected forfeiture rate	-	0%
Fair value per option	-	\$0.10

During the year ended January 31, 2016, nil (2015 – 200,000) stock options were cancelled, and accordingly, \$nil (2015 - \$16,830) was reversed from reserves to deficit.

The Company's stock option grants are summarized as follows:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
		<b>\$</b>
Outstanding and exercisable at January 31, 2014	440,000	0.10
Granted	200,000	0.10
Cancelled	(200,000)	0.10
Outstanding and exercisable at January 31, 2015 and 2016	440,000	0.10

## SABER CAPITAL CORP.

(A Capital Pool Company)

### Notes to Financial Statements

For the year ended January 31, 2016

(Expressed in Canadian Dollars)

#### 4. SHARE CAPITAL AND RESERVES (continued)

##### Stock options (continued)

The following table summarizes the options outstanding and exercisable at January 31, 2016:

Exercise price	Options outstanding	Options exercisable	Expiry date
\$			
0.10	200,000	200,000	July 6, 2016
0.10	200,000	200,000	January 5, 2020
0.10	40,000	40,000	July 6, 2021

#### 5. RELATED PARTY TRANSACTIONS

During the year ended January 31, 2016, the Company entered into the following transaction with a related party, not disclosed elsewhere in these financial statements:

- i. Incurred rent expense of \$3,150 (2015 - \$12,600) to a company controlled by a director and officer of the Company.

Summary of key management personnel compensation (includes officers and directors of the Company):

	For the year ended January 31,	
	2016	2015
	\$	\$
Share-based compensation	-	12,339

As at January 31, 2016, \$2,625 (2015 - \$3,000) was owing to a related party for unpaid rent and was included in accounts payable and accrued liabilities.

#### 6. SEGMENTED INFORMATION

The Company has one geographic segment, being Canada, and one operating segment, being to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2016

(Expressed in Canadian Dollars)

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#### **7. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

The fair value of the Company's accounts payable and accrued liabilities approximate their carrying values. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

#### **8. FINANCIAL RISK MANAGEMENT**

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

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company has deposited its cash with its bank from which management believes the risk of loss is remote.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable and accrued liabilities are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

*Currency risk:*

The Company's operations and financing activities are conducted in Canadian dollars and as a result, the Company is not subject to significant exposure to market risks from changes in foreign currency rates.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2016

(Expressed in Canadian Dollars)

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#### **8. FINANCIAL RISK MANAGEMENT (continued)**

(c) Market risk (continued)

*Interest rate risk:*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

(d) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a Qualifying Transaction. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms and approved by the Exchange.

As a company listed on the NEX, the Company is subject to externally imposed capital requirements as outlined in Exchange Policy 2.4 and summarized below:

- 1) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a related party of the Company or a related party of a Qualifying Transaction;
- 2) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a Qualifying Transaction;
- 3) No more than the lesser of \$210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate Qualifying Transactions;
- 4) After the completion of its IPO and until the completion of a Qualifying Transaction, a CPC may not issue any securities unless written acceptance of the Exchange is obtained before the issuance of the securities.

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Notes to Financial Statements**

For the year ended January 31, 2016

(Expressed in Canadian Dollars)

**9. DEFERRED INCOME TAXES**

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

	<b>January 31, 2016</b>	January 31, 2015
	<b>\$</b>	<b>\$</b>
Loss for the year	<b>(38,706)</b>	(93,036)
Expected statutory rate	<b>26.0%</b>	26.0%
Expected income tax recovery	<b>(10,000)</b>	(24,000)
Permanent differences	-	5,000
Change in unrecognized deductible temporary differences	<b>10,000</b>	19,000
<b>Total income tax recovery</b>	<b>-</b>	<b>-</b>

The significant components of the Company's unrecorded deferred tax assets are as follows:

	<b>January 31, 2016</b>	January 31, 2015
	<b>\$</b>	<b>\$</b>
Share issuance costs	<b>3,000</b>	<b>10,000</b>
Non-capital losses available for future periods	<b>152,000</b>	<b>135,000</b>
Unrecorded deferred tax assets	<b>155,000</b>	<b>145,000</b>

The significant components of the Company's temporary differences and unused tax losses are as follows:

	<b>January 31, 2016</b>	January 31, 2015	<b>Expiry date range</b>
<b>Temporary differences</b>	<b>\$</b>	<b>\$</b>	
Share issuance costs	<b>13,000</b>	<b>39,000</b>	2036 - 2039
Non-capital losses available for future periods	<b>583,000</b>	<b>517,000</b>	2031 - 2036

Tax attributes are subject to review, and potential adjustment, by tax authorities.

**SABER CAPITAL CORP.**

**(A CAPITAL POOL COMPANY)**

Financial Statements  
For the Year Ended January 31, 2015

(Expressed in Canadian Dollars)

**SABER CAPITAL CORP.**  
(A Capital Pool Company)  
**Index to Financial Statements**  
January 31, 2015  
(Expressed in Canadian Dollars)

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Saber Capital Corp.

We have audited the accompanying financial statements of Saber Capital Corp., which comprise the statements of financial position as at January 31, 2015 and 2014 and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, these financial statements present fairly, in all material respects, the financial position of Saber Capital Corp. as at January 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Accountants

May 22, 2015



**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Statements of Financial Position**

(Expressed in Canadian Dollars)

	January 31, 2015	January 31, 2014
	\$	\$
<b>Assets</b>		
Current assets		
Cash	874,234	660,314
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities (Notes 3 and 5)	21,552	23,349
Shareholders' equity		
Share capital (Note 4)	1,270,173	981,985
Reserves (Note 4)	41,211	37,476
Deficit	(458,702)	(382,496)
	852,682	636,965
	874,234	660,314

Nature of Operations and Going Concern (Note 1)

Approved and authorized by the Board on May 22, 2015.

**On behalf of the Board:***"David Doherty"*

Director

*"Frank Taggart"*

Director

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Statements of Comprehensive Loss**

(Expressed in Canadian Dollars)

	For the year ended January 31,	
	2015	2014
	\$	\$
<b>Expenses</b>		
Bank charges	968	652
Business investigation costs	2,129	100,965
Filing fees	15,126	28,275
Investor relations	-	1,200
Office	-	913
Professional fees	49,039	64,504
Rent (Note 5)	12,600	26,000
Share-based compensation (Note 5)	20,565	-
Travel and entertainment	-	5,167
	(100,427)	(227,676)
<b>Interest income</b>	7,391	9,318
<b>Loss and comprehensive loss for the year</b>	(93,036)	(218,358)
<b>Basic and diluted loss per common share</b>	(0.01)	(0.02)
<b>Weighted average number of common shares outstanding</b>	16,302,240	10,482,559

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

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Statements of Changes in Shareholders' Equity**

(Expressed in Canadian Dollars)

	<b>Share Capital</b>				
	<b>Number of common shares</b>	<b>Amount</b>	<b>Reserves</b>	<b>Deficit</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, January 31, 2013	12,482,559	981,985	43,997	(170,659)	855,323
Agent's warrants expired	-	-	(6,521)	6,521	-
Cancellation of seed shares	(1,000,000)	-	-	-	-
Loss for the year	-	-	-	(218,358)	(218,358)
Balance, January 31, 2014	11,482,559	981,985	37,476	(382,496)	636,965
Common shares issued for cash	5,900,000	295,000	-	-	295,000
Common shares issued as finder's fees	283,850	14,193	-	-	14,193
Share issuance costs	-	(21,005)	-	-	(21,005)
Cancellation of stock options	-	-	(16,830)	16,830	-
Share-based compensation	-	-	20,565	-	20,565
Loss for the year	-	-	-	(93,036)	(93,036)
<b>Balance, January 31, 2015</b>	<b>17,666,409</b>	<b>1,270,173</b>	<b>41,211</b>	<b>(458,702)</b>	<b>852,682</b>

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

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Statements of Cash Flows**

(Expressed in Canadian Dollars)

	For the year ended January 31,	
	2015	2014
	\$	\$
<b>Cash flows used in operating activities</b>		
Net loss for the year	(93,036)	(218,358)
Item not involving cash		
Share-based compensation	20,565	-
Changes in non-cash operating working capital items:		
Accounts payable and accrued liabilities	(1,797)	8,680
Sales tax receivable	-	15,596
	<b>(74,268)</b>	<b>(194,082)</b>
<b>Cash flows from financing activities</b>		
Proceeds on issuance of common shares	295,000	-
Share issuance costs	(6,812)	-
	<b>288,188</b>	<b>-</b>
<b>Increase (decrease) in cash</b>	<b>213,920</b>	<b>(194,082)</b>
<b>Cash, beginning of year</b>	<b>660,314</b>	<b>854,396</b>
<b>Cash, end of year</b>	<b>874,234</b>	<b>660,314</b>
<b>Non-cash transactions</b>		
Shares issued for finder's fees	14,193	-
Reclassification of reserves on expired options/warrants	16,830	6,521

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

# **SABER CAPITAL CORP.**

(A Capital Pool Company)

## **Notes to Financial Statements**

For the year ended January 31, 2015

(Expressed in Canadian Dollars)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

#### **Nature of operations**

Saber Capital Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on February 25, 2008. The Company completed its initial public offering of its common shares on July 4, 2011 and, on July 6, 2011, the Company began trading its shares on the TSX Venture Exchange ("TSX-V") as a Capital Pool Company ("CPC") as defined in the TSX-V Policy 2.4.

On July 8, 2013, the TSX-V halted the Company's shares for trading as the Company had not completed a Qualifying Transaction within twenty-four months from the date the Company's shares were listed on the TSX-V.

On October 1, 2013, the common shares of the Company were transferred from the TSX-V to the NEX under the symbol of SAB.H effective October 2, 2013 where it remained suspended until an application for a reinstatement was made by the Company and accepted by the Exchange. The Company was reinstated on the NEX effective February 20, 2014.

The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition of or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

The head office and principal address of the Company is located at 67 East 5<sup>th</sup> Avenue, Vancouver, British Columbia, V5T 1G7. The Company's registered and records office is located at 1055 West Georgia Street, Vancouver, British Columbia, V6E 3P3.

#### **Going concern**

These financial statements have been prepared on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As at January 31, 2015, the Company has not yet achieved profitable operations, has accumulated losses of \$458,702 since its inception and is expected to incur further losses in the development of its business. However, management believes that the Company has sufficient working capital to meet its projected minimum financial obligations for the next fiscal year.

The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets, or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2015

(Expressed in Canadian Dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of compliance**

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

These financial statements of the Company for the year ended January 31, 2015 were approved and authorized for issue by the Board of Directors on May 22, 2015.

### **Basis of preparation**

These financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars, which is the functional currency of the Company.

### **Use of estimates**

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

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based compensation and other equity-based payments and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

#### Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates, and forfeiture rates. Changes in the input assumptions can materially affect the fair value estimate and the Company's equity reserves.

#### Income taxes

In assessing the probability of realizing deferred tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2015

(Expressed in Canadian Dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Foreign currency translation**

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards ("IAS") 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of comprehensive loss.

### **Share capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from shareholders' equity, net of tax.

### **Share-based payments**

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black-Scholes option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Company transfers the value of expired unexercised vested stock options to deficit from reserves on the date of expiration.

### **Basic and diluted loss per share**

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2015

(Expressed in Canadian Dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Financial instruments**

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale, and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are measured at fair value with changes in carrying value being included in profit or loss. The Company classifies its cash as fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are measured at amortized cost. The Company classifies its accounts payable and accrued liabilities as other financial liabilities.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

For the years presented, the Company does not have any derivative financial assets and liabilities.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2015

(Expressed in Canadian Dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Impairment of assets**

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

### **Income taxes**

#### Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### Deferred income tax:

Deferred income tax is provided using the temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

## SABER CAPITAL CORP.

(A Capital Pool Company)

### Notes to Financial Statements

For the year ended January 31, 2015

(Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income taxes (continued)

#### *Deferred income tax (continued):*

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### New and amended standards adopted by the Company

The application of these amendments and standards had no material impact on current and prior year disclosures but may affect disclosures for future transactions.

- a) Amendments to IAS 32 - Financial Instruments: Presentation provides clarification on the application of offsetting rules. This standard is effective for annual periods beginning on or after January 1, 2014.
- b) Amendments to IAS 36 – Impairment of Assets clarifies the recoverable amount disclosures for non-financial assets, including additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount was based on fair value less costs of disposal. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2014

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended January 31, 2015 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's financial statements for the year ending January 31, 2016 or later:

- a) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The amendments are effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

## 3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
	\$	\$
Accounts payable	3,517	5,099
Accrued liabilities	18,035	18,250
	21,552	23,349

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2015

(Expressed in Canadian Dollars)

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#### **4. SHARE CAPITAL AND RESERVES**

##### **Authorized share capital**

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

##### **Issued share capital**

In September 2013, in conjunction with the transfer of the listing to NEX, seed shareholders, in accordance with stipulated policies and procedures, agreed to cancel a total of 1,000,000 common shares.

In April 2014, the Company completed the first tranche of its non-brokered private placement of 4,800,000 common shares at the price of \$0.05 per share and raised gross proceeds of \$240,000. The Company issued 206,850 shares to an arm's length finder, being 7% (valued at \$10,343) of the number of shares sold to subscribers introduced by such finder.

In May 2014, the Company completed the second and final tranche of its non-brokered private placement of 1,100,000 common shares at the price of \$0.05 per share and raised gross proceeds of \$55,000. The Company issued 77,000 shares to an arm's length finder, being 7% (valued at \$3,850) of the number of shares sold to subscribers introduced by such finder. In addition, the Company paid \$6,812 in share issue costs in connection with this private placement.

##### **Escrow shares**

During the year ended January 31, 2011, the Company issued 2,000,000 common shares at a price of \$0.05 per common share for total proceeds of \$100,000 and cancelled the initial incorporation share which had been issued for \$1.00. These common shares are to be held in escrow and will be released pro-rata to the holders thereof as follows: 10% of the escrow shares upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V and the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities. If the Company does not receive final acceptance of a Qualifying Transaction and is delisted, the shares may be cancelled.

In September 2013, 1,000,000 escrow shares were cancelled.

As of January 31, 2015, the Company has 1,000,000 shares in escrow.

##### **Basic and diluted loss per share**

The calculation of basic and diluted loss per share for the year ended January 31, 2015 was based on the loss attributable to common shareholders of \$93,036 (2014 - \$218,358) and a weighted average number of common shares outstanding of 16,302,240 (2014 - 10,482,559).

Basic and diluted loss per share did not include the effect of 1,000,000 escrowed shares which are contingently returnable.

## SABER CAPITAL CORP.

(A Capital Pool Company)

### Notes to Financial Statements

For the year ended January 31, 2015

(Expressed in Canadian Dollars)

#### 4. SHARE CAPITAL AND RESERVES (continued)

##### Share purchase warrants

A summary of share purchase warrant activity is as follows:

	Number of warrants	Weighted average exercise price
		\$
Outstanding and exercisable at January 31, 2013	104,041	0.10
Expired	(104,041)	0.10
Outstanding and exercisable at January 31, 2014 and 2015	-	-

##### Stock options

The Company has an incentive stock option plan in place whereby, the maximum number of shares reserved for issue under the plan shall not exceed 400,000 shares of the Company until completion of the Company's Qualifying Transaction and thereafter up to 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any individual director or officer under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to all technical consultants cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options may be granted for a maximum term of ten years from the date of the grant, (five years if the Company is a Tier 2 Issuer on the TSX-V), are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire by the earlier of within one year thereafter or the expiry date of the option. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Any shares issued upon exercise of the options prior to the Company entering into a Qualifying Transaction will be subject to escrow restrictions.

In addition, the Company may grant stock options to Eligible Charitable Organizations to a maximum of 1% of the outstanding common shares of the Company.

During the year ended January 31, 2015, the Company granted 200,000 (2014 – nil) incentive stock options with a fair value of \$20,565 (2014 - \$nil) using the Black-Scholes option pricing model with the following variables:

	For the year ended January 31,	
	2015	2014
Risk-free interest rate	1.27%	-
Expected option life in years	5 years	-
Expected stock price volatility	125%	-
Expected forfeiture rate	0%	-
Fair value per option	\$0.10	-

During the year ended January 31, 2015, 200,000 (2014 – nil) stock options were cancelled, and accordingly, \$16,830 (2014 - \$nil) was reversed from reserves to deficit.

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Notes to Financial Statements**

For the year ended January 31, 2015

(Expressed in Canadian Dollars)

**4. SHARE CAPITAL AND RESERVES (continued)****Stock options (continued)**

The Company's stock option grants are summarized as follows:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
		\$
Outstanding and exercisable at January 31, 2013 and 2014	440,000	0.10
Granted	200,000	0.10
Cancelled	(200,000)	0.10
Outstanding and exercisable at January 31, 2015	440,000	0.10

The following table summarizes the options outstanding and exercisable at January 31, 2015:

<b>Exercise price</b>	<b>Options outstanding</b>	<b>Options exercisable</b>	<b>Expiry date</b>
\$			
0.10	200,000	200,000	July 6, 2016
0.10	40,000	40,000	July 6, 2021
0.10	200,000	200,000	January 5, 2020

**5. RELATED PARTY TRANSACTIONS**

During the year ended January 31, 2015, the Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

- i. Incurred rent expense of \$12,600 (2014 - \$21,000) to a company controlled by a director and officer of the Company.
- ii. Incurred rent expense of \$nil (2014 - \$4,000) to a company controlled by a director and former director of the Company.

Summary of key management personnel compensation (includes officers and directors of the Company):

	<b>For the year ended January 31,</b>	
	<b>2015</b>	<b>2014</b>
	\$	\$
Share-based compensation	<b>12,339</b>	-

As at January 31, 2015, \$3,000 (2014 - \$5,625) was owing to a related party and was included in accounts payable and accrued liabilities.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2015

(Expressed in Canadian Dollars)

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#### **6. SEGMENT INFORMATION**

The Company has one geographic segment, being Canada, and one operating segment, being to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses.

#### **7. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

The fair value of the Company's accounts payable and accrued liabilities approximate their carrying values. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

#### **8. FINANCIAL RISK MANAGEMENT**

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

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company has deposited the cash with its bank from which management believes the risk of loss is remote.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable and accrued liabilities are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2015

(Expressed in Canadian Dollars)

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#### **8. FINANCIAL RISK MANAGEMENT (continued)**

Market risk (continued)

*Currency risk:*

The Company's operations and financing activities are conducted in Canadian dollars and as a result, the Company is not subject to significant exposure to market risks from changes in foreign currency rates.

*Interest rate risk:*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

(d) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a Qualifying Transaction. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms and approved by the Exchange.

As a company listed on the NEX, the Company is subject to externally imposed capital requirements as outlined in Exchange Policy 2.4 and summarized below:

- 1) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a related party of the Company or a related party of a Qualifying Transaction;
- 2) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a Qualifying Transaction;
- 3) No more than the lesser of \$210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate Qualifying Transactions;
- 4) After the completion of its IPO and until the completion of a Qualifying Transaction, a CPC may not issue any securities unless written acceptance of the Exchange is obtained before the issuance of the securities.

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Notes to Financial Statements**

For the year ended January 31, 2015

(Expressed in Canadian Dollars)

**9. INCOME TAXES**

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

	2015	2014
	\$	\$
Loss for the year	<b>(93,036)</b>	(218,358)
Expected income tax recovery	<b>(24,000)</b>	(56,000)
Change in statutory rates and other	-	8,000
Permanent differences	<b>5,000</b>	-
Change in unrecognized deductible temporary differences	<b>19,000</b>	48,000
<b>Total income tax recovery</b>	<b>-</b>	<b>-</b>

The significant components of the Company's unrecorded deferred tax assets are as follows:

	2015	2014
Deferred tax assets	\$	\$
Share issuance costs	<b>10,000</b>	12,000
Non-capital losses available for future periods	<b>135,000</b>	109,000
Unrecorded deferred tax assets	<b>145,000</b>	121,000

The significant components of the Company's temporary differences and unused tax losses are as follows:

	2015	2014	Expiry date range
<b>Temporary differences</b>	<b>\$</b>	<b>\$</b>	
Share issuance costs	<b>39,000</b>	45,000	2036 - 2039
Non-capital losses available for future periods	<b>517,000</b>	418,000	2031 - 2035

Tax attributes are subject to review, and potential adjustment, by tax authorities.

**SABER CAPITAL CORP.**

**(A CAPITAL POOL COMPANY)**

Financial Statements  
January 31, 2014

(Expressed in Canadian Dollars)

**SABER CAPITAL CORP.  
(A CAPITAL POOL COMPANY)**

Index to Financial Statements

January 31, 2014  
(Expressed in Canadian Dollars)

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Saber Capital Corp.

We have audited the accompanying financial statements of Saber Capital Corp., which comprise the statements of financial position as at January 31, 2014 and 2013, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of Saber Capital Corp. as at January 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Accountants

May 23, 2014



**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Statements of Financial Position**

(Expressed in Canadian Dollars)

	January 31, 2014	January 31, 2013
	\$	\$
<b>Assets</b>		
Current assets		
Cash	660,314	854,396
Sales tax receivable	-	15,596
	<b>660,314</b>	<b>869,992</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities (Notes 3 and 5)	23,349	14,669
Shareholders' equity:		
Share capital (Note 4)	981,985	981,985
Reserves (Note 4)	37,476	43,997
Deficit	(382,496)	(170,659)
	<b>636,965</b>	<b>855,323</b>
	<b>660,314</b>	<b>869,992</b>

Nature of Operations and Going Concern (Note 1)

Events after the Reporting Period (Note 10)

Approved and authorized by the Board on May 23, 2014.

**On behalf of the Board:***"David Doherty"*

Director

*"Frank Taggart"*

Director

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Statements of Comprehensive Loss**

(Expressed in Canadian Dollars)

	For the year ended January 31,	
	2014	2013
	\$	\$
<b>Expenses</b>		
Bank charges	652	110
Business investigation costs	100,965	7,764
Filing fees	28,275	16,709
Investor relations	1,200	401
Office expenses	913	-
Professional fees	64,504	37,507
Rent (Note 5)	26,000	12,000
Travel and related	5,167	7,888
	<b>(227,676)</b>	<b>(82,379)</b>
<b>Interest income</b>	<b>9,318</b>	<b>5,504</b>
<b>Loss and comprehensive loss for the year</b>	<b>(218,358)</b>	<b>(76,875)</b>
<b>Basic and diluted loss per common share (Note 4)</b>	<b>(0.02)</b>	<b>(0.01)</b>
<b>Weighted average number of common shares outstanding (Note 4)</b>	<b>10,482,559</b>	<b>10,470,827</b>

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

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Statements of Changes in Shareholders' Equity**

(Expressed in Canadian Dollars)

	<b>Share Capital</b>		<b>Share subscriptions receivable</b>	<b>Reserves</b>	<b>Deficit</b>	<b>Total</b>
	<b>Number of common shares</b>	<b>Amount</b>				
		\$	\$	\$	\$	\$
Balance, January 31, 2012	12,386,600	966,375	(31,000)	50,011	(93,784)	891,602
Share subscription receivable received	-	-	31,000	-	-	31,000
Agent's warrants exercised	95,959	15,610	-	(6,014)	-	9,596
Loss for the year	-	-	-	-	(76,875)	(76,875)
Balance, January 31, 2013	12,482,559	981,985	-	43,997	(170,659)	855,323
Cancellation of seed shares	(1,000,000)	-	-	-	-	-
Agent's warrants expired	-	-	-	(6,521)	6,521	-
Loss for the year	-	-	-	-	(218,358)	(218,358)
<b>Balance, January 31, 2014</b>	<b>11,482,559</b>	<b>981,985</b>	<b>-</b>	<b>37,476</b>	<b>(382,496)</b>	<b>636,965</b>

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

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Statements of Cash Flows**

(Expressed in Canadian Dollars)

	For the year ended January 31,	
	2014	2013
	\$	\$
<b>Cash flows used in operating activities</b>		
Net loss for the year	(218,358)	(76,875)
Changes in non-cash operating working capital items:		
Accounts payable and accrued liabilities	8,680	(39)
Sales tax receivable	15,596	(7,704)
	<b>(194,082)</b>	<b>(84,618)</b>
<b>Cash flows from financing activities</b>		
Proceeds on issuance of common shares	-	9,596
Share issuance costs	-	(16,610)
Share subscriptions receivable received	-	31,000
	-	23,986
<b>Net change in cash</b>	<b>(194,082)</b>	<b>(60,632)</b>
<b>Cash, beginning of year</b>	<b>854,396</b>	<b>915,028</b>
<b>Cash, end of year</b>	<b>660,314</b>	<b>854,396</b>
<b>Non-cash transactions:</b>		
Reclassification of reserves on expired warrants	6,521	-
Value of exercised warrants transferred to share capital	-	6,014

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

# **SABER CAPITAL CORP.**

(A Capital Pool Company)

## **Notes to Financial Statements**

For the year ended January 31, 2014

(Expressed in Canadian Dollars)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

#### **Nature of operations**

Saber Capital Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on February 25, 2008. The Company completed its initial public offering of its common shares on July 4, 2011 and, on July 6, 2011, the Company began trading its shares on the TSX Venture Exchange ("TSX-V"). The Company is classified as a Capital Pool Company ("CPC") as defined in the TSX-V Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

On July 8, 2013, the TSX-V halted the Company's shares for trading as the Company had not completed a Qualifying Transaction within twenty-four months from the date the Company's shares were listed on the TSX-V.

On October 1, 2013, the common shares of the Company were transferred from the TSX-V to the NEX under the symbol of SAB.H effective October 2, 2013 where it remained suspended until an application for a reinstatement was made by the Company and accepted by the Exchange. The Company was reinstated on the NEX effective February 20, 2014.

The head office and principal address of the Company is located at 200 – 6751 Westminster Highway, Richmond, British Columbia, Canada, V7C 4V4. The Company's registered and records office is located at 1055 West Georgia St., Vancouver, British Columbia V6E 3P3.

#### **Going concern**

These financial statements have been prepared on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As at January 31, 2014, the Company has not yet achieved profitable operations, has accumulated losses of \$382,496 since its inception and is expected to incur further losses in the development of its business. However, management believes that the Company has sufficient working capital to meet its projected minimum financial obligations for the next fiscal year.

The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2014

(Expressed in Canadian Dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of compliance**

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

These financial statements of the Company for the year ended January 31, 2014 were approved and authorized for issue by the Board of Directors on May 23, 2014.

### **Basis of preparation**

These financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars, which is the functional currency of the Company.

### **Use of estimates**

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

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based compensation and other equity-based payments and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

#### Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's equity reserves.

#### Income taxes

In assessing the probability of realizing deferred tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2014

(Expressed in Canadian Dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Foreign currency translation**

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards ("IAS") 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of comprehensive loss.

### **Share capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from shareholders' equity, net of tax.

### **Share-based payments**

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Company transfers the value of expired unexercised vested stock options to deficit from option reserve on the date of expiration.

### **Basic and diluted loss per share**

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2014

(Expressed in Canadian Dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Financial instruments**

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale, and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are measured at fair value with changes in carrying value being included in profit or loss. The Company classifies its cash as fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are measured at amortized cost. The Company classifies its accounts payable and accrued liabilities as non-derivative financial liabilities.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

As at January 31, 2014 and January 31, 2013, the Company does not have any derivative financial assets and liabilities.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2014

(Expressed in Canadian Dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Income taxes**

#### Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### Deferred income tax:

Deferred income tax is provided using the temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### **Accounting pronouncements not yet adopted**

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended January 31, 2014 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's financial statements for the year ending January 31, 2015 or later:

- a) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The amendments are effective for annual periods beginning on or after January 1, 2018.
- b) IAS 32 – Financial Instruments: Presentation amendment provides clarification on the application of offsetting rules. The amendments are effective for annual periods beginning on or after January 1, 2014.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2014

(Expressed in Canadian Dollars)

### **3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>January 31, 2014</b>	<b>January 31, 2013</b>
	<b>\$</b>	<b>\$</b>
Accounts payable	<b>5,099</b>	495
Accrued liabilities	<b>18,250</b>	14,174
	<b>23,349</b>	14,669

### **4. SHARE CAPITAL AND RESERVES**

#### **Authorized share capital**

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

#### **Issued share capital**

During the year ended January 31, 2013, 95,959 agent's warrants with an exercise price of \$0.10 per warrant were exercised for total proceeds of \$9,596. The original value of these warrants of \$6,014 was transferred from reserves to share capital.

In September 2013, in conjunction with the transfer of the listing to NEX, seed shareholders, in accordance with stipulated policies and procedures, have agreed to the cancellation of a total of 1,000,000 common shares.

#### **Escrow shares**

During the year ended January 31, 2011, the Company issued 2,000,000 common shares at a price of \$0.05 per common share for total proceeds of \$100,000 and cancelled the initial incorporation share which had been issued for \$1.00. These common shares will be held in escrow and will be released pro-rata to the holders thereof as follows: 10% of the escrow shares upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V and the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities. If the Company does not receive final acceptance of a Qualifying Transaction and is delisted, the shares may be cancelled.

In September 2013, 1,000,000 escrow shares were cancelled.

As of January 31, 2014, the Company had 1,000,000 shares in escrow.

## SABER CAPITAL CORP.

(A Capital Pool Company)

### Notes to Financial Statements

For the year ended January 31, 2014

(Expressed in Canadian Dollars)

#### 4. SHARE CAPITAL AND RESERVES (continued)

##### Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended January 31, 2014 was based on the loss attributable to common shareholders of \$218,358 (January 31, 2013 - \$76,875) and a weighted average number of common shares outstanding of 10,482,559 (January 31, 2013 – 10,470,827).

Basic and diluted loss per share did not include the effect of 1,000,000 escrowed shares which are contingently returnable.

##### Share purchase warrants

The Agent's Warrants granted at the completion of the initial public offering were valued at \$12,535 calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk free rate of 0.93%, a forfeiture rate of 0%, and an expected volatility of 125%. The warrants had a weighted average fair value of \$0.06 per warrant.

A summary of share purchase warrant activity is as follows:

	Number of warrants	Weighted average exercise price
		\$
Outstanding and exercisable at January 31, 2012	200,000	0.10
Exercised	(95,959)	0.10
Outstanding and exercisable at January 31, 2013	104,041	0.10
Expired	(104,041)	0.10
Outstanding and exercisable at January 31, 2014	-	-

##### Stock options

The Company has an incentive stock option plan in place whereby, the maximum number of shares reserved for issue under the plan shall not exceed 400,000 shares of the Company until completion of the Company's Qualifying Transaction and thereafter up to 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any individual director or officer under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to all technical consultants cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options may be granted for a maximum term of ten years from the date of the grant, (five years if the Company is a Tier 2 Issuer on the TSX-V), are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire by the earlier of within one year thereafter or the expiry date of the option. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Any shares issued upon exercise of the options prior to the Company entering into a Qualifying Transaction will be subject to escrow restrictions.

In addition, the Company may grant stock options to Eligible Charitable Organizations to a maximum of 1% of the outstanding common shares of the Company.

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Notes to Financial Statements**

For the year ended January 31, 2014

(Expressed in Canadian Dollars)

**4. SHARE CAPITAL AND RESERVES (continued)****Stock options (continued)**

The Company's stock option grants are summarized as follows:

	<u>Number of options</u>	<u>Weighted average exercise price</u> \$
Outstanding and exercisable at January 31, 2013 and January 31, 2014	<b>440,000</b>	<b>0.10</b>

The following table summarizes the options outstanding and exercisable at January 31, 2014:

<u>Exercise price</u> \$	<u>Options outstanding</u>	<u>Options exercisable</u>	<u>Expiry date</u>
0.10	400,000	400,000	July 6, 2016
0.10	40,000	40,000	July 6, 2021

**5. RELATED PARTY TRANSACTIONS**

During the year ended January 31, 2014, the Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

- i. Incurred rent expense of \$4,000 (January 31, 2013 - \$11,500) to a company controlled by a director and a former director and officer of the Company.
- ii. Incurred rent expense of \$21,000 (January 31, 2013 - \$Nil) to a company controlled by a director and officer of the Company.

As at January 31, 2014, \$5,625 (January 31, 2013 - \$500) was owing to related parties and included in accounts payable and accrued liabilities.

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Notes to Financial Statements**

For the year ended January 31, 2014

(Expressed in Canadian Dollars)

**6. INCOME TAXES**

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Loss for the year	(218,358)	(76,875)
Expected income tax recovery	(56,408)	(19,219)
Change in statutory rates and other	8,408	-
Change in unrecognized deductible temporary differences	48,000	19,219
<b>Total income tax recovery</b>	<b>-</b>	<b>-</b>

The significant components of the Company's unrecorded deferred tax assets and liabilities are as follows:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Deferred tax assets</b>		
Share issuance costs	12,000	24,000
Non-capital losses available for future periods	109,000	49,000
<b>Unrecorded deferred tax assets</b>	<b>121,000</b>	<b>73,000</b>

The significant components of the Company's temporary differences and unused tax losses are as follows:

	<b>2014</b>	<b>2013</b>	<b>Expiry date range</b>
	<b>\$</b>	<b>\$</b>	
<b>Temporary differences</b>			
Share issuance costs	45,000	96,000	2035 - 2036
Non-capital losses available for future periods	418,000	197,000	2031 - 2034

Tax attributes are subject to review, and potential adjustment, by tax authorities.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2014

(Expressed in Canadian Dollars)

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#### **7. SEGMENTED INFORMATION**

The Company has one geographic segment, being Canada, and one operating segment, being to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses.

#### **8. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

The fair value of the Company's accounts payable and accrued liabilities approximate their carrying values. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

#### **9. FINANCIAL RISK MANAGEMENT**

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

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company has deposited the cash with financial institutions from which management believes the risk of loss is remote.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable and accrued liabilities are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2014

(Expressed in Canadian Dollars)

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#### **9. FINANCIAL RISK MANAGEMENT (continued)**

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

*Currency risk:*

The Company's operations and financing activities are conducted in Canadian dollars and as a result, the Company is not subject to significant exposure to market risks from changes in foreign currency rates.

*Interest rate risk:*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

(d) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a Qualifying Transaction. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms and approved by the Exchange.

As a company listed on the NEX, the Company is subject to externally imposed capital requirements as outlined in Exchange Policy 2.4 and summarized below:

- 1) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a related party of the Company or a related party of a Qualifying Transaction;
- 2) Gross proceeds realized from the sale of all securities issued by the Company may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a Qualifying Transaction;
- 3) No more than the lesser of \$210,000 and 30% of the gross proceeds from the sale of securities issued by the Company may be used for purposes other than to identify and evaluate Qualifying Transactions;
- 4) After the completion of its IPO and until the completion of a Qualifying Transaction, the Company may not issue any securities unless written acceptance of the Exchange is obtained before the issuance of the securities.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Financial Statements**

For the year ended January 31, 2014

(Expressed in Canadian Dollars)

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#### **10. EVENTS AFTER THE REPORTING PERIOD**

In April 2014, the Company completed the first tranche of the non-brokered private placement of 4,800,000 common shares at the price of \$0.05 per share and raised gross proceeds of \$240,000. The Company issued 206,850 shares to an arm's length finder, being 7% of the number of shares sold to subscribers introduced by such finder.

In May 2014, the Company completed the second and final tranche of the non-brokered private placement of 1,100,000 common shares at the price of \$0.05 per share and raised gross proceeds of \$55,000. The Company issued 77,000 shares to an arm's length finder, being 7% of the number of shares sold to subscribers introduced by such finder.

**SABER CAPITAL CORP.**

**(A CAPITAL POOL COMPANY)**

Condensed Interim Financial Statements  
For the Three and Six Months Ended July 31, 2016

(Expressed in Canadian Dollars – Unaudited)

**SABER CAPITAL CORP.**  
(A Capital Pool Company)  
**Index to Condensed Interim Financial Statements**  
July 31, 2016  
(Expressed in Canadian Dollars – Unaudited)

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## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Condensed Interim Statements of Financial Position**

(Expressed in Canadian Dollars – Unaudited)

	July 31, 2016	January 31, 2016
	\$	\$
<b>Assets</b>		
Current assets		
Cash	768,213	842,193
Prepaid expense	8,375	875
	<b>776,588</b>	<b>843,068</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities (Notes 3 and 5)	89,350	29,092
Shareholders' equity		
Share capital (Note 4)	1,270,173	1,270,173
Reserves (Note 4)	24,381	41,211
Deficit	(607,316)	(497,408)
	<b>687,238</b>	<b>813,976</b>
	<b>776,588</b>	<b>843,068</b>

Nature of Operations and Going Concern (Note 1)

Approved and authorized by the Board on September 29, 2016.

**On behalf of the Board:***"David Doherty"*

Director

*"Frank Taggart"*

Director

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Condensed Interim Statements of Comprehensive Loss**

(Expressed in Canadian Dollars – Unaudited)

	For the three months ended July 31,		For the six months ended July 31,	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Expenses</b>				
Bank charges	472	142	632	216
Business investigation costs	38,824	2,182	41,052	2,182
Filing fees	3,985	4,032	7,066	5,638
Professional fees	57,729	8,506	80,253	16,433
	(101,010)	(14,862)	(129,003)	(24,469)
<b>Interest income</b>	1,140	1,527	2,265	2,968
<b>Loss and comprehensive loss for the period</b>	(99,870)	(13,335)	(126,738)	(21,501)
<b>Basic and diluted loss per common share</b>	(0.01)	(0.00)	(0.01)	(0.00)
<b>Weighted average number of common shares outstanding</b>	17,666,409	17,666,409	17,666,409	17,666,409

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

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Condensed Interim Statements of Changes in Shareholders' Equity**

(Expressed in Canadian Dollars – Unaudited)

	<b>Share Capital</b>				
	<b>Number of common shares</b>	<b>Amount</b>	<b>Reserves</b>	<b>Deficit</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, January 31, 2015	17,666,409	1,270,173	41,211	(458,702)	852,682
Loss for the period	-	-	-	(21,501)	(21,501)
Balance, July 31, 2015	17,666,409	1,270,173	41,211	(480,203)	831,181
Loss for the period	-	-	-	(17,205)	(17,205)
Balance, January 31, 2016	17,666,409	1,270,173	41,211	(497,408)	813,976
Forfeiture of stock options	-	-	(16,830)	16,830	-
Loss for the period	-	-	-	(126,738)	(126,738)
<b>Balance, July 31, 2016</b>	<b>17,666,409</b>	<b>1,270,173</b>	<b>24,381</b>	<b>(607,316)</b>	<b>687,238</b>

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

**SABER CAPITAL CORP.**

(A Capital Pool Company)

**Condensed Interim Statements of Cash Flows**

(Expressed in Canadian Dollars – Unaudited)

	For the six months ended July 31,	
	2016	2015
	\$	\$
<b>Cash flows used in operating activities</b>		
Net loss for the period	(126,738)	(21,501)
Changes in non-cash working capital item		
Prepaid expenses	(7,500)	-
Accounts payable and accrued liabilities	60,258	9,711
<b>Decrease in cash</b>	<b>(73,980)</b>	<b>(11,790)</b>
<b>Cash, beginning of period</b>	<b>842,193</b>	<b>874,234</b>
<b>Cash, end of period</b>	<b>768,213</b>	<b>862,444</b>
<b>Non-cash transaction</b>		
Reclassification of reserves on forfeited stock options	16,830	-

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

# **SABER CAPITAL CORP.**

(A Capital Pool Company)

## **Notes to Condensed Interim Financial Statements**

For the six months ended July 31, 2016

(Expressed in Canadian Dollars – Unaudited)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

#### **Nature of operations**

Saber Capital Corp. (the “Company” or “Saber”) was incorporated under the *Business Corporations Act* (British Columbia) on February 25, 2008. The Company completed its initial public offering of its common shares on July 4, 2011 and on July 6, 2011, the Company began trading its shares on the TSX Venture Exchange (“TSX-V”) as a Capital Pool Company (“CPC”) as defined in the TSX-V Policy 2.4.

On July 8, 2013, the TSX-V halted the Company’s shares for trading as the Company had not completed a Qualifying Transaction within twenty-four months from the date the Company’s shares were listed on the TSX-V.

On October 1, 2013, the common shares of the Company were transferred from the TSX-V to the NEX under the symbol of SAB.H effective October 2, 2013 where it remained suspended until an application for a reinstatement was made by the Company and accepted by the Exchange. The Company was reinstated on the NEX effective February 20, 2014.

The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition of or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

In May 2016, the Company entered into a letter of intent with an arm’s length party in connection with its Qualifying Transaction (Note 9) whereby trading of the Company’s shares was halted. In August 2016, pursuant to the letter of intent, the Company entered into a definitive agreement (Note 10).

The head office and principal address of the Company is located at 67 East 5<sup>th</sup> Avenue, Vancouver, British Columbia, V5T 1G7. The Company’s registered and records office is located at #1500 - 1055 West Georgia Street, Vancouver, British Columbia, V6E 3P3.

#### **Going concern**

These condensed interim financial statements have been prepared on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As at July 31, 2016, the Company has not yet achieved profitable operations, has accumulated losses of \$607,316 (January 31, 2016 - \$497,408) since its inception and is expected to incur further losses in the development of its business. However, management believes that the Company has sufficient working capital to meet its projected minimum financial obligations for the next fiscal year.

The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets, or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

These condensed interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Condensed Interim Financial Statements**

For the six months ended July 31, 2016

(Expressed in Canadian Dollars – Unaudited)

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## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of compliance**

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounts Standards (“IAS”) 34, “Condensed interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual financial statements of the Company for the year ended January 31, 2016.

These condensed interim financial statements of the Company for the six months ended July 31, 2016 were approved and authorized for issue by the Board of Directors on September 29, 2016.

### **Basis of preparation**

These condensed interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars which is the functional currency of the Company.

### **Use of estimates**

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

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based compensation and other equity-based payments and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

#### Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates, and forfeiture rates. Changes in the input assumptions can materially affect the fair value estimate and the Company’s equity reserves.

## SABER CAPITAL CORP.

(A Capital Pool Company)

### Notes to Condensed Interim Financial Statements

For the six months ended July 31, 2016

(Expressed in Canadian Dollars – Unaudited)

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Use of estimates (continued)

#### Income taxes

In assessing the probability of realizing deferred tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

### Accounting pronouncements not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the six months ended July 31, 2016 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's financial statements for the year ending January 31, 2019 or later:

- a) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The amendments are effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

## 3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2016	January 31, 2016
	\$	\$
Accounts payable	11,897	19,092
Accrued liabilities	77,453	10,000
	89,350	29,092

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Condensed Interim Financial Statements**

For the six months ended July 31, 2016

(Expressed in Canadian Dollars – Unaudited)

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#### **4. SHARE CAPITAL AND RESERVES**

##### **Authorized share capital**

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

##### **Issued share capital**

The Company did not have any share capital activity during the year ended January 31, 2016 or the six months ended July 31, 2016.

##### **Escrow shares**

During fiscal 2011, the Company issued 2,000,000 common shares at a price of \$0.05 per common share for total proceeds of \$100,000 and cancelled the initial incorporation share which had been issued for \$1.00. These common shares are to be held in escrow and released pro-rata to the holders thereof as follows: 10% of the escrow shares upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V and the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities. As the Company did not complete a Qualifying Transaction by the required deadline, 1,000,000 escrow shares were cancelled in September 2013.

As of July 31, 2016, the Company has 1,000,000 shares remaining in escrow.

##### **Basic and diluted loss per share**

The calculation of basic and diluted loss per share for the six months ended July 31, 2016 was based on the loss attributable to common shareholders of \$126,738 (July 31, 2015 - \$21,501) and a weighted average number of common shares outstanding of 17,666,409 (July 31, 2015 – 17,666,409).

Basic and diluted loss per share does not include the effect of the 1,000,000 escrow shares which are contingently returnable.

# SABER CAPITAL CORP.

(A Capital Pool Company)

## Notes to Condensed Interim Financial Statements

For the six months ended July 31, 2016

(Expressed in Canadian Dollars – Unaudited)

### 4. SHARE CAPITAL AND RESERVES (continued)

#### Stock options

The Company has an incentive stock option plan in place whereby, the maximum number of shares reserved for issue under the plan shall not exceed 400,000 shares of the Company until completion of the Company's Qualifying Transaction and thereafter up to 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any individual director or officer under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to all technical consultants cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options may be granted for a maximum term of ten years from the date of the grant, (five years if the Company is a Tier 2 Issuer on the TSX-V), are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire by the earlier of within one year thereafter or the expiry date of the option. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Any shares issued upon exercise of the options prior to the Company entering into a Qualifying Transaction will be subject to escrow restrictions.

In addition, the Company may grant stock options to Eligible Charitable Organizations to a maximum of 1% of the outstanding common shares of the Company.

The Company's stock option grants are summarized as follows:

	Number of options	Weighted average exercise price \$
Outstanding and exercisable at January 31, 2015 and 2016	440,000	0.10
Forfeited	(200,000)	0.10
Outstanding and exercisable at July 31, 2016	240,000	0.10

The following table summarizes the options outstanding and exercisable at July 31, 2016:

Exercise price \$	Options outstanding	Options exercisable	Expiry date
0.10	200,000	200,000	January 5, 2020
0.10	40,000	40,000	July 6, 2021

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Condensed Interim Financial Statements**

For the six months ended July 31, 2016

(Expressed in Canadian Dollars – Unaudited)

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#### **5. RELATED PARTY TRANSACTIONS**

As at July 31, 2016, \$nil (January 31, 2016 - \$2,625) was owing to a related party for unpaid rent and was included in accounts payable and accrued liabilities.

#### **6. SEGMENTED INFORMATION**

The Company has one geographic segment, being Canada, and one operating segment, being to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses.

#### **7. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

The fair value of the Company's accounts payable and accrued liabilities approximate their carrying values. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

#### **8. FINANCIAL RISK MANAGEMENT**

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

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company has deposited its cash with its bank from which management believes the risk of loss is remote.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable and accrued liabilities are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

## **SABER CAPITAL CORP.**

(A Capital Pool Company)

### **Notes to Condensed Interim Financial Statements**

For the six months ended July 31, 2016

(Expressed in Canadian Dollars – Unaudited)

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#### **8. FINANCIAL RISK MANAGEMENT (continued)**

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

*Currency risk:*

The Company's operations and financing activities are conducted in Canadian dollars and as a result, the Company is not subject to significant exposure to market risks from changes in foreign currency rates.

*Interest rate risk:*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

(d) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a Qualifying Transaction. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms and approved by the Exchange.

As a company listed on the NEX, the Company is subject to externally imposed capital requirements as outlined in Exchange Policy 2.4 and summarized below:

- 1) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a related party of the Company or a related party of a Qualifying Transaction;
- 2) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a Qualifying Transaction;
- 3) No more than the lesser of \$210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate Qualifying Transactions;
- 4) After the completion of its IPO and until the completion of a Qualifying Transaction, a CPC may not issue any securities unless written acceptance of the Exchange is obtained before the issuance of the securities.

## SABER CAPITAL CORP.

(A Capital Pool Company)

### Notes to Condensed Interim Financial Statements

For the six months ended July 31, 2016

(Expressed in Canadian Dollars – Unaudited)

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#### 9. PROPOSED QUALIFYING TRANSACTION

In accordance with a letter of intent (“LOI”) signed in May 2016 between the Company and Emblem Holdings Limited (“Emblem”), an arm’s length Ontario-based licensed producer of medical marihuana, the Company entered into an arrangement agreement (the “Arrangement Agreement”) with Emblem. Pursuant to the Arrangement Agreement, Saber Acquisition Corp. (“Saber Sub”), a subsidiary of the Company which was incorporated in August 2016, will amalgamate with Emblem and continue as one corporation (“Amalco”) which will be wholly owned by the Company.

The completion of the Arrangement Agreement is subject to the following occurring prior to November 30, 2016:

- Consolidation of the Company’s common shares (the “Consolidation”) on the basis of one post-consolidation share for each four shares immediately prior to the Consolidation;
- Continuation of the Company from a corporation existing under the *Business Corporations Act* (BC) to a corporation existing under the *Canada Business Corporations Act* (“CBCA”) and changing its name to “Emblem Corp.”;
- Completion by Emblem of an equity financing consisting of one Emblem share and one-half of one Emblem share purchase warrant for gross proceeds of a minimum of \$2,500,000 at a price of \$0.50 per unit with each warrant being exercisable at \$0.75 for a period of five years (the “Bridge Financing”) (closed for total proceeds of \$3,000,000 in June 2016);
- Completion by Emblem of an equity financing consisting of one Emblem share and one-half of one Emblem share purchase warrant for gross proceeds of a minimum of \$3,000,000 at a price of \$0.75 per unit with each warrant being exercisable at \$1.20 for a period of five years (the “Private Placement”) (closed for total proceeds of \$5,000,000 in September 2016);
- Completion of two equity offerings (the “Concurrent Financings”) as follows:
  - An offering of post-Consolidation shares of the Company (“Post-Consolidation Saber Shares”) with minimum gross proceeds of \$2,000,000 (by way of a short form offering); and
  - A unit offering where each unit is comprised of one Post-Consolidation Saber Share and one share purchase warrant to purchase one Post-Consolidation Saber Share for aggregate gross proceeds, when combined with the Bridge Financing and Private Placement to be completed by Emblem and cash held by the Company, that will amount to a minimum of \$11,000,000.
- Approval by all regulatory bodies, directors and shareholders.

A finder’s fee of up to 1,500,000 Post-Consolidation Saber Shares is payable upon completion of the Arrangement Agreement.

Assuming completion of the Arrangement Agreement, the common shares of Emblem will be cancelled in exchange for Post-Consolidation Saber Shares on a 1:1 basis. In addition, the common shares of the Saber Sub will be cancelled in exchange for common shares of Amalco on a 1:1 basis. The Company will become the holder of all the outstanding common shares of Amalco. The business combination transaction is structured as a reverse takeover (“RTO”) and will constitute the Company’s Qualifying Transaction. Upon successful completion of the RTO, the Company will be listed as a Tier 2 Industrial issuer operating as a licensed producer of medical marihuana.

**SCHEDULE "B"**  
**FINANCIAL STATEMENTS OF EMBLEM CORP.**

Consolidated Financial Statements

**Emblem Corp.**  
**(formerly KindCann Holdings Limited)**

December 31, 2015 and 2014



Building a better  
working world

## INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of Emblem Corp.  
(formerly KindCann Holdings Limited)**

We have audited the accompanying consolidated financial statements of **Emblem Corp. (formerly KindCann Holdings Limited)** (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's responsibility for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Emblem Corp. (formerly KindCann Holdings Limited)** as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which indicates that the Company has yet to achieve profitable operations and that the Company will need to raise additional capital in future periods to fund its operations. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Toronto, Canada  
November 17, 2016

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants



## Emblem Corp. (formerly KindCann Holdings Limited)

### Consolidated Statement of Financial Position

(Expressed in Canadian dollars)

(Going Concern Uncertainty - note 1)

<b>As at December 31</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
Current assets			
Cash		1,236,646	5,490,539
Prepaid expenses		458,591	16,000
Inventory	5	47,704	-
Biological assets	4	9,125	-
Other receivables		213,330	578,449
Subscriptions receivable		-	100,000
		<b>1,965,396</b>	<b>6,184,988</b>
Property, plant and equipment	6	<b>8,461,356</b>	<b>4,398,090</b>
		<b>10,426,752</b>	<b>10,583,078</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities		610,241	4,082,428
Advances from related company	8	-	162,172
Advances from shareholders	9	-	60,000
Provisions	7	724,884	500,000
Class A preferred shares liability	10	8,560,847	6,316,794
		<b>9,895,972</b>	<b>11,121,394</b>
Mortgages payable	12	3,807,877	550,000
Total liabilities		<b>13,703,849</b>	<b>11,671,394</b>
<b>Shareholders' Equity</b>			
Common shares	13	1,580,125	760,680
Warrants	13	958,174	636,685
Stock options	13	99,512	-
Deficit		(5,914,908)	(2,485,681)
Total equity attributable to equity shareholders of the company		<b>(3,277,097)</b>	<b>(1,088,316)</b>
Commitments and contingencies	15		
Subsequent events	23		
		<b>10,426,752</b>	<b>10,583,078</b>

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

On behalf of the Board:

**Gordon Fox**

**Harvey Shapiro**

## Emblem Corp. (formerly KindCann Holdings Limited)

### Consolidated Statement of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

(Going Concern Uncertainty - note 1)

<b>Year ended December 31</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>		-	-
<b>Cost of Sales</b>			
Loss on initial recognition of biological asset		(18,000)	-
Unrealized gain from changes in fair value of biological assets		7,125	-
Production costs		(69,519)	-
<b>Gross Profit (Loss)</b>		<b>(80,394)</b>	-
<b>Expenses</b>			
General and administrative	13	1,054,734	201,469
Development		556,676	135,602
Selling and marketing		345,753	49,515
Depreciation and amortization		282,814	12,364
Stock-based compensation		99,512	-
Impairment of investment	7	-	1,500,100
Issuance costs on Class A preferred shares liability		254,438	586,631
Changes in fair value of financial instruments	15	(300,000)	-
		<b>2,293,927</b>	<b>2,485,681</b>
Interest		239,252	-
Dividend on Class A preferred shares	10	815,654	-
<b>Net loss and comprehensive loss for the year</b>		<b>3,429,227</b>	<b>2,485,681</b>
Basic and diluted loss per share	17	\$ (0.18)	\$ (22.28)
Weighted average number of common shares outstanding – basic and diluted		20,369,160	111,580

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

**Emblem Corp. (formerly KindCann Holdings Limited)**

**Consolidated Statement of Shareholders' Equity**

(Expressed in Canadian dollars)

(Going Concern Uncertainty - note 1)

	Common shares		Warrants				Stock Options		Deficit	Total
	Note	#	\$	Warrants outstanding	Number of common shares issuable on exercise	\$	#	\$	\$	
Balance, January 1, 2014		-	-	-	-	-	-	-	-	
Common shares issued	13	20,000,000	760,680	-	-	-	-	-	760,680	
Private placement issuance	13	-	-	350,933	7,018,660	701,866	-	-	701,866	
Share issuance costs	13	-	-	-	-	(65,181)	-	-	(65,181)	
Net loss and comprehensive loss		-	-	-	-	-	-	(2,485,681)	(2,485,681)	
<b>Balance, December 31, 2014</b>		<b>20,000,000</b>	<b>760,680</b>	<b>350,933</b>	<b>7,018,660</b>	<b>636,685</b>	<b>-</b>	<b>(2,485,681)</b>	<b>(1,088,316)</b>	
Balance, January 1, 2015		20,000,000	760,680	350,933	7,018,660	636,685	-	(2,485,681)	(1,088,316)	
Stock dividend	13	1,638,900	819,445	-	-	-	-	-	819,445	
Private placement issuance	13	-	-	194,561	3,497,580	349,760	-	-	349,760	
Share issuance costs	13	-	-	-	-	(28,271)	-	-	(28,271)	
Stock options issued	13	-	-	-	-	-	3,040,000	99,512	99,512	
Net loss and comprehensive loss		-	-	-	-	-	-	(3,429,227)	(3,429,227)	
<b>Balance, December 31, 2015</b>		<b>21,638,900</b>	<b>1,580,125</b>	<b>545,494</b>	<b>10,516,240</b>	<b>958,174</b>	<b>3,040,000</b>	<b>99,512</b>	<b>(5,914,908)</b>	

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

## Emblem Corp. (formerly KindCann Holdings Limited)

### Consolidated Statement of Cash Flows

(Expressed in Canadian dollars)

(Going Concern Uncertainty - note 1)

<b>Year ended December 31</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Cash provided by (used in):		
<b>Operating activities</b>		
Net loss and comprehensive loss for the year	(3,429,227)	(2,485,681)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	282,814	12,364
Stock-based compensation	99,512	-
Impairment of investment	-	1,500,100
Issuance costs on Class A preferred shares liability	254,438	586,631
Gain on Class A preferred shares liability	(300,000)	-
Dividend on Class A preferred shares	819,445	-
	<b>(2,273,018)</b>	<b>(386,586)</b>
Change in non-cash operating working capital:		
Prepaid expenses	(442,591)	(16,000)
Inventory	(47,704)	-
Biological assets	(9,125)	-
Other receivables	365,119	(578,449)
Accounts payable and accrued liabilities	(195,019)	237,027
	<b>(2,602,338)</b>	<b>(744,008)</b>
<b>Financing activities</b>		
Advances from related company	(162,172)	162,172
Advances from shareholders	(60,000)	60,000
Subscriptions receivable	100,000	-
Mortgage payable	3,500,000	550,000
Mortgage issuance costs	(308,100)	-
Issuance of common shares	-	760,680
Issuance of Units, net of issuance costs	3,211,104	6,266,848
	<b>6,280,832</b>	<b>7,799,700</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(7,557,271)	(565,053)
Investment in and advances to associate	(375,116)	(1,000,100)
	<b>(7,932,387)</b>	<b>(1,565,153)</b>
Increase (decrease) in cash	(4,253,893)	5,490,539
Cash, beginning of year	5,490,539	-
<b>Cash, end of year</b>	<b>1,236,646</b>	<b>5,490,539</b>

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

**Emblem Corp. (formerly KindCann Holdings Limited)**  
**Notes to consolidated financial statements**  
**December 31, 2014 and December 31, 2015**  
**(Expressed in Canadian dollars)**

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**1. Nature of Business and Going Concern Uncertainty**

KindCann Holdings Limited (“KindCann”) was incorporated on October 8, 2014 under the *Canada Business Corporations Act* (“CBCA”). Prior to incorporation, the Company operated through its wholly-owned subsidiaries: Emblem Cannabis Corporation (“ECC”), formerly KindCann Limited and KindCann Realty Limited (“KindCann Realty”). These financial statements include the results of these subsidiaries for periods prior to KindCann’s incorporation as their reorganization under KindCann did not result in a change in control. These subsidiaries had no activity prior to 2014. Emblem incorporated a wholly-owned subsidiary Oakbank Holdings Limited under the *Business Corporation Act (Ontario)* (“OBCA”) on November 13, 2014. Oakbank was continued under the CBCA on July 27, 2016 under the name 9845992 Canada Limited (“Oakbank”). Subsequent to year-end, KindCann was renamed Emblem Corp. (“Emblem” or the “Company”).

Subsequent to the year end, on August 18, 2016, the Company’s Board of Directors approved a 20-for-one stock split of the Company’s common shares and Class A preferred shares. The Company’s warrants conversion rate and the number of stock options and their exercise price were also adjusted to reflect the 20-for-one stock split. These consolidated financial statements have been retroactively adjusted to reflect the stock split.

All per share amounts and number of shares outstanding and number of common shares to be acquired on the exercise of options, warrants, or conversion features in these consolidated financial statements and notes to the consolidated financial statements are presented giving retroactive effect to the stock split.

Emblem, through its wholly-owned subsidiaries, holds a cultivation license as an Authorized License Producer of medical cannabis pursuant to the provisions of Access to Cannabis for Medical Purposes Regulations (“ACMPR”) and the *Controlled Drugs and Substances Act* and its Regulations. The Company received its cultivation license in 2015 and commenced cultivation in December 2015 at its licensed facility in Paris, Ontario.

Subsequent to the year end, the Company received its distribution license and a renewal of its cultivation license on July 26, 2016 upon meeting the standards set by the ACMPR and the *Controlled Drugs and Substances Act* and its Regulations.

The address of the Company’s registered office is 1366 Yonge Street, Suite 207, Toronto, Ontario, M4T 3A7, Canada.

As at December 31, 2015, the Company had not yet achieved commercial production and has accumulated a deficit of \$5,914,908 since inception (December 31, 2014 – \$2,485,681). As at December 31, 2015, the Company had \$3,500,000 of debt due on March 4, 2017, however subsequent to year-end the Company committed to repaying the \$3,500,000 amount no later than November 30, 2016 (*note 12*). The Company is currently seeking alternative financing

**Emblem Corp. (formerly KindCann Holdings Limited)**  
**Notes to consolidated financial statements**  
**December 31, 2014 and December 31, 2015**  
**(Expressed in Canadian dollars)**

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arrangements to satisfy this obligation. The Company will also need to raise additional equity capital to finance its working capital requirements until its revenues exceed its expenses and generates sufficient cash flows, as well as to fund the capital expenditures necessary under its business plan. As a result, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operations. Although the Company has been successful in the past and subsequent to year-end (*note 22*) in obtaining financing and believes it will continue to be successful, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. These material uncertainties may cast significant doubt as to the Company's ability to continue to operate as a going concern.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying amounts of assets and liabilities, the reported expenses and the classifications used in the consolidated statements of financial position.

**2. Basis of Presentation**

**(a) Statement of Compliance**

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

These consolidated financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on November 17, 2016.

**(b) Basis of Presentation**

These consolidated financial statements of the Company as at December 31, 2015 and 2014, and for the year then ended, include the accounts of the Company and its wholly-owned subsidiaries ECC, KindCann Realty and Oakbank. All inter-company accounts and transactions have been eliminated on consolidation. The Company's investment in GrowWise Health Limited ("GrowWise") is accounted for using the equity method.

**(c) Basis of Measurement**

These consolidated financial statements have been prepared on a historical cost basis, except for biological assets and Class A preferred shares liability which are measured at fair value less costs to sell and fair value respectively.

**Emblem Corp. (formerly KindCann Holdings Limited)**  
**Notes to consolidated financial statements**  
**December 31, 2014 and December 31, 2015**  
**(Expressed in Canadian dollars)**

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**Functional and Presentation Currency**

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

**(d) Use of Estimates and Judgments**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could 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.

The judgments that management has applied in the application of accounting policies and related estimates, that have the most significant effect on the amounts recognized in these consolidated financial statements, are discussed below.

**(i) Biological Assets**

In determining the fair value less costs to sell of the biological assets, the Company is required to make various estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected future yields for the cannabis plants.

**(ii) Estimated Useful Lives, Residual Values and Amortization of Property, Plant and Equipment and Intangible Assets**

Amortization of property, plant and equipment and intangible assets is dependent upon estimates of useful lives and residual values, 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) Warrants and Stock Options**

In calculating the value of the warrants and stock options, key estimates such as the value of the common shares, the volatility of the value of the Company's common shares and the risk-free interest rate over the estimated life are used.

**Emblem Corp. (formerly KindCann Holdings Limited)**  
**Notes to consolidated financial statements**  
**December 31, 2014 and December 31, 2015**  
**(Expressed in Canadian dollars)**

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(iv) Class A Preferred Share Financial Liability Measured at Fair Value through Profit or Loss

The fair value of the Company's Class A preferred shares liability is based on the value of the common shares to which the preferred shares are convertible into, which in turn requires estimates of the inherent value of the Company, considering value indicators including recent rounds of financing and market comparable valuation metrics, plus accumulated and unpaid dividends.

(v) Broker Warrants

Broker warrants are considered to be derivative liabilities measured at fair value through profit or loss given the instruments underlying the broker warrants include financial liabilities. In calculating the value of the broker warrants, key estimates such as the value of the underlying Class A preferred shares, warrants and royalty interests, the volatility of the value of the underlying instruments and the risk-free interest rate over the estimated life are used.

(vi) Provisions

Provisions are recognised when the Company has a present obligation, legal or constructive, as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognised is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. The provision for the Company's remaining funding obligations to GrowWise reflects the Company's estimates of minimal future distributions being received from GrowWise. The provision for settlement of 2,000,000 of the Company's Class A preferred shares in the amount of \$600,000 related to a dissenting shareholder is subject to estimate and judgement. The matter is subject to an ongoing process which will ultimately determine the settlement amount, the outcome may be materially different than the provision recorded.

(vii) Investment in associate

At each reporting date, the Company assesses its investment in associate for potential indicators of impairment taking into consideration business climate, economic factor and operational environment, the investee operates in combined with the early stage nature of the investee. If any impairment indicator exists, the Company estimates the asset's recoverable amount. The recoverable amount is determined for the investment on a standalone basis. Key assumptions used in determining the recoverable amount are the operating results and associated cash flows of the investment.

**Emblem Corp. (formerly KindCann Holdings Limited)**  
**Notes to consolidated financial statements**  
**December 31, 2014 and December 31, 2015**  
**(Expressed in Canadian dollars)**

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**3. Significant Accounting Policies**

**(a) Foreign Currency Translation**

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign exchange rate applicable at that period end-date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Revenues and expenses are translated at the exchange rates which approximates those in effect on the date of the transaction. Realized and unrealized exchange gains and losses are recognised in the consolidated statement of operations and comprehensive loss.

**(b) Biological Assets**

The Company measures biological assets consisting of cannabis plants at fair value less cost to sell up to the point of harvest. Agricultural produce consisting of dried and cured cannabis flower and trim is measured at fair value less cost to sell at the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest.

Gains or losses arising from changes in fair value less cost to sell during the year, including the impact of measuring agricultural produce at fair value less cost to sell at the point of harvest, are included in the consolidated statement of operations and comprehensive loss of the related years.

**(c) Inventory**

Inventories for finished goods, raw materials, packaging and other supplies are initially valued at cost, and subsequently at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (“FIFO”) method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventory for obsolete, redundant and slow moving goods and any such inventory identified is written down to net realizable value.

**(d) Property, Plant and Equipment**

The Company’s property, plant and equipment are measured at cost less accumulated amortization and impairment losses.

The cost of an item of property, plant and equipment includes expenditures that are directly attributable to the acquisition or construction of the asset. The cost includes the cost of materials and direct labour, site preparation costs, installation and assembly costs, and any other costs directly attributable to bringing the assets to the location and conditions necessary for the assets to be capable of operating in the manner intended by management. The cost of property, plant

**Emblem Corp. (formerly KindCann Holdings Limited)**  
**Notes to consolidated financial statements**  
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**(Expressed in Canadian dollars)**

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and equipment also includes any applicable borrowing costs. Borrowing costs are capitalized to property, plant and equipment until such time that the constructed asset is substantially complete and ready for its intended use.

Amortization is recorded over the estimated useful lives as outlined below:

Building	25 years, straight-line method
Security equipment	5 years, straight-line method
Grow equipment	5 years, straight-line method
Computer equipment	2 years, straight-line method
Furniture and fixtures	5 years, straight-line method

Significant components of property, plant and equipment which are identified as having different useful lives are depreciated separately over their respective useful lives. Depreciation methods, useful lives and residual values, if applicable, are reviewed and adjusted, if appropriate, on a prospective basis at the end of each fiscal year.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised in profit or loss.

**(e) Impairment of Long-lived Assets**

Long-lived assets are reviewed for impairment as at each consolidated statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or “CGU”). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use.

If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognised immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognised previously.

**Emblem Corp. (formerly KindCann Holdings Limited)**  
**Notes to consolidated financial statements**  
**December 31, 2014 and December 31, 2015**  
**(Expressed in Canadian dollars)**

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**(f) Investment in Associate**

The investment in associate is accounted for using the equity method. Under the equity method, the investment is recognised at cost, and the carrying amount is increased or decreased to recognise the Company's share of the profit or loss of the associate.

**(g) Impairment of Investment in Associate**

The Company's investment in associate is assessed at each reporting period to determine whether there is objective evidence that the investment may be impaired. If so, the Company estimates the recoverable amount of its investment, considering the market, economic, legal, and political environment in which associate operates, as well as changes in the associate's operating results and financial condition. Any reversal of impairment losses is recognised to the extent that the recoverable amount of the investment subsequently increases.

**(h) Leased Assets**

Leases are classified as an operating lease whenever the terms of the lease do not transfer substantially all of the risks and rewards of ownership to the lessee. Lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

**(i) Income Taxes**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of operations and comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting

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profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**(j) Share-based Payments**

The Company has a stock option plan for employees and non-employees. The Company measures equity settled share-based payments to employees based on their fair value at the grant date and recognises the compensation expense over the vesting period. The amount recognised as an expense is adjusted to reflect any changes in the Company's estimate of the shares that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. Consideration paid on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from stock options to share capital.

Share-based payment arrangements, including stock option arrangements, in which the Company receives services as consideration for its own equity instruments granted to non-employees are accounted for as equity settled share-based payment transactions and measured at the fair value of services received over the service period. If the fair value of the services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives services.

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**(k) Loss Per Share**

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which are comprised of convertible Class A preferred shares, common share purchase warrants, broker warrants and stock options issued.

**(l) Financial Instruments**

**(i) Financial assets**

The Company initially recognises financial assets at fair value on the date that they are originated. All financial assets, including assets designated at fair value through profit or loss (“FVTPL”), are recognised initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company classifies its financial assets as financial assets at FVTPL or loans and receivables. A financial asset is classified at FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy. Financial assets at FVTPL are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

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(ii) Financial liabilities

The Company initially recognises financial liabilities at fair value on the date that they originate. All financial liabilities (including liabilities designated at FVTPL) are recognised initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company classifies its financial liabilities as either financial liabilities at FVTPL or other liabilities. Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at FVTPL are stated at fair value with changes being recognised in profit or loss.

(iii) Financial liabilities and equity instruments

*Classification as debt or equity*

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Company has determined that its Class A preferred shares meet the definition of a financial liability that is subject to measurement at fair value at each reporting period-end with changes in fair value to be reflected in the Company's consolidated statement of operations and comprehensive loss. The Class A preferred shares have been determined to be financial liabilities due to the variability of the conversion rate ratio from 1 Class A preferred shares to 1 common share or 1 Class A preferred shares to 1.25 common shares if the Company fails to go public by a specified date, mandatory dividends for two years, and certain redemption provisions in the event that the Company does not pay dividends when due, a cultivation license is not obtained by a specified date, the Company's producer's license application is rejected by Health Canada or withdrawn, and certain other events of default (*notes 10 and 20*).

The Company's broker warrants are considered to be derivatives liabilities measured at FVTPL given the instruments underlying the broker warrants include financial liabilities.

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*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. When the carrying value exceeds the purchase price, the excess of the average carrying value over the purchase price is recorded as contributed surplus. When the purchase price is higher than the average carrying value, the excess of the purchase price over the carrying value first reduces any previously recognised contributed surplus, with any remaining excess recorded as a reduction to retained earnings. No gain or loss is recognised in profit or loss.

Subsequent to initial measurement, the Company does not remeasure certain equity instruments upon modification of the terms of such instruments.

(iv) Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Cash	Loans and receivables
Other receivables	Loans and receivables
Subscriptions receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Provisions	Other liabilities
Advances from related company	Other liabilities
Advances from shareholders	Other liabilities
Class A preferred shares liability	Fair value through profit or loss
Mortgages payable	Other liabilities
Broker warrants	Fair value through profit or loss

(v) Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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(vi) Transaction costs

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at FVTPL, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or at FVTPL are recognised immediately in profit or loss.

(vii) Impairment of financial assets

Financial assets, other than those classified at FVTPL, are assessed for indicators of impairment at the end of the reporting periods. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

**(m) New Standards and Interpretations Not Yet Adopted**

The Company has not applied the following new and revised IFRS's that have been issued but are not yet effective:

(i) Revenue recognition

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”) which supersedes IAS 11 – *Construction Contracts*; IAS 18 – *Revenue*; IFRIC 13 – *Customer Loyalty Programmes*; IFRIC 15 – *Agreements for the Construction of Real Estate*; IFRIC 18 – *Transfers of Assets from Customers*; and SIC 31 – *Revenue – Barter Transactions involving Advertising Services*. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

(ii) Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* (“IFRS 9”) to replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The

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Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

(iii) Leases

In January 2016, the IASB issued IFRS 16 – *Leases* (“IFRS 16”), which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same date as IFRS 16. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

(iv) Property, Plant and Equipment and Agriculture

In June 2014, the IASB amended IAS 16 – *Property, Plant and Equipment* (“IAS 16”) and IAS 41 – *Agriculture* (“IAS 41”) to include “bearer plants” within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for as property, plant and equipment and measured at initial recognition on a cost or revaluation basis in accordance with IAS 16. Also, this amendment introduces a definition of “bearer plants” as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. This amendment is applicable to annual periods beginning on or after January 1, 2016.

The Company has concluded its mother plants are “bearer plants” and accordingly will account for its mother plants under IAS 16 in its future consolidated financial statements. As at December 31, 2015, the Company did not have any mother plants.

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**4. Biological Assets**

The Company's biological assets consist of medical cannabis plants.

	\$
Carrying amount, initial recognition	20,000
Loss on initial recognition	(18,000)
Change in fair value	7,125
<b>Balance, December 31, 2015</b>	<b>9,125</b>

All biological assets are current assets. The significant assumptions used in determining the fair value of the cannabis plants are as follows:

- percentage of costs incurred at each stage of the plant growth;
- wastage for plants at each stage of the plant growth;
- expected yield for cannabis on plants to be harvested;
- costs to grow to maturity and costs to sell; and
- expectation of market participant selling price less expected margins.

The fair value of biological assets is classified as Level 3 in the fair value hierarchy (*note 20*).

**5. Inventory**

	\$
Seeds	34,433
Packaging and supplies	13,271
<b>Balance, December 31, 2015</b>	<b>47,704</b>

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**6. Property, Plant and Equipment**

	<b>Land</b>	<b>Building</b>	<b>Security equipment</b>	<b>Grow equipment</b>	<b>Computer equipment</b>	<b>Furniture and fixtures</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, beginning of year	420,000	3,704,914	284,268	-	1,272	-	4,410,454
Additions	198,698	3,122,340	384,487	497,065	41,930	101,560	4,346,080
<b>Cost, December 31, 2015</b>	<b>618,698</b>	<b>6,827,254</b>	<b>668,755</b>	<b>497,065</b>	<b>43,202</b>	<b>101,560</b>	<b>8,756,534</b>
Accumulated depreciation, beginning of year	-	-	12,046	-	318	-	12,364
Depreciation	-	88,982	116,785	55,152	13,996	7,899	282,814
<b>Accumulated depreciation, December 31, 2015</b>	<b>-</b>	<b>88,982</b>	<b>128,831</b>	<b>55,152</b>	<b>14,314</b>	<b>7,899</b>	<b>295,178</b>
<b>Net carrying cost, December 31, 2015</b>	<b>618,698</b>	<b>6,738,272</b>	<b>539,924</b>	<b>441,913</b>	<b>28,888</b>	<b>93,661</b>	<b>8,461,356</b>

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	Land	Building	Security equipment	Grow equipment	Computer equipment	Furniture and fixtures	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	-	-	-	-	-	-	-
Additions	420,000	3,704,914	284,268	-	1,272	-	4,410,454
<b>Cost, December 31, 2014</b>	<b>420,000</b>	<b>3,704,914</b>	<b>284,268</b>	<b>-</b>	<b>1,272</b>	<b>-</b>	<b>4,410,454</b>
Depreciation	-	-	12,046	-	318	-	12,364
<b>Accumulated depreciation, December 31, 2014</b>	<b>-</b>	<b>-</b>	<b>12,046</b>	<b>-</b>	<b>318</b>	<b>-</b>	<b>12,364</b>
<b>Net carrying cost, December 31, 2014</b>	<b>420,000</b>	<b>3,704,914</b>	<b>272,222</b>	<b>-</b>	<b>954</b>	<b>-</b>	<b>4,398,090</b>

**7. Investment in associate**

The Company holds a 50% interest in an entity, GrowWise, a company incorporated and operating in the province of Ontario, Canada. The business of the associate is to offer education services and other related services to prospective medical marijuana patients in Canada. Apart from the Company's initial investment and agreement to fund operations up to \$500,000, there was no activity prior to 2015.

Subsequent to the initial investment, the Company determined the existence of evidence that investment in associate was impaired, given the financial results incurred to date relative to initial projections. The recoverable amount of the investment in associate was determined based on a value in use calculation using cash flow projections of the associate and it was concluded that the recoverable amount was nominal, resulting in a write-off of the Company's investment. The total amount impaired, with respect to GrowWise, was \$1,000,100 in 2014. In addition, the Company has accrued and expensed the Company's obligation to fund the operations of GrowWise up to \$500,000. For the year ended December 31, 2015, the Company provided \$375,116 of this funding leaving a provision of \$124,884 as at December 31, 2015.

Summarized financial information of the associate and a reconciliation to the Company's carrying amount of its investment, as at December 31, 2015, is as follows. As previously noted,

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prior to January 31, 2015, GrowWise did not have any activity other than the Company's initial investment paid to its partner in GrowWise and its agreement to fund the activities of GrowWise up to \$500,000.

	\$
Assets	
Current assets	28,901
Non-current assets	35,654
	64,555
Liabilities	
Current financial liabilities	(399,015)
Other current liabilities	(48,751)
	(447,766)
Net liabilities	(383,211)
Common shares	(200)
	(383,411)
Share of equity investment in associate	50%
	<b>(191,705)</b>
Initial investment in associate in 2014	1,000,100
Impairment of investment in associate in 2014	(1,000,100)
Investment in associate at December 31, 2014 and 2015	-

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The summarized statement of comprehensive loss for deficiency in associate under equity accounting, for the year ended December 31, 2015, is as follows:

	\$
Revenue	13,081
Cost of goods sold	(2,398)
Gross profit	10,683
Expenses	
Sales and marketing	(148,478)
Depreciation and amortization	(6,562)
General and administrative	(233,741)
Interest	(5,313)
	(394,094)
Net loss and comprehensive loss from associate	(383,411)
Share of equity investment in associate	50%
Share of loss from investment in associate	<b>(191,705)</b>

The Company's share of GrowWise losses for 2015 has been recognized via the impairment charge and provision for obligation to fund GrowWise each recognized in 2014.

**8. Advances from Related Company**

Advances from a company related by virtue of common ownership are unsecured, non-interest bearing and due on demand.

**9. Advances from Shareholders**

Advances from shareholders are unsecured, non-interest bearing and due on demand.

**10. Class A Preferred Shares Financial Liability**

In December 2014, the Company completed a private placement for 701,866 units ("Unit") at a price of \$10 per Unit for gross proceeds of \$7,018,660. Each Unit includes 20 Class A preferred shares, warrants to acquire 10 common shares (*note 13*) and a royalty interest related to the Company's interest in GrowWise. The components of the Unit were initially recognised based on their fair values. Due to the nominal fair value ascribed to the royalty interests from

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GrowWise, the proceeds from the private placement were attributed to the Class A preferred shares financial liability and the warrants.

The Class A preferred shares are non-voting and rank in priority to the common shares and to any other class of shares with respect to the payment of dividends. The Class A preferred shares will automatically convert to common shares on the date that is two years after the Company is listed on the Toronto Stock Exchange or the TSX Venture Exchange (“go public transaction”). If the Company does not complete a go public transaction on or before December 31, 2016, the Unit holders will receive an additional 25% allocation of common shares on conversion of each Class A preferred share. The Company may redeem all or some of the Class A preferred shares any time after one year from the date of issuance at a 50% premium to the issue price. The Class A preferred shareholder may accept the redemption at a 50% premium to the issue price or elect to exercise the conversion feature and convert the Class A preferred shares into common shares.

The Company determined that the Class A preferred shares did not meet the IFRS definition of equity due to the variability of the conversion rate ratio from 1 Class A preferred shares to 1 common share or 1 Class A preferred shares to 1.25 common shares if the Company fails to go public by a specified date, mandatory dividends for two years, and certain redemption provisions in the event that the Company does not pay dividends when due, a cultivation license is not obtained by a specified date, the Company’s producer’s license application is rejected by Health Canada or withdrawn, and certain other events of default. Accordingly, the fair value of the Class A preferred shares is treated as a financial liability measured at fair value through profit and loss. The fair values of the Class A preferred shares financial liability and common share warrants are classified as Level 3 in the fair value hierarchy (*note 20*).

The gross proceeds on issuance of the Units were allocated based on the value of the preferred shares and the warrants as follows:

	Class A preferred share financial liability \$	Common share warrants \$
Units issued in fiscal 2014 (701,866 Units)	6,316,794	701,866
Units issued in fiscal 2015 (349,760 Units)	3,147,840	349,760

In connection with the 2014 private placement, the Company incurred issuance costs totalling \$651,812, which were allocated between the Class A preferred shares liability (\$586,631) and the common share warrants (\$65,181) based on their relative fair value. Issuance costs attributable to the Class A preferred shares liability were expensed and the issuance costs attributable to the common share warrants were netted within share capital.

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In connection with the 2015 private placement, the Company incurred issuance costs totalling \$282,709, which were allocated between the Class A preferred shares liability (\$254,438) and the common share warrants (\$28,271), based on their relative fair value. Issuance costs attributable to the Class A preferred share liability were expensed and the issuance costs attributable to the common share warrants were netted within share capital.

The holders of Class A preferred shares are entitled to cumulative dividends in the amount of \$0.05 per share per annum, payable semi-annually. In 2015, the Company passed a motion, which was approved by a majority of preferred shareholders, to allow the Board, at its discretion, to allow these dividends on the Class A preferred shares to be paid in cash or by issuing common shares, with the number of common shares to be determined based on the market price of such shares. As at December 31, 2015, the Company recognised as an expense \$815,654 in dividends which were settled by way of issuance of 1,638,900 common shares. In 2015, a holder of 2,000,000 Class A preferred shares dissented to certain resolutions of the Company and is seeking to have the Company to repurchase the shares for \$1,000,000. The provision related to a dissenting shareholder is subject to an ongoing process which will ultimately determine the settlement amount, the outcome may be materially different than the provision recorded.

#### **11. Broker Warrants**

In connection with the 2014 and 2015 issuance of Units, the Company also issued 34,715 and 4,650 broker warrants, respectively.

Each broker warrant entitles the holder to purchase one Unit (*note 10*) at a purchase price of \$10 per Unit with a term of two years following a go public transaction. The fair value of the broker warrants was determined to be nominal at the time of issuance and as at each consolidated statement of financial position date based on the terms associated with the underlying agreement which precludes the holders of the broker warrants from exercising them until such a time the Company becomes a public company.

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As at December 31, 2015, the Company has the following broker warrants outstanding with the corresponding average exercise prices and expiry dates:

	Number of broker warrants #	Weighted average exercise price \$	Expiry date
Broker warrants issued pursuant to private placement in December 2014	34,715	10.00	Two years from go public transaction
Balance as at December 31, 2014	34,715	10.00	
Broker warrants issued pursuant to private placement in December 2015	4,650	10.00	Two years from go public transaction
<b>Balance as at December 31, 2015</b>	<b>39,365</b>	<b>10.00</b>	

Taking into consideration the twenty-for-one stock split, the above noted broker warrants provide the holder of the warrant the right to acquire 787,300 common shares for \$0.50 for each common share and the right to acquire warrants to acquire 393,650 common shares for \$0.50 for each common share for a total number of common shares of 1,180,950.

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**12. Mortgages Payable**

During the year ended December 31, 2014, Emblem entered into a mortgage in the amount of \$550,000 to finance the purchase of an industrial facility and surrounding land (*note 6*). The mortgage is secured by a first charge on the property. Interest-only payments at a rate of 5% per annum, compounding semi-monthly, are due monthly and the mortgage is repayable in full on April 30, 2019. Interest charges of \$36,265 (2014 – \$18,333) relating to this mortgage have been capitalized as part of property, plant and equipment (*note 6*) in accordance with IAS 23 – Borrowing Costs

\$550,000

During the year ended December 31, 2015, Emblem entered into a mortgage in the amount of \$3,500,000 to finance the Phase II build out of the Company's facility. The mortgage is secured by a second charge on the property and a general security agreement with a fixed charge over all assets of Emblem, and a share pledge agreement with respect to all shares of Emblem and KindCann Realty. Interest-only payments at a rate of 15% per annum are due monthly. The mortgage was repayable in full on March 4, 2017. Subsequent to year-end, the due date was amended to November 30, 2016

3,500,000

4,050,000

The \$3,500,000 mortgage payable is presented net of transaction costs of \$242,123. Transaction costs are recognised in results of operations over the term of the mortgage using the effective interest method

(242,123)

\$3,807,877

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Interest in the amount of \$591,336 (2014 – \$18,333), including prepaid interest of \$393,750, was paid in the year.

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**13. Share Capital**

**(a) Authorized**

An unlimited number of common shares and an unlimited number of Class A preferred shares (*note 10*) are available for issue.

**(b) Issued and Outstanding**

In 2014, the Company issued 20,000,000 common shares for proceeds of \$760,680.

In 2014, the Company completed a private placement for 701,866 Units at a price of \$10 per Unit for gross proceeds of \$7,018,660 (*note 10*).

In 2015, the Company issued a stock dividend to Class A preferred shareholders for 1,638,900 common shares in lieu of cash settlement of related to the Class A preferred share dividend.

In 2015, the Company completed private placements for 349,760 Units at a price of \$10 per Unit for gross proceeds of \$3,497,600 (*note 10*).

A continuity of the Company's share capital is as follow:

	Common shares		Common share purchase warrants		Total	
	#	\$	Warrants outstanding # <sup>(A)</sup>	Number of common shares issuable on exercise # <sup>(B)</sup>	\$	\$
Proceeds from private placement	20,000,000	760,680	350,933	7,018,660	701,866	1,462,546
Issuance costs	-	-	-	-	(65,181)	(65,181)
<b>Balance, December 31, 2014</b>	<b>20,000,000</b>	<b>760,680</b>	<b>350,933</b>	<b>7,018,660</b>	<b>636,685</b>	<b>1,397,365</b>
Issuance of stock dividend	1,638,900	819,445	-	-	-	819,445
Proceeds from private placement	-	-	194,561	3,497,580	349,760	349,760
Issuance costs	-	-	-	-	(28,271)	(28,271)
<b>Balance, December 31, 2015</b>	<b>21,638,900</b>	<b>1,580,125</b>	<b>545,494</b>	<b>10,516,240</b>	<b>958,174</b>	<b>2,538,299</b>

As previously noted, subsequent to the year-end on August 18, 2016, as a result of certain amendments to the Company's articles of incorporation, including a twenty-for-one stock split, the conversion rate of all warrants were amended to reflect this stock split. Warrants outstanding were amended such that each warrant provided the holder to acquire 10 common shares instead of the original 1/2 common shares. Column A represents the legal number of warrants

**Emblem Corp. (formerly KindCann Holdings Limited)**  
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outstanding; Column B represents the number of common shares to be issued, if all warrants were exercised.

**(c) Warrants**

As at December 31, 2015 and 2014, the Company has the following common share purchase warrants outstanding with the corresponding average exercise prices and expiry dates:

	Number of common shares issuable on exercise #	Weighted average exercise price adjusted for twenty-for-one stock split \$	Expiry date
Issued pursuant to private placement in December 2014	7,018,660	0.75	December 31, 2017
Balance as at December 31, 2014	7,018,660	0.75	
Issued pursuant to private placement in December 2015	3,497,580	0.75	December 31, 2017
<b>Balance as at December 31, 2015</b>	<b>10,516,240</b>	<b>0.75</b>	

Each whole common share purchase warrant is detachable, transferable and exercisable to acquire one common share of the Company at an exercise price of \$0.75 per each warrant with an expiry date of December 31, 2017.

The fair value of the common share purchase warrants issued in 2014 and 2015 was determined using the Black-Scholes option pricing model, using the following assumptions taking into effect the twenty-for-one stock split:

Grant date share price	\$0.45
Risk-free interest rate	1.01%
Weighted average life of warrants	1 – 2 years
Expected annualized volatility	60%
Expected dividend yield	-
Weighted average Black-Scholes value of each warrant	\$0.10

During 2015, the term of the common share purchase warrants was extended by one year to December 31, 2017. On June 10, 2016, the common share purchase warrants expiry date was amended to the fifth anniversary date from the completion of a go public transaction, subject to certain conditions which may accelerate the expiry date.

**Emblem Corp. (formerly KindCann Holdings Limited)**  
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**(d) Stock Options**

The Company has a stock option plan for employees and non-employees that is administered by the Board of Directors of the Company. The maximum number of common shares reserved for issuance for options that may be granted under the Plan is 10% of the total common shares outstanding, which is equal to 2,163,890 as at December 31, 2015. Including the convertible Class A preferred shares outstanding as at December 31, 2015, the maximum number of common shares reserved for issuance for options would be equal to 4,067,142.

In 2015, 2,640,000 options were granted to employees, exercisable in increments with one-third being exercisable on each of the first, second and third anniversaries from the grant date. Also, 400,000 options were granted to non-employees. A total of 3,040,000 options were granted in the year. The options were all issued with an exercise price of \$0.50 and an expiry date five years from date of issuance. No options were exercised or forfeited as at December 31, 2015.

The following is a summary of the outstanding stock options as at December 31, 2015 taking into effect the twenty-for-one stock split.

Employees

<b>Options outstanding</b>			<b>Options exercisable</b>	
Number outstanding as at December 31, 2015	Weighted average remaining contractual life (years)	Exercise Price	Number exercisable as at December 31, 2015	Exercise price
300,000	4.71	\$0.50	-	-
2,340,000	4.96	\$0.50	100,000	\$0.50
2,640,000	4.93		100,000	

Non-employees

<b>Options outstanding</b>			<b>Options exercisable</b>	
Number outstanding as at December 31, 2015	Weighted average remaining contractual life (years)	Exercise Price	Number exercisable as at December 31, 2015	Exercise price
300,000	4.71	\$0.50	100,000	\$0.50
100,000	4.96	\$0.50	-	-
400,000	4.77		100,000	

**Emblem Corp. (formerly KindCann Holdings Limited)**  
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The Company recorded \$67,768 in share-based compensation expense for the year ended December 31, 2015 related to employee options which are measured at fair value at the grant date and expensed over the option's vesting period.

In determining the amount of share-based compensation to employees, the Company used the Black-Scholes option pricing model to establish the fair value of options granted by applying the following assumptions taking into effect the twenty-for-one stock split:

Grant date share price	\$0.45
Risk-free interest rate	0.85%
Weighted average expected life of options	4 years
Expected annualized volatility	60%
Expected dividend yield	-
Weighted average Black-Scholes value of each option	\$0.22

Volatility was estimated by using other companies that the Company considers comparable. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

The Company recorded \$31,744 in share-based compensation expense for the year ended December 31, 2015 related to non-employee options. The amount of share-based compensation to non-employees is measured over the service period at the fair value of the services received.

**Emblem Corp. (formerly KindCann Holdings Limited)**  
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**14. Income Taxes**

**Tax Rate Reconciliation**

The provision for income taxes differs from that which would be expected by applying the combined Canadian federal and provincial statutory income tax rate to loss before income taxes. A reconciliation of the difference is as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
	<b>\$</b>	<b>\$</b>
Loss before income taxes	(3,429,227)	(2,485,681)
Combined federal and provincial income tax rate	26.50%	26.50%
	(908,745)	(658,705)
Increase in tax expense resulting from		
Non-deductible expense	242,379	134
Benefit of non-capital losses and tax assets not recognised	666,366	658,572
Income tax expense	-	-

**Deferred Tax Assets and Tax Losses**

Deferred tax assets have not been recognised in respect of tax losses because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

As at December 31, 2015, the Company's estimated non-capital losses that can be applied against future taxable profit amount to \$2,500,000. These non-capital losses expire in the years ended:

December 31, 2034	\$ 400,000
December 31, 2035	\$ 2,100,000

**Emblem Corp. (formerly KindCann Holdings Limited)**  
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**15. Commitments and contingencies**

*Commitments*

- (a) As part of the GrowWise investment agreement (*note 8*), the Company has agreed to make available to the associate a revolving loan facility to a maximum amount of \$500,000 in order to fund the working capital required by investment in associate. As at December 31, 2015, \$375,116 has been advanced to the associate. Interest on the advances to the associate is charged at the prime rate plus 0.5% per annum. As at December 31, 2015, the Company has established a provision of \$124,884 (2014 – \$500,000) for the present value of the unavoidable costs of funding the commitment.
- (b) As part of a management services agreement between the Company and key executives of the Company, the Company has agreed to pay management service fees of \$695,000 per annum to the key executives of the Company (*note 16*). For the year ended December 31, 2015, the amount has been expensed as incurred and included within general and administrative expense on the consolidated statement of operations and comprehensive loss. As at December 31, 2015, no amount is due under this agreement.

As of December 31, 2015, the Company had the following commitments:

Contractual obligations	Less than 1 year \$	2 – 3 years \$	After 3 years \$	Total \$
Long-term loans	-	4,050,000	-	4,050,000
Leases	111,864	83,898	-	195,752
	<b>111,864</b>	<b>4,133,898</b>	<b>-</b>	<b>4,245,752</b>

*Contingencies*

Certain of the Company's executives have been named in a claim which also identifies the Company in relation to certain services provided by an individual. It is the Company's determination that the claim of \$10 million is primarily against the founders of the Company and not the Company itself. The claim for damages against the Company, specifically, is not pleaded with sufficient particularity to allow an accurate assessment of the quantum of damages being sought, against the Company. The likely measure of damages sought will either be the market value of the services the plaintiff provided to the Company or the degree to which the Company was enriched by those services. The Company is of the view that the amount of the claim bears no relationship to the value of the services provided. The outcome of this legal matter is subject to negotiations by the officers of the Company and the Company believes it is unlikely to be impacted, accordingly, no amount has been provided for.

**Emblem Corp. (formerly KindCann Holdings Limited)**  
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On May 27, 2015, a preferred shareholder filed a dissent action after the Board of Directors of Emblem resolved to amend the share conditions of the Company's Class A preferred shares to provide the Board of Directors with the discretion to pay the annual dividend by the issuance of Emblem common shares (*note 10*).

In the ordinary course of business, from time to time, the Company may be involved in various claims related to its commercial and/or corporate activities. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to these claims to be material to these consolidated financial statements.

A continuity of the Company's provision is as follows:

	Dissenting shareholder \$	GrowWise \$	Total \$
Balance, December 31, 2014	-	500,000	500,000
Funding provided to GrowWise ( <i>note 7</i> )	-	(375,116)	(375,116)
Provision for dissenting preferred shareholder	600,000	-	600,000
	<b>600,000</b>	<b>124,884</b>	<b>724,884</b>

**Emblem Corp. (formerly KindCann Holdings Limited)**  
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**16. Related Party Transactions**

Key management personnel consist of the Board of Directors and the Executive Management Team who provide consulting services to the Company and have the authority and responsibility for planning, directing and controlling the activities of the Company.

Key management personnel compensation, including the Executive Management Team, officers and directors of the Company, for the year ended December 31, 2015 is as follows:

	\$
Management service fees ( <i>note 15</i> )	695,000
Reimbursement of costs	43,500
Share-based compensation ( <i>note 12 (d)</i> )	11,585
	<u>750,085</u>

No compensation was received by key management personnel in 2014.

The Company's investment in GrowWise is a related party. In addition, the other 50% owner of GrowWise is White Cedar which is also a related party by virtue of common share ownership of key management of both White Cedar and Emblem. In 2014, the Company made a payment of \$1,000,000 to White Cedar in connection with the establishment of the GrowWise venture. In 2015, the Company provided \$375,116 under its funding arrangement (*note 7*).

Legal fees in the amount of approximately \$28,000 were paid to a related party for legal services.

**Emblem Corp. (formerly KindCann Holdings Limited)**  
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**17. Loss Per Share**

The diluted loss per share equals basic loss per share due to the anti-dilutive effect of convertible Class A preferred shares, common share purchase warrants, broker warrants and stock options. Taking into consideration the twenty-for-one stock split, the outstanding number and type of securities that could potentially dilute basic net loss per share in the future but that were not included in the computation of diluted net loss per share because to do so would have reduced the loss per share (anti-dilutive) for the year presented are the following:

	Outstanding #	Number of common shares issuable on exercise (post twenty-for- one stock split) #
Class A preferred shares	951,626	19,032,520
Common share purchase warrants	1,051,626	10,516,240
Broker warrants ( <i>note 11</i> )	39,365	1,180,950
Stock options	3,040,000	3,040,000
		33,769,710

**18. Supplemental Cash Flow Information**

The Company entered into a mortgage payable in the amount of \$3,500,000, less initial transaction costs \$308,100 of which \$65,977 has been amortized, as part of the purchase of property, plant and equipment (*note 12*).

**19. Capital Management**

Emblem is an early-stage company that had just started to grow its first crop of marihuana as at December 31, 2015. As such, Emblem is depended on raising further capital, primarily equity, to fund its capital expenditures and its operating expenses in excess of revenue until such time as it reaches cash break even. As at December 31, 2015, Emblem had raised, net of issuance costs, \$10,279,701 of equity by the issuance of common shares, Class A preferred shares and warrants. Emblem intends to raise additional equity in 2016 by way of private placements as well as by an initial public offering planned for the fourth quarter of 2016 although there can be no assurance that the Company will be successful in doing so. Emblem completed certain additional financings subsequent to year-end (*note 22*).

**Emblem Corp. (formerly KindCann Holdings Limited)**  
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In addition to utilizing equity to finance its expansion and operations, Emblem had a total of \$4,050,000 of mortgages payable as at December 31, 2015. This capital was used to finance its purchase of its production and office facilities in Paris, Ontario. Emblem, when appropriate, will continue to use debt to finance its real assets.

**20. Financial Instruments and Risk Management**

**(a) Interest Rate Risk**

The Company's exposure to interest rate risk relates to surplus cash and mortgages payable. The Company generally invests surplus cash in a savings account or in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments. Interest rate risk on the mortgages payable is fixed for the term of the mortgage.

**(b) Credit Risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash balances. The carrying amount of cash represents the maximum exposure to credit risk at December 31, 2015. The cash balance of \$1,236,646 is held by a major Canadian bank.

**(c) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing, on an ongoing basis, its financial requirements for operations and capital expenditures. As at December 31, 2015, the Company had \$1,236,646 in cash and working capital of \$630,271, excluding the carrying value of the Class A preferred share liability.

**(d) Fair Values**

The carrying values of cash, subscriptions receivable, accounts payable and accrued liabilities, advances from related company and advances from shareholders, approximate their fair values due to their short-term to maturity. The carrying value of the mortgage payable approximates its fair value due to interest charged at the market rate.

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**Fair value hierarchy**

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on 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 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The fair value of the Class A preferred shares liability has been measured using the estimated enterprise value of the Company relative to the number of common and preferred shares plus accumulated unpaid dividends. As the key inputs to this valuation approach are not based on observable market data, the financial liability is classified as a Level 3 instrument.

Broker warrant entitles the holder to purchase one Unit (*note 10*) at a purchase price of \$10 per Unit with a term of two years following a go public transaction. The fair value of the broker warrants was determined to be nominal at the time of issue based on the terms associated with the underlying agreement which precludes the holders of the broker warrants from exercising them until such a time the Company becomes a public company. As the key inputs to this valuation approach are not based on observable market data and takes into consideration the probability and timing of the Company becoming a public company, the financial liability is classified as a Level 3 instrument.

**21. Segmented Information**

The Company operates in one segment, the production and sale of medical cannabis. All of the Company's assets are located in Canada.

**Emblem Corp. (formerly KindCann Holdings Limited)**  
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**22. Subsequent Events**

On June 23, 2016, the Company completed a private placement for 291,280 units at a price of \$10 per unit for gross proceeds of \$2,912,800. Each unit includes 20 common shares and warrants to acquire 10 common shares of the Company. Issuance costs on the private placement were \$98,906.

Subsequent to December 31, 2015, the Company received a non-revolving term loan in the amount of \$425,000. The loan, which bears 12% interest, is currently expected to be repaid and refinanced at a lower interest rate on or before November 30, 2016.

On May 5, 2016 the Company purchased for cancellation 2,000,000 Series A Preferred Shares by way of the issuance of a \$1,000,000 promissory note. The note bears interest at a rate of 6% and principal comes due as follows: \$100,000 on August 1, 2016, \$150,000 on October 1, 2016 and \$750,000 on March 15, 2017.

Subsequent to December 31, 2015, the Company entered into discussion with the mortgage holder in respect to its \$3,500,000 term loan due on March 1, 2017, and agreed to repay the amount in full on or before November 30, 2016. The Company expects to repay this amount with proceeds of a loan at a lower interest rate from another lender.

On August 18, 2016 the Company filed articles of amendment that were previously approved by the shareholders such that each common share and Class A preferred share of the Company was split on a twenty-for-one basis. The Company's stock options were also adjusted to reflect this twenty-for-one stock split. The conversion rate of the Company's warrants and broker warrants were adjusted to reflect this twenty-for-one stock split such that each whole warrant allows the holder to acquire 20 common shares. The twenty-for-one stock split was effective without any further action on behalf of the holder, as at the close of the share registers on May 31, 2016. Immediately subsequent to the twenty-for-one split of the Class A preferred shares the then outstanding 17,032,500 Class A preferred shares were converted into 17,032,500 common shares. All share and per share amounts in these financial statements have been adjusted to reflect this twenty-for-one stock split.

On July 27, 2016, the Company obtained its distribution license under the ACMPR from Health Canada and a renewal of its production license.

On August 23, 2016 the Company entered into an Arrangement Agreement with Saber Capital Corp. ("Saber") and Saber Acquisition Corp. Upon the terms and subject to the conditions set out in this Agreement, the parties hereto intend to effect a Business Combination pursuant to a statutory plan of arrangement under Section 192 of the CBCA on the terms set out in the Plan of Arrangement on the basis of the following (the "Transaction"):

**Emblem Corp. (formerly KindCann Holdings Limited)**  
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**(Expressed in Canadian dollars)**

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Emblem and Saber Acquisition Corp., a wholly owned subsidiary of Saber, will amalgamate and continue as one corporation (“Amalco”) under Section 181 of the CBCA (the “Amalgamation”);

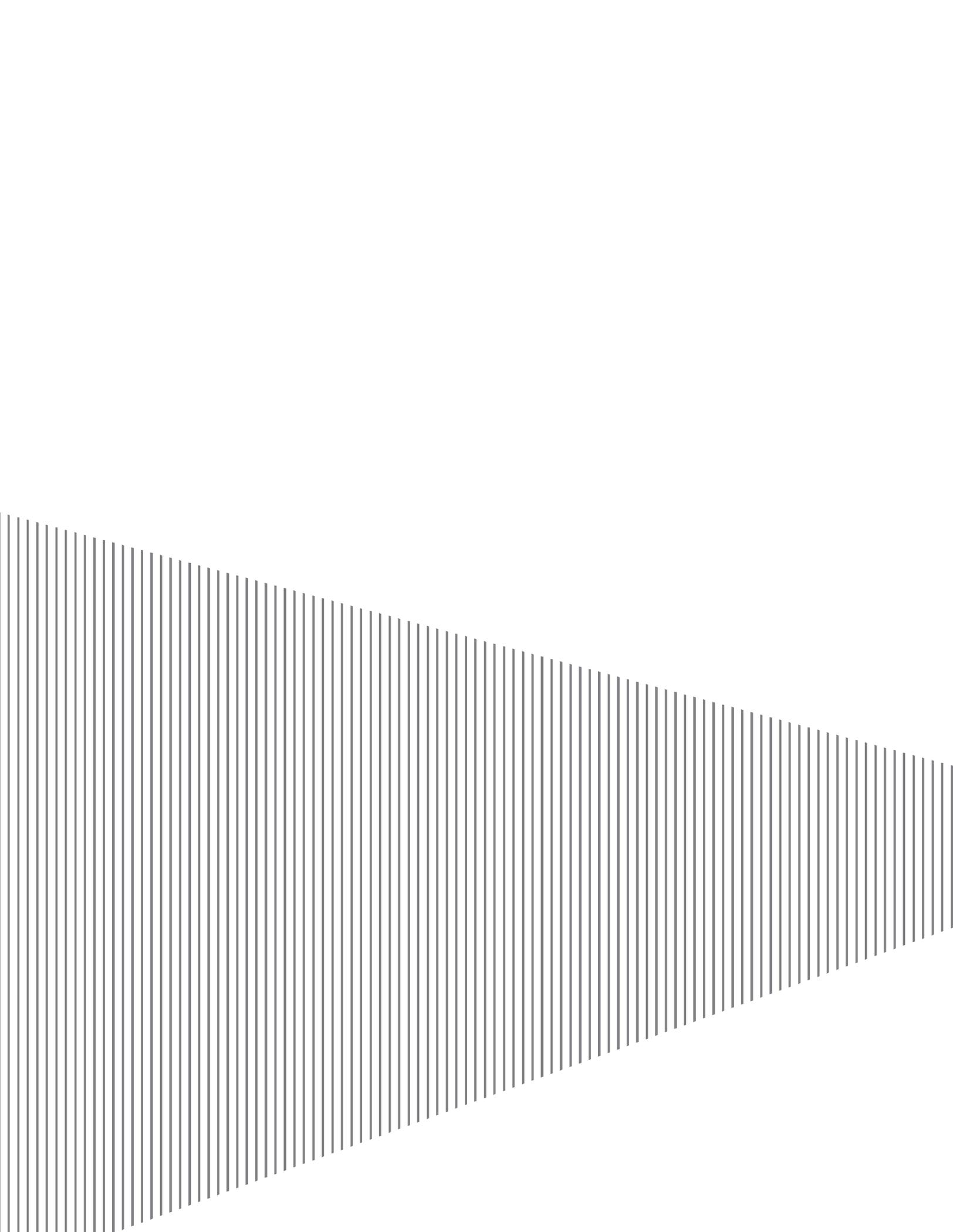
Pursuant to and as a consequent of the Amalgamation:

- (a) the property and liabilities of each of Saber subsidiary and Emblem will become the property and liabilities of Amalco, which will own and hold all property and liabilities that each of Saber subsidiary and Emblem holds before the Arrangement becomes effective;
- (b) each common share of Emblem will be cancelled and in consideration therefore each holder of such common shares will receive one fully paid and non-assessable Post-Consolidation Saber Share;
- (c) each common share of Saber subsidiary will be cancelled and in consideration therefore Saber will receive one fully paid and non-assessable common share in the capital of Amalco; and
- (d) Saber will become the holder of all of the outstanding securities of Amalco.

The Transaction is conditional upon Saber completing a financing of not less than \$21,500,000 and Saber completing an offering of not less than \$2,000,000 by way of a TSX Venture Short Form Offering.

On September 1, 2016 the Company filed a Notice of Amendment changing its name from KindCann Holdings Limited to Emblem Corp.

Between September 9 and September 19, 2016, the Company completed a private placement for 6,740,164 units at a price of \$0.75 per unit for gross proceeds of \$5,055,123. Each unit includes one common share and one-half common share purchase warrant. Each whole warrant is detachable, transferable, and exercisable to acquire one common share at an exercise price of 1.20 per warrant share for a period of five years from issuance. Share issuance costs of \$117,198 were paid in cash and 127,038 broker warrants at an exercise price of \$0.75 for a term of two years from a go public transaction.



**SCHEDULE "C"**  
**PRO-FORMA CONSOLIDATED STATEMENTS FOR THE RESULTING ISSUER**

Pro Forma Consolidated Statement of Financial Position of Resulting Issuer

**Emblem Corp.**

July 31, 2016

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**Emblem Corp.**

## Pro Forma Consolidated Statement of Financial Position

As at July 31, 2016

(Unaudited)

	Saber Capital Corp. as at July 31, 2016	Emblem Corp. as at September 30, 2016	Notes	Pro-forma adjustments	Pro-forma consolidated
Assets					
Current assets					
Cash	768,213	4,643,580	3 (a), (c), (d) and (e)	23,049,283	<b>28,461,076</b>
Prepaid expense	8,375	151,654		-	<b>160,029</b>
Inventory	-	697,037		-	<b>697,037</b>
Biological assets	-	131,364		-	<b>131,364</b>
Other receivables	-	164,940		-	<b>164,940</b>
	<u>776,588</u>	<u>5,788,575</u>		<u>23,049,283</u>	<u><b>29,614,446</b></u>
Property, plant and equipment	-	9,054,559		-	<b>9,054,559</b>
	<u>776,588</u>	<u>14,843,134</u>		<u>23,049,283</u>	<u><b>38,669,005</b></u>
Liabilities and shareholders' equity					
Current liabilities					
Accounts payable and accrued liabilities	89,350	684,582		-	<b>773,932</b>
Provision	-	600,000		-	<b>600,000</b>
Note payable	-	900,000		-	<b>900,000</b>
Mortgages payable - current	-	3,854,345		-	<b>3,854,345</b>
	<u>89,350</u>	<u>6,038,927</u>		<u>-</u>	<u><b>6,128,277</b></u>
Mortgages	-	550,000		-	<b>550,000</b>
	<u>89,350</u>	<u>6,588,927</u>		<u>-</u>	<u><b>6,678,277</b></u>
Shareholders' Equity					
Common shares	1,270,173	20,404,170	3 (a), (d), (e), and (f)	25,563,254	<b>47,237,597</b>
Special shares	-	-	3 (h)	-	-
Warrants	-	1,972,097	3 (d) and (e)	2,650,790	<b>4,622,887</b>
Reserves / Contributed surplus - stock options	24,381	385,502	3 (a) and (g)	12,819	<b>422,702</b>
Deficit	(607,316)	(14,507,562)	3 (a), (c), (f), and (g)	(5,177,580)	<b>(20,292,458)</b>
Total shareholders' equity	<u>687,238</u>	<u>8,254,207</u>		<u>23,049,283</u>	<u><b>31,990,728</b></u>
	<u>776,588</u>	<u>14,843,134</u>		<u>23,049,283</u>	<u><b>38,669,005</b></u>

## **Emblem Corp.**

Notes to Pro Forma Consolidated Statement of Financial Position

As at July 31, 2016

(Unaudited)

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### **1. BACKGROUND AND BASIS OF PRESENTATION**

#### Background

Emblem Corp. (“Emblem” or the “Company”), formerly KindCann Holdings Limited, was incorporated on October 8, 2014 under the Canada Business Corporations Act. The Company operated through its wholly-owned subsidiaries: Emblem Cannabis Corporation (“ECC”), formerly KindCann Limited, KindCann Realty Limited (“KindCann Realty”) and 9845992 Canada Limited (formerly Oakbank Holdings Limited).

Emblem, through its wholly-owned subsidiaries, holds a cultivation license as an Authorized License Producer of medical cannabis pursuant to the provisions of the Access to Cannabis for Medical Purposes Regulations (“ACMPR”) and the *Controlled Drugs and Substances Act* and its Regulations. The Company received its cultivation license in 2015 upon meeting the standards set by the ACMPR and the *Controlled Drugs and Substances Act* and its Regulations. The Company commenced cultivation in December 2015 at its licensed facility in Paris, Ontario. On July 27, 2016, the Company received a license to cultivate and distribute under the provisions of the ACMPR.

The address of the Company’s registered office is 1366 Yonge Street, Suite 207, Toronto, Ontario, M4T 3A7, Canada.

On August 23, 2016, the Company entered into an Arrangement Agreement with Saber Capital Corp. (“Saber”) and Saber Acquisition Corp. (the “Agreement”). Upon the terms and subject to the conditions set out in the Agreement, the parties hereto intend to effect a Business Combination pursuant to a statutory plan of arrangement under Section 192 of the Canada Business Corporations Act (“CBCA”) on the terms set out in the Plan of Arrangement on the basis of the following:

Emblem and a Saber subsidiary, Saber Acquisition Corp. will amalgamate and continue as one corporation (“Amalco”) under Section 181 of the CBCA (the “Amalgamation”);

(a) Pursuant to and as a consequence of the Amalgamation:

- a. the property and liabilities of each of Saber Acquisition Corp. and Emblem will become the property and liabilities of Amalco, which will own and hold all property and liabilities that each of the Saber Acquisition Corp. and Emblem holds before the Arrangement becomes effective;
- b. each common share of Emblem will be cancelled and in consideration therefore each holder of such common shares will receive one fully paid and non-assessable post-Consolidation Saber Share;
- c. each common share of Saber Acquisition Corp. will be cancelled and in consideration therefore Saber will receive one fully paid and non-assessable common share in the capital of Amalco; and
- d. Saber will become the holder of all of the outstanding securities of Amalco.

It is intended that the resulting company (the “Resulting Issuer”) will continue to operate as “Emblem Corp.”

## **Emblem Corp.**

Notes to Pro Forma Consolidated Statement of Financial Position

As at July 31, 2016

(Unaudited)

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### **Basis of Presentation**

This unaudited pro-forma consolidated statement of financial position has been compiled from and includes i) the unaudited condensed interim statement of financial position of Saber as at July 31, 2016, and ii) the unaudited condensed interim statement of financial position of Emblem as at September 30, 2016, giving effect to the transaction as if it had occurred at July 31, 2016.

The unaudited pro-forma consolidated statement of financial position has been compiled using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Management of Saber has re-allocated certain line items from Emblem’s consolidated statement of financial position in an attempt to conform to the presentation of Saber’s financial statements.

The unaudited pro-forma consolidated financial statement should be read in conjunction with the financial statements and notes thereto of Saber and Emblem described above. The unaudited pro-forma consolidated financial statement is not intended to reflect the financial position of the continuing entity, Emblem, which would have actually resulted had the proposed transactions been effected on the dates indicated. Further, the unaudited pro-forma consolidated statement of financial position is not necessarily indicative of the financial position that may be obtained upon completion of the transaction. The pro-forma adjustments and allocations of the purchase price of Saber by Emblem as a reverse takeover are based in part on estimates of the fair value of the assets acquired and liabilities assumed. The final purchase price allocation will be completed after asset and liability valuations are finalized. The final valuation will be based on the actual assets and liabilities of Saber that exist as of the date of completion of the acquisition.

## **2. PROPOSED TRANSACTION**

Saber and Emblem have entered into an Agreement pursuant to which Saber will acquire all of the issued and outstanding capital stock of Emblem in consideration for securities of Saber, which will constitute a reverse takeover of Saber by Emblem shareholders (the “Transaction”).

The Agreement sets out the terms of the Transaction, including the following:

Saber will consolidate its share capital on a four-to-one basis (the “Consolidation”) with all outstanding share purchase options to be cancelled and replaced with new options to be issued in amounts and with exercises prices at the discretion of the board of directors. The new stock options will be issued immediately upon completion of the Transaction. The total number of Saber shares outstanding is 17,666,409 pre-Consolidation. Post-Consolidation, total number of Saber shares will be 4,416,602.

37,298,937 of Emblem common shares will be exchanged for 37,298,937 post-Consolidation common shares of Saber. 14,065,285 of Emblem Special Shares held by the founders Emblem will be exchanged for 14,065,285 post-Consolidation Special Shares of Saber.

## Emblem Corp.

Notes to Pro Forma Consolidated Statement of Financial Position

As at July 31, 2016

(Unaudited)

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### 3. PRO-FORMA ADJUSTMENTS AND ASSUMPTIONS

The unaudited pro-forma consolidated financial statement incorporates the following pro-forma assumptions:

- a) The acquisition of Emblem by Saber constitutes a reverse asset acquisition as Saber does not meet the definition of a business, as defined in IFRS 3, Business Combinations. Accordingly, as a result of the transaction, the pro-forma consolidated statement of financial position has been adjusted for the elimination of Saber's share capital of \$1,270,173, reserves of \$24,381 and accumulated deficit of \$607,316, within shareholders' equity.
- b) As a result of this reverse asset acquisition, a listing expense of \$3,817,696 has been recorded to reflect the difference between the estimated fair value of the Emblem shares to the Saber shareholders less the net fair value of the assets of Saber acquired.

In accordance with reverse acquisition accounting:

- i) The assets and liabilities of Emblem are included in the pro-forma consolidated statement of financial position at their carrying values;
- ii) The net assets of Saber are included at their fair value of \$687,238 (equal to the carrying value of these net assets given the current nature of the net assets);
- iii) The net assets have been allocated as follows:

	\$
Cash	768,213
Prepaid expense	8,375
Accounts payable and accrued liabilities	(89,350)
	<u>687,238</u>

- iv) The listing expense of \$3,817,696 was determined as follows:
  - Number of Emblem common shares held by former Emblem shareholders outstanding after the redemption of founder shares for Special Shares described in note 3(h) and immediately prior to the Transaction and financings described in notes 3(d) and (e) is estimated to be 37,298,937 or approximately 89.4% of the combined entity.
  - Number of outstanding shares of Saber prior to the Transaction and financings described in notes 3(d) and (e) is determined to be 4,416,602, or 10.6% of the combined entity.
  - The fair value of the shares considered issued to acquire Saber under reverse takeover accounting is assumed to be \$4,504,934 calculated as 4,416,602 shares at \$1.02 per share.
  - The difference between the fair value of \$4,504,934 attributed to Saber and the estimated fair value of the net assets of Saber of \$687,238 amounts to a listing expense of \$3,817,696.
- c) Total cash transaction costs which are expected to be incurred for the reverse asset acquisition amount to \$400,000, which includes exchange fees and professional and consulting fees. This amount has been expensed and reflected as a reduction to cash.

**Emblem Corp.**

Notes to Pro Forma Consolidated Statement of Financial Position

As at July 31, 2016

(Unaudited)

d) It is a condition of the Transaction that Saber completes equity financings of not less than \$21,500,000 comprised of a broker financing of \$8,000,000 and a non-brokered financing of \$13,500,000 (collectively the "Financing"). Saber intends to complete the Financing of 18,781,985 units consisting of one common share and one-half common share purchase warrant ("Equity Units") for gross proceeds of \$21,599,283. The fair value estimate for the common share component of the 18,781,985 units is \$21,599,283. Each Equity Unit will be sold at a price of \$1.15 per Equity Unit. Each whole warrant will be exercisable at a price of \$1.75 per share for a period of 3 years from the closing date of the Transaction. Equity Unit issuance costs are expected to be incurred as follows:

- i) Agents' fees amounting to 1,278,682 compensation Equity Units comprising of one common share and one-half common share warrant, exercisable at a price of \$1.75 with a term of 3 years from the closing date of the Transaction.

Based on the Black-Scholes pricing model, the fair value of warrants expected to be issued under the equity Financing, including warrants issued as a component of the compensation Equity Units (\$166,229) is \$2,607,888 using the following assumptions:

Grant date share price	\$1.02
Exercise price	\$1.75
Risk-free interest rate	0.58%
Weighted average expected life of options (years)	3
Expected annualized volatility	60%
Expected dividend yield	nil

- ii) Other fees and professional costs estimated at \$100,000. This amount has been treated as issuance costs attributed to common shares and warrants and reflected as a reduction to cash.

- iii) The pro-forma statement of financial position assumes that \$21,599,283 will be raised pursuant to the brokered and non-brokered equity financing of Equity Units.

e) It is a condition of the Transaction that Saber completes a brokered offering of units for gross proceeds of not less than \$2,000,000 by way of a TSX Venture Exchange Short Form Offering Document (the "SFOD").

The pro-forma statement of financial position assumes that \$2,000,000 will be raised pursuant to the SFOD consisting of one common share and one-half common share purchase warrant at a price of \$1.15 per unit ("SFOD Units"). This pro-forma statement of financial position assumes the issuance price of the SFOD Units to be at \$1.15 per unit and as if the \$2,000,000 anticipated to be raised under the SFOD occurred on the date of the Transaction on terms consistent with the non-brokered financing as noted above, which assumes 1,739,130 units will be issued. The fair value estimate for the common share component of the SFOD Units is \$1,773,913. Agents' fee of 8% are to be paid in SFOD Units.

- i) Agents' fees representing 8% of the gross proceeds of \$2,000,000, amounting to 139,130 compensation Equity Units comprising of one common share and one-half common share

**Emblem Corp.**

Notes to Pro Forma Consolidated Statement of Financial Position

As at July 31, 2016

(Unaudited)

warrant, exercisable at a price of \$1.75 with a term of 3 years from the closing date of the Transaction.

Based on the Black-Scholes pricing model, the fair value of warrants expected to be issued under the SFOD financing, including the value of the warrants in agent's fee (\$18,087), is \$244,174 using the following assumptions:

Grant date share price	\$1.02
Exercise price	\$1.75
Risk-free interest rate	0.58%
Weighted average expected life of options (years)	3
Expected annualized volatility	60%
Expected dividend yield	nil

- ii) Other fees and professional costs estimated at \$50,000. This amount has been treated as issuance costs attributed to common shares and warrants and reflected as a reduction to cash.
  - iii) The pro-forma statement of financial position assumes that \$2,000,000 will be raised pursuant to the brokered equity financing of SFOD Units.
- f) In connection with the Transaction, 1,500,000 common shares at a price of \$1.02 are issuable, upon completion of the Transaction, as finders' fees at a value of \$1,530,000, which has been expensed.
- g) On completion of the Transaction, a total of 60,000 stock options will be granted to former option holders of Saber, exercisable at \$0.40 per share. Based on the Black-Scholes pricing model, the 60,000 options vesting immediately have an estimated fair value of \$37,200 using the following assumptions:

Grant date share price	\$1.02
Exercise price	\$0.40
Risk-free interest rate	0.66%
Weighted average expected life of options (years)	0.25
Expected annualized volatility	60%
Expected dividend yield	nil

- h) Prior to the Transaction, three founding shareholders of Emblem will allow Emblem to redeem 14,065,285 common shares of Emblem held by such founding shareholders in exchange for the issuance of 14,065,285 of a new class of shares of Emblem (the "Special Shares"). The Special Shares will be non-voting and will not be entitled to receive dividends. The 14,065,285 Special Shares will be exchangeable for 14,065,285 common shares (the "Exchange Right"). The Exchange Right provides the holder of the Special Shares to require Emblem to exchange each Special Share into one common share of the Resulting Issuer upon the occurrence of the following events (collectively the "Milestones") as noted below.
- i) one-third of the Special Shares registered to each holder if Emblem achieves gross sales of \$5,000,000;

**Emblem Corp.**

Notes to Pro Forma Consolidated Statement of Financial Position

As at July 31, 2016

(Unaudited)

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- ii) one-third of the Special Shares registered to each holder if Emblem completes construction of additional grow rooms in its production facility comprising the four rooms with the result that after commissioning of such grow rooms the annualized production capacity of the entire building, will be reasonably expected to allow for capacity of an aggregate of 1,500 kilograms of marijuana; and
  - iii) one-third of the Special Shares registered to each holder if GrowWise Health Limited opens a total of eight education centres, including those hosted within existing clinics or standalone education centres and including those open as of August 23, 2016.

Irrespective of whether the Resulting Issuer achieves the above Milestones, the Exchange Right will be exercisable on the date that is 18 months from the completion of the Transaction and the holders of the Special Shares can exchange the Special Shares into common shares of the Resulting Issuer.

The Exchange Right will be exercisable immediately preceding a Change of Control transaction or immediately upon the death of the holder of the Special Shares.

**Emblem Corp.**

Notes to Pro Forma Consolidated Statement of Financial Position

As at July 31, 2016

(Unaudited)

**4. PRO-FORMA SHAREHOLDERS' EQUITY**

a) The following table summarizes the impact of the Transaction on the Resulting Issuer's shareholders' equity.

	Common Shares <sup>1</sup>		Special Shares		Warrants		Reserves /	Deficit
	#	\$	#	\$	#	\$	Contributed surplus	
							\$	\$
Saber – Balance as of July 31, 2016	17,666,409	1,270,173	–	–	–	–	24,381	(607,316)
Saber – Share consolidation prior to Transaction (note 2)	(13,249,807)	–	–	–	–	–	–	–
Emblem – Balance as of September 30, 2016 <sup>1</sup>	51,364,222	20,404,170	–	–	4,164,101	1,972,097	385,502	(14,507,562)
Redemption of founder shares for Special Shares prior to Transaction (note 3(h))	(14,065,285)	–	14,065,285	–	–	–	–	–
Saber – Equity eliminated upon Transaction (note 3(a))	–	(1,270,173)	–	–	–	–	(24,381)	607,316
Saber – Shares issued to former Emblem shareholders upon Transaction (note 3(b))	37,298,937	–	14,065,285	–	–	–	–	–
Emblem – Shares exchanged upon Transaction (note 3(b))	(37,298,937)	–	(14,065,285)	–	–	–	–	–
Emblem – Value of common shares assumed issued to Saber shareholders (note 3(b))	–	4,504,934	–	–	–	–	–	(3,817,696)
Transaction costs (note 3(c))	–	–	–	–	–	–	–	(400,000)
Saber – Equity Financing (note 3(d))	18,781,985	19,157,624	–	–	9,390,993	2,441,659	–	–
Saber – Equity Financing costs (note 3(d))	1,278,682	(88,696)	–	–	639,342	(11,304)	–	–
Emblem – \$2M SFOD Financing (note 3(e))	1,739,130	1,773,913	–	–	869,565	226,087	–	–
Emblem – \$2M SFOD Financing costs (note 3(e))	139,130	(44,348)	–	–	69,565	(5,652)	–	–
Finders' fee shares (note 3(f))	1,500,000	1,530,000	–	–	–	–	–	(1,530,000)
Saber – Stock options (note 3(g))	–	–	–	–	–	–	37,200	(37,200)
	<b>65,154,467</b>	<b>47,237,597</b>	<b>14,065,285</b>	<b>–</b>	<b>15,133,566</b>	<b>4,622,887</b>	<b>422,702</b>	<b>(20,292,458)</b>

1) The Resulting Issuer has authorized unlimited common shares, without par value.

**Emblem Corp.**

Notes to Pro Forma Consolidated Statement of Financial Position

As at July 31, 2016

(Unaudited)

**(b) Warrants and other convertible instruments**

On completion of the Transaction, the following warrants and other convertible instruments will be outstanding:

Expiry Date	Warrants #	Equivalent number of common shares #	Exercise price \$
Warrants and other convertible instruments outstanding prior to Transaction			
2 years from the date of the qualifying transaction	39,365	787,300	0.50
5 years from the date of the qualifying transaction	545,495	10,909,890	0.75
June 23, 2021	145,640	2,912,800	0.75
September 9, 2018	694,670	694,670	1.20
September 12, 2018	2,089,609	2,089,609	1.20
September 15, 2018	615,989	615,989	1.20
September 19, 2018	33,333	33,333	1.20
Warrants issued in connection with Transaction			
Equity financings ( <i>note 3(d)</i> )	10,030,335	10,030,334	1.75
SFOD brokered offering ( <i>note 3(e)</i> )	939,130	939,130	1.75
	<b>15,133,566</b>	<b>29,013,055</b>	

In conjunction with the Transaction, all of the Emblem and Saber issued and outstanding warrants and options will be exchanged for the Resulting Issuer's warrants and options with terms and conditions consistent with those that existed immediately prior to the completion of the Transaction.

In addition, the Resulting Issuer is expected to have 4,930,000 stock options outstanding with a weighted average exercise price of \$0.50 and an expiry date of approximately 4 years from the completion of the Transaction.

The following table summarizes the Resulting Issuer's expected number of common shares and equivalent number of common shares that can potentially be issued of the Resulting Issuer by type of security:

	Legal number outstanding #	Equivalent number of common shares #
Common shares	65,154,467	65,154,467
Special shares	14,065,285	14,065,285
Warrants	15,133,566	29,013,055
Stock options	4,930,000	4,930,000
		<b>113,162,807</b>

**Emblem Corp.**

Notes to Pro Forma Consolidated Statement of Financial Position

As at July 31, 2016

(Unaudited)

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**5. TAXES**

The Resulting Issuer's effective tax rate on a pro forma basis is nil given the history of losses.

**SCHEDULE "D"**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR SABER CAPITAL CORP.**

# **SABER CAPITAL CORP.**

Management Discussion & Analysis

For the year ended January 31, 2016

67 East 5<sup>th</sup> Avenue  
Vancouver, BC V5T 1G7  
Tel: 604-315-1237  
dave@ddmercantile.com

**SABER CAPITAL CORP.**  
(A Capital Pool Company)  
MANAGEMENT DISCUSSION AND ANALYSIS

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**OVERVIEW**

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The purpose of this Management Discussion and Analysis (“MD&A”) is to explain management’s point of view of Saber Capital Corp.’s (the “Company”) past performance and future outlook. This report also provides information to improve the reader’s understanding of the financial statements and related notes as well as important trends and risks affecting the Company’s financial performance, and should therefore be read in conjunction with the Company’s audited financial statements and notes thereto for the year ended January 31, 2016 (the “Annual Financial Statements”). Additional information on the Company is available on SEDAR. All information contained in this MD&A is current as of May 4, 2016 unless otherwise stated.

All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards (“IFRS”) and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

**FORWARD LOOKING STATEMENTS**

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Certain sections of this MD&A may contain forward-looking statements.

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. Forward-looking statements may relate to the Company’s future financial conditions, results of operations, plans, objectives, performance or business developments. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management’s expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in our other filings with applicable securities regulators in Canada. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

The forward looking statements contained herein are based on information available as of May 4, 2016.

**SABER CAPITAL CORP.**  
(A Capital Pool Company)  
MANAGEMENT DISCUSSION AND ANALYSIS

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**OVERALL PERFORMANCE**

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The Company is classified as a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (the “Exchange”) Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition of or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

During the 2015 fiscal year, the Company completed a non-brokered private placement (in two separate tranches) by issuing a total of 5,900,000 common shares at a price of \$0.05 per share for gross proceeds of \$295,000. The Company issued 283,850 shares valued at \$14,193 to an arm’s length finder, being 7% of the number of shares sold to subscribers introduced by such finder. In addition, the Company also paid \$6,812 in share issue costs.

In January 2015, the Company granted 200,000 incentive stock options at an exercise price of \$0.10 per share and exercisable up to and including January 5, 2020. The options were valued at \$20,565 using the Black-Scholes option pricing model.

**SELECTED ANNUAL FINANCIAL DATA**

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As at January 31, 2016, the Company was listed on the NEX. The Company has not recorded any revenues, and depends upon share issuances to fund its administrative expenses. The following financial data, which has been prepared in accordance with IFRS, is derived from the Company’s audited financial statements for the years ended January 31, 2016, 2015 and 2014:

	Years Ended January 31,		
	2016	2015	2014
	\$	\$	\$
Revenues	-	-	-
General and administrative expenses	43,906	100,427	227,676
Interest income	5,200	7,391	9,318
Loss and comprehensive loss	(38,706)	(93,036)	(218,358)
Basic and diluted loss per common share	(0.00)	(0.01)	(0.02)
Total assets	843,068	874,234	660,314
Working capital	813,976	852,682	636,965
Dividends per share	-	-	-

At January 31, 2016, the Company had not yet achieved profitable operations and has accumulated losses of \$497,408 (2015 - \$458,702). These losses resulted in a loss and comprehensive loss per common share for the year ended January 31, 2016 of \$0.00 (2015 - \$0.01).

At January 31, 2016, the Company has no continuing source of operating revenues and related expenditures. The Company has not paid any dividends on its common shares nor does it have any present intention of paying dividends on its common shares, as it anticipates that all available funds for the foreseeable planning horizon will be invested to finance its business activities.

**SABER CAPITAL CORP.**  
(A Capital Pool Company)  
MANAGEMENT DISCUSSION AND ANALYSIS

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**RESULTS OF OPERATIONS**

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The Company has yet to generate any revenue since its inception from its planned operations and has, to date, incurred annual net losses from operating and administrative expenses.

The general and administrative expenses for the year ended January 31, 2016 totalled \$43,906 (2015 - \$100,427). The table below details the major changes in administrative expenditures for the year ended January 31, 2016 as compared to the corresponding year ended January 31, 2015.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Professional fees	Decrease of \$23,400	Decrease due to lower legal fees incurred and reduced corporate activity.
Rent	Decrease of \$9,450	Decreased as there was only two months of rent incurred in the current year.
Share-based compensation	Decrease of \$20,565	Decreased as there were no options granted in the current year.

**SUMMARY OF QUARTERLY RESULTS FOR THE LAST CONSECUTIVE EIGHT QUARTERS**

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Historical quarterly financial information derived from the Company's eight most recently completed quarters is as follows:

	Quarters Ended			
	January 31, 2016	October 31, 2015	July 31, 2015	April 30, 2015
	\$	\$	\$	\$
Loss and Comprehensive Loss	(14,031)	(3,174)	(13,335)	(8,166)
Basic and Diluted Loss Per Common Share	(0.00)	(0.00)	(0.00)	(0.00)
Weighted Average Shares	17,666,409	17,666,409	17,666,409	17,666,409
	January 31, 2015	October 31, 2014	July 31, 2014	April 30, 2014
	\$	\$	\$	\$
Loss and Comprehensive Loss	(40,616)	(3,785)	(39,106)	(9,529)
Basic and Diluted Loss Per Common Share	(0.00)	(0.00)	(0.00)	(0.00)
Weighted Average Shares	17,666,409	17,666,409	17,474,507	10,988,870

Weighted average shares calculations do not include 1,000,000 escrowed shares for the quarters up to and including January 31, 2016 as they are contingently returnable.

**SABER CAPITAL CORP.**  
(A Capital Pool Company)  
MANAGEMENT DISCUSSION AND ANALYSIS

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The variations in losses from quarter to quarter are a result of the extent of the amount of administrative expenses incurred. Additionally, the following one time events occurred:

- During the quarter ended January 31, 2015, the Company recognized \$20,565 of share-based compensation.
- During the quarter ended July 31, 2014, the Company recognized \$29,731 in professional fees for legal fees related to various general corporate matters.

#### **FOURTH QUARTER**

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The general and administrative expenses for the three months ended January 31, 2016 totalled \$15,154 (2015 - \$42,474). The major expenses for the quarter ended January 31, 2016 were filing fees of \$3,642 (2015 - \$2,023), professional fees of \$7,369 (2015 - \$19,762) and rent of \$3,150 (2015 - \$nil).

As at January 31, 2016, the Company had cash of \$842,193 (2015 - \$874,234) consisting mainly of proceeds from private placements. Cash decreased by \$6,064 during the current period versus a decrease of \$6,252 in the comparative period. The decrease in the current and comparative period was the result of funding the Company's administrative costs.

There were no material adjustments or other events affecting the Company's financial condition or performance in the fourth quarter.

#### **LIQUIDITY AND CAPITAL RESOURCES**

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The Company has financed its operations to date through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and/or debt.

As at January 31, 2016, the Company's liquidity and capital resources are as follows:

	<b>January 31, 2016</b>	<b>January 31, 2015</b>
	<b>\$</b>	<b>\$</b>
Cash	842,193	874,234
Prepaid expense	875	-
<b>Total current assets</b>	<b>843,068</b>	<b>874,234</b>
Accounts payable and accrued liabilities	29,092	21,552
<b>Working capital</b>	<b>813,976</b>	<b>852,682</b>

As at January 31, 2016, the Company had cash of \$842,193 (2015 - \$874,234) consisting mainly of proceeds from its IPO and private placements. Cash decreased by \$32,041 during the year ended January 31, 2016, which was the result of funding operating activities, versus an increase of \$213,920 in the comparative year. The increase in the prior year was the result of \$288,188 being received from private placements which was partially offset by operating activities of \$74,268.

Management believes the Company has sufficient funds on hand to meet anticipated administrative expenses and necessary investigation costs associated with reviewing and identifying assets or business prospects in the furtherance of the Company's search for a suitable Qualifying Transaction. The Company anticipates that its funds on hand will be sufficient to complete the search for a Qualifying Transaction as well as legal and other related expenses.

As of the date hereof, the Company did not have any commitments for capital expenditures, and the Company does not anticipate any such commitments in the foreseeable future.

**SABER CAPITAL CORP.**  
(A Capital Pool Company)  
MANAGEMENT DISCUSSION AND ANALYSIS

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As a company listed on the NEX, the Company is subject to externally imposed capital requirements as outlined in Exchange Policy 2.4 and summarized below:

- 1) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a related party of the Company or a related party of a Qualifying Transaction;
- 2) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a Qualifying Transaction;
- 3) No more than the lesser of \$210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate Qualifying Transactions;
- 4) After the completion of its IPO and until the completion of a Qualifying Transaction, a CPC may not issue any securities unless written acceptance of the Exchange is obtained before the issuance of the securities.

**OFF-BALANCE SHEET TRANSACTIONS**

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The Company does not have any off-balance sheet arrangements as at January 31, 2016 or as of the date of this report.

**RELATED PARTY TRANSACTIONS**

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In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive and non-executive) of the Company.

During the year ended January 31, 2016, the Company entered into the following transactions with related parties:

- Incurred rent expense of \$3,150 (2015 - \$12,600) to DD Mercantile Corp., a company controlled by David Doherty, a director and CEO of the Company. As at January 31, 2016, \$2,625 (2015 - \$3,000) was owed to DD Mercantile Corp. for unpaid rent which was included in accounts payable and accrued liabilities.

Summary of key management personnel compensation (includes officers and directors of the Company):

	<b>For the year ended January 31,</b>	
	<b>2016</b>	<b>2015</b>
	\$	\$
Share-based compensation	-	12,339

## **RISKS & UNCERTAINTIES**

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The Company is actively trying to complete a Qualifying Transaction and currently has no source of recurring income. The Company has not commenced commercial operations, and has no significant assets other than cash, has no history of earnings and shall not generate earnings or pay dividends until at least after the completion of a Qualifying Transaction. Until the completion of a Qualifying Transaction, the Company is not permitted to carry on any other business other than the identification and evaluation of potential Qualifying Transactions.

There can be no assurances that the Company will continue to be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

The Company's success depends to a certain degree upon key members for the management. It is expected that these individuals will be a significant factor in our growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Company.

## **CRITICAL JUDGEMENTS AND ESTIMATES**

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The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

All of the Company's significant judgements and estimates are included in Note 2 of the Annual Financial Statements.

## **CHANGES IN ACCOUNTING POLICIES**

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A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended January 31, 2016 and have not been applied in preparing the Annual Financial Statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's financial statements for the year ending January 31, 2019 or later:

- a) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The amendments are effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

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

**SABER CAPITAL CORP.**  
(A Capital Pool Company)  
MANAGEMENT DISCUSSION AND ANALYSIS

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The fair values of the Company's accounts payable and accrued liabilities approximate their carrying values. The Company's other financial instruments, being cash, are measured at fair value using Level 1 inputs.

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

***Credit Risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company has deposited its cash with its bank from which management believes the risk of loss is remote.

***Liquidity Risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and raising capital through equity financing.

***Interest Rate Risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

***Capital Management***

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a Qualifying Transaction. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms and approved by the Exchange.

**DISCLOSURE OF DATA FOR OUTSTANDING COMMON SHARES, OPTIONS AND WARRANTS**

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***Common Shares***

As at January 31, 2016 and the date of this report, the Company had 17,666,409 common shares issued and outstanding.

**SABER CAPITAL CORP.**  
(A Capital Pool Company)  
MANAGEMENT DISCUSSION AND ANALYSIS

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***Stock Options***

The following table summarizes the options outstanding and exercisable at the date of this report:

<b>Options outstanding</b>	<b>Exercise price</b>	<b>Options exercisable</b>	<b>Expiry date</b>
	\$		
200,000	0.10	200,000	July 6, 2016
200,000	0.10	200,000	January 5, 2020
40,000	0.10	40,000	July 6, 2021

***Escrow shares***

As at January 31, 2016 and the date of this report, the Company has 1,000,000 issued shares held in escrow which will be released to shareholders in accordance with TSX-V Policy 2.4 over a period of up to 36 months after a Qualifying Transaction has been completed.

**MANAGEMENTS RESPONSIBILITY FOR FINANCIAL INFORMATION**

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The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The financial statements were prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

The Company maintains internal control systems designed to ensure that financial information is relevant and reliable and that assets are safeguarded.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information.

**EVALUATION OF DISCLOSURE CONTROLS & PROCEDURES**

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Management has evaluated the effectiveness of its disclosure controls and procedures and has concluded that they are sufficiently effective to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

**OTHER MD&A REQUIREMENTS**

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Additional information relating to the Company may be found on or in:

- SEDAR at [www.sedar.com](http://www.sedar.com).
- The Company's audited financial statements for the years ended January 31, 2016 and 2015.

This MD&A was approved by the Board of Directors of Saber Capital Corp. on May 4, 2016.

# **SABER CAPITAL CORP.**

Management Discussion & Analysis

For the three and six months ended July 31, 2016

67 East 5<sup>th</sup> Avenue  
Vancouver, BC V5T 1G7  
Tel: 604-315-1237  
dave@rockshield.ca

**SABER CAPITAL CORP.**  
(A Capital Pool Company)  
MANAGEMENT DISCUSSION AND ANALYSIS

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**OVERVIEW**

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The purpose of this Management Discussion and Analysis (“MD&A”) is to explain management’s point of view of Saber Capital Corp.’s (the “Company”) past performance and future outlook. This report also provides information to improve the reader’s understanding of the financial statements and related notes as well as important trends and risks affecting the Company’s financial performance, and should therefore be read in conjunction with the Company’s condensed interim financial statements for the three and six months ended July 31, 2016 (the “Interim Financial Statements”) and audited financial statements and notes thereto for the year ended January 31, 2016 (the “Annual Financial Statements”). Additional information on the Company is available on SEDAR. All information contained in this MD&A is current as of September 29, 2016 unless otherwise stated.

All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards (“IFRS”) and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

**FORWARD LOOKING STATEMENTS**

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Certain sections of this MD&A may contain forward-looking statements.

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. Forward-looking statements may relate to the Company’s future financial conditions, results of operations, plans, objectives, performance or business developments. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management’s expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in our other filings with applicable securities regulators in Canada. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

The forward looking statements contained herein are based on information available as of September 29, 2016.

**SABER CAPITAL CORP.**  
(A Capital Pool Company)  
MANAGEMENT DISCUSSION AND ANALYSIS

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**OVERALL PERFORMANCE**

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The Company is classified as a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (the “Exchange”) Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition of or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

In accordance with a letter of intent (“LOI”) signed in May 2016 between the Company and Emblem Holdings Limited (“Emblem”), an arm’s length Ontario-based licensed producer of medical marihuana, the Company entered into an arrangement agreement (the “Arrangement Agreement”) with Emblem. Pursuant to the Arrangement Agreement, Saber Acquisition Corp. (“Saber Sub”), a subsidiary of the Company which was incorporated in August 2016, will amalgamate with Emblem and continue as one corporation (“Amalco”) which will be wholly owned by the Company.

The completion of the Arrangement Agreement is subject to the following occurring prior to November 30, 2016:

- Consolidation of the Company’s common shares (the “Consolidation”) on the basis of one post-consolidation share for each four shares immediately prior to the Consolidation;
- Continuation of the Company from a corporation existing under the Business Corporations Act (BC) to a corporation existing under the Canada Business Corporations Act (“CBCA”) and changing its name to “Emblem Corp.”;
- Completion by Emblem of an equity financing consisting of one Emblem share and one-half of one Emblem share purchase warrant for gross proceeds of a minimum of \$2,500,000 at a price of \$0.50 per unit with each warrant being exercisable at \$0.75 for a period of five years (the “Bridge Financing”) (closed for total proceeds of \$3,000,000 in June 2016);
- Completion by Emblem of an equity financing consisting of one Emblem share and one-half of one Emblem share purchase warrant for gross proceeds of a minimum of \$3,000,000 at a price of \$0.75 per unit with each warrant being exercisable at \$1.20 for a period of five years (the “Private Placement”) (closed for total proceeds of \$5,000,000 in September 2016);
- Completion of two equity offerings (the “Concurrent Financings”) as follows:
  - An offering of post-Consolidation shares of the Company (“Post-Consolidation Saber Shares”) with minimum gross proceeds of \$2,000,000 (by way of a short form offering); and
  - A unit offering where each unit is comprised of one Post-Consolidation Saber Share and one share purchase warrant to purchase one Post-Consolidation Saber Share for aggregate gross proceeds, when combined with the Bridge Financing and Private Placement to be completed by Emblem and cash held by the Company, that will amount to a minimum of \$11,000,000.
- Approval by all regulatory bodies, directors and shareholders.

A finder’s fee of up to 1,500,000 Post-Consolidation Saber Shares is payable upon completion of the Arrangement Agreement.

Assuming completion of the Arrangement Agreement, the common shares of Emblem will be cancelled in exchange for Post-Consolidation Saber Shares on a 1:1 basis. In addition, the common shares of the Saber Sub will be cancelled in exchange for common shares of Amalco on a 1:1 basis. The Company will become the holder of all the outstanding common shares of Amalco. The business combination transaction is structured as a reverse takeover (“RTO”) and will constitute the Company’s Qualifying Transaction. Upon successful completion of the RTO, the Company will be listed as a Tier 2 Industrial issuer operating as a licensed producer of medical marihuana.

**SABER CAPITAL CORP.**  
(A Capital Pool Company)  
MANAGEMENT DISCUSSION AND ANALYSIS

**SELECTED FINANCIAL DATA**

As at July 31, 2016, the Company was listed on the NEX. The Company has not recorded any revenues, and depends upon share issuances to fund its administrative expenses. The following financial data, which has been prepared in accordance with IFRS, is derived from the Company's condensed interim financial statements for the three and six months ended July 31, 2016 and 2015:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Revenues	-	-	-	-
General and administrative expenses	101,010	14,862	129,003	24,469
Interest income	1,140	1,527	2,265	2,968
Loss and comprehensive loss	(99,870)	(13,335)	(126,738)	(21,501)
Basic and diluted loss per common share	(0.01)	(0.00)	(0.01)	(0.00)
Total assets	776,588	862,444	776,588	862,444
Working capital	687,238	831,181	687,238	831,181
Dividends per share	-	-	-	-

At July 31, 2016, the Company had not yet achieved profitable operations and has accumulated losses of \$607,316 (July 31, 2015 - \$480,203). These losses resulted in a loss and comprehensive loss per common share for the six months ended July 31, 2016 of \$0.01 (July 31, 2015 - \$0.00).

At July 31, 2016, the Company has no continuing source of operating revenues and related expenditures. The Company has not paid any dividends on its common shares nor does it have any present intention of paying dividends on its common shares, as it anticipates that all available funds for the foreseeable planning horizon will be invested to finance its business activities.

**RESULTS OF OPERATIONS**

The Company has yet to generate any revenue since its inception from its planned operations and has, to date, incurred annual net losses from operating and administrative expenses.

The general and administrative expenses for the three months ended July 31, 2016 totalled \$101,010 (July 31, 2015 - \$14,862). The table below details the major changes in administrative expenditures for the three months ended July 31, 2016 as compared to the corresponding three months ended July 31, 2015.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Business investigation costs	Increase of \$36,642	Increased in connection with the Company's LOI signed in May 2016 with Emblem.
Professional fees	Increase of \$49,223	Increased in connection with higher legal fees associated with the Company's LOI signed with Emblem.

**SABER CAPITAL CORP.**  
(A Capital Pool Company)  
MANAGEMENT DISCUSSION AND ANALYSIS

The general and administrative expenses for the six months ended July 31, 2016 totalled \$129,003 (July 31, 2015 - \$24,469). The table below details the major changes in administrative expenditures for the six months ended July 31, 2016 as compared to the corresponding six months ended July 31, 2015.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Business investigation costs	Increase of \$38,870	Increased in connection with the Company's LOI signed in May 2016 with Emblem.
Professional fees	Increase of \$63,820	Increased in connection with higher legal fees associated with the Company's LOI signed with Emblem.

**SUMMARY OF QUARTERLY RESULTS FOR THE LAST CONSECUTIVE EIGHT QUARTERS**

Historical quarterly financial information derived from the Company's eight most recently completed quarters is as follows:

	Quarters Ended			
	July 31, 2016	April 30, 2016	January 31, 2016	October 31, 2015
	\$	\$	\$	\$
Loss and Comprehensive Loss	(99,870)	(26,868)	(14,031)	(3,174)
Basic and Diluted Loss Per Common Share	(0.01)	(0.00)	(0.00)	(0.00)
Weighted Average Shares	17,666,409	17,666,409	17,666,409	17,666,409
	July 31, 2015	April 30, 2015	January 31, 2015	October 31, 2014
	\$	\$	\$	\$
Loss and Comprehensive Loss	(13,335)	(8,166)	(40,616)	(3,785)
Basic and Diluted Loss Per Common Share	(0.00)	(0.00)	(0.00)	(0.00)
Weighted Average Shares	17,666,409	17,666,409	17,666,409	17,666,409

Weighted average shares calculations do not include 1,000,000 escrowed shares for the quarters up to and including July 31, 2016 as they are contingently returnable.

The variations in losses from quarter to quarter are a result of the extent of the amount of administrative expenses incurred. Additionally, the following one time events occurred:

- During the quarter ended July 31, 2016, the Company incurred significant business investigation costs and professional fees in association with the LOI signed with Emblem; and
- During the quarter ended January 31, 2015, the Company recognized \$20,565 of share-based compensation.

**SABER CAPITAL CORP.**  
(A Capital Pool Company)  
MANAGEMENT DISCUSSION AND ANALYSIS

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**LIQUIDITY AND CAPITAL RESOURCES**

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The Company has financed its operations to date through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and/or debt.

As at July 31, 2016, the Company's liquidity and capital resources are as follows:

	<b>July 31, 2016</b>	<b>January 31, 2016</b>
	\$	\$
Cash	768,213	842,193
Prepaid expense	8,375	875
<b>Total current assets</b>	<b>776,588</b>	<b>843,068</b>
Accounts payable and accrued liabilities	89,350	29,092
<b>Working capital</b>	<b>687,238</b>	<b>813,976</b>

As at July 31, 2016, the Company had cash of \$768,213 (January 31, 2016 - \$842,193) consisting mainly of proceeds from its IPO and private placements. Cash decreased during the three (and six months) ended July 31, 2016 and 2015 as a result of funding operating activities. The Company spent more cash in the current period due to various costs associated with the signing of the LOI with Emblem.

Management believes the Company has sufficient funds on hand to meet anticipated administrative expenses; however, the Company may need to raise additional funds to complete the Qualifying Transaction with Emblem. As such, the Company will likely seek additional financings to ensure that the costs associated with the Exchange listing requirements, customary due diligence, receipt of all necessary regulatory, corporate and third party approvals, compliance with all applicable regulatory requirements, and all requisite board and shareholder approvals is met.

As of the date hereof, the Company did not have any commitments for capital expenditures, and the Company does not anticipate any such commitments in the foreseeable future.

As a company listed on the NEX, the Company is subject to externally imposed capital requirements as outlined in Exchange Policy 2.4 and summarized below:

- 1) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a related party of the Company or a related party of a Qualifying Transaction;
- 2) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a Qualifying Transaction;
- 3) No more than the lesser of \$210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate Qualifying Transactions;
- 4) After the completion of its IPO and until the completion of a Qualifying Transaction, a CPC may not issue any securities unless written acceptance of the Exchange is obtained before the issuance of the securities.

**OFF-BALANCE SHEET TRANSACTIONS**

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The Company does not have any off-balance sheet arrangements as at July 31, 2016 or as of the date of this report.

**SABER CAPITAL CORP.**  
(A Capital Pool Company)  
MANAGEMENT DISCUSSION AND ANALYSIS

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**RELATED PARTY TRANSACTIONS**

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In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive and non-executive) of the Company.

As at July 31, 2016, \$nil (January 31, 2016 - \$2,625) was owed to DD Mercantile Corp., a company controlled by an officer and director of the Company, for unpaid rent and was included in accounts payable and accrued liabilities.

**RISKS & UNCERTAINTIES**

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The Company is actively trying to complete a Qualifying Transaction and there is no assurance that the transactions contemplated by the Arrangement Agreement will be completed as proposed, or at all. Closing of the RTO is subject to a number of conditions that may not be met, including, but not limited to, completion of satisfactory due diligence, approval of the RTO by the Exchange and the completion of securities offerings to raise sufficient capital to meet the requirements of the Exchange.

In addition, the Company currently has no source of recurring income. The Company has not commenced commercial operations, has no significant assets other than cash, has no history of earnings and shall not generate earnings or pay dividends until the Qualifying Transaction is complete. Until the completion of the Qualifying Transaction, the Company is not permitted to carry on any other business other than the identification and evaluation of potential Qualifying Transactions.

There can be no assurances that the Company will continue to be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

The Company's success depends to a certain degree upon key members for the management. It is expected that these individuals will be a significant factor in our growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Company.

**CRITICAL JUDGEMENTS AND ESTIMATES**

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The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

All of the Company's significant judgements and estimates are included in Note 2 of the Annual Financial Statements.

## **CHANGES IN ACCOUNTING POLICIES**

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A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the six months ended July 31, 2016 and have not been applied in preparing the Interim Financial Statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's financial statements for the year ending January 31, 2019 or later:

- a) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The amendments are effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

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

The fair values of the Company's accounts payable and accrued liabilities approximate their carrying values. The Company's other financial instruments, being cash, are measured at fair value using Level 1 inputs.

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

### ***Credit Risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company has deposited its cash with its bank from which management believes the risk of loss is remote.

### ***Liquidity Risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and raising capital through equity financing.

### ***Interest Rate Risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

**SABER CAPITAL CORP.**  
(A Capital Pool Company)  
MANAGEMENT DISCUSSION AND ANALYSIS

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***Capital Management***

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a Qualifying Transaction. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms and approved by the Exchange.

**DISCLOSURE OF DATA FOR OUTSTANDING COMMON SHARES, OPTIONS AND WARRANTS**

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***Common Shares***

As at July 31, 2016 and the date of this report, the Company had 17,666,409 common shares issued and outstanding.

***Stock Options***

The following table summarizes the options outstanding and exercisable at the date of this report:

<b>Options outstanding</b>	<b>Exercise price</b>	<b>Options exercisable</b>	<b>Expiry date</b>
	\$		
200,000	0.10	200,000	January 5, 2020
40,000	0.10	40,000	July 6, 2021

***Escrow shares***

As at July 31, 2016 and the date of this report, the Company has 1,000,000 issued shares held in escrow which will be released to shareholders in accordance with TSX-V Policy 2.4 over a period of up to 36 months after a Qualifying Transaction has been completed.

**MANAGEMENTS RESPONSIBILITY FOR FINANCIAL INFORMATION**

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The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The financial statements were prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

The Company maintains internal control systems designed to ensure that financial information is relevant and reliable and that assets are safeguarded.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information.

**SABER CAPITAL CORP.**  
(A Capital Pool Company)  
MANAGEMENT DISCUSSION AND ANALYSIS

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**EVALUATION OF DISCLOSURE CONTROLS & PROCEDURES**

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Management has evaluated the effectiveness of its disclosure controls and procedures and has concluded that they are sufficiently effective to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

**OTHER MD&A REQUIREMENTS**

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Additional information relating to the Company may be found on or in:

- SEDAR at [www.sedar.com](http://www.sedar.com).
- The Company's condensed interim financial statements for the three and six months ended July 31, 2016.
- The Company's audited financial statements for the year ended January 31, 2016.

This MD&A was approved by the Board of Directors of Saber Capital Corp. on September 29, 2016.

**SCHEDULE "E"**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR EMBLEM CORP.**

**EMBLEM CORP.**  
**(formerly KindCann Holdings Limited)**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended December 31, 2015

# EMBLEM CORP.

Management's Discussion & Analysis

For the year ended December 31, 2015

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A may contain “forward-looking information” within the meaning of Canadian securities legislation (“forward-looking statements”). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management’s expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including “may”, “future”, “expected”, “intends” and “estimates”. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Certain forward-looking statements in this MD&A include, but are not limited to the following:

- the Company’s expansion plans;
- its expectations regarding production capacity and production yields; and
- the expected demand for products and corresponding forecasted increase in revenue.

The above and other aspects of the Company’s anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to the Company’s ability to obtain the necessary financing and the general impact of financial market conditions, the yield from marihuana growing operations, product demand, changes in prices of required commodities, competition, government regulations and other risks.

# EMBLEM CORP.

Management's Discussion & Analysis  
For the year ended December 31, 2015

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This Management's Discussion and Analysis ("MD&A") is dated November XX, 2016. The following MD&A of Emblem Corp., (formerly KindCann Holdings Limited, (the "Company" or "Emblem")) should be read in conjunction with the Company's consolidated financial statements and accompanying notes, which are prepared in accordance with International Financial Reporting Standards for the years ended December 31, 2015 and 2014 ("Audited Financial Statements").

This document is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The Audited Financial Statements and this MD&A have been reviewed by the Company's Audit Committee and approved by its Board of Directors.

## Description of Business

Emblem was incorporated under the *Canada Business Corporations Act* on October 10, 2014. The Company changed its name to "Emblem Corp." on September 1, 2016. Emblem commenced its business activities on October 2, 2013, through its wholly-owned subsidiaries Emblem Cannabis Corporation ("ECC"), formerly KindCann Limited, and KindCann Realty Limited ("KindCann Realty"). These subsidiaries had no activity prior to 2014. The Company did not have any business activities prior to January 1, 2014. Emblem incorporated a wholly-owned subsidiary Oakbank Holdings Limited ("Oakbank") under the *Business Corporation Act* (Ontario) ("OBCA") on November 13, 2014. Oakbank was continued under the CBCA on July 27, 2016 under the name 9845992 Canada Limited.

Below are the addresses of the Company:

Head office: Suite 207, 1366 Yonge St. Toronto, ON, M4T 3A7  
Facility: 20 Woodslee Avenue., Paris, ON, N3L 3N6

Emblem, through its wholly-owned subsidiary ECC, holds a cultivation and distribution license as an Authorized Licensed Producer of medical cannabis pursuant to the provisions of the Access to Cannabis for Medical Purposes Regulations ("ACMPR") and the Controlled Drugs and Substances Act and its Regulations.

ECC commenced commercial cultivation in December 2015 at its licensed facility at 20 Woodslee Avenue in Paris, Ontario. Emblem received its license to distribute medical cannabis pursuant to the provisions of the Marihuana for Medical Purposes Regulations ("MMPR") and the Controlled Drugs and Substances Act and its Regulations in August 2015. On July 27, 2016 Emblem received a license to both produce and distribute under the MMPR. As of August 24, 2016, the ACMPR replaced the MMPR so the Company now holds its license to produce and distribute medical cannabis under the AMCPR.

The Annual Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, ECC, KindCann Realty and 9845992 Canada. All significant intercompany balances and transactions were eliminated on consolidation.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

# EMBLEM CORP.

Management's Discussion & Analysis  
For the year ended December 31, 2015

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## BUSINESS OVERVIEW

Emblem owns all of the shares of ECC, which was incorporated under the CBCA on August 26, 2013 and is the operating entity of Emblem. ECC holds a License under the ACMPR which allows ECC to produce and sell as a Licensed Producer.

KindCann Realty, a wholly-owned subsidiary of Emblem, purchased a pre-existing agricultural production facility in Paris, Ontario (i.e. the "Existing Facility"). The Existing Facility is located on three (3) acres of industrial (M2 Special Industrial) zoned lands which is suitable for significant expansion. The Existing Facility has convenient access to Highway #24A (Grand River St, N) and Highway #403. The Existing Facility consists of a 23,500 sq. ft. production building and a separate 3,500 sq. ft. administration building which is expected to be converted into a facility to produce cannabis oils in 2017 and pharmaceutical formulations in 2018. In October 2015 Emblem purchased a contiguous 1.2 acre parcel of land with a 5,000 sq. ft. administration building which is being renovated to house the Company's customer service personnel.

In Phase 1, the main 23,500 sq. ft. production building has been renovated to incorporate 2,400 sq. ft. of mothering and vegetation rooms and 3,200 sq. ft. in two flowering rooms together with attendant drying, packaging & fulfillment areas, vault area and administration. The productive capacity of the two grow rooms was approximately 600 to 700 kilograms per annum. The production building also has an additional three growing rooms comprising 4,800 sq. ft. in the aggregate (the "Phase 2 Grow Rooms") that are currently being completed and equipped and are expected to be put into production in February/March of 2017. The production building has adequate shipping/receiving capability and ample parking. After completion of the Phase 2 Grow Rooms, the production building will allow Emblem to produce approximately 1,750 kilograms of medical marijuana annually.

The Company operates in one segment, the production and sale of medical cannabis. All of the Company's assets are located in Canada.

### *Operations Update*

Emblem's principal business is the sale of cannabis to patients who have received medical authorizations to acquire and use dry cannabis flowers or cannabis oils. A significant proportion of the cannabis sold by licensed producers in Canada takes the form of dried flower. In July 2015 it became lawful to extract the cannabis active ingredients (and terpenes), dissolve them in appropriate oils and sell the resulting oils to qualified patients. Emblem will be producing and selling dried cannabis and cannabis oils to qualified patients.

Pricing of Emblem's products will be established in response to market conditions.

Authorizations are generally delivered and accepted on-line. Patient support is critical to success in the medical cannabis business. Emblem has established a robust and user-friendly website and e-commerce platform to ensure the best possible patient experience. Emblem has also established a large call-centre to provide real time support to patients. Fulfillment will generally be through the delivery facilities of Canada Post and the private courier industry.

Emblem is currently producing at the rate of 50-60 kilograms of dried flower per month. After completion of the Phase 2 Grow Rooms (February/March 2017) Emblem expects to be producing at a rate between 140 and 150 kilograms of dried flower per month.

Emblem expects to commence extraction activities in November of 2016 and to be in a position to sell cannabis oil products by March 2017. Emblem also intends to develop pharmaceutical formulations using cannabinoids as the underlying active ingredient, present them for approval by Health Canada and then

# EMBLEM CORP.

## Management's Discussion & Analysis

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market such formulations to the Canadian market. Emblem expects to begin research on such formulations early in 2017.

Health Canada regulations stipulate that the value of finished goods that can be held in inventory cannot exceed the licenced limitations tied to the security level of the facility. The facility's security level, as outlined in the Health Canada Directive on Physical Security Requirements for Controlled Substances, is established through a mix of perimeter, restricted area and storage vault physical and monitoring requirements as well as proximity to urban areas of the facility. The Existing Facility is currently licensed as a level 8 facility, which within the Paris geographic area allows for licensee holdings up to 6,250,000 grams, or 625 kilograms of marihuana.

### **GrowWise**

The Company holds a 50% interest in an entity, GrowWise Health Limited ("GrowWise"), a company incorporated and operating in the province of Ontario, Canada as a corporation. The business of the associate is to offer education services and other related services to prospective medical marihuana patients in Canada. Under the agreement, the Company made an initial investment of \$1,000,100 and also agreed to fund operations up to \$500,000, there was no substantial activity prior to 2015.

The Company has accrued and expensed the Company's obligation to fund the operations of GrowWise up to \$500,000 in 2014. For the year ended December 31, 2015, the Company provided \$375,116 of this funding leaving a provision of \$124,884. In addition the Company determined its original investment of \$1,000,100 was impaired and took an impairment charge with respect to its investment.

The Canadian physician community has been exceedingly cautious in authorizing medical cannabis. Consequently, prospective patients are encountering considerable difficulty accessing the ACMPR system. As a result, a number of specialty clinics have arisen across Canada providing cannabis medical and educational services. These clinics have become the primary access point for most patients seeking cannabis based healthcare solutions. GrowWise is establishing clinics and education centres to service potential cannabis patients and to provide education and support to patients who receive authorizations. GrowWise currently operates in 9 education centres on a full or part time basis. The level of activity in these centres has been growing in 2016 but the business is still requiring funding by Company. As the business has not reached profitability its ability to repay advances made to it uncertain. Accordingly, all advances to associate made to December 3, 2015 were, as noted above, charged against the provision provided for in 2014.

# EMBLEM CORP.

Management's Discussion & Analysis

For the year ended December 31, 2015

## RESULTS OF OPERATIONS

During the year ended December 31, 2015 the Company focused its efforts and investment on the following:

Raising funding to purchase and renovate a facility located at 20 Woodslee Avenue in Paris, Ontario  
Renovating the facility to comply with the ACMPR, including the installation of security equipment and a ACMPR compliant vault

Applying for and obtaining from Health Canada, in August 2015, a license to produce cannabis;

Installing lights, tables, automated irrigation and nutrient delivery systems in mothering, propagation, vegetation and two grow rooms;

Hiring of qualified grow and quality control manager and grow staff;

Obtaining seeds and clippings to begin growing cannabis in December 2015

### Emblem Corp.

#### Consolidated Statement of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited - prepared by management)

#### Selected Financial Information Consolidated Statements of Comprehensive Loss

	Years Ended	
	December 31, 2015	December 31, 2014
	\$	\$
<b>Revenue</b>	-	-
<b>Gross Profit (Loss)</b>	(80,394)	-
<b>Expenses before the following</b>	2,833,179	985,581
<b>Loss before the following</b>	2,913,573	985,581
Change in fair value of financial instruments	(300,000)	-
Impairment of investment	-	1,500,100
Dividend on Class A preferred shares	815,654	-
<b>Net loss and comprehensive loss for the period</b>	3,429,227	2,485,681
Basic and diluted loss per share	\$ (0.18)	\$ (22.28)
Weighted average number of common shares outstanding - basic and diluted	20,369,160	111,580

#### Selected Financial Information Consolidated Statements of Financial Position

	Years Ended	
	December 31, 2015	December 31, 2014
	\$	\$
Cash and cash equivalents	1,236,646	5,490,539
Total current assets	1,965,396	6,184,988
Total current liabilities	9,895,972	11,121,394
Preferred share liability	8,560,847	6,316,794
Working capital, excluding preferred share liability	630,271	1,380,388
Long-term debt	3,807,877	550,000
Shareholders' equity	(3,277,097)	(1,088,316)

# **EMBLEM CORP.**

Management's Discussion & Analysis

For the year ended December 31, 2015

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## **LIQUIDITY AND CAPITAL RESOURCES**

As at December 31, 2015, the Company had not yet achieved commercial production and has accumulated a deficit of \$5,914,908 since inception (December 31, 2014 – 2,485,681). As at December 31, 2015, the Company had \$3,500,000 of debt due on March 4, 2017, however subsequent to year-end the Company committed to repaying the \$3,500,000 amount no later than November 30, 2016. The Company is currently finalizing an alternative financing arrangement to satisfy this obligation. The Company will also need to raise additional equity capital to finance its working capital requirements until its revenues exceed its expenses and generates sufficient cash flows, as well as to fund the capital expenditures necessary under its business plan. As a result, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operations. Although the Company has been successful in the past and subsequent to year-end in obtaining financing and believes it will continue to be successful, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. These material uncertainties may cast significant doubt as to the Company's ability to continue to operate as a going concern.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for the consolidated financial statements, then adjustments would be necessary to the carrying amounts of assets and liabilities, the reported expenses and the classifications used in the consolidated statements of financial position.

As at December 31, 2015 the Company had \$1,236,646 of cash and a working capital deficit of \$7,930,576. Excluding the Class A preferred share liability of \$8,560,847, the Company had \$630,271 of working capital.

## **OPERATING ACTIVITIES**

### **Revenue**

Emblem did not generate any revenue in the years ended December 31, 2015 and December 31, 2014.

### **Cost of sales**

Included in cost of sales in the year end December 31, 2015 is the write off in respect of Emblem's initial purchase of clippings above market of \$18,000, the net change in fair value of biological assets of \$7,125 and production costs. Biological assets consist of cannabis plants at various pre-harvest stages of growth which are recorded at fair value less costs to sell at the point of harvest. At harvest, the biological assets are transferred to inventory at their fair value less costs to sell which becomes the deemed cost for inventory. Inventory is later expensed to cost of sales when sold as an offset against the unrealized gain on the biological assets. Production costs are expensed through cost of sales. Emblem had no cost of sales in 2014.

Production costs totaled \$69,519 in the year end December 31, 2015 (nil in 2014). These costs were incurred in December 2015 after the first clippings began to be propagated in the facility. Prior to this commencement of commercial production the expenses incurred in the facility were expensed to development.

### **Gross loss**

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## **Management's Discussion & Analysis**

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Gross margin was \$80,394 for year ended December 31, 2015 (nil in 2015) and was equal to cost of sales outlined above.

### **General and administrative expenses**

General and administrative expenses increased by \$853,265 in the year end December 31, 2015 from \$201,469 in 2014 to \$1,054,734. This increase was largely the result of the business being operational for a full twelve months that resulted in increased costs for management service fees, professional accounting, audit and legal services as the Company transitioned from development to production in late 2015.

### **Development costs**

Development costs in the year ended December 31, 2015 increased to \$556,676 compared to \$135,602 in 2014, as the Company moved towards production in its facility after the receipt of its ACMPR license in August 2015. Development costs are expected to increase again in 2016 as the Company develops a broader array of medical cannabis strains with varying levels of THC and CBD to deal with a range of patient needs.

### **Selling and Marketing costs**

Selling and Marketing costs in the year ended December 31, 2015 increased to \$345,753 compared to \$49,515 in 2014, as the Company ramped up its marketing efforts and hired marketing personnel to analyze the medical marijuana market.

### **Stock Based compensation**

The Company's compensation strategy is to minimize its cash compensation costs and align the interest of key members of its management and operational team to that of its shareholders. Accordingly, in September 2015 the Company established a stock option plan and granted its first options. A further grant was authorized by the Board in December 2015. As a result of the timing of the initial grant and the subsequent grant, stock based compensation increased by \$99,512 in the year ended December 31, 2015.

### **Depreciation & amortization**

Depreciation & amortization in the year ended December 31, 2015 increased by \$270,450 to \$282,814 in line with the Company's increased investment in property, plant and equipment and the commencement of its grow operations late in 2015.

### **Issuance Costs**

The reduction of issuance costs in the year ended December 31, 2015 to \$254,438 from \$586,631 is a result of the lower issuance of preferred shares in 2015 compared to 2014 as well as the fact that the similarity of terms with respect to 2015 issuances lowered the need for additional legal services.

### **Interest expense**

Interest expense in the year ended December 31, 2015 increased to \$239,252 (nil in 2014) as result of the mortgage on the acquisition of the facility and a second mortgage to help finance the renovations undertaken to renovate the facility in Paris to comply with the ACMPR.

## **INVESTING ACTIVITIES**

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In the year ended December 31, 2015, the Company invested a total of \$4,410,454, (nil in 2014) in the purchase and renovation the 23,500 square foot industrial building it had acquired in Paris to grow medical cannabis, including the upgrading of the building electrical system, security system and the installation of the necessary HVAC units. These renovations also included construction of mother room, a propagation room, a vegetation room, six flowering rooms, a drying room, a curing room and an ACMPR qualified vault. Two of the six flowering rooms became operational in December 2015 after the installation of growing tables and fifty 1,000 watt high pressure sodium lights. Three of the remaining four flowering rooms are expected to be operational by February 2017 with the fourth operational by May 2017.

## **FINANCING ACTIVITIES**

During the year ended December 31, 2015 Emblem raised \$3,469,233 by issuing 349,760 units consisting of one Class A Preferred Shares and one-half common share purchase warrant with an exercise price of \$15.00 and an expiry two years after the Company's go public transaction that was to occur before November 30, 2016. The Class A Preferred Shares were convertible on a one for one basis unless the go public transaction occurred after November 30, 2016. After November 30, 2016 the conversion ratio increased to 1 to 1.25 common shares. The Class A Preferred Shares were subdivided on a 20 for 1 basis by an amendment to the Articles of Amendment of August 18, 2016. The resulting Class A Preferred Shares were then converted to common shares on a 1 for 1 basis, effective May 2016, based on a vote of the Class A Preferred Shareholders and the filing of the Articles of Amendment on August 18, 2016.

In September 2015 the Company obtained an 18 month mortgage in the amount of \$3,500,000 to help finance the renovations on the facility. Issuance costs related to the mortgage totaled \$224,191. In May 2016, the Company agreed to repay this mortgage on November 30, 2016.

## **RISK FACTORS**

### **REQUIREMENT FOR PERMITS AND LICENCES**

Emblem will apply for, as the need arises, all necessary licences and permits, including but not limited to the renewal of those licences and permits under the ACMPR or the extension of those licenses and permits to ECC's expanding facilities, to carry on the activities it expects to conduct in the future. However, the ability of Emblem or its Affiliates to obtain, sustain or renew any such licences and permits or extend them to expanding facilities on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable Canadian regulatory authorities. Any loss of interest in any licence or permit required under the ACMPR, or the failure of appropriate governmental authority to issue or renew such licences or permits upon acceptable terms, would have a material adverse impact upon the Resulting Issuer. The current license expires on January 26, 2018. Although ECC believes it will meet the requirements of the ACMPR for extension of the license, there can be no guarantee that Health Canada will extend or renew the license or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the license or should it renew the license on different terms, the business, financial condition and results of the operation of ECC and Emblem would be materially adversely affected.

At the end of each term of the Emblem's ACMPR License, Emblem must submit an application for renewal to Health Canada containing information prescribed by the ACMPR. The ACMPR requires that the Federal Minister of Health, after examining the application and any supplementary information requested, issue a renewed license, unless the applicant fails to meet certain prescribed criteria.

# EMBLEM CORP.

Management's Discussion & Analysis

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ECC is not currently aware of any reason why it would not be able to receive a renewal of its ACMPR License.

## **EMBLEM MAY INCUR SIGNIFICANT NET LOSSES IN THE FUTURE AND MAY NOT ACHIEVE OR MAINTAIN PROFITABILITY**

Emblem is a recently formed business and has limited operating history. Shareholders must rely upon the ability of Emblem and its management to implement its business plan and strategy in a manner that is consistent with the business plan and strategy.

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

Emblem will be subject to the general risks inherent in the ownership and operation of the business of planting, growing, harvesting and marketing medical cannabis, which, as an agricultural product, is subject to the general risks associated with all agricultural products such as changes in raw material costs, the risk and uncertainties of planting, growing and harvesting, environmental matters, considerations relating to product quality, grading and branding, changes in laws and other general economic and market conditions. Equally important, cannabis, like all agricultural products is essentially a commodity. Although Emblem will use its best marketing efforts to distinguish its products from those of its competitors, there can be no assurance that such efforts will be successful.

## **REGULATORY RISKS**

Emblem's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment. While to the knowledge of Emblem's management, ECC is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of ECC and Emblem may cause adverse effects to ECC's operations and the financial condition of ECC.

The ACMPR is a new regime established in August 2016, replacing the previous MMPR (established in June 2013), following a February 24, 2016 Federal Court of Canada decision ruling the MMPR was unconstitutional as it did not provide "reasonable access" to medical marijuana. As such, revisions to the regime could be implemented which could have an impact on the Company's operations, including increased opportunity for individual producers (see "*Individual Producers*" immediately below).

Furthermore, although the operations of Emblem are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail Emblem's ability to distribute or, in the future, produce medical cannabis. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of medical cannabis, or more stringent implementation thereof could have a substantial adverse impact on Emblem.

Additionally, the pharmaceutical formulations Emblem intends to develop and produce are subject to approval by Health Canada. If Health does not provide such approval, this could have a substantial adverse impact on Emblem.

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## **INDIVIDUAL PRODUCERS**

Following a February 2016 Federal Court of Canada decision, the MMPR was deemed unconstitutional as it did not provide "reasonable access" for those seeking medical marihuana. Under the new ACMPR, registered persons may produce medical marihuana for their own personal use. If many individuals produce their own medical marihuana, then this may result in a smaller customer base for Emblem which may ultimately have a materially adverse effect on the business of Emblem.

## **ENVIRONMENTAL REGULATION AND RISKS**

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

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

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

Amendments to current laws, regulations and permits governing the production of medical cannabis, or more stringent implementation thereof, could have a material adverse impact on Emblem and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

## **EMPLOYEE HEALTH AND SAFETY REGULATIONS**

Emblem's operations are subject to laws and regulations concerning and employee health and safety and Emblem will incur ongoing costs and obligations related to compliance with such matters. Failure to comply with safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Emblem's operations or give rise to material liabilities, which could result in a material adverse effect on the operations of Emblem.

## **NEW INDUSTRY AND MARKET**

Emblem's business as a licensed producer represents a relatively new industry and young market resulting from the ACMPR (previously the MMPR) and its regulated regime. In addition to being subject to general business risks and to risks inherent in the nature of an early stage business, a business involving an agricultural product and a regulated consumer product, Emblem will need to build brand awareness in the new industry and market through significant investments in its strategy, its production capacity, quality

# **EMBLEM CORP.**

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assurance, and compliance with regulations, especially against competitors who have already spent some time building their brand. These activities may not promote the Emblem brand and products as effectively as intended, or at all. This new market and industry into which management is entering will have competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets. There are no assurances that this new industry and market will 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 this new market and industry may materially and adversely affect the business, financial conditions and results of operations of Emblem.

## **RELIANCE ON A SINGLE FACILITY**

To date, Emblem's activities and resources have been primarily focused on its existing facility in Paris, Ontario. Adverse changes or developments affecting the existing facility could have a material adverse effect on the business, financial condition and prospects of Emblem.

## **RELIANCE ON THIRD PARTIES**

The nature of Emblem's business may require engaging third party suppliers and contractors. Non-performance by such third parties may disrupt the operations of the Emblem which could have a substantial adverse impact on the Resulting Issuer.

## **RELIANCE ON SKILLED WORKERS**

The ability of Emblem to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that Emblem will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

## **PLANNED EXPANSION**

It is possible that the final costs and time to completion of its planned expansion and related major equipment purchases contemplated by Emblem may be significantly greater than anticipated by management, and may require more time and more funds than are available, in which circumstance Emblem may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of Emblem.

## **LIMITED EXPERIENCE OPERATING A LICENSED PRODUCER**

The board and management of Emblem will have overall responsibility for management of Emblem and, while certain of Emblem's directors and officers have extensive experience in management and finance as well as in the operation of publicly-owned businesses, certain officers have limited experience operating a public company. In addition, Emblem 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 Emblem's management systems, infrastructure and other resources. Emblem cannot assure shareholders that its management's past experience will be sufficient to enable Emblem to successfully operate as a public company.

Similarly, though certain of Emblem's directors and officers have extensive experience in similar industries involving pharmaceutical products, the nature of the new industry and developing market for medical cannabis may result in management having to change focus and strategy and adapt to an evolving and changing market and industry. In addition, Emblem will be susceptible to adverse developments in this new market and industry, the sole market in which it will operate, such as new developments, changing demographics, changing regulatory regime and other factors.

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If Emblem is unable to successfully operate as a public company or as a licensed producer, this could substantially reduce its earnings and its ability to generate stable positive cash flow from its operations and may reduce the value of its common shares and adversely affect Emblem's ability to raise additional capital.

## **ATTRACTING CUSTOMERS**

Emblem's cash-flow is dependent on its ability to attract customers. As Emblem is a young company, it may not be able to attract enough customers to allow it to achieve its cash-flow breakeven point.

## **INSURANCE AND UNINSURED RISKS**

Emblem's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Emblem will obtain insurance as to its business operations, including general liability, fire, flood and extended coverage. There are, however, certain types of risks, generally of a catastrophic nature, or environmental contamination, which currently are or may in the future become either uninsurable or not insurable on an economically viable basis. Emblem may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Emblem might also become subject to liability for pollution or other hazards which may not be insured against or which Emblem may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Emblem to incur significant costs that could have a material adverse effect upon Emblem's financial performance and results of operations.

## **UNFAVOURABLE PUBLICITY OR CONSUMER PERCEPTION**

Emblem believes the medical marihuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marihuana distributed to such consumers. Consumer perception of Emblem's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marihuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical marihuana 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 Emblem's products and the business, results of operations, financial condition and cash flows of Emblem. Emblem's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on Emblem, the demand for Emblem's products, and the business, results of operations, financial condition and cash flows of Emblem. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marihuana in general, or Emblem's products specifically, or associating the consumption of medical marihuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

## **COMPLETION OF THE TRANSACTION AND TSXV APPROVAL**

The completion Emblem's go public transaction is subject to several conditions precedent. There can be no assurances that the transaction will be completed on the terms set out in the Arrangement Agreement, as negotiated, or at all. In the event that any of the conditions precedent are not satisfied or waived, the

# **EMBLEM CORP.**

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transaction may not be completed. In addition, there is no guarantee that the resulting issuer will be able to satisfy the requirements of the TSXV such that it will issue the Final Exchange Bulletin, or the requirements of the TSXV such that it will list the common shares of the resulting issuer.

## **ONGOING NEED FOR FINANCING**

As Emblem will likely operate at a loss throughout much of 2017, its ability to continue operations will be largely reliant on its continued attractiveness to equity investors. Emblem is expected to incur operating losses as it continues to expend funds to develop its business operations. Even if its financial resources upon completion of its go public transaction are sufficient to fund its current operations, there is no guarantee that Emblem will be able to achieve its business objectives. The continued development of Emblem following the go public transaction may require substantial additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or Emblem going out of business. The primary source of funding available to Emblem will consist of equity financing. 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 Emblem. In addition, from time to time, Emblem 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 temporarily increase Emblem's debt levels above industry standards.

## **VOLATILE STOCK PRICE**

Upon completion of the go public transaction the stock price of Emblem is expected to be highly volatile and could be drastically affected by governmental and regulatory regimes and community support for the medical marijuana industry. Emblem cannot predict the results of its operations expected to take place in the future. The results of these activities will inevitably affect Emblem's decisions related to future operations and may trigger major changes in the trading price of the Emblem's trading after the go public transaction.

## **POTENTIAL CONFLICTS OF INTEREST**

Some of the individuals who will be appointed as directors or officers of Emblem may also be directors and/or officers of other reporting and non-reporting issuers. As of the date of these financial statements, and to the knowledge of the directors and officers of Emblem, there are no existing conflicts of interest between Emblem and any of the individuals who will continue as directors or officers following the completion of the go public transaction, other than as may arise in connection with Harvey Shapiro and Gordon Fox's interest in White Cedar Pharmacy Corporation. Additional situations may arise where the directors and/or officers of Emblem may be in competition with the Company. Any conflicts will be subject to and governed by the law applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of Emblem's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of Emblem are required to act honestly, in good faith and in the best interests of the Company.

## **MARKET FOR EMBLEM COMMON SHARES**

There is currently no market through which the Emblem common shares may be sold. An active public market for the common shares of the issuer after the go public transaction may not develop or be sustained following the go public transaction. If an active public market does not develop or is not sustained, the liquidity of the common shares of this issuer may be limited, and the price of the common shares may decline below the purchase price of the Emblem common shares and/or the Saber common shares obtained in Emblem's recent private placements and the go public offerings respectively.

# **EMBLEM CORP.**

Management's Discussion & Analysis

For the year ended December 31, 2015

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## **FUTURE SALES OF EMBLEM POST-CONSOLIDATION COMMON SHARES BY EXISTING SHAREHOLDERS**

Sales of a large number of shares of Emblem exchanged for common shares in its go public transaction (Emblem Post-Consolidation Common Shares") in the public markets, or the potential for such sales, could decrease the trading price of the Emblem Post-Consolidation Common Shares and could impair Emblem's ability to raise capital through future sales of Saber Post-Consolidation Common Shares. Emblem and Saber may from time to time have previously issued securities at an effective price per share which was lower than the market price of the Saber Post-Consolidation Common Shares from time to time. Accordingly, certain shareholders of Emblem may have an investment profit in the Saber Post-Consolidation Common Shares that they may seek to liquidate following the closing of the go public transaction.

## **MARKET PRICE OF SABER POST-CONSOLIDATION COMMON SHARES**

The Emblem common shares do not currently trade on any exchange or market, and the Saber Common Shares are currently listed and posted for trading on the TSXV. Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. If the Transaction is completed, the price of the Saber Post-Consolidation Common Shares is also likely to be significantly affected by changes in applicable rules and regulations governing the importation, distribution and production of medical marijuana, or in financial condition or results of its operations. Other factors unrelated to the performance Emblem that may have an effect on the price of the Saber Post-Consolidation Common Shares include the following: the extent of analytical coverage available to investors concerning the business of Emblem may be limited if investment banks with research capabilities do not follow these securities; lessening in trading volume and general market interest in these securities may affect an investor's ability to trade significant numbers of Saber Post-Consolidation Common Shares; the size of the public float may limit the ability of some institutions to invest in these securities; and a substantial decline in the price of the Saber Post-Consolidation Common Shares that persists for a significant period of time could cause these securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Saber Post-Consolidation Common Shares at any given point in time may not accurately reflect the long-term value of Emblem following the completion of the go public transaction or otherwise. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. Emblem may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

## **HOLDING COMPANY**

Emblem is a holding company and essentially all of its assets are the capital stock of its subsidiaries. As a result, investors in Emblem are subject to the risks attributable to its subsidiaries. As a holding company, Emblem conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Emblem's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to Emblem. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Emblem's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Emblem.

# **EMBLEM CORP.**

Management's Discussion & Analysis

For the year ended December 31, 2015

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## **ATTRACTION AND RETENTION OF KEY PERSONNEL INCLUDING DIRECTORS**

Emblem has a small management team and the loss of a key individual or inability to attract suitably qualified staff could have a material adverse impact on its business. Emblem may also encounter difficulties in obtaining and maintaining suitably qualified staff in certain of the jurisdictions in which it conducts business. Emblem has sought to and will continue to ensure that management, directors and any key employees are provided with appropriate incentives; however, their services cannot be guaranteed.

## **COMPETITION**

The Canadian medical marijuana industry is competitive in all of its phases. Emblem will face strong competition from other companies. Many of these companies have greater financial resources, operational experience and technical capabilities than Emblem. As a result of this competition, Emblem may be unable to maintain its operations or develop them as currently proposed, on terms it considers acceptable or at all. Consequently, the revenue, operations and financial condition of Emblem could be materially adversely affected.

The government has only issued to date a small number of licences under the ACMPR (and its predecessor regimes) to produce and sell medical marijuana. There are, however, several hundred applicants for licences. The number of licences granted could have an impact on the operations of Emblem. Because of early stage of the industry in which Emblem operates, it may face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and Emblem expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, Emblem will require a continued high level of investment in research and development, marketing, sales and client support. Emblem may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations.

## **LIMITED OPERATING HISTORY**

Emblem had no revenue in 2014 or 2015. Emblem is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that Emblem will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

## **TRANSPORTATION DISRUPTIONS**

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

## **NECESSITY OF CERTAIN INPUTS**

Emblem's business is dependent on a number of fundamental inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for certain inputs could materially impact the business, financial condition and operating results of Emblem. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, Emblem might be unable to find a replacement for such source

# **EMBLEM CORP.**

Management's Discussion & Analysis

For the year ended December 31, 2015

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in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to Emblem in the future. Any inability to secure required supplies and services or to do so on appropriate terms could result in a material adverse effect on the operations of Emblem and materially adversely impact the business, financial condition and operating results.

## **FINANCIAL MARKET CONDITIONS**

Financial market conditions are subject to volatility and other pressures. Access to public financing may be negatively impacted by global events. These factors may impact the ability of Emblem to obtain equity or debt financing in the future and, if obtained, on terms favourable to it. If these increased levels of volatility and market turmoil continue, the operations Emblem could be adversely impacted and the value and the price of the Saber Post-Consolidation Common Shares and other securities could be adversely affected.

## **PRODUCT LIABILITY**

As a distributor of products designed to be ingested by humans, Emblem 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 sale of Emblem's products 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 Emblem's products alone or in combination with other medications or substances could occur. Emblem may be subject to various product liability claims, including, among others, that Emblem's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against Emblem could result in increased costs, could adversely affect Emblem's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of Emblem. There can be no assurances that Emblem 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 Emblem's potential products.

## **PRODUCT RECALLS**

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of Emblem's products are recalled due to an alleged product defect or for any other reason, Emblem could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Emblem 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 Emblem has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of Emblem's significant brands were subject to recall, the image of that brand and Emblem could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for Emblem's products and could have a material adverse effect on the results of operations and financial condition of Emblem. Additionally, product recalls may lead to increased scrutiny of Emblem's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

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For the year ended December 31, 2015

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## **RISKS INHERENT IN AN AGRICULTURAL BUSINESS**

Emblem's business involves the growing of medical marihuana, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although Emblem expects that any such growing will be completed indoors under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

## **VULNERABILITY TO RISING ENERGY COSTS**

Emblem's medical marihuana growing operations, such operations will consume considerable energy, which will make Emblem vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business and its ability to operate profitably.

## **DEPENDENCE ON SUPPLIERS**

The ability of Emblem to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to equipment, parts and components. No assurances can be given that Emblem will be successful in maintaining its required supply of equipment, parts and components. This could have an adverse effect on its financial results.

## **DIVIDEND POLICY**

Other than the common share dividend declared and made by Emblem to holders of Emblem Class A Preferred Shares as of June 30, 2015 and December 31, 2015, which resulted in the issuance of an aggregate of 1,638,900 Emblem common shares, no dividends on any of Emblem Common Shares have been paid. Payment of any future dividends by Emblem, if any, will be at the discretion of the board of directors after taking into account many factors, including the Company's operating results, financial condition, and current and anticipated cash needs.

## **DIFFICULTY TO FORECAST**

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

## **MANAGEMENT OF GROWTH**

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

## **DILUTION TO EMBLEM COMMON SHARES**

It is anticipated that immediately prior to the transaction, Saber will have 4,416,602 Emblem Post-Consolidation Common Shares issued and outstanding (exclusive of any Emblem Post-Consolidation Common Shares that may be issued upon the exercise of Saber Options or other convertible securities of Saber). In the event that the Transaction is completed as contemplated hereby, an aggregate of 51,364,222 Saber Post-Consolidation Common Shares will be issued to former holders of Emblem Common Shares in consideration of the acquisition by Saber of all such issued and outstanding Emblem Common Shares.

# **EMBLEM CORP.**

Management's Discussion & Analysis

For the year ended December 31, 2015

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The increase in the number of Saber Post-Consolidation Common Shares issued and outstanding, and the sales of such shares, may have a depressive effect on the price of the Saber Post-Consolidation Common Shares. In addition, as a result of the issuance of such additional Saber Post-Consolidation Common Shares, the voting power of the existing Emblem shareholders will be diluted.

The issuer resulting from the go public transaction may, in its sole discretion in accordance with its constating documents and subject to applicable laws, including the policies of the TSXV, issue additional securities (equity, debt or otherwise) from time to time, and the interests of the holders of Emblem shares may be diluted further thereby.

## **ACMPR LITIGATION**

There have been a number of civil suits brought by various parties against the Government of Canada in an attempt to forestall the implementation of or completely eliminate the ACMPR (and/or its predecessor regimes). Emblem believes that efforts to eliminate or materially alter the ACMPR through litigation will be unsuccessful. However, efforts to forestall implementation or amend the language of the MMPR and MMAR have enjoyed some success. The ACMPR itself was created following a February 24, 2016 court order. Earlier, an interim injunction was granted, forestalling the application of the MMPR as it relates to the ability of certain patients in financial distress to continue to grow marihuana for their private medical use.

Emblem believes that civil actions involving the Government of Canada concerning various aspects of the ACMPR will continue to appear and that this will create an environment of uncertainty for a considerable period of time. Although, Emblem believes that any litigation process would not ultimately result in a material impact on the overall Canadian market for medical marihuana under the ACMPR, litigation proceedings are inherently unpredictable and prospective investors should be aware that such proceedings could have a material adverse effect on Emblem's business.

## **LITIGATION**

Emblem or the Emblem subsidiaries may become party to litigation from time to time in the ordinary course of business which could result in a material adverse effect on the operations of Emblem or the Emblem Subsidiaries. Should any litigation in which Emblem or the Emblem Subsidiaries become involved be determined against Emblem or the Emblem Subsidiaries, such a decision could result in a material adverse effect on the operations of Emblem or the Emblem Subsidiaries. Even if Emblem or the Emblem Subsidiaries is successful in litigation, litigation can redirect significant company resources.

## **CHANGE IN TAX LAWS**

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Emblem's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce Emblem's earnings and could make future capital investments or Emblem's operations uneconomic.

# EMBLEM CORP.

Management's Discussion & Analysis

For the year ended December 31, 2015

## *Contractual Obligations*

As of December 31, 2015, the Company had the following commitments:

<u>Contractual Obligations</u>	Less than 1 year \$	2-3 years \$	After 3 years \$	Total \$
Long-term loans	-	4,050,000	-	4,050,000
Leases	111,864	83,898	-	195,752
	<u>111,864</u>	<u>4,133,898</u>	<u>-</u>	<u>4,245,752</u>

## OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this MD&A, the Company had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

## TRANSACTIONS WITH RELATED PARTIES

Key management personnel consist of the Board of Directors and the executive management team who provide consulting services to the Company and have the authority and responsibility for planning, directing and controlling the activities of the Company.

Key management personnel compensation, including the executive management team, officers and directors of the Company, for the year ended December 31, 2015 is as follows:

	\$
Management service fees	695,000
Reimbursement of costs	43,500
Share-based compensation	11,585
	<u>750,085</u>

No compensation was received by key management personnel in 2014.

The Company's investment in GrowWise is a related party. In addition, the other 50% owner of GrowWise is White Cedar which is also a related party by virtue of common share ownership of key management of both White Cedar and Emblem. In 2014, the Company made a payment of \$1,000,000 to White Cedar in connection with the establishment of the GrowWise venture. In 2015, the Company providing \$375,116 under its funding arrangement.

Legal fees in the amount of approximately \$28,000 were paid to a related party for legal services.

# EMBLEM CORP.

Management's Discussion & Analysis

For the year ended December 31, 2015

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## CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's Annual Financial Statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the Annual Financial Statements relate to going concern assumptions, the estimated useful lives and depreciation of property, plant and equipment, valuation of the Class A Preferred shares, share-based payments and fair value measurements for inventory and biological assets.

## New Standards and Interpretations Not Yet Adopted

The Company has not applied the following new and revised IFRS's that have been issued but are not yet effective:

(i) Revenue recognition

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”) which supersedes IAS 11 – *Construction Contracts*; IAS 18 – *Revenue*; IFRIC 13 – *Customer Loyalty Programmes*; IFRIC 15 – *Agreements for the Construction of Real Estate*; IFRIC 18 – *Transfers of Assets from Customers*; and SIC 31 – *Revenue – Barter Transactions involving Advertising Services*. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

(ii) Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* (“IFRS 9”) to replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

iii) Leases

In January 2016, the IASB issued IFRS 16 – *Leases* (“IFRS 16”), which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same date as IFRS 16. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

# EMBLEM CORP.

Management's Discussion & Analysis

For the year ended December 31, 2015

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## iv) Property, Plant and Equipment and Agriculture

In June 2014, the IASB amended IAS 16 – *Property, Plant and Equipment* (“IAS 16”) and IAS 41 – *Agriculture* (“IAS 41”) to include “bearer plants” within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for as property, plant and equipment and measured at initial recognition on a cost or revaluation basis in accordance with IAS 16. Also, this amendment introduces a definition of “bearer plants” as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. This amendment is applicable to annual periods beginning on or after January 1, 2016.

The Company has concluded its mother plants are “bearer plants” and accordingly will account for its mother plants under IAS 16 in its future consolidated financial statements. As at December 31, 2015, the Company did not have any mother plants.

## FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The carrying values of cash, subscriptions receivable, accounts payable and accrued liabilities, advances from related company and advances from shareholders, approximate their fair values due to their short-term to maturity. The carrying value of the mortgage payable approximates its fair value due to interest charged at the market rate.

### Fair value hierarchy

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on 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 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The fair value of the Class A preferred shares liability has been measured using the estimated enterprise value of the Company relative to the number of common and preferred shares plus accumulated unpaid dividends. As the key inputs to this valuation approach are not based on observable market data, the financial liability is classified as a Level 3 instrument.

Broker warrant entitles the holder to purchase on Unit at a purchase price of \$10 per Unit with a term of two years following a go public transaction. The fair value of the broker warrants was determined to be nominal at the time of issue based on the terms associated with the underlying agreement which precludes the holders of the broker warrants from exercising them until such a time the Company becomes a public company. As the key inputs to this valuation approach are not based on observable

# EMBLEM CORP.

Management's Discussion & Analysis

For the year ended December 31, 2015

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market data and takes into consideration the probability and timing of the Company becoming a public company, the financial liability is classified as a Level 3 instrument.

## **(b) Financial Instruments Risk**

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board approves and monitors the risk management processes:

### **(i) Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, accounts receivable and other receivables. The Company's cash is deposited with a major Canadian bank. Management considers the risks related to credit are nominal as at December 31, 2015.

### **(ii) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing, on an ongoing basis, its financial requirements for operations and capital expenditures. As at December 31, 2015, the Company had \$1,236,646 in cash and working capital of \$1,230,271, excluding the carrying value of the Class A preferred share liability (see liquidity and capital resources).

The Company is dependent on the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financings to meet current and future obligations. There can be no assurance that such financings will be available on terms acceptable to the Company. See note 1 to the Annual Financial Statements.

### **(iii) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents bear interest at market rates. The Company's mortgages have fixed rates of interest and do not expose the Company to interest rate risk.

**EMBLEM CORP.**  
**(formerly KindCann Holdings Limited)**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the nine month period ended September 30, 2016

# EMBLEM CORP.

Management's Discussion & Analysis

For the year ended September 30, 2016

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A may contain “forward-looking information” within the meaning of Canadian securities legislation (“forward-looking statements”). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management’s expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including “may”, “future”, “expected”, “intends” and “estimates”. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Certain forward-looking statements in this MD&A include, but are not limited to the following:

- the Company’s expansion plans;
- its expectations regarding production capacity and production yields; and
- the expected demand for products and corresponding forecasted increase in revenue.

The above and other aspects of the Company’s anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to the Company’s ability to obtain the necessary financing and the general impact of financial market conditions, the yield from marihuana growing operations, product demand, changes in prices of required commodities, competition, government regulations and other risks.

# EMBLEM CORP.

Management's Discussion & Analysis

For the year ended September 30, 2016

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This Management's Discussion and Analysis ("MD&A") is dated November XX, 2016. The following MD&A of Emblem Corp., (formerly KindCann Holdings Limited, (the "Company" or Emblem")) should be read in conjunction with the interim condensed consolidated financial statements and accompanying notes, which are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") for the nine months ended September 30th, 2016, the 2015 Annual MD&A and the Company's audited consolidated financial statements and accompanying notes as of December 31, 2015 and 2014 ("Audited Financial Statements").

All amounts are expressed in Canadian dollars unless otherwise noted.

This document is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The interim condensed consolidated financial statements and this MD&A have been reviewed by the Company's Audit Committee and approved by its Board of Directors.

## Description of Business

Emblem was incorporated under the *Canada Business Corporations Act* ("CBCA") on October 10, 2014. The Company changed its name to "Emblem Corp." on September 1, 2016. Emblem commenced its business activities on October 2, 2013, through its wholly-owned subsidiaries Emblem Cannabis Corporation ("ECC"), formerly KindCann Limited, and KindCann Realty Limited ("KRL"). These subsidiaries had no activity prior to 2014. The Company did not have any business activities prior to January 1, 2014. Emblem incorporated a wholly-owned subsidiary Oakbank Holdings Limited ("Oakbank") under the *Business Corporation Act (Ontario)* ("OBCA") on November 13, 2014. Oakbank was continued under the CBCA on July 27, 2016 under the name 9845992 Canada Limited ("9845992 Canada").

Below are the addresses of the Company:

Head office: Suite 207, 1366 Yonge St. Toronto, ON, M4T 3A7

Facility: 20 Woodslee Avenue, Paris, ON, N3L 3N6

Emblem, through its wholly-owned subsidiary ECC, holds a cultivation license as an Authorized Licensed Producer of medical cannabis pursuant to the provisions of the Access to Cannabis for Medical Purposes Regulations ("ACMPR") and the Controlled Drugs and Substances Act and its Regulations.

ECC commenced commercial cultivation in December 2015 at its licensed facility at 20 Woodslee Avenue in Paris, Ontario. Emblem received its license to distribute medical cannabis pursuant to the provisions of the Marihuana for Medical Purposes Regulations ("MMPR") and the Controlled Drugs and Substances Act and its Regulations on August 26, 2015. On July 27, 2016, Emblem received a license to both produce and distribute under the MMPR. As of August 24, 2016, the ACMPR replaced the MMPR so the Company now holds its license to produce and distribute medical cannabis under the ACMPR.

This MD&A reports on the unaudited operating results and financial condition of the Company for the month period ended September 30, 2016 and is prepared as of November XX, 2016. The MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the nine month period ended September 30, 2016 (the "Interim Financial Statements") and the audited consolidated financial statements for the years ended December 31, 2015 and 2014.

The MD&A and Interim Financial Statements were prepared in accordance with International Financial Reporting Standards (IFRS").

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The Interim Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, ECC, KRL and 9845992 Canada. All significant intercompany balances and transactions were eliminated on consolidation.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

## **BUSINESS OVERVIEW**

Emblem owns all of the shares of ECC, which was incorporated under the CBCA on August 26, 2013 and is the operating entity of Emblem. ECC holds a License under the ACMPR which allows ECC to produce and sell as a Licensed Producer.

KindCann Realty, a wholly-owned subsidiary of Emblem, purchased a pre-existing agricultural production facility in Paris, Ontario (i.e. the "Existing Facility"). The Existing Facility is located on three (3) acres of industrial (M2 Special Industrial) zoned lands which is suitable for significant expansion. The Existing Facility has convenient access to Highway #24A (Grand River St, N) and Highway #403. The Existing Facility consists of a 23,500 sq. ft. production building and a separate 3,500 sq. ft. administration building which is expected to be converted into a facility to produce cannabis oils in 2017 and pharmaceutical formulations in 2018. On September 17, 2015 Emblem purchased a contiguous 1.2 acre parcel of land with a 5,000 sq. ft. administration building which is being renovated to also house the Company's customer service personnel.

In Phase 1, the main 23,500 sq. ft. production building has been renovated to incorporate 2,400 sq. ft. of mothering and vegetation rooms and 3,200 sq. ft. in two flowering rooms together with attendant drying, packaging & fulfillment areas, vault area and administration. The production building also has an additional three growing rooms comprising 4,800 sq. ft. in the aggregate (the "Phase 2 Grow Rooms") that are currently being completed and equipped and are expected to be put into production in February/March of 2017. The production building has adequate shipping/receiving capability and ample parking. After completion of the Phase 2 Grow Rooms, the production building will allow Emblem to produce approximately 1,750 kilograms of medical marijuana annually. A fourth 1,600 sq. ft. grow room is expected to be used for services ancillary to growing until June 2017 when it will be equipped to produce a further 350 kilograms of medical marijuana annually.

The Company operates in one segment, the production and sale of medical cannabis. All of the Company's assets are located in Canada.

## **Operations Update**

Emblem's principal business is the sale of cannabis to patients who have received medical authorizations to acquire and use dry cannabis flowers or cannabis oils. A significant proportion of the cannabis sold by licensed producers in Canada takes the form of dried flower. In July 2015, it became lawful to extract the cannabis active ingredients (and terpenes), dissolve them in appropriate oils and sell the resulting oils to qualified patients. Emblem will be producing and selling dried cannabis and cannabis oils to qualified patients.

Pricing of Emblem's products will be established in response to market conditions.

Authorizations are generally delivered and accepted on-line. Patient support is critical to success in the medical cannabis business. Emblem has established a robust and user-friendly website and e-commerce platform to ensure the best possible patient experience. Emblem has also established a large call-centre to

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provide real time support to patients. Fulfillment will generally be through the delivery facilities of Canada Post and the private courier industry.

Emblem is currently producing at the rate of 50-60 kilograms of dried flower per month. After completion of the Phase 2 Grow Rooms (February/March 2017) Emblem expects to be producing at a rate between 140 and 150 kilograms of dried flower per month.

Emblem expects to commence extraction activities by the end of November 2016 and to be in a position to sell cannabis oil products by March 2017. Emblem also intends to develop pharmaceutical formulations using cannabinoids as the underlying active ingredient, present them for approval by Health Canada and then market such formulations to the Canadian market. Emblem expects to begin research on such formulations early in 2017.

Health Canada regulations stipulate that the value of finished goods that can be held in inventory cannot exceed the licenced limitations tied to the security level of the facility. The facility's security level, as outlined in the Health Canada Directive on Physical Security Requirements for Controlled Substances, is established through a mix of perimeter, restricted area and storage vault physical and monitoring requirements as well as proximity to urban areas of the facility. The Existing Facility is currently licensed as a level 8 facility, which within the Paris geographic area allows for licensee holdings up to 6,250,000 grams, or 625 kg of marihuana.

### **GrowWise**

The Company holds a 50% interest in an entity, GrowWise Health Limited ("GrowWise"), a company incorporated and operating in the province of Ontario. The business of the associate is to offer education services and other related services to prospective medical marihuana patients in Canada. Under the agreement, the Company made an initial investment of \$1,000,100 and also agreed to fund operations up to \$500,000. There was no substantial activity prior to 2015.

The Company has accrued and expensed the Company's obligation to fund the operations of GrowWise up to \$500,000 in 2014. For the year ended December 31, 2015, the Company provided \$375,116 of this funding leaving a provision of \$124,884. In addition, the Company determined its original investment of \$1,000,100 was impaired and took an impairment charge with respect to its investment.

The Canadian physician community has been exceedingly cautious in authorizing medical cannabis. Consequently, prospective patients are encountering considerable difficulty accessing the ACMPR system. As a result, a number of specialty clinics have arisen across Canada providing cannabis medical and educational services. These clinics have become the primary access point for most patients seeking cannabis based healthcare solutions. GrowWise is establishing clinics and education centres to service potential cannabis patients and to provide education and support to patients who receive authorizations. GrowWise currently operates 9 education centres on a part time (1 to 3 days a week) basis. The level of activity in these centres has been growing in 2016 but the business is still requiring funding by the Company. As the business has not reached profitability its ability to repay advances made to GrowWise is uncertain. Accordingly, of the advances to GrowWise made to in the nine months ended September 30, 2016, an amount of \$124,884 was charged against the provision provided for in 2014 while \$406,963 was expensed as an advance to an associate.

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## Arrangement Agreement

On August 23, 2016 the Company entered into an Arrangement Agreement ("Arrangement Agreement") with Saber Capital Corp. ("Saber") and Saber Acquisition Corp., a wholly own subsidiary of Saber. Upon the terms and subject to the conditions set out in this Agreement, the parties hereto intend to effect a Business Combination pursuant to a statutory plan of arrangement under Section 192 of the Canada Business Corporation Act ("CBCA") on the terms set out in the Plan of Arrangement on the basis of the following:

Emblem and a Saber subsidiary will amalgamate and continue as one corporation ("Amalco") under Section 181 of the CBCA (the "Amalgamation");

- (a) Pursuant to and as a consequent of the Amalgamation:
  - a. the property and liabilities of each of Saber subsidiary and Emblem will become the property and liabilities of Amalco, which will own and hold all property and liabilities that each of Saber subsidiary and Emblem holds before the Arrangement becomes effective;
  - b. each common share of Emblem will be cancelled and in consideration therefore each holder of such common shares will receive one fully paid and non-assessable Post-Consolidation Saber Share;
  - c. each common share of Saber subsidiary will be cancelled and in consideration therefore Saber will receive one fully paid and non-assessable common share in the capital of Amalco; and
  - d. Saber, which is to be renamed Emblem Corp. will become the holder of all of the outstanding securities of Amalco.

The Transaction is conditional upon Saber completing a financing of not less than \$21,500,000 and Saber completing an offering of not less than \$2,000,000 by way of a TSX Venture Short Form Offering.

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### RESULTS OF OPERATIONS

In August 26, 2016, the Company made its first sale of medical cannabis by way of a bulk wholesale sale to another licensed producer.

During the nine months ended September 30, 2016, the Company focused its efforts and investment on the following:

- Amendment of its license in order to permit the sale of dried medical cannabis to the public;
- Application to Health Canada for a license to produce cannabis derivatives (oil products);
- Setting up of its corporate offices and hiring of employees for operations, finance, marketing and customer care;
- Development of a website and call centre to register patients, and accept and process their orders; and
- Planning the development and expansion of its lands in Paris, ON to accommodate the expansion of its medical cannabis business and to prepare for the expected arrival of a Canadian recreational marijuana regime

#### Selected Financial Information Consolidated Statements of Operations and Comprehensive Loss

	Nine Months Ended September 30,	
	2016	2015
	\$	\$
Revenue	38,250	-
Gross Profit (Loss)	64,610	-
Expenses	4,231,961	1,874,236
Loss before the following	4,167,351	1,874,236
Dividend on Class A preferred shares	-	548,665
Change in FV of financial instruments	4,425,303	(300,000)
Net loss and comprehensive loss for the period	8,592,654	2,122,901
Basic and diluted loss per share	\$ (0.31)	\$ (0.10)
Weighted average number of common shares outstanding - basic and diluted	27,572,414	20,246,426

#### Selected Financial Information Consolidated Statements of Financial Position as at September 30, 2016, as at December 31, 2015

Cash and cash equivalents	\$ 4,463,580	\$ 1,236,646
Total current assets	\$ 5,788,575	\$ 1,965,396
Total current liabilities	\$ 6,038,826	\$ 9,895,972
Preferred share liability	-	\$ 8,560,847
Working capital, excluding preferred share liability	\$ (250,251)	\$ 630,271
Long-term debt	\$ 550,000	\$ 3,807,877
Shareholders' equity	\$ 8,254,207	\$ (3,277,097)
	-250,251	-\$ 3,277,097

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## LIQUIDITY AND CAPITAL RESOURCES

As of this date, the Company has generated revenue of \$38,250 from operations and has financed its operations and met its capital requirements to date almost exclusively through debt and equity financings.

The Company will need to raise additional equity capital to finance its working capital requirements until its revenues exceed its expenses and generates sufficient cash flows, as well as to fund the capital expenditures necessary under its business plan. As a result, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operations. Although the Company has been successful in the past in obtaining financing and believes it will continue to be successful, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. These material uncertainties may cast significant doubt as to the Company's ability to continue to operate as a going concern.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for the consolidated financial statements, then adjustments would be necessary to the carrying amounts of assets and liabilities, the reported expenses and the classifications used in the consolidated statements of financial position.

As at September 30, 2016, the Company had a working capital deficit of \$132,352. The working capital deficit is a result of a note payable and a current mortgage payable totaling \$4,754,345.

The Company entered into an Arrangement Agreement on August 23, 2016 under which it will do a reverse takeover ("RTO") of Saber Capital Corp. (Saber") in a qualifying transaction which will result in a post transaction company in which the medical marijuana business of Emblem will reside and trade on the TSXV. Saber will be renamed Emblem subsequent to the transaction. At July 31, 2016, Saber had \$768,213 of cash and net working capital in the amount of \$687,238. On October 1, 2016 Saber announced a proposed financing to raise \$23,500,000. That financing transaction is now expected to raise \$23,500,000 of subscription proceeds that will take the form of subscription receipts ("Saber Subscription Receipts"). Each Saber Subscription Receipt will be exchangeable into a Unit. Each Unit will consist of one common share of Saber and one-half warrant of Saber. Each warrant will be exercisable into one common share of Saber at an exercise price of \$1.75 per common share for a period of 3 years. As a result of the financing, Emblem expects to have access to gross proceeds of approximately \$23,500,000 of Saber funds after the completion of the RTO and the qualifying transaction to invest in its expansion and business plan.

In addition, on October 27, 2016, Emblem entered into a conditional financing offer for a \$5,500,000 mortgage to refinance its outstanding mortgages and note payable totaling \$5,304,345 as at September 30, 2016. This offer is subject to the completion of all legal documentation and is conditional on a minimum of \$18,600,000 being held in escrow pursuant to the issuance of subscription receipts outlined above. The mortgage financing is expected to close prior to November 30, 2016. The Company estimates it will receive approximately \$5,350,000 after issuance costs.

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For the nine month period ended September 30, 2016

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### **OPERATING ACTIVITIES**

#### **Revenue**

Revenue for the nine month period ended September 30, 2016 was \$38,250 as compared to nil in 2015. Revenue consisted of the sale of dried medical cannabis flower, clippings and seeds to other licensed producers. Total dried medical cannabis flower sold for the period was 6,000 grams (nil in 2015) at an average selling price of \$4.00 per gram.

#### **Cost of sales**

Included in cost of sales is the net change in fair value of biological assets, inventory expensed and production costs. Biological assets consist of cannabis plants at various pre-harvest stages of growth which are recorded at fair value less costs to sell at the point of harvest. At harvest, the biological assets were transferred to inventory at their fair value less costs to sell which becomes the deemed cost for inventory. Inventory is later expensed to cost of sales when sold as an offset against the unrealized gain on the biological assets. Production costs are expensed through cost of sales.

Production costs totaled \$737,136 in the nine months ended September 30, 2016 (nil in 2015). Year to date Emblem has harvested approximately 167,000 grams of dried flower. At September 30, 2016, Emblem also had biological assets being plants in process that were valued at \$131,364 based on their fair value less cost to sell. Upon completing its Phase 2 expansion and reaching its full productive capacity of 2,100 kilograms per year in the six grow rooms, the average cost per gram is projected to decline to approximately \$1.70 per gram.

The net recovery of cost of sales resulted primarily from the unrealized gain on changes in the fair value of biological assets during the nine months ended September 30, 2016 of \$763,496.

#### **Gross Margin**

Gross margin was \$64,610 for the nine months ended September 30, 2016 (nil in 2015). The gross margin in excess of sales was primarily due to the unrealized gain on changes in the fair value of biological assets. This resulted from the biological transformation of clippings and seeds into cannabis plants, wet flower in process and dried flower inventory over the nine month period.

#### **General and administrative expenses**

General and administrative expenses increased by \$364,788 in nine months ended September 30, 2016 from \$767,899 in the comparable 2015 period to \$1,132,687. This increase was largely the result of the increase in administration personnel both at the Paris facility as well as the Company's Toronto head office as well as increased costs for professional accounting, audit and legal services as the Company transitioned from development to production and prepared for its go public transaction.

#### **Development costs**

Development costs in the first nine months of 2016 increased to \$625,984 compared to \$410,914 in the first nine months of 2015, as the Company tested and developed 15 strains of cannabis with a broad variety of characteristics. Development costs are now expected to decline as the Company focuses its attention on growing cannabis for sale under the ACMPR to registered patients as well as to other licenced producers.

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### **Selling and Marketing costs**

Selling and Marketing costs in the first nine months of 2016 increased to \$493,422 compared to \$207,271 in the first nine months of 2015, as the Company ramped up its marketing efforts and hired sales and marketing personnel related to the launch of its website and sales to registered patients in the fourth quarter of 2016.

### **Stock based compensation**

The Company's compensation strategy is to minimize its cash compensation costs and align the interest of key members of its management and operational team to that of its shareholders. Accordingly, in September 2015, the Company established a stock option plan and granted its first options. Further grants were authorized by the Board in December 2015 and on July 31, 2016. As a result of the timing of the initial grant and the subsequent grants, stock based compensation increased by \$280,220 in the first nine months of 2016 to \$285,990. Under the Arrangement Agreement the Company is prohibited from issuing any further options to named executive officers until twelve months have elapsed after the planned go public transaction.

### **Depreciation & amortization**

Depreciation & amortization in the first nine months of 2016 increased by \$302,182 to \$468,318 primarily because property, plant and equipment was determined to be in use and therefore depreciable once the production license from Health Canada was received on August 26, 2015. Accordingly, the facility was only subject to depreciation for a shorter period in the nine month period ended September 30, 2015 compared to the full period in 2016. The Company's increased investment in property, plant and equipment since September 30, 2015 also accounted for a portion in the increased depreciation expense.

### **Advances to associate**

In the first nine months of 2016, the Company advanced \$531,847 to GrowWise, its 50% investment in associate to fund its establishing clinics and education centres to service potential cannabis patients and to provide education and support to patients who receive authorizations. The investment in GrowWise is expected to assist the Company to acquire registered patients. GrowWise is currently and will continue to generate revenue by providing educational services to the registered patients of other licensed producers. Of the amount advanced in 2016, \$406,963 was expensed (nil in 2015) while \$124,884 was applied to a provision established by the Company in 2014. In the nine months ended September 30, 2015, the amount of \$242,523 was advanced by the Company to GrowWise was applied to a provision established in 2014.

### **Interest expense**

Interest expense in the first nine months of 2016 increased to \$674,884 compared to \$61,808 in the first nine months of 2015. The \$613,076 increase was primarily as a result of the Company obtaining mortgages of \$3,500,000 and \$425,000 on its Paris properties in September 2015 and January 2016 respectively, as well as the issuance of a \$1,000,000 note payable in May 2016. In 2016, there is also the amortization of the transaction fees incurred for obtaining the \$3,500,000 and \$425,000 mortgages.

### **Change in fair value of financial instruments**

On August 18, 2016, all outstanding Class A preferred shares were converted into common shares of the Company. In connection with this conversion, the holders of the Class A preferred shares also surrendered their rights for any dividend that was accrued and unpaid as at the date of conversion. As the Class A

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preferred shares did not meet the IFRS definition of equity and were classified as a financial liability any change in its fair value is recognized through profit or loss. The fair value of the Company's Class A preferred share liability is based on the value of the common shares to which the preferred shares are convertible into, which in turn requires estimates of the inherent value of the Company, considering value indicators including recent rounds of financing and market comparable valuation metrics, plus accumulated and unpaid dividends. Accordingly, the determination of fair value requires management to apply judgement and make certain estimates. As at August 18, 2016 (date of conversion), the Company determined the fair value of the Company's underlying common shares to have increased in fair value resulting in a fair value adjustment loss of \$4,087,803 in the Statement of Operations and Comprehensive Loss.

### INVESTING ACTIVITIES

In the nine months ended September 30, 2015, the Company invested, on a cash basis, a total of \$6,736,464 primarily in renovating the 23,500 square foot industrial building it had acquired in Paris to grow medical cannabis, including the upgrading of the building electrical system, installing a security system and the installation of the necessary HVAC units. These renovations also included construction of a mother room, a propagation room, a vegetation room, six flowering rooms, a drying room, a curing room and a MMPR (now ACMPR) qualified vault. Two of the six flowering rooms became operational in December 2015 after the installation of growing tables and fifty 1,000 watt high pressure sodium lights. Three of remaining four flowering rooms are expected to be operational by March 2017 with the fourth available in June 2017.

In the nine months ended September 30, 2016, the Company invested, on a cash basis, a total of \$1,061,521 of which \$293,034 related to final payments on the renovations substantially completed in 2015, the purchase of \$560,436 of equipment related to production as well as expenditures of \$142,412 for computer hardware and software for administration as well as in preparation for receiving orders over the internet from registered patients.

### FINANCING ACTIVITIES

During the nine month period ending September 30, 2016 Emblem raised, net of issuance costs, a total of \$7,751,818 of equity financing in two transactions.

- a June issue of units consisting of 1 common share and ½ common share purchase warrant with a five year expiry and a warrant exercise price of \$15.00. The issue price for the Units was \$10.00. 291,280 Units were issued resulting in aggregate issue proceeds of \$2,912,800. Issuance costs totaled \$98,906. This financing was completed June 23, 2016. On the filing of Articles of Amendment on August 18, 2016 all common shares then outstanding were subdivided on a 20 for 1 basis. As a result, the warrant exercise price became \$0.75. Each warrant is now exercisable to acquire 20 common shares. 5,825,600 post-split common shares were issued under the June financing.
- a September issue of Units consisting of 1 common share and ½ common share purchase warrant with a two year expiry and a warrant exercise price of \$1.20. The issue price for the Units was \$0.75. 6,740,164 Units were issued to investors resulting in aggregate issue proceeds of \$5,055,123. This financing was completed between September 9 and September 19, 2016. Issuance costs, including the issuance of 127,038 Units to brokers valued at \$95,279, totaled \$212,477.

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## **RISK FACTORS**

### **REQUIREMENT FOR PERMITS AND LICENCES**

Emblem will apply for, as the need arises, all necessary licences and permits, including but not limited to the renewal of those licences and permits under the ACMPR or the extension of those licenses and permits to ECC's expanding facilities, to carry on the activities it expects to conduct in the future. However, the ability of Emblem or its Affiliates to obtain, sustain or renew any such licences and permits or extend them to expanding facilities on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable Canadian regulatory authorities. Any loss of interest in any licence or permit required under the ACMPR, or the failure of appropriate governmental authority to issue or renew such licences or permits upon acceptable terms, would have a material adverse impact upon the Company. The current license expires on January 26, 2018. Although ECC believes it will meet the requirements of the ACMPR for extension of the license, there can be no guarantee that Health Canada will extend or renew the license or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the license or should it renew the license on different terms, the business, financial condition and results of the operation of ECC and Emblem would be materially adversely affected.

At the end of each term of the Emblem's ACMPR License, Emblem must submit an application for renewal to Health Canada containing information prescribed by the ACMPR. The ACMPR requires that the Federal Minister of Health, after examining the application and any supplementary information requested, issue a renewed license, unless the applicant fails to meet certain prescribed criteria.

ECC is not currently aware of any reason why it would not be able to receive a renewal of its ACMPR License.

### **EMBLEM MAY INCUR SIGNIFICANT NET LOSSES IN THE FUTURE AND MAY NOT ACHIEVE OR MAINTAIN PROFITABILITY**

Emblem is a recently formed business and has limited operating history. Shareholders must rely upon the ability of Emblem and its management to implement its business plan and strategy in a manner that is consistent with the business plan and strategy.

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

Emblem will be subject to the general risks inherent in the ownership and operation of the business of planting, growing, harvesting and marketing medical cannabis, which, as an agricultural product, is subject to the general risks associated with all agricultural products such as changes in raw material costs, the risk and uncertainties of planting, growing and harvesting, environmental matters, considerations relating to product quality, grading and branding, changes in laws and other general economic and market conditions. Equally important, cannabis, like all agricultural products is essentially a commodity. Although Emblem will use its best marketing efforts to distinguish its products from those of its competitors, there can be no assurance that such efforts will be successful.

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## REGULATORY RISKS

Emblem's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment. While to the knowledge of Emblem's management, ECC is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of ECC and Emblem may cause adverse effects to ECC's operations and the financial condition of ECC.

The ACMPR is a new regime established in August 2016, replacing the previous MMPR (established in June 2013), following a February 24, 2016 Federal Court of Canada decision ruling the MMPR was unconstitutional as it did not provide "reasonable access" to medical marihuana. As such, revisions to the regime could be implemented which could have an impact on the Company's operations, including increased opportunity for individual producers (see "*Individual Producers*" immediately below).

Furthermore, although the operations of Emblem are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail Emblem's ability to distribute or, in the future, produce medical cannabis. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of medical cannabis, or more stringent implementation thereof could have a substantial adverse impact on Emblem.

Additionally, the pharmaceutical formulations Emblem intends to develop and produce are subject to approval by Health Canada. If Health does not provide such approval, this could have a substantial adverse impact Emblem.

## INDIVIDUAL PRODUCERS

Following a February 2016 Federal Court of Canada decision, the MMPR was deemed unconstitutional as it did not provide "reasonable access" for those seeking medical marihuana. Under the new ACMPR, registered persons may produce medical marihuana for their own personal use. If many individuals produce their own medical marihuana, then this may result in a smaller customer base for Emblem which may ultimately have a materially adverse effect on the business of Emblem.

## ENVIRONMENTAL REGULATION AND RISKS

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

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

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of

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additional equipment, or remedial actions. Emblem may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of medical cannabis, or more stringent implementation thereof, could have a material adverse impact on Emblem and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

### **EMPLOYEE HEALTH AND SAFETY REGULATIONS**

Emblem's operations are subject to laws and regulations concerning and employee health and safety and Emblem will incur ongoing costs and obligations related to compliance with such matters. Failure to comply with safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Emblem's operations or give rise to material liabilities, which could result in a material adverse effect on the operations of Emblem.

### **NEW INDUSTRY AND MARKET**

Emblem's business as a licensed producer represents a relatively new industry and young market resulting from the ACMPR (previously the MMPR) and its regulated regime. In addition to being subject to general business risks and to risks inherent in the nature of an early stage business, a business involving an agricultural product and a regulated consumer product, Emblem will need to build brand awareness in the new industry and market through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations, especially against competitors who have already spent some time building their brand. These activities may not promote the Emblem brand and products as effectively as intended, or at all. This new market and industry into which management is entering will have competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets. There are no assurances that this new industry and market will 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 this new market and industry may materially and adversely affect the business, financial conditions and results of operations of Emblem.

### **RELIANCE ON A SINGLE FACILITY**

To date, Emblem's activities and resources have been primarily focused on its existing facility in Paris, Ontario. Adverse changes or developments affecting the existing facility could have a material adverse effect on the business, financial condition and prospects of Emblem.

### **RELIANCE ON THIRD PARTIES**

The nature of Emblem's business may require engaging third party suppliers and contractors. Non-performance by such third parties may disrupt the operations of the Emblem which could have a substantial adverse impact on the Company.

### **RELIANCE ON SKILLED WORKERS**

The ability of Emblem to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that Emblem will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

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## **PLANNED EXPANSION**

It is possible that the final costs and time to completion of its planned expansion and related major equipment purchases contemplated by Emblem may be significantly greater than anticipated by management, and may require more time and more funds than are available, in which circumstance Emblem may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of Emblem.

## **LIMITED EXPERIENCE OPERATING A LICENSED PRODUCER**

The board and management of Emblem will have overall responsibility for management of Emblem and, while certain of Emblem's directors and officers have extensive experience in management and finance as well as in the operation of publicly-owned businesses, certain officers have limited experience operating a public company. In addition, Emblem 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 Emblem's management systems, infrastructure and other resources. Emblem cannot assure shareholders that its management's past experience will be sufficient to enable Emblem to successfully operate as a public company.

Similarly, though certain of Emblem's directors and officers have extensive experience in similar industries involving pharmaceutical products, the nature of the new industry and developing market for medical cannabis may result in management having to change focus and strategy and adapt to an evolving and changing market and industry. In addition, Emblem will be susceptible to adverse developments in this new market and industry, the sole market in which it will operate, such as new developments, changing demographics, changing regulatory regime and other factors.

If Emblem is unable to successfully operate as a public company or as a licensed producer, this could substantially reduce its earnings and its ability to generate stable positive cash flow from its operations and may reduce the value of its common shares and adversely affect Emblem's ability to raise additional capital.

## **ATTRACTING CUSTOMERS**

Emblem's cash-flow is dependent on its ability to attract customers. As Emblem is a young company, it may not be able to attract enough customers to allow it to achieve its cash-flow breakeven point.

## **INSURANCE AND UNINSURED RISKS**

Emblem's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Emblem will obtain insurance as to its business operations, including general liability, fire, flood and extended coverage. There are, however, certain types of risks, generally of a catastrophic nature, or environmental contamination, which currently are or may in the future become either uninsurable or not insurable on an economically viable basis. Emblem may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Emblem might also become subject to liability for pollution or other hazards which may not be insured against or which Emblem may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Emblem to incur significant costs that could have a material adverse effect upon Emblem's financial performance and results of operations.

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## **UNFAVOURABLE PUBLICITY OR CONSUMER PERCEPTION**

Emblem believes the medical marihuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marihuana distributed to such consumers. Consumer perception of Emblem's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marihuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical marihuana 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 Emblem's products and the business, results of operations, financial condition and cash flows of Emblem. Emblem's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on Emblem, the demand for Emblem's products, and the business, results of operations, financial condition and cash flows of Emblem. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marihuana in general, or Emblem's products specifically, or associating the consumption of medical marihuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

## **COMPLETION OF THE TRANSACTION AND TSXV APPROVAL**

The completion Emblem's go public transaction is subject to several conditions precedent. There can be no assurances that the transaction will be completed on the terms set out in the Arrangement Agreement, as negotiated, or at all. In the event that any of the conditions precedent are not satisfied or waived, the transaction may not be completed. In addition, there is no guarantee that the Company will be able to satisfy the requirements of the TSXV such that it will issue the Final Exchange Bulletin, or the requirements of the TSXV such that it will list the common shares of the Company.

## **ONGOING NEED FOR FINANCING**

As Emblem will likely operate at a loss throughout much of 2017, its ability to continue operations will be largely reliant on its continued attractiveness to equity investors. Emblem is expected to incur operating losses as it continues to expend funds to develop its business operations. Even if its financial resources upon completion of its go public transaction are sufficient to fund its current operations, there is no guarantee that Emblem will be able to achieve its business objectives. The continued development of Emblem following the go public transaction may require substantial additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or Emblem going out of business. The primary source of funding available to Emblem will consist of equity financing. 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 Emblem. In addition, from time to time, Emblem 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 temporarily increase Emblem's debt levels above industry standards.

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## **VOLATILE STOCK PRICE**

Upon completion of a go public transaction the stock price of Emblem is expected to be highly volatile and could be drastically affected by governmental and regulatory regimes and community support for the medical marijuana industry. Emblem cannot predict the results of its operations expected to take place in the future. The results of these activities will inevitably affect Emblem's decisions related to future operations and may trigger major changes in the trading price of the Emblem's trading after the go public transaction.

## **POTENTIAL CONFLICTS OF INTEREST**

Some of the individuals who will be appointed as directors or officers of Emblem may also be directors and/or officers of other reporting and non-reporting issuers. As of the date of these financial statements, and to the knowledge of the directors and officers of Emblem, there are no existing conflicts of interest between Emblem and any of the individuals who will continue as directors or officers following the completion of the go public transaction, other than as may arise in connection with Harvey Shapiro and Gordon Fox's interest in White Cedar Pharmacy Corporation. Additional situations may arise where the directors and/or officers of Emblem may be in competition with the Company. Any conflicts will be subject to and governed by the law applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of Emblem's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of Emblem are required to act honestly, in good faith and in the best interests of the Company.

## **MARKET FOR EMBLEM COMMON SHARES**

There is currently no market through which the Emblem common shares may be sold. An active public market for the common shares of the issuer after the go public transaction may not develop or be sustained following the go public transaction. If an active public market does not develop or is not sustained, the liquidity of the common shares of this issuer may be limited, and the price of the common shares may decline below the purchase price of the Emblem common shares and/or the Saber common shares obtained in Emblem's recent private placements and the go public offerings respectively.

## **FUTURE SALES OF EMBLEM POST-CONSOLIDATION COMMON SHARES BY EXISTING SHAREHOLDERS**

Sales of a large number of shares of Emblem exchanged for common shares in its go public transaction (Emblem Post-Consolidation Common Shares") in the public markets, or the potential for such sales, could decrease the trading price of the Emblem Post-Consolidation Common Shares and could impair Emblem's ability to raise capital through future sales of Emblem Post-Consolidation Common Shares. Emblem and Saber may from time to time have previously issued securities at an effective price per share which was lower than the market price of the Emblem Post-Consolidation Common Shares from time to time. Accordingly, certain shareholders of Emblem may have an investment profit in the Emblem Post-Consolidation Common Shares that they may seek to liquidate following the closing of the go public transaction.

## **MARKET PRICE OF EMBLEM POST-CONSOLIDATION COMMON SHARES**

The Emblem common shares do not currently trade on any exchange or market, and the Saber Common Shares are currently listed and posted for trading on the TSXV. Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. If the Transaction is completed, the price of the Emblem Post-Consolidation Common Shares is

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also likely to be significantly affected by changes in applicable rules and regulations governing the importation, distribution and production of medical marihuana, or in financial condition or results of its operations. Other factors unrelated to the performance Emblem that may have an effect on the price of the Emblem Post-Consolidation Common Shares include the following: the extent of analytical coverage available to investors concerning the business of Emblem may be limited if investment banks with research capabilities do not follow these securities; lessening in trading volume and general market interest in the these securities may affect an investor's ability to trade significant numbers of Emblem Post-Consolidation Common Shares; the size of the public float may limit the ability of some institutions to invest in these securities; and a substantial decline in the price of the Emblem Post-Consolidation Common Shares that persists for a significant period of time could cause these securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Emblem Post-Consolidation Common Shares at any given point in time may not accurately reflect the long-term value of Emblem following the completion of the go public transaction or otherwise. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. Emblem may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

### **HOLDING COMPANY**

Emblem is a holding company and essentially all of its assets are the capital stock of its subsidiaries. As a result, investors in Emblem are subject to the risks attributable to its subsidiaries. As a holding company, Emblem conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Emblem's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to Emblem. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Emblem's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Emblem.

### **ATTRACTION AND RETENTION OF KEY PERSONNEL INCLUDING DIRECTORS**

Emblem has a small management team and the loss of a key individual or inability to attract suitably qualified staff could have a material adverse impact on its business. Emblem may also encounter difficulties in obtaining and maintaining suitably qualified staff in certain of the jurisdictions in which it conducts business. Emblem has sought to and will continue to ensure that management, directors and any key employees are provided with appropriate incentives; however, their services cannot be guaranteed.

### **COMPETITION**

The Canadian medical marihuana industry is competitive in all of its phases. Emblem will face strong competition from other companies. Many of these companies have greater financial resources, operational experience and technical capabilities than Emblem. As a result of this competition, Emblem may be unable to maintain its operations or develop them as currently proposed, on terms it considers acceptable or at all. Consequently, the revenue, operations and financial condition of Emblem could be materially adversely affected.

The government has only issued to date a small number of licences under the ACMPR (and its predecessor regimes) to produce and sell medical marihuana. There are, however, several hundred applicants for

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

### **LIMITED OPERATING HISTORY**

Emblem has generated \$38,250 of revenue from the sale of products as of September 30, 2016. Emblem is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that Emblem will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

### **TRANSPORTATION DISRUPTIONS**

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

### **NECESSITY OF CERTAIN INPUTS**

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

### **KEY EXECUTIVES**

Emblem is dependent on the services of key executives, including the directors of Emblem and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of Emblem, the loss of these persons or the inability to attract and retain additional highly skilled employees may adversely affect its business and future operations.

### **CURRENT FINANCIAL MARKET CONDITIONS**

Current financial market conditions are subject to volatility and other pressures. Access to public financing may be negatively impacted by global events. These factors may impact the ability of Emblem to obtain equity or debt financing in the future and, if obtained, on terms favourable to it. If these increased levels of volatility and market turmoil continue, the operations Emblem could be adversely impacted and the value

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and the price of the Emblem Post-Consolidation Common Shares and other securities could be adversely affected.

### **PRODUCT LIABILITY**

As a distributor of products designed to be ingested by humans, Emblem 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 sale of Emblem's products 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 Emblem's products alone or in combination with other medications or substances could occur. Emblem may be subject to various product liability claims, including, among others, that Emblem's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against Emblem could result in increased costs, could adversely affect Emblem's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of Emblem. There can be no assurances that Emblem 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 Emblem's potential products.

### **PRODUCT RECALLS**

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of Emblem's products are recalled due to an alleged product defect or for any other reason, Emblem could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Emblem 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 Emblem has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of Emblem's significant brands were subject to recall, the image of that brand and Emblem could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for Emblem's products and could have a material adverse effect on the results of operations and financial condition of Emblem. Additionally, product recalls may lead to increased scrutiny of Emblem's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

### **RISKS INHERENT IN AN AGRICULTURAL BUSINESS**

Emblem's business involves the growing of medical marijuana, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although Emblem expects that any such growing will be completed indoors under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

### **VULNERABILITY TO RISING ENERGY COSTS**

Emblem's medical marijuana growing operations, such operations will consume considerable energy, which will make Emblem vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business and its ability to operate profitably.

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## **DEPENDENCE ON SUPPLIERS**

The ability of Emblem to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to equipment, parts and components. No assurances can be given that Emblem will be successful in maintaining its required supply of equipment, parts and components. This could have an adverse effect on its financial results.

## **DIVIDEND POLICY**

Other than the common share dividend declared and made by Emblem to holders of Emblem Class A Preferred Shares as of June 30, 2015 and December 31, 2015, which resulted in the issuance of an aggregate of 1,638,900 Emblem common shares, no dividends on any of Emblem common shares have been paid. Payment of any future dividends by Emblem, if any, will be at the discretion of the board of directors after taking into account many factors, including the Company's operating results, financial condition, and current and anticipated cash needs.

## **DIFFICULTY TO FORECAST**

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

## **MANAGEMENT OF GROWTH**

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

## **DILUTION TO EMBLEM COMMON SHARES**

It is anticipated that immediately prior to the Transaction, Saber will have 4,416,602 Emblem Post-Consolidation Common Shares issued and outstanding (exclusive of any Emblem Post-Consolidation Common Shares that may be issued upon the exercise of Saber Options or other convertible securities of Saber). In the event that the Transaction is completed as contemplated hereby, an aggregate of 37,298,937 Emblem Post-Consolidation Common Shares will be issued to former holders of Emblem Common Shares in consideration of the acquisition by Saber of all such issued and outstanding Emblem Common Shares.

The increase in the number of Emblem Post-Consolidation Common Shares issued and outstanding, and the sales of such shares, may have a depressive effect on the price of the Emblem Post-Consolidation Common Shares. In addition, as a result of the issuance of such additional Emblem Post-Consolidation Common Shares, the voting power of the existing Emblem shareholders will be diluted.

The issuer resulting from the go public transaction may, in its sole discretion in accordance with its constating documents and subject to applicable laws, including the policies of the TSXV, issue additional securities (equity, debt or otherwise) from time to time, and the interests of the holders of Emblem shares may be diluted further thereby.

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### ACMPR LITIGATION

There have been a number of civil suits brought by various parties against the Government of Canada in an attempt to forestall the implementation of or completely eliminate the ACMPR (and/or its predecessor regimes). Emblem believes that efforts to eliminate or materially alter the ACMPR through litigation will be unsuccessful. However, efforts to forestall implementation or amend the language of the MMPR and MMAR have enjoyed some success. The ACMPR itself was created following a February 24, 2016 court order. Earlier, an interim injunction was granted, forestalling the application of the MMPR as it relates to the ability of certain patients in financial distress to continue to grow marihuana for their private medical use.

Emblem believes that civil actions involving the Government of Canada concerning various aspects of the ACMPR will continue to appear and that this will create an environment of uncertainty for a considerable period of time. Although, Emblem believes that any litigation process would not ultimately result in a material impact on the overall Canadian market for medical marihuana under the ACMPR, litigation proceedings are inherently unpredictable and prospective investors should be aware that such proceedings could have a material adverse effect on Emblem's business.

### LITIGATION

Emblem or the Emblem subsidiaries may become party to litigation from time to time in the ordinary course of business which could result in a material adverse effect on the operations of Emblem or the Emblem Subsidiaries. Should any litigation in which Emblem or the Emblem Subsidiaries become involved be determined against Emblem or the Emblem Subsidiaries, such a decision could result in a material adverse effect on the operations of Emblem or the Emblem Subsidiaries. Even if Emblem or the Emblem Subsidiaries is successful in litigation, litigation can redirect significant company resources.

### CHANGE IN TAX LAWS

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Emblem's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce Emblem's earnings and could make future capital investments or Emblem's operations uneconomic.

### *Contractual Obligations*

As of September 30, 2016, the Company had the following commitments:

Contractual Obligations	Less than		After	Total
	1 year	2-3 years	3 years	
	\$	\$	\$	\$
Short-term loans	4,825,000			4,825,000
Long-term loans		550,000		550,000
Leases	169,224	94,004	107,270	333,178
	4,994,224	644,004	107,270	5,708,178

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## OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this MD&A, the Company had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

## TRANSACTIONS WITH RELATED PARTIES

During the nine-month period ended September 30, 2016, the Company had the following related party transactions:

- Incurred management fees of \$521,000. As at September 30, 2016, the amount due under the management services agreement is nil. The fees paid represent charges for the services of Gordon Fox, Harvey Shapiro, Maxim Zavet, Daniel Saperia and Adam Saperia
- Working capital loans in the amount of \$531,847 were made to GrowWise

## CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's Interim Financial Statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the Interim Financial Statements relate to going concern assumptions, the estimated useful lives and depreciation of property, plant and equipment, valuation of Class A Preferred shares, share-based payments and fair value measurements for inventory and biological assets.

## NEW STANDARDS, INTERPRETATION AND AMENDMENTS ADOPTED BY THE CORPORATION

The following new accounting standard, which was applied or adopted during the nine-month period ended September 30, 2016, had no material impact on the unaudited interim condensed consolidated financial statements.

### *Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization ("IAS 16" and "IAS 38")*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

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The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with earlier adoption permitted. These amendments do not have any impact on the consolidated financial statements as the Corporation has not used a revenue-based method to depreciate its non-current assets.

### ***Amendments to IAS 16 and IAS 41, Agriculture ("IAS 41")***

In addition, IAS 16 and IAS 41 were amended such that:

- 'bearer plants' will fall within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for as property, plant and equipment and measured at initial recognition on a cost or revaluation basis in accordance with IAS 16;
- introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales; and
- clarified that product growing on bearer plants remains within the scope of IAS 41.

This amendment was applicable to annual periods beginning on or after January 1, 2016 and did not have a significant change from its current policy as the carrying cost of bearer plants is negligible.

### **(a) changes in accounting policies not yet adopted**

The following accounting pronouncements issued by the IASB were not effective as at September 30, 2016. Management is currently evaluating the potential impact the adoption of these accounting pronouncements will have on the Company's interim condensed consolidated financial statements:

### ***IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9")***

In July 2014, the IASB issued the final version of IFRS 9 to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its interim condensed consolidated financial statements.

### ***IFRS 15 Revenue from Contracts with Customers ("IFRS 15")***

In May 2014, the IASB issued IFRS 15, which supersedes IAS 11, *Construction Contracts*; IAS 18, *Revenue*; IFRIC 13, *Customer Loyalty Programmes*; IFRIC 15, *Agreements for the Construction of Real Estate*; IFRIC 18, *Transfers of Assets from Customers*; and SIC 31, *Revenue – Barter Transactions involving Advertising Services*. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its interim condensed consolidated financial statements.

### ***IFRS 16 Leases ("IFRS 16")***

In January 2016, the IASB issued IFRS 16, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same date as IFRS 16. The Company is currently evaluating the impact the final standard is expected to have on its interim condensed consolidated financial statements.

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## FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The carrying values of cash, subscriptions receivable, accounts payable and accrued liabilities, advances from related company and advances from shareholders, approximate their fair values due to their short-term to maturity. The carrying value of the mortgage payable approximates its fair value due to interest charged at the market rate.

### Fair value hierarchy

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on 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 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The fair value of the Class A preferred shares liability has been measured using the estimated enterprise value of the Company relative to the number of common and preferred shares plus accumulated unpaid dividends. As the key inputs to this valuation approach are not based on observable market data, the financial liability is classified as a Level 3 instrument.

The fair value of the broker warrants was determined to be nominal at the time of issue based on the terms associated with the underlying agreement which precludes the holders of the broker warrants from exercising them until such a time the Company becomes a public company. As the key inputs to this valuation approach are not based on observable market data and takes into consideration the probability and timing of the Company becoming a public company, the financial liability is classified as a Level 3 instrument. Given management's estimate that the go public transaction was at the time considered highly probable, the Company determined the fair value of broker warrants to approximate \$337,500. This amount has been recognized as a fair value charge in the Company's interim condensed consolidated statement of operations immediately prior to reclassification of the warrants to equity.

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For the nine month period ended September 30, 2016

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## **(b) Financial Instruments Risk**

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board approves and monitors the risk management processes:

### **(i) Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, accounts receivable and other receivables. The Company's cash is deposited with a major Canadian bank. Management considers that the risks related to credit are nominal as at September 30, 2016.

### **(ii) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. As at September 30, 2016 the Company had cash and cash equivalents of \$4,643,580 and working capital deficit of \$132,352. The working capital deficit is a result of a note payable and a current mortgage payable totaling \$4,754,345. The Company has signed a conditional offer with a lender and expects to refinance the \$4,754,345 amount by November 30, 2016 (see liquidity and capital resources).

The Company is dependent on the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financings to meet current and future obligations. There can be no assurance that such financings will be available on terms acceptable to the Company. See note 1 to the Company's Interim Financial Statements.

### **(iii) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents bear interest at market rates. The Company's note payable and mortgages have fixed rates of interest and do not expose the Company to interest rate risk.