



## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

**As at and for the three-month and six month periods ended September 30, 2016**

This management discussion and analysis has been prepared from information available to The Canadian Bioceutical Corporation ("BCC", the "Company" or the "Corporation" as at November 23, 2016 and should be read in conjunction with the audited March 31, 2016 consolidated financial statements and related notes which were prepared in accordance with International Financial Reporting Standards ("IFRS") All figures are in Canadian dollars unless stated otherwise.

This MD&A contains certain forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward looking statements"). These statements relate to future events or to future performance of BCC. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of the words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates", or "believes", or variations of, or the negatives of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might", or "will" be taken, occur or be achieved. Forward-looking information is based on the opinions and estimates of management as at the date the information is given, and is based on information available to management at such time. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as at the date of this MD&A or as of the date specified in such statement.

Additional information relevant to the Corporation's activities, including the Corporation's news releases can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Corporation's website [www.canadianbioceutical.com](http://www.canadianbioceutical.com).

Unless otherwise stated, all amounts refer to Canadian dollars.

### **Description of the Business**

The Corporation and its subsidiaries develop, patent, produce, market and sell innovative nutraceutical products intended for the treatment of chronic medical conditions where existing treatments fail to meet the needs of patients or where consumers prefer herbal and plant-based medicines out of their concern for the potential side effects associated with modern pharmaceutical medicines. BCC may obtain patents and regulatory approvals and then license its technologies for royalties and upfront payments or directly produce and market such products.

On January 7, 2015, the Corporation announced its intention to expand its activities into the cultivation and production of one of the most significant nutraceutical products to emerge in the past decades,

medical cannabis and medicinal derivatives produced from the cannabis plant. The Corporation applied to Health Canada for a license to produce marijuana under the Marihuana for Medical Purposes Regulations (MMPR) and has invested considerable management time and expense in the furtherance of its application, approval of which remains pending. BCC continues to respond to inquiries for additional information from Health Canada and benefits from the ongoing support of municipal and business leaders from the City of Owen Sound.

The Corporation has also entered into a Letter of Intent in respect of the acquisition of a medical cannabis business in the state of Arizona and is in discussions for cannabis-based initiatives in other U.S. states.

The Corporation's principal products currently include:

#### *CinG-X™*

BCC developed CinG-X™, a unique product which combines standardized cinnamon and ginseng extracts which has been indicated to synergistically control glucose metabolism, improve cognitive function, and simultaneously minimize the risk of developing and treating cardiovascular disease, diabetes, dementia and Alzheimer's.

Additionally, CinG-X™ is a proprietary additive that enhances the value of any food, beverage or nutritional supplement and can be combined with most other ingredients.

The Corporation has received official notice of patent protection for CinG-X in the United States.

#### *Reliéva™*

Prime Pharmaceutical Corporation ("Prime"), a partially-owned affiliate controlled by BCC, invented an extraction process which increases the concentration of the beneficial alkaloids from Mahonia Aquifolium by up to 75 times to create its proprietary extract Psorberine™. These alkaloids have demonstrated anti-proliferative, anti-inflammatory, anti-microbial, anti-oxidative and anti-fungal capabilities.

Psorberine™ has been incorporated into both topical cream and lotion products sold under the brand name Reliéva™.

Prime had conducted clinical trials for Reliéva™ on eczema with results exceeding expectations. The trial enrolled 48 patients and a total of 93.75% of the enrolled patients improved and 47.5% cleared up completely.

Prime received Health Canada approval for its "Reliéva™" micro-emulsion formulation on December 12, 2011 (License NPN [80008437](#)) and the extraction process has received patent approval in both Canada and the United States.

The Corporation is currently formulating plans for the monetization of the Reliéva™ product with very promising export negotiations currently in process.

#### *FertaMax™*

On April 7, 2015, the Corporation, through its subsidiary CGX Life Sciences Inc. ("CGX"), acquired all assets related to the FertaMax brand (the "Brand"). This included all inventory held with both the seller and the manufacturer, all marketing materials including the website and all intellectual property of the Brand. The aggregate consideration payable for the purchased assets will be \$80,000 payable in the

form of a royalty calculated as 10% of gross revenue before any sales taxes and net of returns, calculated and payable monthly.

The Corporation has entered into a Letter of Intent for a distribution arrangement for the Middle East. Delays in securing a Natural Product Number ("NPN") from Health Canada had delayed furtherance of this initiative but the NPN was obtained in June 2016 and the project is moving forward with launch anticipated in Q1 of calendar 2017.

In November 2015, the Corporation announced that, with a grant from the Government of Ontario through the Ontario Centres of Excellence ("OCE") as well as the Natural Sciences and Research Council of Canada (NSERC), it had entered into an agreement to cooperate with Loyalist College, based in Brockville Ontario, for the development of a Supercritical Carbon Dioxide Extraction Technology.

The initiative resulted from a thorough production audit of our Reliéva™ cream for psoriasis and eczema and it became apparent to management that the Corporation needed to improve the extraction process for the active ingredient used in this product. The main goals are to consistently extract a product of high quality employing Loyalist College's advanced expertise in super-critical carbon dioxide extraction, but with minimal solvent use, as well as establishing proper testing protocols for this specialized field. The project commenced in late November 2015 with preliminary results expected in calendar Q3 2016. The Relieva™ product line will become a very important part of the Corporation's business in the near future and it is expected to be ready for market early during fiscal Q4 2017. As well, these advanced extraction technologies can be subsequently utilized for the production of many other plant-based medicinals by BCC, including cannabis derivative medicines.

### **Medical Marijuana Initiatives**

On January 21, 2016, BCC announced that it had entered into a Letter of Intent to acquire a group of related companies currently engaged in the supply of management and logistical services to medical marijuana dispensaries, production and cultivation businesses in the United States (the "Business"). The Business owns and leases real estate, acquires and leases cultivation and processing equipment, provides accounting, marketing and other support services and supervises cultivation and production operations for medical marijuana enterprises.

BCC's due diligence has confirmed that the Business has expected revenue well in excess of US\$18 million for fiscal 2017, Revenues are growing by 20% quarterly, resulting in attractive earnings and cash flows. Accordingly, the closing of this transaction could result in financial results and growth prospects for BCC which compare favourably with other Canadian publicly-traded companies in the medical marijuana sector.

As the Letter of Intent also provides for the extension of these services to several other states, including locations in Nevada, BCC has, as a result abandoned its plans for a direct launch of its own operations in Nevada (including, for greater certainty, the proposed Nevada license purchase transaction and the proposed financing transaction as respectively set forth in BCC's News Releases of August 10, 2015 and September 1, 2015).

If successful in acquiring the targeted Business, BCC expects to be able to utilize the cash flows from the US operations to help support the plans for the cannabis production facility in Owen Sound, Ontario and to expand and share market knowledge, production practises, technologies, branding and strategic relationships between our MMJ operations on both sides of the Canada-US border.

On September 1, 2016, the Corporation entered into a Consultancy and Advisory Agreement with U.K-based, Island Investments Holdings Limited and Walmer Capital Limited to provide advice and assistance in respect of the previously-announced, proposed acquisition. The Agreement provides for an advisory fee of CDN\$500,000 and a finder's fee equal to 1% of any financing arranged as a result of the advice of the two advisors. All fees are paid only on the successful completion of the targeted acquisition.

On September 9, 2016, the Corporation successfully re-negotiated the above-noted Letter of Intent to acquire the group of related companies currently engaged in the supply of management and logistical services to medical marijuana dispensaries, production and cultivation businesses in the United States (the "Business").

The revised Letter of Intent stipulates a purchase price for the Business of \$25 USD million, payable in \$15 USD million cash on closing and the issuance of a promissory note of \$10 USD million. The promissory note shall have a 3-year term, with interest paid quarterly at the rate of 8% per annum and will be secured by the assets of the Business. The Company shall have the option to pre-pay the promissory note at any time without penalty.

On September 9, 2016, Corporation formally engaged Chrystal Capital Partners LLP, a UK London-based capital advisory group to work with the Company in arranging financing for up to \$20 USD million to complete the purchase and provide for expansion capital as well as general working capital.

As at the date of this management discussion and analysis, due diligence has substantially been concluded, much of the financing has been arranged and work is completed in respect of the negotiation and drafting of closing documents. The Company is optimistic that it will be in a position to close the transaction in escrow in the near future subject to final approval of the Exchange.

BCC's application Canada for approval of a license to cultivate, process and market medical marijuana in Canada continues to be reviewed by Health Canada. Correspondence with Health Canada has been ongoing with the most recent information request received and responded to during July 2016.

## SELECTED FINANCIAL INFORMATION

The information below should be read in conjunction with this management discussion and analysis, the consolidated condensed interim financial statements and related notes thereto and other financial information.

### Summary of Quarterly Results

The Corporation's information in the table below is prepared in accordance with IFRS:

	<b>3 Months Ended September 30, 2016 \$</b>	<b>3 Months Ended September,30 2015 \$</b>	<b>6 Months Ended September 30, 2016 \$</b>	<b>6 Months Ended September 30, 2015 \$</b>
Canadian dollars, except share amounts				
Revenue	-	2,047	-	5,073
Cost of operations	291,619	298,784	560,625	584,610
Cash provided by (used in) operations	(47,436)	(246,392))	(184,637)	(574,372)
Comprehensive loss	(293,059)	(292,838)	(629,853)	(576,732)
Comprehensive loss per share - basic and diluted	(0.01)	(0.01)	(0.01)	(0.02)
	<b>As at September 30, 2016 \$</b>	<b>As at September 30, 2015 \$</b>	<b>As at March 31, 2016 \$</b>	<b>As at March 31, 2015 \$</b>
Canadian dollars, except share amounts				
Cash	9,646	99,354	8,135	320,027
Total assets	86,449	442,729	88,222	1,641,325
Working capital (deficiency)	(531,249)	235,652	(330,800)	253,568
Total liabilities	(1,509,547)	(207,077)	(931,717)	(161,986)
Common shares outstanding	41,949,553	41,244,553	41,269,553	38,150,981

## **Results of Operations**

### Three months ended September 30, 2016 compared to the three months ended September 30, 2015

The Corporation's comprehensive net loss totalled \$293,059 with basic and diluted loss per share of \$0.01 for three months ended September 30, 2016. This compares with a comprehensive net loss of \$292,838 with basic and diluted loss per share of \$0.01 for quarter ended September 30, 2015. The quarter's loss is mainly due to: (i) Occupancy costs - \$139,377, (ii) Professional fees - \$64,885, (iii) Salaries and benefits - \$67,083, and (iv) Trustee fees, regulatory and corporate services - \$6,017, offset by a gain of \$5,401 resulting from the revaluation of the option component of the convertible debt.

The occupancy costs relate to the lease on the Owen Sound property. Due to Health Canada delays in issuing a license, the Corporation and the landlord continue with discussions to renegotiate the lease obligation including an extension of the rent free period. Due to a lease inducement period and renegotiation with the landlord, no lease payments were made during the quarter.

During the quarter, shareholders advanced £20,000 (\$34,138 CAD) to the Corporation. The advance is interest free, has no fixed repayment date and is due on demand.

During the quarter the Corporation concentrated all of its efforts in completing the transaction originally announced on January 21, 2016. This transaction involves the acquisition of a group of related companies engaged in the supply of management and logistical services to medical marijuana dispensaries, production and cultivation business in the United States.

This compares to a comprehensive loss of \$292,838 with basic and diluted loss per share of \$0.01 for the quarter ended September 30, 2015. That quarter's loss was mainly due to: (i) Salaries and benefits - \$130,707, (ii) Office and general - \$35,765, (iii) Professional fees - \$30,723 (iv) Trustee fees, regulatory and corporate services - \$43,499, and (v) Stock-based compensation - \$73,230.

During quarter ended September 30, 2015 the Corporation had announced its intention to acquire a Las Vegas-based Medical Marijuana Enterprise and was actively working towards closing documentation and securing adequate financing. Those efforts were subsequently suspended as the Corporation later entered into a Letter of Intent ("LOI") dated January 21, 2016 to acquire a group of companies that provided management and logistical support to the medical marijuana industry. This new LOI provided for the extension of services to several other states, including Nevada hence negating the Corporation's initial effort to acquire the Las Vegas-based venture mentioned earlier.

### Six months ended September 30, 2016 compared to the six months ended September 30, 2015

The Corporation's comprehensive net loss totalled \$629,853 with basic and diluted loss per share of \$0.01 for six months ended September 30, 2016. This compares with a comprehensive net loss of \$576,732 with basic and diluted loss per share of \$0.02 for six months ended September 30, 2015. The six month loss is mainly due to: (i) Occupancy

costs - \$278,754, (ii) Professional fees - \$76,998, (iii) Salaries and benefits - \$134,166, and (iv) Trustee fees, regulatory and corporate services - \$33,694, (v) Fair value change of option component of convertible debt - \$33,694 and (vi) Transaction costs - \$74,145.

During the six months ended September 30, 2016 the Corporation continued in its efforts to establish itself in the medical marijuana business in the United States. Due diligence was performed and resources expended on several promising opportunities, specifically the opportunity that had been announced on January 21, 2016 in which the Corporation sought to acquire a group of related companies engaged in the supply of management and logistical services to the medical marijuana industry in Arizona, United States. As this opportunity developed the Corporation incurred costs related to several accounting and legal reviews, the preparation of closing documents and fund raising efforts.

This compares to the comprehensive loss of \$576,732 for the six months ended September 30, 2015 which consisted mainly of: (i) Salaries and benefits - \$269,718, (ii) Office and general - \$90,836 (iii) Professional fees - \$62,066, (iv) Stock-based compensation - \$73,230, and (v) Trustee, fees, regulatory and corporate services - \$81,937.

During that period the Corporation expended considerable resources in developing its application for a Medical Marijuana License from the Canadian Ministry of Health and at the same time began exploring expansion opportunities in the United States.

As well, the Corporation was actively marketing its existing product lines beyond North America.

## **Liquidity**

As at September 30, 2016, the Corporation had current liabilities of \$572,884 (March 31, 2016, \$374,208) due within 12 months and cash of \$9,646, (March 31, 2016, \$8,135) to meet its current obligations. As at September 30, 2016, the Corporation had negative working capital of \$531,249 compared to March 31, 2016 when the Corporation had negative working capital of \$330,800. The ability of the Corporation to continue as a going concern is dependent on its ability to secure additional equity or other financing. All of the Corporation's trade payables have contractual maturities that are subject to normal trade terms.

Accounts payable and accrued liabilities increased by \$107,627 to \$515,757 for the quarter ended September 30, 2016. The Corporation has halted all non-critical expenses. Only those expenses related to meeting its stated objective of entering the Canadian and U.S. medical marijuana markets and regulatory were permitted. The Corporation continues to monitor and manage expenses aggressively as its main business development projects are in the development stage.

## **Capital Resources**

For its long-term business objectives, the Corporation will require funds to develop products and to expand its business into new market areas, as well as to meet its ongoing day-to-day operating requirements and will have to continue to rely on equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will be

available to the Corporation in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Corporation. The Corporation does not presently have any other fixed commitments for material capital expenditures over the near or long term.

### Off-Balance Sheet Arrangements

At September 30, 2016, the Corporation had no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Corporation.

### Related Party Transactions

Due to Related Parties	As at June 30, 2016	As at June 30, 2015
W. Scott Boyes (CEO and Director) <sup>(1)</sup>	\$22,000	Nil
Shareholder loan	\$34,138	Nil

<sup>(1)</sup> Represents an advance from the CEO of the Corporation and is non-interest bearing and due on demand.

### Capital Management

The Corporation manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities and pursuit of accretive acquisitions; and
- To maximize shareholder return through enhancing the share value.

The Corporation monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Corporation may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Corporation considers its capital to be capital stock, contributed surplus, accumulated other comprehensive loss and deficit which at September, 2016 totalled \$(1,121,286) (March 31, 2016 - \$(541,683)).

The Corporation manages capital through its financial and operating forecasting processes. The Corporation reviews its working capital and forecasts its future cash flows based on operating expenditures and other investing and financing activities. Selected information is provided to the Board of Directors of the Corporation. The Corporation's capital



management objectives, policies and processes have remained unchanged during the quarter ended September 30, 2016. The Corporation is not subject to any external capital requirements.

## **Financial Instruments**

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

### **Credit Risk**

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Corporation's credit risk is primarily attributable to cash. The Corporation monitors credit risk and credit standing of its customers on a regular basis. Cash is generally invested in cash accounts held in Canadian chartered banks or a financial institution in the United States controlled by a Canadian chartered bank. Management believes the risk of loss associated with these assets to be remote. Management believes that the credit risk concentration with respect to financial instruments included in assets has been reduced to the extent presently practicable.

### **Off Balance Sheet Arrangements**

The Corporation has not entered into any off-balance sheet arrangements.

### **Foreign Currency Risk**

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign currency rates. The Corporation's functional currency is the Canadian dollar. Certain significant transactions were conducted in US dollar currency. The Corporation does not hedge anticipated foreign currency changes. As at September 30, 2016, the Corporation held cash in US dollars of \$4,585 (CDN \$6,147) (March 31, 2016 - \$2,909). A 10% change in foreign exchange rates would impact net loss by approximately \$500 (March 31, 2016 - \$300).

### **Fair Values**

The carrying values of cash, amounts receivable and accounts payable, accrued liabilities and due to related parties approximate fair values due to the relatively short term maturities of these financial instruments. The Corporation's financial instruments measured at fair market value on the consolidated statements of financial position consist of marketable securities and are measured at Level 1 of the fair value hierarchy. The estimated fair value of long term debt approximates its carrying value since it is subject to terms and conditions similar to those available to the Corporation for instruments with comparable terms. The fair value of the instruments has not been presented as the fair value information for these financial instruments are not reliably determinable. The Corporation is subject to fair value risk as it relates to marketable securities.

## Disclosure of Outstanding Share Data

As at the date of this report, common shares and share equivalents issued and outstanding were:

<b>Class</b>	<b>Number of Equivalent Shares</b>
Common Shares	41,949,553
Stock Options	2,605,000
Warrants	12,675,000
Fully Diluted	57,229,553

As at the date of this report 2,305,000 of the options and all of the warrants were in- the-money.

## Dividend Policy

No dividends have been paid on any shares of the Corporation since the date of its incorporation and it is not contemplated that any dividends will be paid in the immediate or foreseeable future.

## The Stock Option Plan

At its November 18, 2014 Special and Annual Meeting of Shareholders, the Corporation's shareholders approved a "Rolling Stock Option Plan" to provide for incentive stock options to be issued in the maximum amount that would be equal to ten percent (10%) of the Corporation's issued and outstanding common shares at the date of grant.

The Corporation's options that were issued and outstanding prior to the adoption of the Rolling Stock Option Plan became subject to the new Plan.

The Rolling Stock Option Plan was approved by the TSXV and is administered by the Corporation's Compensation Committee and the Board of Directors as a whole. Any options granted (including the terms thereof) are subject to the approval of the TSXV.

On June 22, 2015 the Corporation entered into a consultancy agreement with Dr. Miles Thompson, BSc, Ph.D. to advise and assist the Corporation in the development of its nutraceutical products, including derivatives and concentrates of cannabinoid-based medications. In return for his services, Dr. Thompson was granted an option to purchase 250,000 common shares which vests 180 days from the date of the agreement. The exercise price of this stock option is \$0.25 per share and the stock option will expire on December 22, 2017. These options have since been forfeited by Dr. Thompson.

## **Risk Factors**

Due to the nature of the BCC's business, the legal and economic climate in which it operates and the present stage of development of its business, the Corporation may be subject to significant risks. An investment in the Corporation's shares should be considered highly speculative. BCC's future development and actual operating results may be very different from those expected as at the date of this MD&A. There can be no certainty that the Corporation will be able to implement successfully its strategies. No representation is or can be made as to the future performance of the Corporation and there can be no assurance that BCC will achieve its objectives. An investor should carefully consider each of, and the cumulative effect of, the following factors.

### **History of Operating Losses**

To date, BCC has not recorded any significant revenues from the sale of nutraceutical products, including those derived from cannabis. Since incorporation, BCC has accumulated net losses and expects such losses to continue until such time as product sales generate sufficient revenues to fund continuing operations.

### **Early Stage Development**

BCC has not begun to market any product or to generate revenues. The Corporation expects to spend a significant amount of capital to fund the acquisition of real estate, equipment and licenses which will allow it to commence cultivation and production of its cannabis products in the United States and Canada as well as promote the launch and distribution of its FertaMax, CinG-X and Reliéva nutraceuticals. As a result, the Corporation expects that its operating expenses will increase significantly and, consequently, it will need to generate significant revenues to become profitable. The Corporation cannot entirely predict when, if ever, it will be profitable.

### **Ability to Manage Growth**

Expected rapid growth in all areas of BCC's business has placed, and is expected to continue to place, a significant strain on its managerial, operational and technical resources. BCC expects operating expenses and staffing levels to increase in the future. To manage such growth, the BCC must expand its operation and technical capabilities and manage its employee base while effectively administering multiple relationships with various third parties. There can be no assurance that the BCC will be able to manage its expanding operations effectively. Any failure to implement cohesive management and operating systems, to add resources on a cost-effective basis or to properly manage the Corporation's expansion could have a material adverse effect on its business and results of operations.

### **Unproven Market**

BCC believes that the anticipated market for its potential products and technologies will continue to exist and expand. These assumptions may prove to be incorrect for a variety of reasons, including legal and regulatory changes, competition from other products and the degree of commercial viability of the potential products.

## **Manufacturing, Product Development and Marketing Capability**

Although its business plans include the establishment of facilities for cannabis cultivation and the production of cannabis-based medicines, the Corporation currently has no in-house cultivation, manufacturing, nutraceutical development or marketing capability. To be successful, all products must be manufactured and packaged in commercial quantities in compliance with regulatory requirements and in reasonable time frames and at accepted costs. BCC intends to contract with third parties to produce some of its products. No assurance can be given that the Corporation or its suppliers will be able to meet the supply requirements of the Corporation in respect of the product development or commercial sales.

To be successful, an approved product must also be successfully marketed. The market for the BCC's product being developed by the Corporation may be large and will require substantial sales and marketing capability. At the present time, BCC does not have any internal capability to market nutraceutical products. It intends to enter into one or more strategic partnerships or collaborative arrangements with other companies for marketing and distribution expertise to address this need. If necessary, BCC will establish arrangements with various partners for geographical areas. There can be no assurance that the BCC can market, or can enter into satisfactory arrangements with third parties to market its products in a manner that would assure its acceptance in the market place. However, if satisfactory arrangements with third parties to market and/or distribute its products is obtained; the BCC will be dependent on the corporate collaborator(s) who may not devote sufficient time, resources and attention to the Corporation's programs, which may hinder efforts to market the products. Should BCC not establish marketing and distribution strategic partnerships and collaborative arrangements on acceptable terms, and undertake some or all of those functions, the Corporation will require significant additional human and financial resources and expertise to undertake these activities, the availability of which is not guaranteed.

BCC will rely on third parties for the timely supply of raw materials, equipment, contract manufacturing, and formulation or packaging services. Although the Corporation intends to manage these third party relationships to ensure continuity and quality, some events beyond the BCC's control could result in complete or partial failure of these goods and services. Any such failure could have a material adverse effect on the financial conditions and result of operations of the Corporation.

## **Need for Additional Capital and Access to Capital Markets**

BCC will need additional capital to fully implement its business plans to enter the medical cannabis markets in the U.S. and Canada and to further the distribution and sales of its nutraceutical products. Further financing may dilute the current holdings of shareholders and may thereby result in a loss for shareholders. There can be no assurance that the Corporation will be able to obtain adequate financing, or financing on terms that are reasonable or acceptable. Failure to obtain such additional financing could result in delay or indefinite postponement of one or more components of the BCC's business objectives.

## **Competition**

The market for BCC's products is highly competitive. The Corporation will compete with other producers for market share. Many of its competitors have greater financial and operational resources and more experience than BCC. These and other companies may have developed or could in the future develop new technologies or products that compete with those of the Corporation.

Competition in BCC's markets is primarily driven by (i) cost-effective production and distribution, (ii) ability to develop, maintain and protect proprietary and branded products and (iii) success in establishing and protecting effective distribution channels.

## **Lack of Diversity**

Larger companies have the ability to manage their risk through diversification. However, BCC currently lacks diversification, in terms of the nature of its business. As a result, BCC could potentially be more impacted by factors affecting the nutraceutical development industry in general and BCC in particular than would be the case if the business was more diversified. Currently, BCC's primary focus is the development and sale of cannabis based medicinals and its three nutraceutical products, FertaMax, CinG-X and Reliéva. Accordingly, BCC is dependent on its ability to produce and market these products and any factor that materially adversely affects its ability to do so may have a material adverse effect on BCC's financial condition and results of operations.

## **Inability to Implement the Business Strategy**

The growth and expansion of BCC's business is heavily dependent upon the successful implementation of BCC's business strategy. There can be no assurance that BCC will be successful in the implementation of its business strategy.

## **Regulatory Risk**

In both the U.S., Canadian and other foreign markets, the development, formulation, manufacturing, packaging, labelling, handling, distribution, import, export, licensing, sale and storage of cannabis based medicines and nutraceuticals are affected by a body of laws, governmental regulations, administrative determinations, including those by Food and Drug Administration in the U.S. Health Canada and many state and provincial regulators, court decisions and similar constraints. Such laws, regulations and other constraints can exist at the federal, provincial or local levels in Canada and at all levels of Government in foreign jurisdictions. In spite of regulations now existing in 26 U.S. states, the production and sale of cannabis products remains federally illegal in the United States. There can be no assurance that BCC and BCC's partners are in compliance with all of these laws, regulations and other constraints. BCC and its partners may be required to incur significant costs to comply with such laws and regulations in the future, and such laws and regulations may have an adverse effect on the business. The failure of BCC or its partners to comply with current or future regulatory requirements could lead to the imposition of significant penalties or claims and may have a material adverse effect on the business. In addition, the adoption of new laws, regulations or other constraints or changes in the interpretations of such requirements

might result in significant compliance costs or lead BCC and its partners to discontinue product development and sale and could have an adverse effect on the business.

### **International Operations**

BCC's planned operations and marketing initiatives outside of Canada expose it and its representatives, agents and distributors to risks inherent to operating in foreign jurisdictions which could materially adversely affect its operations and financial position. These risks include (i) country-specific taxation policies, (ii) imposition of additional foreign governmental controls or regulations, (iii) export license requirements, (iv) changes in tariffs and other trade restrictions, and (v) complexity of collecting receivables and managing cash receipts in a foreign jurisdiction.

Moreover, applicable agreements relating to business in foreign jurisdictions are governed by foreign laws and are subject to dispute resolution in the courts of, or through arbitration proceedings in, the country or region in which the parties are located or another jurisdiction agreed upon by the parties. BCC cannot accurately predict whether such forum will provide an effective and efficient means of resolving disputes that may arise in the future. Even if it obtains a satisfactory decision through arbitration or a court proceeding, BCC could have difficulty in enforcing any award or judgment on a timely basis or at all.

### **Issuance of Debt**

From time to time, the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the BCC's debt levels above industry standards. The level of the Corporation's indebtedness from time to time could impair BCC's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

### **Dilution and Future Issuances of Shares**

The Corporation may issue additional shares in the future, which may dilute a shareholder's holdings in BCC. The Corporation's articles permit the issuance of an unlimited number of the Corporation's shares and an unlimited number of preferred shares, issuable in series, and the shareholders of BCC will have no pre-emptive rights in connection with such further issuances. The board of directors of the Corporation has the discretion to determine the provisions attaching to any series of preferred shares and the price and the terms of issue of further issuances of Corporation's shares.

### **Outlook and Conclusions**

The prospects for the Corporation remain uncertain. The Corporation continues to seek acquisition opportunities in the nutraceutical sector, specifically in the medical marijuana industry and also is making ongoing efforts to develop distribution channels for its CinG-X, Reliéva and FertaMax products.

## **Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Corporation's President and Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. The Corporation's officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement, on a cost-effective basis, disclosure controls and procedures and internal control over financial reporting as defined in NI-109, may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **Management's Responsibilities**

Management is responsible for all information contained in this report. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include amounts based on management's informed judgments and estimates. The financial and operating information included in this report is consistent with that contained in the unaudited condensed interim consolidated financial statements in all material aspects.

The Board of Directors approved the audited condensed interim consolidated financial statements on November 23, 2016.

### **Investor Caution**

*Investors should be aware that:*

- 1) Companies cannot legally conduct a medical marijuana business without a license from Health Canada and that there is significant time and cost required to obtain such a license. As a publicly-traded Corporation publicizing its intention to enter the medical marijuana industry, BCC urges potential investors in any Corporation in this sector, to become familiar with the required resources and the related risks, costs implications and time required before a Corporation will be able to begin licensed operations. There is no assurance that any Corporation announcing its intent to enter the medical marijuana industry will be successful in obtaining a license or in creating shareholder value, and**
- 2) The cultivation, production and sale of cannabis and cannabidiol derivatives products is now legal in 26 U.S. states, but remains a Schedule 1 drug, federally, and therefore remains illegal under U.S. Federal law.**

## **“REVIEW AND APPROVAL BY THE BOARD OF DIRECTORS**

The Board of Directors, on the recommendation of the Audit Committee, approved the contents of this MD&A and related financial statements on November 23, 2016. This MD&A includes a discussion of the Corporation's operating and financial results for the quarter ended September 30, 2016 and 2015, and should be read in conjunction with the audited

consolidated financial statements and notes thereto for the years ended March 31, 2016 and 2015 appearing on SEDAR's website at [www.sedar.com](http://www.sedar.com)." and the interim, consolidated, condensed financial statements as at and for the periods ended September 30 2016.

November 23, 2016.

**"Scott Boyes (signed)"**

Scott Boyes  
President and Chief Executive Officer

**"David Layman (signed)"**

David Layman  
Director