# Management Discussion and Analysis
# For the three and six months ended September 30, 2017

*The following Management's Discussion and Analysis ("MD&A") of financial condition and results of operations dated November 27, 2017 relates to the unaudited interim condensed consolidated financial statements for the three and six months ended September 30, 2017 of MPX Bioceutical Corporation (formerly The Canadian Bioceutical Corporation) ("MPX" or the "Corporation"). This MD&A should be read together with the Corporation's unaudited interim condensed consolidated financial statements for the three and six months ended September 30, 2017 together with the related notes as well as the audited consolidated financial statements for the years ended March 31, 2017 and March 31, 2016 together with the related notes.*

*MPX's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") which requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the amount of revenue and expenses incurred during the reporting period. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.*

*Certain statements in this MD&A may contain "forward-looking information", within the meaning of applicable securities laws, including "safe harbour provisions" of the Securities Act (Ontario) with respect to the Corporation and its subsidiaries. Such statements include, but are not limited to, statements about the growth of the business, production and revenue expectations and the licensing of facilities. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect", or "anticipate" and similar expressions as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward-looking statements contained in this MD&A, the Corporation has made assumptions and applied certain factors regarding, amongst other things, future cannabis pricing; cannabis production yields; costs of inputs; its ability to market products successfully to its anticipated clients; reliance on key personnel and contracted relationships with 3rd parties; the regulatory environment in both the United States and Canada; the application of federal, state and provincial laws; and the impact of increasing competition.*

*These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risks and Uncertainties" section and elsewhere in this MD&A and other risks detailed from time to time in the publicly-filed disclosure documents of the Corporation which are available at www.sedar.com . Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions which could cause actual results to differ materially from the conclusions, forecasts or projections anticipated in these forward-looking statements. Because of these risks, uncertainties and assumptions, the reader should not place undue reliance on these forward-looking statements. The Corporation's forward-looking statements are made only as of the date of this MD&A and, except as required by law, MPX undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.*

*Unless otherwise stated, all dollar amounts are expressed in Canadian dollars.*

*Further MPX details and filings are available at* www.sedar.com *and on the Corporation's website* www.mpxbioceutical.com*.*

## OVERVIEW

MPX, an Ontario corporation based in Toronto, Canada, and directly and indirectly, through its wholly-owned subsidiaries in the United States, provides substantial management, staffing, procurement, advisory, financial, real estate rental, logistics and administrative services to two medicinal cannabis enterprises in Arizona operating under the Health for Life (dispensaries) and MPX (high-margin concentrates wholesale) brands. The Health for Life ("H4L") brand operates in the rapidly growing Phoenix Metropolitan Statistical Area (MSA) with a population of 4.6 million people. The award-winning Melting Point Extracts ("MPX") brand is carried by over 40% of Arizona dispensaries. The Corporation also owns assets in Massachusetts, supporting cultivation, production and up to three dispensaries in Massachusetts, and is also in the midst of construction of a third licensed dispensary and is expanding its cultivation and doubling its concentrate production capacity in Arizona.

MPX, an Ontario corporation based in Toronto, Canada, directly and indirectly, through its wholly-owned subsidiaries in the United States, is a multi-state diversified cannabis company with operations focused in the U.S. in the adult use and medical cannabis markets providing substantial management, staffing, procurement, advisory, financial, real estate rental, logistics and administrative services to two medicinal cannabis enterprises in Arizona operating under the Health for Life (dispensaries) and MPX (high-margin concentrates wholesale) brands (the "**AZ Business**"). The Health for Life ("**H4L**") brand operates in the rapidly growing Phoenix Metropolitan Statistical Area (MSA) with a population of 4.6 million people. The award-winning Melting Point Extracts ("**MPX**") brand is carried by over 40% of Arizona dispensaries. The Corporation also owns assets in Massachusetts, supporting cultivation, production and up to three dispensaries in Massachusetts, and is also in the midst of construction of a third licensed dispensary and is expanding its cultivation and doubling its concentrate production capacity in Arizona.

After completing the acquisition of the assets (the "**PerkAZ Assets**") belonging to PerkAZ Property LLC ("**PerkAZ**"), an Arizona registered company active in the cannabis space, including a management agreement (the "**THC Management Services Agreement**") with the Healing Center Wellness Center LLC ("**THC LLC**"), a licensee under the *Arizona Medical Marijuana Act, A.R.S. Title 36, Section 28.1* (the "**AMMA**"), as well as 44.3 acres of land in Chino Valley, Arizona and permitted for the cultivation of cannabis, the Corporation has finalized plans for completion of a new dispensary in the Greater Phoenix area and anticipates completion prior to the end of the year.

Following the acquisition of 51% interests in each of IMT, LLC ("**IMT**") and Fall River Developments, LLC ("**Fall River**"), Massachusetts-based companies that, while not cultivating or selling cannabis products itself, IMT, pursuant to long-term management agreements, provides material support to Cannatech Medicinals Inc. ("**CMI**"), a not-for-profit licensee, which can directly cultivate, produce, own, possess and sell cannabis and cannabis-infused products, the Corporation is currently building-out facilities in Fall River Massachusetts which include a 40,000 square foot property zoned and licensed for cannabis cultivation and a retail dispensary. The Corporation has finalized plans for completion of the facility and anticipates production to commence in April 2018. At full capacity, the facility is projected to produce approximately 2.25 million grams of high-end flower and 500,000 grams of high margin concentrates.

The Corporation's common shares trade on the Canadian Securities Exchange ("CSE") under the symbol "MPX" and in the United States on the OTC marketplace (OTCQB") under the symbol "MPXEF".

**Strategic Partnership Agreement with MJardin**

On August 10, 2017, the Corporation entered into a strategic partnership agreement with MJardin, a professional cannabis management company that provides turnkey cultivation, processing and related services. Under the terms of the strategic partnership, MJardin will provide turnkey cultivation, processing and project management services for several of MPX's licensed facilities, including ones in Massachusetts and Nevada, once the acquisition of the latter has been completed.

**Panaxia Term Sheet**

On August 22, 2017, the Corporation entered into a term sheet (the "**Panaxia Term Sheet**") with Panaxia Pharmaceuticals Industries Ltd. ("**Panaxia**") outlining the binding terms and conditions of a joint venture agreement to be entered into whereby Panaxia will build and operate final assembly facilities within the footprint of existing and future cultivation facilities operated under licenses owned or managed by the Corporation (indirectly through subsidiaries).

Panaxia will provide the capital to fund all capital expenditures related to the construction of these facilities and including equipment to build out and equip the manufacturing facility, and will also supply the non-active ingredients and compounds for formulation and packaging. Panaxia will assume financial responsibility for the operation of the sub-facilities and will be provided with the raw cannabinoid materials for final product assembly. The sales and marketing of these products will be conducted under the auspices of licenses owned or managed by the Corporation and/or its subsidiaries, including the Health for Life dispensaries and its wholesale channels. The revenues resulting from the sales of these products will be split equally between the organizations.

The first new pharmaceutical production site is intended to be opened in Health for Life's new dispensary and cultivation facility in the Mesa suburb of Phoenix, Arizona. Completion of the new Panaxia assembly plant is anticipated for November 2017, with product expected to be available to the market before year-end. The Panaxia Term Sheet also provides for the expansion into Massachusetts and, subsequent to the closing of the previously announced acquisitions, into Nevada and Maryland. Each site will eventually produce all 32 offerings in Panaxia's pharmaceutical product line.

The Panaxia Term Sheet provides exclusivity to the Corporation in those U.S. States in which it is currently operational, and those in which the Corporation expects to be operating in the near future, most notably, Massachusetts, Nevada and Maryland. Beyond that, MPX will have first right of refusal in any new U.S. market, apart from New Mexico, California and Colorado. The agreement is based upon an equal revenue sharing of the sale of the products.

**Management Cease Trade Order**

On August 1, 2017, the Ontario Securities Commission issued a management cease trade order ("**MCTO**") under National Policy 12-203 - *Cease Trade Orders for Continuous Disclosure Defaults* ("**NP 12-203**") prohibiting trading in securities of the Corporation by certain insiders of, whether direct or indirect by W. Scott Boyes, President and Chief Executive Officer of MPX and Randall G. Stafford, Chief Financial Officer of MPX. The Corporation was unable to file its audited financial statements for the year ended March 31, 2017 and the management's discussion and analysis and related Chief Executive Officer and Chief Financial Officer certificates for this period (collectively, the "**Required Filings**") before the July 31, 2017 filing deadline (the "**Filing Deadline**").

Following the acquisition in January 2017 of a group of Arizona incorporated entities that provide material support, including real estate rental, administrative, general management and advisory services, financing and logistics, to medical marijuana businesses licensed under the provisions of the AMMA, being HFL and Soothing Options, both Arizona not for profit corporations, which directly own, possess or sell marijuana or any marijuana-infused products, the Corporation has been integrating the AZ Business into the Corporation's accounting and operational systems, including those of HFL and Soothing Options, as well as converting the accounting procedures of the Business including those of HFL and Soothing Options, from U.S. GAAP to IFRS.

The Corporation's failure to file the Required Filings by the Filing Deadline was due to delays with the integration of the Business into the Corporation's accounting and operational systems, including those of HFL and Soothing Options, as well as converting the accounting procedures of the Business including those of HFL and Soothing Options, from U.S. GAAP to IFRS. These delays caused a short delay in filing of the year end statements of the Corporation.

The Corporation filed the Required Filings on September 7, 2017.

Due to the late filing of the Required Filings, filing of the interim financial statements for the three-month period ended June 30, 2017 and the management's discussion and analysis and related Chief Executive Officer and Chief Financial Officer certificates (the "**First Quarter Filings**") for the three-month period ended June 30, 2017 (due August 29, 2017) were also delayed.

The Corporation filed the First Quarter Filings on September 28, 2017 with the MCTO being revoked at the end of day on October 2, 2017.

**RESULTS OF OPERATIONS**

**Statements of Operations**

| Figures in CDN $ | Three months ended September 30, 2017 ($) | 2017 ($) | Six months ended September 30, 2017 ($) | 2016 ($) |
|---|---|---|---|---|
| | | | | - |
| **Revenue** | 4,406,091 | | 8,871,529 | - |
| **Gross Profit** | 2,877,081 | | 5,612,504 | - |
| **Operating Expenses** | (3,894,888) | (291,619) | (7,107,413) | (560,625) |
| **Adjusted EBITDA** | (315,600) | (291,619) | (213,276) | (560,625) |
| **Loss from Operations** | (1,017,807) | (291,619) | (1,494,909) | (560,625) |
| **Net Loss** | (1,484,294) | (293,066) | (2,274,869) | (622,047) |
| **Comprehensive Loss** | (3,882,144) | (293,059) | (6,177,455) | (629,853) |
| **Net loss per share basic and diluted** | (0.02) | (0.01) | (0.02) | (0.02) |

**Consolidated Balance Sheets**

| Figures in CDN $ | As at September 30, 2017 ($) | As at March 31, 2017 ($) |
|---|---|---|
| **Cash** | 4,778,086 | 21,519,289 |
| **Current Assets** | 15,537,734 | 26,612,731 |
| **Total Assets** | 74,930,846 | 72,930,112 |
| **Current Liabilities** | 1,268,937 | 2,317,539 |
| **Total Liabilities** | 29,085,755 | 30,791,648 |
| **Shareholders Equity** | 39,252,820 | 42,440,276 |

**Revenue**

For the three months ending September 30, 2017, MPX posted revenue of $4,406,091 (three months ending September 30, 2016 - $Nil). For the six months ending September 30, 2017, MPX posted revenue of $8,871,529 (six months ending September 30, 2016 - $Nil).

Revenue for the quarter ending September 30, 2017 decreased slightly to $4,406,091 (US$3,508,180) from the prior quarter ending June 30, 2017 $4,465,438 (US$3,320,275). This loss is due to foreign translation from US$ into CAD$, as revenue increased when measured in US$.

Revenue for the three months ending June 30, 2017 has been recast from $5,105,123 (US$3,795,913), as previously reported, to $4,465,438 (US$3,320,275). This was due to an immaterial error that resulted in revenue being overstated by $639,685 (US$475,368). There was an equal and offsetting overstatement of cost of sales, thus gross profit, adjusted EBITDA, net loss and comprehensive loss were not impacted (see “Cost of Sales” below).

A summary of the Company's quarterly revenue since the acquisition of the Arizona operations is presented below:

| Three Months Ended | Revenue (CAD$) | Revenue (US$) |
|---|---|---|
| September 30, 2017 | 4,406,091 | 3,508,180 |
| June 30, 2017 | 4,465,438 | 3,320,275 |
| March 31, 2017 | 4,383,962 | 3,311,575 |

Revenue from the current period was generated by the Corporation's Arizona management operations including sales from the two dispensaries in Mesa Arizona to patients holding medical marijuana use cards issued by the State as well as wholesale sales of and MPX™ branded concentrates to other licensed dispensaries operating within the State.

During the period April 1, 2017 thru September 30, 2017, the Arizona operations sold 456,820 grams of cannabis flower and 82,512 grams of concentrates and cannabis derivatives for revenues of $8,233,379 (US$6,337,268). The average selling price per gram was approximately $15.27 (US$11.75). Accessories and ancillary products produced gross revenues of $638,150 (US$491,187). Approximately 69% of all concentrates sold were MPX™ brand concentrates which are produced internally and sold by MPX-managed dispensaries or to approximately 40 other dispensaries within the state of Arizona.

Total revenues for the period were $8,871,529 (US$6,828,455).

During the period July 1, 2017 thru September 30, 2017, the Arizona operations sold 236,454 grams of cannabis flower and 34,951 grams of concentrates and cannabis derivatives for revenues of $3,907,206 (US$3,120,545). The average selling price per gram was approximately $14.94 (US$11.50). Accessories and ancillary products produced gross revenues of $498,885 (US$387,635). Approximately 68% of all concentrates sold were MPX™ brand concentrates which are produced internally and sold by MPX-managed dispensaries or to approximately 40 other dispensaries within the state of Arizona.

Total revenues for the quarter were $4,406,091 (US$3,508,180) a decrease of 2% over the previous three-month period.

Trends in the U.S. suggest that concentrates (cartridged-oils, shatter, cured resin, live resin, cured wax) and cannabis-infused edibles are becoming a larger part of revenues replacing traditional sales of dried flower. We see the same trend in Arizona. During the three and six months ended September 30, 2017, sales of non-dried flower products represented 49% and 48% of total revenue, respectively.

**Cost of Sales**

| Figures in CDN $ | Three months ended September 30, 2017 ($) | 2017 ($) | Six months ended September 30, 2017 ($) | 2016 ($) |
|---|---|---|---|---|
| **Medical Cannabis, extracts & accessories (nutraceuticals 2016)** | 2,528,440 | - | 5,195,415 | - |
| **Unrealized gain from changes in the fair value of biological assets** | 999,430 | - | 1,936,390 | - |
| **Cost of sales (including unrealized gain from changes in the fair market value of biological assets)** | 1,529,010 | - | 3,259,025 | - |

Cost of sales for cannabis, cannabis extractions and edibles and from related-accessories are derived from cost related to the internal cultivation and production of medical cannabis and from purchases made from other licensed producers operating within the state of Arizona. Inventory of plants under production is considered a biological asset. Under IFRS, biological assets are to be recorded at fair value at the time of harvest, less costs to sell, which are transferred to inventory and the transfer becomes the deemed cost on a go-forward basis. When the product is sold, the fair value is relieved from inventory and the transfer is booked to cost of sales. In addition, the cost of sales also includes products and costs related to other products acquired from other producers and sold by the Corporation.

Cost of sales for the three months ending June 30, 2017 has been recast from $3,306,660 (US$2,458,666), as previously reported, to $2,666,975 (US$1,983,028). This was due to an immaterial error that resulted in cost of sales being overstated by $639,685 (US$475,368). There was an equal and offsetting overstatement of revenue, thus gross profit, adjusted EBITDA, net loss and comprehensive loss were not impacted (see "Revenue" above).

**Gross Profit**

Gross profit for the three months ending September 30, 2017 before adjustment for the unrealized gain in the fair value of biological assets was $1,877,651 which represents a gross margin of 42.6%. Gross profit after adjustment for the unrealized gain in the fair value of biological assets was $2,877,081 calculated at 65.3% of sales.

Gross profit for the six months ending September 30, 2017 before adjustment for the unrealized gain in the fair value of biological assets was $3,676,114 which represents a gross margin of 41.4%. Gross profit after adjustment for the unrealized gain in the fair value of biological assets was $3,676,114 calculated at 63.3% of sales.

Under IFRS, inventory of cannabis, cannabis extractions, edibles and accessories held by the acquired AZ Business at the date of acquisition was recorded at fair value (i.e. full retail value) and the fair value becomes the deemed cost on a go-forward basis. As the inventory held by the acquired companies on January 1, 2017 was sold, the fair value was relieved from inventory and the transfer was booked to cost of sales. The acquired companies held inventory on January 1, 2017 with a fair market value of $3,478,817. This inventory was substantially sold during the period January 1, 2107 through March 31, 2017.

Management has estimated the residual effect of this IFRS treatment on gross margin during the three and six months ending September 30, 2017 to be immaterial.

| Figures in CDN $ | Three months ended September 30, | | Six months ended September 30, | |
|---|---|---|---|---|
| | 2017 ($) | 2017 ($) | 2017 ($) | 2016 ($) |
| **Sales** | 4,406,091 | - | 8,871,529 | - |
| **Cost of sales (excluding unrealized gain from changes in the fair market value of biological assets)** | 2,528,440 | - | 5,195,415 | - |
| **Gross profit** | 1,877,651 | - | 3,676,114 | - |
| **Percent of sales** | 42.6% | - | 41.4% | - |
| **Unrealized gain from changes in fair market value of biological assets** | 999,430 | - | 1,936,390 | - |
| **Gross profit (including unrealized gain from changes in the fair market value of biological assets)** | 2,877,081 | - | 5,612,504 | - |
| **Percent of sales** | 65.3% | - | 63.3% | - |

**Expenses**

| Figures in CDN $ | Three months ended September 30, | | Six months ended September 30, | |
|---|---|---|---|---|
| | 2017 ($) | 2017 ($) | 2017 ($) | 2016 ($) |
| **General and administrative** | 2,434,384 | 226,734 | 4,641,251 | 483,627 |
| **Professional Fees** | 758,297 | 64,885 | 1,184,529 | 76,998 |
| **Share based compensation** | 181,577 | - | 363,837 | - |
| **Amortization and depreciation** | 520,630 | - | 917,796 | - |
| | 3,894,888 | 291,619 | 7,107,413 | 560,625 |

As part of the Corporation's incentive stock option plan, the Corporation recognized $181,577 of share based compensation for the three months ended September 30, 2017 as compared to $Nil in the comparable period.

For the six months ended September 30, 2017, the Corporation recognized $363,837 of share based compensation as compared to $Nil in the comparable prior period.

Professional fees increased to $758,297 for the three months ended September 30, 2017 as compared to $64,885 in the comparable period. This increase is due to the change in volume and complexity of accounting and legal services required by the Corporation after its acquisition of the AZ Business. These fees include expenses related to audit, taxation and legal work, as well as fees relating to the change of

listing from the TSX Venture Exchange to the CSE, government and investor relations, consulting and advisory fees primarily in respect of the private placements, and costs associated with Board of Directors.

Professional fees increased to $1,184,529 for the six months ended September 30, 2017 as compared to $76,998 in the comparable period.

The increase in amortization and depreciation relates to capital assets acquired in Arizona.

General and administrative expenses for the three and six months ending September 30, 2017 are allocated as follows:

| Figures in CDN $ | Three months ended September 30, | | Six months ended September 30, 2016 | |
|---|---|---|---|---|
| | 2017 ($) | 2016 ($) | 2017 ($) | 2016 ($) |
| **Occupancy costs** | 289,699 | 139,377 | 440,123 | 278,754 |
| **Office and general** | 427,573 | 14,257 | 844,754 | 37,013 |
| **Consulting fees** | 248,972 | - | 545,733 | - |
| **Repairs and maintenance** | 20,390 | - | 68,901 | - |
| **Salaries and benefits** | 1,282,883 | 67,083 | 2,487,901 | 134,166 |
| **Project costs** | 27,400 | - | 27,400 | - |
| **Sales and marketing** | 87,871 | - | 128,696 | - |
| **Regulatory expenses** | 49,596 | 6,017 | 97,743 | 33,694 |
| | 2,434,384 | 226,734 | 4,641,251 | 483,627 |

Overall, the increase in general and admin costs for the three and six months ended September 30, 2017 as compared to the three and six months ended September 30, 2016 was due to the AZ Business, Perk AZ and Massachusetts acquisitions. Salaries and benefits, office and general, sales and marketing and repairs and maintenance had the largest increases due to running and expanding operations.

**Other Income and Expenses**

| Figures in CDN $ | Three months ended September 30, | | Six months ended September 30, 2016 | |
|---|---|---|---|---|
| | 2017 ($) | 2016 ($) | 2017 ($) | 2016 ($) |
| **Foreign exchange** | (28,643) | 683 | 25,112 | (5,694) |
| **Interest income** | 40,634 | | (26,502) | - |
| **Accretion expense** | 11,332 | 3,316 | 13,459 | 6,160 |
| **Change in the fair value of derivative liability** | (1,898) | (5,401) | (101,367) | (16,038) |
| **Interest & financing costs** | 235,929 | 2,849 | 484,785 | 2,849 |
| **Transaction costs** | 209,133 | - | 384,473 | 74,145 |
| | 466,487 | 1,447 | 779,960 | 61,422 |

The Corporation recorded $209,133 of transaction costs for the three months ended September 30, 2017, compared to $Nil in the prior year. Transaction costs consist of professional fees for due diligence, audit, tax and legal work, relating to future acquisitions.

The Corporation recorded $384,473 of transaction costs for the six months ended September 30, 2017, compared to $74,145 in the comparable prior period .

The change in the value of derivative liability relates to the convertible debentures issued during the prior year.

The increase in interest and financing costs to $235,133 for the three months ended September 30, 2017 from $2,849 in the prior period relate primarily to the AZ Promissory Note.

The Company recorded $484,785 in interest and financing costs for the six months ended September 30, 2017 as compared to $2,849 in the comparable prior period.

**Adjusted EBITDA (Non-IFRS Measure)**

| | Three months ended September 30, | | Six months ended September 30, 2016 | |
|---|---|---|---|---|
| **Figures in CDN $** | **2017 ($)** | **2016 ($)** | **2017 ($)** | **2016 ($)** |
| **Loss from operations** | (1,017,807) | (291,619) | (1,494,909) | (560,625) |
| **Adjustments** | | | | |
| **Share-based compensation** | 181,577 | - | 363,837 | - |
| **Amortization and depreciation** | 520,630 | - | 917,796 | - |
| **Adjusted EBITDA** | (315,600) | (291,619) | (213,276) | (560,625) |

**Non-IFRS Measures**

The Corporation uses “Adjusted Gross Profit” and “Adjusted EBITDA” as measures in the MD&A, which are not defined under IFRS. Management believes that these measures provide useful supplemental information to investors and is computed on a consistent basis for each reporting period.

“Adjusted Gross Profit” is a metric used by management which is calculated by removing the non-cash effects of accounting for biological assets and the non-cash effect of accounting for inventory acquired through acquisition at fair value on inventory sold during the period.

“Adjusted EBITDA” is a metric used by management which is income (loss) from operations, as reported, before interest, tax, and adjusted for removing other non-cash items, including the stock-based compensation expense, amortization and depreciation, non-cash occupancy costs, and the non-cash effects of accounting for biological assets and the non-cash effect of accounting for inventory acquired through acquisition at fair value. Management believes “Adjusted EBITDA” is a useful financial metric to assess its operating performance on a cash basis before the impact of non-cash items and acquisition related activities.

**Net Loss**

Net comprehensive loss for the three months ended September 30, 2017 was $3,882,144 (2016 – $293,059). The increase in net comprehensive loss is primarily attributed to exchange differences in the translation of U.S. operations due to the appreciation of the Canadian dollar vs. the U.S. dollar of $1,870,695 (2016 – gain of $7) in addition to activity related to planning and expenses related to subsequent events as detailed further in this MD&A and to generally building the business and its associated infrastructure.

Net comprehensive loss for the six months ended September 30, 2017 was $6,177,455 (2016 – $629,047). The increase in net comprehensive loss is primarily attributed to exchange differences in the translation of U.S. operations due to the appreciation of the Canadian dollar vs. the U.S. dollar of $3,131,950 (2016 – $7,806) in addition to activity related to planning and expenses related to subsequent events as detailed further in this MD&A and to generally building the business and its associated infrastructure.

**Basic and Diluted Loss per Share**

The basic and diluted loss per common share for the three months ended September 30, 2017 totalled $0.02 vs $0.01 for the three months ended September 30, 2016.

The basic and diluted loss per common share for the six months ended September 30, 2017 totalled $0.02 vs $0.02 for the six months ended September 30, 2016.

**Summary of Quarterly Results**

| Three Months Ended | Total Assets | Comprehensive Loss ($) | Comprehensive Loss ($) Per Share |
|---|---|---|---|
| September 30, 2017 | 74,930,846 | 3,882,144 (1) | (0.01) |
| June 30, 2017 | 79,522,206 | 2,274,532 (2) | (0.01) |
| March 31, 2017 | 72,930,112 | 3,554,854 (3) | (0.02) |
| December 31, 2016 | 96,785 | 554,306 (4) | (0.01) |
| September 30, 2016 | 86,449 | 293,059 (5) | (0.01) |
| June 30, 2016 | 91,202 | 382,572 (6) | (0.01) |
| March 31, 2016 | 88,222 | 2,086,785 (7) | (0.05) |
| December 31, 2015 | 1,441,280 | 228,045 (8) | (0.01) |

(1) Comprehensive loss of $3,882,144 consists primarily of revenue of $4,406,091, cost of sales of $2,528,440, unrealized gain from changes in the fair value of biological assets of $999,430, operating expenses of $3,894,888, foreign exchange gain of $28,643, change in the fair value of derivative liability of $1,898, interest and financing costs of $235,929, transaction costs of $209,133 income tax expense of 527,155 and exchange differences re U.S. operations of $1,870,695.

(2) Comprehensive loss of $2,274,532 consists primarily of revenue of $4,465,438*, cost of sales of $2,666,975*, unrealized gain from changes in the fair value of biological assets of $936,960, operating expenses of $3,212,525, foreign exchange expense of $53,755, change in the fair value of derivative

liability of $99,469, interest and financing costs of $248,856, transaction costs of $175,340 and exchange differences re U.S. operations of $1,240,476.

* Revenue and cost of sales have been recast from $5,105,123 and $3,306,660, respectively, due to an immaterial error (see "Revenue" and Cost of Sales" above).

(3) Comprehensive loss of $3,554,854 consists primarily of revenue of $4,383,962, cost of sales of $4,291,312, unrealized gain from changes in the fair value of biological assets of $936,974, operating expenses of $4,824,237, foreign exchange gain of $139,570, change in the fair value of derivative liability of $160,058, interest and financing costs of $248,856 and transaction costs of $175,340.

(4) Comprehensive loss of $554,306 consists primarily of revenue of operating expenses of $371,310, and transaction costs of $169,437.

(5) Comprehensive loss of $293,059 consists primarily of revenue of operating expenses of $291,619.

(6) Comprehensive loss of $382,572 consists primarily of revenue of operating expenses of $269,006, change in the fair value of derivative liability of $42,466, and transaction costs of $74,145.

(7) Comprehensive loss of $2,086,785 consists primarily of revenue of operating expenses of $864,769, write-off of goodwill of $1,177,166, and a write-down of inventory of $70,264.

(8) Comprehensive loss of $228,045 consists primarily of revenue of operating expenses of $188,343, and transaction costs of $69,928.

**Liquidity**

MPX intends to generate adequate cash to fund its business operations. However, the Corporation's business plan includes aggressive growth, both in the form of additional acquisitions and through facility expansion and improvements. Initiatives in U.S. markets outside of Arizona, specifically Nevada, Maryland and Massachusetts and to Canada, subject to approval of a license producer license from Health Canada are expected in the coming months. Accordingly, the Corporation expects to raise additional capital, both in the form of debt and new equity offerings during the next fiscal year.

**Financing Activities During the Period**

On May 5, 2017, the Corporation completed the second and final tranche of a private placement for gross proceeds of $2,300,271 (USD $1,683,700) through the issuance of 4,600,541 common shares. In relation to the private placement, the Corporation paid finder's fees to: (1) Chrystal Capital as follows: (a) a cash fee of $91,725 (US$66,894); and (b) compensation options to acquire 182,782 Common Shares in the Corporation at an exercise price of $0.50 per Common Share for a period of sixty (60) months from the date of issuance; (2) ARG Advisory Services, LLC as follows: (a) a cash fee of $4,114 (USD $3,000); and (b) 1,040,986 common shares of which 1,000,000 were issued in the prior year; (3) Walmer Capital Limited as follows: (a) a cash fee of $76,986 (USD $56,145); and (4) Island Investments Holdings Limited as follows: (a) a cash fee of $76,986 (USD $56,145).

**Liquidity and Capital Resources**

As at September 30, 2017, the Corporation had cash of $4,778,086 (March 31, 2017 - $21,519,289) to meet its current liabilities of $1,268,937 (March 31, 2017 - $2,317,539). The Corporation had working capital of $12,999,860 (March 31, 2017 – $24,295,192). MPX is an early-stage corporation. It is generating cash from sales and is deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are being

utilized for acquisitions in the medical and adult use cannabis industry, for capital expenditures and improvements in existing facilities, product development and marketing, as well as customer, supplier and investor and industry relations.

**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 considers its capital to be total equity. The Corporation manages capital through its financial and operational 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 three and six months ended September 30, 2017. The Corporation is not subject to any external capital requirements.

**Financial instruments and risk management**

Fair values

The carrying values of cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity. The promissory note receivable, term loan and convertible notes were originally recorded at fair value and subsequently at amortized cost that approximates the fair value of the instruments due to current market rates and consistency of credit spread.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is not subject to any interest rate volatility as its promissory note, term loan and convertible notes are carried at a fixed interest rate throughout their term.

Credit risk

Credit risk is the risk of economic loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation’s accounts receivable and promissory note receivable. As at September 30, 2017, and March 31, 2017 the Corporation is not exposed to any significant credit risk related to counterparty performance.

The carrying amount of cash of $4,778,086 (March 31, 2017 - $21,519,289), restricted cash of $Nil (March 31, 2017 - $133,220) and accounts receivable of $861,122 (March 31, 2017 - $764,672) represent the maximum exposure to credit risk. The cash balances are held by Canadian and U.S. banks.

The Corporation’s credit risk is primarily attributable to its accounts receivables. The amounts disclosed in the consolidated statement of financial position are net of allowance for doubtful accounts, estimated by the management of the Corporation based on its assessment of the current economic environment.

The Corporation does not have significant exposure to any individual customer and has estimated bad debts of $Nil and $Nil at September 30,2017 and March 31, 2017, respectively.

<u>Liquidity risk</u>

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages its liquidity risk by reviewing on an ongoing basis its capital requirements. At September 30, 2017, the Corporation had $4,778,086 (March 31, 2017 - $21,519,289) of cash, $Nil (March 31, 2017 - $133,220) of restricted cash and working capital of $12,999,860 (March 31, 2017 – $24,295,192).

<u>Foreign currency risk</u>

The Corporation has operations in Canada and the U.S. and is exposed to foreign exchange risk due to fluctuations in the U.S. dollar and Canadian dollar. Foreign exchange risk arises from financial assets and liabilities denominated in currency other than the U.S. dollar. The sensitivity of the Corporation's net loss to a 10% change in the Canadian dollar exchange rate relative to the U.S. dollar would not have a material impact on the Corporation's net loss.

**Outlook**

The Corporation has several key objectives for the fiscal year ending March 31, 2018. The combined objectives all contribute to MPX's ultimate goal of becoming one of the largest and most profitable North American participants in the burgeoning cannabis sector.

*Arizona*

Our first acquisition in Arizona was intended to be a "platform acquisition" adding significant revenues, cash flows, identifiable brands and industry expertise. While that objective was clearly achieved, the near-term plan in Arizona is to continue to expand our presence in the State, both through capacity expansion and additional acquisitions. Our first step in that direction was the addition of a third management agreement as part of the PerkAZ acquisition and the planned opening of a third dispensary in the Apache Junction suburb of Phoenix Arizona. Depending on the timing of state certification, we anticipate opening this dispensary between mid December 2017 and mid January 2018. We believe this part of the market is underserved and the new dispensary has potential to add incremental revenues to our Arizona operations during the first calendar quarter of 2018.

While the cannabis sector in Arizona is competitive and we have seen some pricing and margin compression, the overall growth and profitability levels remain attractive, particularly when compared to some other North American markets. The number of patients continues to increase and the list of chronic conditions for which cannabis can be used, points to a continued growth in the volume of grams beings sold and subsequent revenues. The Corporation's continued growth in the Arizona market is dependent on its ability to increase production, particularly in terms of increased volumes of its higher-margin MPX concentrates. To accomplish this goal, the Arizona processing operations are being re-located to the new Mesa North facility which was opened in May 2017, where considerable additional space is available. Along with the relocation, we will be adding additional equipment, doubling our processing capacity of concentrate to 1.1 million grams per annum. We expect the new facility to be operational before the end of calendar 2017.

The relocation of the production facility will free up additional cultivation space in the Mesa East location and add approximately 15% more flower and trim production. The use of the Roto-Gro hydroponic garden technology is in the latter phase of a test project at our Mesa East facility and, if successful, the integration of this technology is anticipated to increase yield and reduce costs. Roto-Gro use will be expanded into the approximately 20,000 sq. ft. of vacant space currently available in Mesa North. We see this expansion as a target for our 4th fiscal quarter.

Additionally, the Corporation has announced the possible acquisition of a fourth operation in the Phoenix area as detailed in the subsequent events section below. That addition would increase our revenues in Arizona by approximately 40%. As of the date of this writing, management is in the final stages of due diligence

Finally, the addition of production and revenues from the below-described Panaxia joint venture will add to our overall results in Arizona during the early part of 2018.

*Massachusetts*

The ballot initiative in November of 2016, added Massachusetts as the first large east coast State to authorize the adult use of cannabis. With a population of 6 million and an additional 26 million people within driving distance of the State, Massachusetts is anticipating that it will quickly develop a robust legal cannabis market and become a marijuana tourist destination exceeding the success experienced by Colorado. With the acquisition of a controlling interest in a marijuana enterprise in Massachusetts, the Corporation intends to become a significant participant in this market and is currently building-out a 40,000 square feet cultivation and production facility capable of producing 2.25 million grams per annum and a dispensary in the community of Fall River. As well, MPX is working to secure zoning for two additional dispensaries in Massachusetts. We expect to commence cultivation during the first calendar quarter of 2018 and full operation of the three dispensaries during the second quarter.

*Nevada*

The State of Nevada accelerated the introduction of legal adult use with the State's "Early Start" program on July 1, 2017 caught most market participants a little flat footed. That observation not withstanding, Nevada, and particularly Las Vegas, is expected to become one of the most expansive cannabis markets in the country during the balance of 2017 and into the future. Since the launch of adult use at the beginning of summer, the market has experienced a shortage of available supply and a significant increase in pricing. As a result, the State of Nevada is expected to license several new dispensaries later this year and there is considerable discussion about the licensing of "cannabis lounges" by mid 2018. MPX is anxious to participate in this market and expects to launch its involvement with the acquisition of GreenMart of Nevada NLV LLC ("GreenMart") this month (see Subsequent Events below). With a fully built-out cultivation and production facility operating at full capacity, GreenMart can produce 1.6 million grams of dried flower and 85,000 grams of high-margin MPX concentrate annually.

*Maryland*

Maryland will launch its medical cannabis program later this year and the Corporation expects to be a participant in this fledgling market through the acquisition of management contracts for three dispensary licenses and one production license, all in the Baltimore/Bethesda area and a supply contract with one of the largest of the 15 cultivation licensees. We anticipate the acquisitions to be completed in our fiscal Q3,

the production facility to commence operations before the end of the calendar year and the three dispensaries to open in fiscal Q4.

To-date, the Corporation has invested in excess of US$2 million in the planning, purchase and build-out of the Maryland facilities.

*Panaxia*

Based on the term sheet dated August 22, 2017, the Panaxia joint venture arrangement provides for the establishment of four GMP pharmaceutical grade facilities over the next several months and the launch of up to 32 “pharma-grade” cannabis-based products into the Arizona and Massachusetts markets (as well as Maryland and/or Nevada, assuming the closing of the aforementioned acquisitions in Maryland and Nevada, and the successful buildout of the applicable facilities) and points to the possibility of a material contribution of revenues to MPX.

The Corporation continues to explore other avenues for revenue and profit growth by deploying a plan for internal capacity expansion, product diversification, acquisition and licensing opportunities in other States as medical and adult use regulations are introduced.

*Owen Sound, Ontario*

Following receipt updating correspondence from Health Canada in respect of the Corporation’s application for a producer license under the Access to Cannabis for Medical Purposes Regulations (ACMPR), the Corporation renewed it efforts with respect to the planning and build-out of its Owen Sound cultivation and production facility. Considerable progress has been made during the past several weeks and management will be providing an update to investors in the coming weeks.

**Related Party Transactions**

Related party transactions not disclosed elsewhere are summarized below:

As at September 30, 2017, the Corporation has an outstanding term loan of $12,480,000 (USD $10,000,000) (March 31, 2017 - $13,322,000 (USD $10,000,000)), due to a trust whose beneficiary is an officer of the Corporation. In connection with this loan, the Corporation recorded interest expense for the three and six months ended September 30, 2017 of $250,704 (USD $200,000) and $519,680 (USD $400,000), respectively (three and six months ended September 30, 2016   $Nil). As at September 30, 2017, $Nil (March 31, 2017   $210,192) of interest is payable and is recorded in accounts payable and accrued liabilities.

As at September 30, 2017, the Corporation was owed $4,895,203 (March 31, 2017 - $Nil) from companies controlled by an officer of the Corporation.

Key management are those persons having authority and responsibility for planning, directing and controlling activities, directly or indirectly, of the Corporation. Remuneration of directors and key management personnel of the Corporation was as follows:

| | Three months ended September 30, | | Six months ended September 30, | |
|---|---|---|---|---|
| | 2017 ($) | 2016 ($) | 2017 ($) | 2016 ($) |
| Salaries and benefits | 128,961 | 44,000 | 313,155 | 88,000 |
| Share-based compensation | 113,686 | - | 227,800 | - |
| | 242,647 | 44,000 | 540,955 | 88,000 |

The above-noted transactions are in the normal course of business and are measured at the exchange amount as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

At September 30, 2017, each of the directors with control of less than 10% of the common shares of the Corporation collectively control 7,289,559 common shares of the Corporation or approximately 2.67% of the total common shares outstanding.

**Commitments and contingencies**

Legal Claims

*2014 Claim*

On May 28, 2014, a legal claim was filed against a former director of the Corporation and Prime Pharmaceutical. The claim is related to a traffic accident involving the plaintiff and the former director. The plaintiff is seeking damages of $1,000,000 and additional legal costs from the former director and Prime Pharmaceutical. Management believes that this claim is without merit. Prime Pharmaceutical's insurance provider is managing the legal defense and will vigorously defend the claim. As such, a contingent liability has not been recorded in the unaudited condensed interim consolidated statements of financial position.

*2017 Claim*

The Corporation was served with an amended statement of claim on June 22, 2017 by Marrelli Support Services Inc. (“MSSI”). The Claim was commenced in the Ontario Superior Court of Justice and seeks damages, in respect of engagement of a former Marrelli employee for breach of contract, inducing breach of contract, breach of honest dealings, breach of fiduciary and trust duties, knowingly assisting in the breach of said duties and unjust enrichment in the amount of $500,000, plus punitive and exemplary damages in the amount of $50,000.

The Corporation is vigorously defending the Claim and has filed its Defence with the Court. Pleadings have not closed and documentary discovery has not been completed. As a result, it is premature to further assess the merits of the allegations at this time.

Leases

*Owen Sound, ON:*

On February 25, 2015, BioCannabis entered into a lease of a facility in Owen Sound for the production of medical marijuana (the “Old Lease”). The term of the Old Lease was 15 years and six months, beginning

April 1, 2015. However, due to the delay by Health Canada issuing a license to the Corporation under the Marihuana for Medical Purposes Regulations, a delay outside the control of the Corporation, the landlord and the Corporation have cancelled the Old Lease. On March 24, 2017, the parties entered into a new lease agreement for a smaller portion of the facility (the "New Lease"). The term of the New Lease is 10 years and six months, beginning April 1, 2017.

*Toronto, ON:*

The Corporation entered into a lease agreement for office space beginning on July 1, 2017. The term of the lease is 3 years, beginning July 1, 2017.

*Mesa, AZ:*

S8 Rental entered into a lease of a building in Mesa, Arizona for the production and sale of medical marijuana. The term of the original lease is 10 years, beginning November 9, 2016.

The Corporation's minimum lease payments are as follows:

| | |
|---|---|
| 2018 | $ 377,525 |
| 2019 | 775,050 |
| 2020 | 775,050 |
| 2021 | 723,336 |
| 2022 | 712,765 |
| 2023 and beyond | 3,555,764 |
| | **$ 6,879,490** |

<u>Services Agreement</u>

On April 1, 2017, the Corporation entered into a services agreement (the "Tequesta Agreement") with Tequesta Properties Inc. ("Tequesta") whereby Tequesta will provide the following services to MPX for a service fee of US$30,000.00 per month: (a) support and analysis for the acquisition of cannabis dispensary, cultivation and production entities in the United States; (b) general administrative services, including, accounting, treasury management, bookkeeping, financial analysis, contract management, project management, human resources support, procurement services, corporate governance, and oversight of Corporation policies and procedures; and (c) assisting with the structuring and evaluation of financing proposals as required to further the growth and profitability of MPX. The term of the Tequesta Agreement is twenty-four (24) months.

**Off-Balance Sheet Arrangements**

As of the date of this filing, the Corporation does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation, including, and without limitation, such considerations as liquidity and capital resources.

**Risk Factors**

Any or all of these risks, or other as yet unidentified risks, may have a material adverse effect on the Business and/or return to the investors.

*Market Price and Volatility of Common Shares*

Securities have experienced an extreme level of price and volume volatility over the past few of years and the market price of securities of many companies has experienced wide fluctuations which, in many cases, have not necessarily been related to the performance, underlying asset values or prospects of such companies. The trading price of the Common Shares has been, and may continue to be, subject to large fluctuations and, therefore, may result in losses to investors. In addition, following periods of volatility in the market price of a Corporation's securities, shareholders have instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm the Corporation's business, condition, prospects and reputation.

*Internal Controls*

The failure to implement and maintain proper and effective internal controls and disclosure controls could result in material weaknesses in our financial reporting, such as errors in our financial statements and in the accompanying footnote disclosures that could require restatements. Investors may lose confidence in our reported financial information and disclosure, which could negatively impact our share price.

We do not expect that our internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Over time, controls may become inadequate because changes in conditions or deterioration in the degree of compliance with policies or procedures may occur. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

*Access to Capital*

We have limited capital resources and operations. To date, our operations have been funded entirely from the proceeds of debt and equity financings. We expect to require substantial additional capital in the near future to continue operations at the cultivation and production facilities and dispensaries for Soothing Options and HFL, expand our product lines, develop our intellectual property base, and establish our targeted levels of commercial production. We may not be able to obtain additional financing on terms acceptable to us, or at all. If we fail to raise additional capital, as needed, our ability to implement our business model and strategy could be compromised.

Even if we obtain financing for our near-term operations, we expect that we will require additional capital thereafter. Our capital needs will depend on numerous factors including: (i) our profitability; (ii) the release of competitive products by our competition; (iii) the level of our investment in research and development; and (iv) the amount of our capital expenditures, including acquisitions. We cannot assure you that we will be able to obtain capital in the future to meet our needs.

*Dilution*

If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership held by our existing shareholders will be reduced and our shareholders may experience significant dilution. In addition, new securities may contain rights, preferences, or privileges that are senior to those of the Common Shares. If we raise additional capital by incurring debt, this will result in increased interest expense. If we raise additional funds through the issuance of securities, market fluctuations in the price of the Common Shares could limit our ability to obtain equity financing.

We cannot give you any assurance that any additional financing will be available to us, or if available, will be on terms favorable to us. If we are unable to raise capital when needed, our business, financial condition, and results of operations would be materially adversely affected, and we could be forced to reduce or discontinue our operations.

*Global Economic Conditions*

Our business, financial condition, results of operations, and cash flow have been, and may in the future be, negatively impacted by challenging global economic conditions.

The recent global economic slowdown has caused disruptions and extreme volatility in global financial markets, increased rates of default and bankruptcy, and declining consumer and business confidence, which has led to decreased levels of consumer spending. These macroeconomic developments have and could continue to negatively impact our business, which depends on the general economic environment and levels of consumer spending. As a result, we may not be able to maintain our existing customers or attract new customers, or we may be forced to reduce the price of our products. We are unable to predict the likelihood of the occurrence, duration, or severity of such disruptions in the credit and financial markets and adverse global economic conditions. Any general or market-specific economic downturn could have a material adverse effect on our business, financial condition, results of operations, and cash flow.

*No Guaranteed Return*

There is no guarantee that an investment in the Common Shares will earn any positive return in the short, medium or long term. There is no assurance that holders of the Common Shares will receive cash distributions or any rate of return on, or repayment of, their investment in the Common Shares. In fact, an investor could lose its entire investment in the Common Shares.

*Unknown Value of the Common Shares*

The value of the Common Shares is subject to the ability of the Corporation to build equity in the enterprise. If insufficient proceeds are raised and alternative financing is not available, the completion of the Corporation's business plan may not be fulfilled. There can be no assurance ***that a profitable business will be achieved*** by the Corporation.

*Tax*

Canadian federal and provincial and United States federal and State tax issues should be taken into consideration prior to investing in the Common Shares. The return on an investor's investment is subject to taxes and to changes in Canadian and U.S. tax laws. There can be no assurance that tax laws, regulations

or judicial or administrative interpretations of these laws and regulations will change in a manner that fundamentally alters the tax consequences to investors holding or disposing of the Common Shares.

If you are purchasing the Common Shares outside of Canada, you should consult your own tax advisor for advice for your local jurisdiction.

*Limited Operating History*

Prior to the AZ Acquisition, the Corporation and the AZ Business each had a limited operating history, which may make it difficult for investors to predict future performance based on current operations.

In particular, we have not proven that we can supply Soothing Option's or HFL's line of cannabis pure concentrates in a manner that enables us to be profitable and meet customer requirements, obtain or renew the necessary permits and/or achieve certain milestones to develop the Business, enhance Soothing Option's or HFL's lines of cannabis flowers, cigarettes, and pure concentrates, develop and maintain relationships with key manufacturers and strategic partners to extract value from our intellectual property, raise sufficient capital in the public and/or private markets, or respond effectively to competitive pressures. As a result, there can be no assurance that we will be able to develop or maintain consistent revenue sources, or that our operations will be profitable and/or generate positive cash flow.

*Reliance on Management*

Decisions regarding the management of the Corporation's affairs will be made exclusively by the officers and directors of the Corporation and not by the holders of the Common Shares. Accordingly, investors must carefully evaluate the personal experience and business performance of the officers and directors of the Corporation. The Corporation may retain independent contractors to provide services to the Corporation. Generally, these contractors have no fiduciary duty to the holders of the Common Shares or the Corporation.

*Difficulty in Recruiting and Retaining Management and Key Personnel*

Our future success depends on our key executive officers and our ability to attract, retain, and motivate qualified personnel.

Our future success largely depends upon the continued services of our executive officers and management team, especially the President of CGX, Ms. Elizabeth M. Stavola. If one or more of our executive officers are unable or unwilling to continue in their present positions, we may not be able to replace them readily, if at all. Additionally, we may incur additional expenses to recruit and retain new executive officers. If any of our executive officers joins a competitor or forms a competing Corporation, we may lose some or all of our customers. Finally, we do not maintain "key person" life insurance on any of our executive officers. Because of these factors, the loss of the services of any of these key persons could adversely affect our business, financial condition, and results of operations, and thereby an investment in the Common Shares.

Our continuing ability to attract and retain highly qualified personnel will also be critical to our success because we will need to hire and retain additional personnel as our business grows. There can be no assurance that we will be able to attract or retain highly qualified personnel. We face significant competition for skilled personnel in our industries. This competition may make it more difficult and expensive to attract, hire, and retain qualified managers and employees. Because of these factors, we

may not be able to effectively manage or grow our business, which could adversely affect our financial condition or business. As a result, the value of your investment could be significantly reduced or completely lost.

*Unreliability of Forecasts*

Any forecasts we make about our operations may prove to be inaccurate. We must, among other things, determine appropriate risks, rewards, and level of investment in our product lines, respond to economic and market variables outside of our control, respond to competitive developments and continue to attract, retain, and motivate qualified employees. There can be no assurance that we will be successful in meeting these challenges and addressing such risks and the failure to do so could have a materially adverse effect on our business, results of operations, and financial condition. Our prospects must be considered in light of the risks, expenses, and difficulties frequently encountered by companies in the early stage of development. As a result of these risks, challenges, and uncertainties, the value of your investment could be significantly reduced or completely lost.

*Managing Growth*

We may not be able to effectively manage our growth or improve our operational, financial, and management information systems, which would impair our results of operations.

In the near term, we intend to expand the scope of our operations activities significantly. If we are successful in executing our business plan, we will experience growth in our business that could place a significant strain on our business operations, finances, management, and other resources. The factors that may place strain on our resources include, but are not limited to, the following:

(1) the need for continued development of our financial and information management systems;
(2) the need to manage strategic relationships and agreements with manufacturers, customers, and partners; and
(3) difficulties in hiring and retaining skilled management, technical, and other personnel necessary to support and manage our business.

Additionally, our strategy envisions a period of rapid growth that may impose a significant burden on our administrative and operational resources. Our ability to effectively manage growth will require us to substantially expand the capabilities of our administrative and operational resources and to attract, train, manage, and retain qualified management and other personnel. There can be no assurance that we will be successful in recruiting and retaining new employees, or retaining existing employees.

We cannot provide assurances that our management will be able to manage this growth effectively. Our failure to successfully manage growth could result in our sales not increasing commensurately with capital investments or otherwise materially adversely affecting our business, financial condition, or results of operations.

*Inability to Innovate and Find Efficiencies*

If we are unable to continually innovate and increase efficiencies, our ability to attract new customers may be adversely affected.

In the area of innovation, we must be able to develop new technologies and products that appeal to our customers. This depends, in part, on the technological and creative skills of our personnel and on our ability to protect our intellectual property rights. We may not be successful in the development, introduction, marketing, and sourcing of new technologies or innovations, that satisfy customer needs, achieve market acceptance, or generate satisfactory financial returns.

*Website*

Prospective customers may be deterred from doing business with a Corporation with a significant nationwide online presence because of fears of federal or state enforcement of laws prohibiting possession and sale of medical or recreational marijuana.

Our website is visible in jurisdictions where medicinal and/or recreational use of marijuana is not permitted and, as a result, we may be found to be violating the laws of those jurisdictions. We could lose potential customers as they could fear federal prosecution for growing marijuana with CGX's equipment, reducing our revenue. In most States in which the production and sale of marijuana have been legalized, there are additional laws or licenses required and some States altogether prohibit home cultivation, all of which could make the loss of potential customers more likely.

*Operational Risk*

The Corporation will be affected by a number of operational risks and the Corporation may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Corporation's properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on the Corporation's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Corporation's future cash flows, earnings and financial condition. Also, the Corporation may be subject to or affected by liability or sustain loss for certain risks and hazards against which the Corporation cannot insure or which the Corporation may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Corporation's future cash flows, earnings, results of operations and financial condition.

*Revenue Shortfalls*

Revenue shortfalls from budget may result from lower than expected sales volume, sale price and/or inventory due to inadequate marketing or lower than expected market stimulation. Average sales prices may be less than budgeted due to aggressive competitor pricing below the Corporation's prices.

*Permits and Authorizations*

We may not obtain the necessary permits and authorizations to operate the business.

Soothing Options and HFL may not be able to obtain or maintain the necessary licenses, permits, authorizations, or accreditations, or may only be able to do so at great cost, to operate its medical marijuana business. In addition, we may not be able to comply fully with the wide variety of laws and regulations applicable to the medical marijuana industry. Failure to comply with or to obtain or maintain

the necessary licenses, permits, authorizations, or accreditations could result in restrictions on our ability to operate the medical marijuana business, which could have a material adverse effect on our business.

*Potential for Conflict of Interest*

All decisions to be made by such directors and officers involving the Corporation are required to be made in accordance with their duties and obligations to act honestly and in good faith with a view to the best interests of the Corporation. In addition, such directors and officers are required to declare their interests in, and such directors are required to refrain from voting on, any matter in which they may have a material conflict of interest.

*Intellectual Property*

If we fail to protect our intellectual property, our business could be adversely affected.

Our viability will depend, in part, on our ability to develop and maintain the proprietary aspects of our technology to distinguish our products from our competitors' products. We rely on copyrights, trademarks, trade secrets, and confidentiality provisions to establish and protect our intellectual property.

Any infringement or misappropriation of our intellectual property could damage its value and limit our ability to compete. We may have to engage in litigation to protect the rights to our intellectual property, which could result in significant litigation costs and require a significant amount of our time. In addition, our ability to enforce and protect our intellectual property rights may be limited in certain countries outside the United States, which could make it easier for competitors to capture market position in such countries by utilizing technologies that are similar to those developed or licensed by us.

Competitors may also harm our sales by designing products that mirror the capabilities of our products or technology without infringing on our intellectual property rights. If we do not obtain sufficient protection for our intellectual property, or if we are unable to effectively enforce our intellectual property rights, our competitiveness could be impaired, which would limit our growth and future revenue.

We may also find it necessary to bring infringement or other actions against third parties to seek to protect our intellectual property rights. Litigation of this nature, even if successful, is often expensive and time-consuming to prosecute and there can be no assurance that we will have the financial or other resources to enforce our rights or be able to enforce our rights or prevent other parties from developing similar technology or designing around our intellectual property.

Although we believe that our technology does not and will not infringe upon the patents or violate the proprietary rights of others, it is possible such infringement or violation has occurred or may occur, which could have a material adverse effect on our business.

We are not aware of any infringement by us of any person's or entity's intellectual property rights. In the event that products we sell are deemed to infringe upon the patents or proprietary rights of others, we could be required to modify our products or obtain a license for the manufacture and/or sale of such products or cease selling such products. In such event, there can be no assurance that we would be able to do so in a timely manner, upon acceptable terms and conditions, or at all, and the failure to do any of the foregoing could have a material adverse effect upon our business.

There can be no assurance that we will have the financial or other resources necessary to enforce or defend a patent infringement or proprietary rights violation action. If our products or proposed products are deemed to infringe or likely to infringe upon the patents or proprietary rights of others, we could be subject to injunctive relief and, under certain circumstances, become liable for damages, which could also have a material adverse effect on our business and our financial condition.

*Trade Secrets*

Our trade secrets may be difficult to protect.

Our success depends upon the skills, knowledge, and experience of our scientific and technical personnel, our consultants and advisors, as well as our licensors and contractors. Because we operate in several highly competitive industries, we rely in part on trade secrets to protect our proprietary technology and processes. However, trade secrets are difficult to protect. We enter into confidentiality or non-disclosure agreements with our corporate partners, employees, consultants, outside scientific collaborators, developers, and other advisors. These agreements generally require that the receiving party keep confidential and not disclose to third parties' confidential information developed by the receiving party or made known to the receiving party by us during the course of the receiving party's relationship with us. These agreements also generally provide that inventions conceived by the receiving party in the course of rendering services to us will be our exclusive property, and we enter into assignment agreements to perfect our rights.

These confidentiality, inventions, and assignment agreements may be breached and may not effectively assign intellectual property rights to us. Our trade secrets also could be independently discovered by competitors, in which case we would not be able to prevent the use of such trade secrets by our competitors. The enforcement of a claim alleging that a party illegally obtained and was using our trade secrets could be difficult, expensive, and time consuming and the outcome would be unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets. The failure to obtain or maintain meaningful trade secret protection could adversely affect our competitive position.

*Fluctuations in Currency Exchange Rates*

Fluctuations in currency exchange rates may adversely affect the Corporation's financial position. Fluctuations in currency exchange rates may significantly impact the Corporation's financial position and results. The Corporation does not have in place a policy for managing or controlling foreign currency risks since, to date, its primary activities have not resulted in material exposure to foreign currency risk.

*Lack of Earnings and Dividend Record*

The Corporation has no earnings or dividend record. The Corporation has not paid dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. Payments of any dividends will be at the discretion of the MPX Board after taking into account many factors, including the financial condition and current and anticipated cash needs of the Corporation.

*Market Price and Volatility of Common Shares*

Securities have experienced an extreme level of price and volume volatility over the past few of years and the market price of securities of many companies has experienced wide fluctuations which, in many cases, have not necessarily been related to the performance, underlying asset values or prospects of such

companies. The trading price of the Common Shares has been, and may continue to be, subject to large fluctuations and, therefore, may result in losses to investors. In addition, following periods of volatility in the market price of a Corporation's securities, shareholders have instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm the Corporation's business, condition, prospects and reputation.

*Insurance Coverage*

Our insurance coverage may be inadequate to cover all significant risk exposures.

We will be exposed to liabilities that are unique to the products we provide. While we intend to maintain insurance for certain risks, the amount of our insurance coverage may not be adequate to cover all claims or liabilities, and we may be forced to bear substantial costs resulting from risks and uncertainties of our business. It is also not possible to obtain insurance to protect against all operational risks and liabilities. The failure to obtain adequate insurance coverage on terms favorable to us, or at all, could have a material adverse effect on our business, financial condition, and results of operations. We do not have any business interruption insurance. Any business disruption or natural disaster could result in substantial costs and diversion of resources.

*U.S. Federal Regulation*

U.S. Federal regulation and enforcement may adversely affect the implementation of medical marijuana laws and regulations may negatively impact our revenues and profits.

Currently, there are 29 States plus the District of Columbia that have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Many other States are considering similar legislation. Conversely, under the U.S. Controlled Substance Act (the "**CSA**"), the policies and regulations of the federal government and its agencies are that cannabis has no "proven" medical benefits. Unless and until Congress amends the CSA with respect to medical marijuana, as to the timing or scope of any such potential amendments there can be no assurance, there is a risk that federal authorities may enforce current U.S. federal law, and we may be deemed to be producing, cultivating, or dispensing marijuana in violation of U.S. federal law with respect to the Corporation's current or proposed business operations, or we may be deemed to be facilitating the sale or distribution of drug paraphernalia in violation of U.S. federal law with respect to CGX's business operations. Active enforcement of the current federal regulatory position on cannabis may thus indirectly and adversely affect our revenues and profits. The risk of strict enforcement of the CSA in light of Congressional activity, judicial holdings, and stated federal policy remains uncertain.

The U.S. Supreme Court declined to hear a case brought by San Diego County, California that sought to establish federal pre-emption over State medical marijuana laws. The pre-emption claim was rejected by every court that reviewed the case. The California 4$^{th}$ District Court of Appeals wrote in its unanimous ruling, "Congress does not have the authority to compel the States to direct their law enforcement personnel to enforce U.S. federal laws." However, in another case, the U.S. Supreme Court held that, as long as the CSA contains prohibitions against marijuana, under the Commerce Clause of the United States

Constitution, the United States may criminalize the production and use of homegrown cannabis even where States approve its use for medical purposes.

In an effort to provide guidance to U.S. federal law enforcement, the Department of Justice has issued Guidance Regarding Marijuana Enforcement to all United States Attorneys in a memorandum from Deputy Attorney General David Ogden on October 19, 2009, in a memorandum from Deputy Attorney General James Cole on June 29, 2011 and in a memorandum from Deputy Attorney General James Cole on August 29, 2013. Each memorandum provides that the DOJ is committed to the enforcement of the CSA, but, the DOJ is also committed to using its limited investigative and prosecutorial resources to address the most significant threats in the most effective, consistent, and rational way.

The August 29, 2013 memorandum provides updated guidance to federal prosecutors concerning marijuana enforcement in light of State laws legalizing medical and recreational marijuana possession in small amounts.

The memorandum sets forth certain enforcement priorities that are important to the federal government:

(1) prevention of distribution of marijuana to children;
(2) preventing revenue from the sale of marijuana going to criminals;
(3) diversion of medical marijuana from States where it is legal to States where it is not;
(4) using State authorized marijuana activity as a pretext of other illegal drug activity;
(5) preventing violence in the cultivation and distribution of marijuana;
(6) preventing drugged driving;
(7) growing marijuana on federal property; and
(8) preventing possession or use of marijuana on federal property.

On February 14, 2014, Mr. Cole supplemented his August 29, 2013 memorandum to add guidance regarding the impact of the prior memoranda on "financial crimes" for which marijuana-related conduct is a predicate. Among other things he noted that the provisions of the money laundering statutes, the unlicensed money remitter statute and the Bank Secrecy Act remain in effect with respect to marijuana-related conduct. However, he also reiterated the position reflected in the August 29, 2013 guidance, stating that the investigation and prosecution of financial crimes "would be subject to the same consideration and prioritization." The DOJ has not historically devoted resources to prosecuting individuals whose conduct is limited to possession of small amounts of marijuana for use on private property, but has relied on State and local law enforcement to address marijuana activity. In the event the DOJ reverses its stated policy and begins strict enforcement of the CSA in States that have laws legalizing medical marijuana and recreational marijuana in small amounts, there may be a direct and adverse impact to our business and our revenue and profits.

On December 20, 2014, President Obama signed into law a federal spending bill with a Congressional appropriation rider for the year ending September 30, 2015, providing that "None of the funds made available to the DOJ pursuant to the 2015 Consolidated and Further Continuing Appropriations Act may be used to prevent certain States, including Arizona, Nevada and California, from implementing their own laws that have authorized the use, distribution, possession, or cultivation of medical marijuana." This limitation was carried over for the year ending September 30, 2016. The DOJ addressed the impact of the appropriations rider in a memorandum dated February 27, 2015, which was released to the public in August 2015. That memorandum took the position that the appropriations rider does not bar the use of

funds for civil and criminal enforcement “consistent with the existing DOJ guidance….” The DOJ’s interpretation appears to have been firmly rejected by the United States Court of Appeals for the Ninth Circuit (which includes federal court districts of Arizona and Nevada). In a decision dated August 16, 2016, the Court specifically ruled that the appropriations riders prohibited the use of DOJ funds for “conduct…completely authorized by State law….” United States v McIntosh, No.15-10117, 2016 WL 4363168, at 32 (9th Cir. Aug. 16, 2016).

Following the inauguration of President Trump, a Task Force on Crime Reduction and Public Safety was established through an executive order by the President of the United States in February 2017. The Task Force was to deliver its recommendations by July 27, 2017. To date, its recommendations have not been made public.

In March, 2017, U.S. Attorney General Jeff Sessions acknowledged the validity of the Cole Memorandum that much of the Cole Memorandum and noted limited federal resources due to the appropriations restrictions. The Attorney General has not committed to utilizing the Cole Memorandum framework going forward.

Although this appropriations restriction on the use of DOJ funds was extended through September 30, 2017, and it is believed that it is likely to be extended further, there can be no assurance that the DOJ will continue to operate in accordance with its prior memoranda nor that future federal appropriations will continue to restrict the DOJ’s use of funds.

*Settlements of Trades*

Recently, there have been reports in the media that The Canadian Depository for Securities Limited, Canada’s central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets, is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. (“CDS”), a wholly-owned subsidiary of the TMX Group Limited, may refuse to settle trades for cannabis issuers that have investments in the United States. CDS or its parent company has not issued any public statement about these reports. However, if CDS were to refuse the settlement of such trades, such a policy would apply to the Corporation and may have a material adverse effect on the ability of holders of Common Shares to make trades. In particular, the Common Shares could become illiquid as investors may have limited ability to affect a trade of the Common Shares through the facilities of a stock exchange.

*Variation in State Regulations*

Variations in State and local regulation, and enforcement in States that have legalized medical cannabis, may restrict marijuana-related activities, including activities related to medical cannabis, which may negatively impact our revenues and prospective profits.

Individual State laws do not always conform to the federal standard or to other States laws. A number of States have decriminalized marijuana to varying degrees, other States have created exemptions specifically for medical cannabis, and several have both decriminalization and medical laws. Four States, Alaska, Colorado, Oregon, Washington and the District of Columbia have previously legalized the recreational of cannabis. In November 2016, four additional States, California, Massachusetts, Maine and Nevada, voted to legalize recreational use, although recreational use is not yet permitted in those States until appropriate regulatory frameworks have been put in place. The exception is Nevada which began its

adult-use program on July 1, 2017. Variations exist among States that have legalized, decriminalized, or created medical marijuana exemptions. For example, Alaska, Colorado, and the District of Columbia have limits on the number of marijuana plants that can be homegrown. In most States, the cultivation of marijuana for personal use continues to be prohibited except for those States that allow small-scale cultivation by the individual in possession of medical marijuana needing care or that person's caregiver. Active enforcement of State laws that prohibit personal cultivation of marijuana may indirectly and adversely affect our business and our revenue and profits.

*Marijuana remains illegal under U.S. Federal law*

The Company generates a significant portion of its revenue from US operations. In the US, certain US states have liberalized cannabis laws and regulations allowing for cannabis related activities such as cultivation, possession or distribution. Despite the numerous state legalization initiatives, cannabis continues to be categorized as a controlled substance under the federal Controlled Substances Act in the US and as such these same activities that are legal under various state laws continue to violate federal law in the US. The U.S. Department of Justice has indicated that it will focus on prioritizing state law based enforcement in jurisdictions where cannabis is legal to the extent that there is a robust regulatory in place however there can be no certainty that the political and/or regulatory priorities will not change on this topic.

Furthermore, on October 16, 2017, the Canadian Securities Administrators provided guidance pursuant to CSA Staff Notice 51-352 regarding disclosure requirements for issuers with US cannabis operations. The CSA has adopted a disclosure based approach and has set out criteria which must be disclosed by issuers with respect to their US operations, the US federal laws and the measures taken to ensure compliance therewith. The Company has reviewed such guidance and believes that it is compliant as of the date hereof, however, due to the novel nature of this guidance, the Company may be required to take further steps with respect to US regulatory monitoring and compliance to continue its listing eligibility on a Canadian stock exchange. Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical cannabis licenses in the US, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. It is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

We could be found to be violating laws related to medical cannabis.

Currently, there are 29 States plus the District of Columbia that have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Many other States are considering similar legislation. Conversely, under the CSA, the policies and regulations of the federal government and its agencies are that cannabis has no proven medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. Unless and until Congress amends the CSA with respect to medical marijuana, as

to the timing or scope of any such amendments there can be no assurance, there is a risk that federal authorities may enforce current U.S. federal law. The risk of strict enforcement of the CSA in light of Congressional activity, judicial holdings, and stated federal policy remains uncertain. This would cause a direct and adverse effect on our subsidiaries' businesses, or intended businesses, and on our revenue and prospective profits.

Marijuana is a Schedule-I controlled substance and is illegal under U.S. federal law. Even in those States in which the use of marijuana has been legalized, its use remains a violation of U.S. federal law. Since U.S. federal law criminalizing the use of marijuana pre-empts State laws that legalize its use, strict enforcement of U.S. federal law regarding marijuana would likely result in our inability to proceed with our business plan, especially in respect of Soothing Options and HFL.

Laws and regulations affecting the medical marijuana industry are constantly changing, which could detrimentally affect the proposed operations of Soothing Options and HFL, and the Business.

Local, State, and federal medical marijuana laws and regulations are broad in scope and subject to evolving interpretations, which could require us to incur substantial costs associated with compliance or alter certain aspects of our business plan. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of our business plan and result in a material adverse effect on certain aspects of our planned operations. In addition, it is possible that regulations may be enacted in the future that will be directly applicable to certain aspects of our proposed medical marijuana businesses through Soothing Options and HFL, and our business of selling cannabis products through CGX. We cannot predict the nature of any future laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business.

*Change of Cannabis Laws*

It is possible that U.S. federal or State legislation could be enacted in the future that would prohibit us or potential customers from selling Soothing Options' and HFL's products, and if such legislation were enacted, our revenues could decline, leading to a loss of shareholder investment.

*Access to Banks*

We may have difficulty accessing the service of banks, which may make it difficult for us to operate.

Since the use of marijuana is illegal under U.S. federal law, and in light of concerns in the banking industry regarding money laundering and other federal financial crime related to marijuana, United States banks have been reluctant to accept deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty finding a bank willing to accept their business. Likewise, marijuana businesses have limited, if any, access to credit card processing services. As a result, marijuana businesses in the United States are largely cash-based. This complicates the implementation of financial controls and increases security issues. The inability to open or maintain bank accounts or take credit cards may make it difficult for us to operate our contemplated medical marijuana businesses.

*Consumer Acceptance of Marijuana*

We are dependent on the popularity of consumer acceptance of Soothing Option's and HFL's product lines.

Our ability to generate revenue and be successful in the implementation of the Corporation's business plan is dependent on consumer acceptance and demand of Soothing Option's and HFL's medical Marijuana Product lines. Acceptance of Soothing Option's and HFL's products will depend on several factors, including availability, cost, ease of use, familiarity of use, convenience, effectiveness, safety, and reliability. If these customers do not accept Soothing Option's and HFL's products, or if we fail to meet Soothing Option's and HFL's customers' needs and expectations adequately, our ability to continue generating revenues could be reduced.

A drop in the retail price of medical Marijuana Products may negatively impact the Business.

The demand for Soothing Option's and HFL's products depends in part on the price of commercially-grown marijuana. Fluctuations in economic and market conditions that impact the prices of commercially-grown marijuana, such as increases in the supply of such marijuana and the decrease in the price of products using commercially-grown marijuana, could cause the demand for Marijuana Products to decline, which would have a negative impact on our business.

*Security Risks*

As cash businesses, the premises of the marijuana dispensaries are a target for theft. While the Corporation has implemented security measures and continues to monitor and improve its security measures, its cultivation, processing and dispensary facilities could be subject to break-ins, robberies and other breaches in security. In the event of robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment could have a material adverse impact on the business, financial condition and results of operation of the Corporation.

As the Corporation's business involves the movement and transfer of cash which is collected from dispensaries and used to purchase trim, accessories etc. or deposited into its bank, there is a risk of theft or robbery during the transport of cash. The Corporation has engaged a security firm to provide armed guards and security in the transport and movement of large amounts of cash. Sales representatives sometimes transport cash and/or products and each sales representative has a panic button in their vehicle and, if requested, may be escorted by armed guards. While the Corporation has taken robust steps to prevent theft or robbery of cash during transport, there can be no assurance that there will not be a security breach during the transport and the movement of cash involving the theft of product or cash.

*Competition*

We face intense competition and many of our competitors have greater resources that may enable them to compete more effectively.

The industries in which we operate in general are subject to intense and increasing competition. Some of our competitors may have greater capital resources, facilities, and diversity of product lines, which may enable them to compete more effectively in this market. Our competitors may devote their resources to developing and marketing products that will directly compete with our product lines. Due to this competition, there is no assurance that we will not encounter difficulties in obtaining revenues and

market share or in the positioning of our products. There are no assurances that competition in our respective industries will not lead to reduced prices for our products. If we are unable to successfully compete with existing companies and new entrants to the market this will have a negative impact on our business and financial condition.

*Risk of Litigation*

If we incur substantial liability from litigation, complaints, or enforcement actions, our financial condition could suffer.

Soothing Options, HFL and CGX's participation in the medical marijuana industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, State, or local governmental authorities against these subsidiaries. Litigation, complaints, and enforcement actions involving these subsidiaries could consume considerable amounts of financial and other corporate resources, which could have a negative impact on our sales, revenue, profitability, and growth prospects. Soothing Options and HFL are presently engaged in the distribution of marijuana; however, we have not been, and are not currently, subject to any material litigation, complaint or enforcement action regarding marijuana (or otherwise) brought by any federal, State, or local governmental authority with respect to the Business.

Litigation may adversely affect our business, financial condition, and results of operations.

From time-to-time in the normal course of our business operations, we may become subject to litigation that may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operations are required. The cost to defend such litigation may be significant and may require a diversion of our resources. There also may be adverse publicity associated with litigation that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. Insurance may not be available at all or in sufficient amounts to cover any liabilities with respect to these or other matters. A judgment or other liability in excess of our insurance coverage for any claims could adversely affect our business and the results of our operations.

**Subsequent Events**

*Greenmart NLV Acquisition*

The Corporation, through its wholly-owned U.S. subsidiary CGX Life Sciences Inc., has entered into a definitive membership interest purchase agreement dated and effective October 11, 2017 to acquire 99% of the membership units of GreenMart of Nevada NLV, LLC ("**GreenMart**"), an award-winning licensed recreational and medical cannabis cultivation and production and wholesale business located in North Las Vegas, Nevada. Completion of the transaction is conditional on the approval of the Nevada Department of Taxation. The total consideration for the acquisition will be US$17.81 million, payable as follows:

- US$9.5 million, non-interest bearing promissory note, payable in full on or before the first anniversary of the closing of the acquisition.

- US$8.31 million in units of the Corporation, each unit, priced at CAD$0.75 consisting of one full common share and one quarter of one warrant to acquire one common share at CAD$0.75.

GreenMart has developed a state-of-the-art cultivation facility and operates best-in-class extraction technologies, which enabled MPX to win the coveted 2016 Jack Herer Cup for best hybrid concentrate.

GreenMart has a fully operational, fully staffed, state-of-the-art licensed production facility, with capacity to produce 1.6 million grams of dried flower and 85,000 grams of high-margin concentrate. GreenMart operations include production of concentrates, as well as edible and other high-margin infused products. Addressing the higher margin market of edibles, GreenMart has installed a professional-grade custom kitchen operation, enabling it to carry a well-diversified portfolio of high-end products. GreenMart is also applying for a dispensary license.

*Maryland Acquisitions*

The Corporation entered into non-binding letters of intent to acquire three management companies that each provide operational and other services to three medical marijuana dispensaries (only 109 dispensary licences granted state-wide) located in the Baltimore-Bethesda region and one production operation (only 15 production licenses granted state-wide). The production license allows for the production of high-margin concentrate-based products such as oils, shatter, wax and live resin.

*Further Arizona Acquisition*

The Corporation entered into a non-binding letter of intent to acquire a profitable and cash flow positive management Corporation that provides extensive services to an operational licensee with a cultivation, production and dispensary license located in the Phoenix area. This will be the Corporation's third acquisition in the Arizona market. Upon completion, the transaction will bring the total number of Arizona dispensaries under the Health for Life umbrella – current and under development - to four in a State with less than 100 dispensaries in total. Management is currently in the final stages of its due diligence.

*Initial US$10 Million Drawdown on Credit Facility*

On October 24, 2017, the Corporation made an initial drawdown of US$10 million under the US$25 million revolving credit facility originally announced in the Corporation's press release of May 3, 2017. The funds drawn down against the facility will be earmarked specifically for making further acquisitions, capacity expansion and the development of new facilities in Massachusetts and Maryland.

The lender shall have the right to convert outstanding principal amount of the initial drawdown plus any accrued interest (accruing at the rate of 7% per annum calculated and compounding on a monthly basis) into common shares of the Corporation at a conversion price of CAD$0.50 per common share.

**Update on Health Canada Licensed Producer Application and Owen Sound Facility Build Out**

The Corporation announced that it completed preparatory construction work and commenced detailed planning for the full build-out of its cannabis cultivation facility in Owen Sound and advised that its application is currently at the Detailed Review and Initiation of Security Clearance Process stage. Consequently, MPX has decided to commence further planning for the build out of its facility. Preparatory work on power and certain other utility systems has been completed, and the Corporation has now

commenced more detailed design work for completion of the facility. The Corporation anticipates being ready to commence cultivation in the latter half of 2018 for final inspection by Health Canada. No assurances can be given at this point on the timeframe for inspection and potential subsequent granting of Licensed Producer status.

To support its efforts in obtaining Licensed Producer status, and to ensure all Health Canada conditions are met, BioCannabis Products Ltd. ("**BioCannabis**"), a wholly-owned subsidiary of the Corporation that originally filed a Marijuana for Medical Purposes Regulation Application with Health Canada in January 2015, has engaged the services of the following service providers:

- Bennet Jones: one of Canada's leading law firms with significant experience in mediation with Health Canada;
- David Hyde & Associates: a full service security management and business risk consulting review and consulting in regard the Corporation's proposed site security plan;
- Eurofins Scientific: international life sciences company for review and consulting in regard the Corporation's Standard Operating Procedures (completed);
- Ample Organics: seed-to-sale software solution to facilitate compliance with Health Canada's Access to Cannabis for Medical Purposes Regulation reporting requirements, and
- Sketch Design Build Inc: design consultant for floor plans and design, as resubmitted to Health Canada.

BioCannabis' current lease encompasses a 72,342 square foot facility located within the City of Owen Sound, Ontario. The building's first phase, upon approval of a pre-license inspection from Health Canada, will house in excess of 20 growing rooms, a drying area, trimming room, packaging area, a substantial vault, a laboratory, extraction and testing facility, a below-grade highly-secure shipping and receiving compound, as well as administrative offices and staff support areas. The building also allows for future expansion up to an additional 402,658 square feet of grow space, for a total of 475,000 square feet.

Based on the design of its facility and use of innovative technology, the Corporation anticipates achieving a cultivation capacity of approximately 8,000 kg per year of high-quality flower, as well as over 300 kg per year of high-quality, high-margin concentrates produced from the trim from the Corporation's cultivation. Acquiring trim from third parties would increase the annual concentrates production.

The basic building and utilities preparation for the initial 72,342 square foot of Phase I has been completed. The Corporation anticipates further construction to commence within 120 days, with completion expected for summer 2018, in line with the anticipated commencement of adult use sales. Management projects construction costs to completion in the range of $5-6 million.

*Name Change*

Following its annual and special meeting of shareholders held on October 30, 2017 (the "**Annual Meeting**"), the Corporation announced it changed its name to MPX Bioceutical Corporation. Shareholders of the Corporation approved the name change at the Annual Meeting. The Corporation's common shares began trading on the Canadian Securities Exchange under the new name and new symbol 'MPX' on November 6, 2017. On the OTCQB, the Corporation began trading under a new symbol 'MPXEF' on November 2, 2017.

*Election of Directors*

In addition to incumbent directors, W. Scott Boyes (Chairman, President and CEO) and Randall G. Stafford (CFO), Robert R. Galvin, Andrew R. Ryan, Senator Richard S. "Tick" Segerblom and Dr. Miles D. Thompson were elected as directors of the Corporation at the Annual Meeting.

*Stock Option Grant*

Subsequent to the Annual Meeting, a total of 2,350,000 stock options to purchase common shares of MPX were granted to officers and directors and a consultant of the Corporation at an exercise price of $0.405 per share and expiring on October 30, 2022.

Under the Corporation's stock option plan (the "**Plan**"), 9.05% of the issued and outstanding common shares or 23,480,000 common shares are reserved for issuance, including the above grant, and the Corporation may grant an additional 2,472,147 options under the Plan representing 0.95% of the issued and outstanding common shares.

*Entering into Executive Services Agreement with Canadian Capital, LLC*

Prior to the Annual Meeting, the Corporation entered into an agreement with Canadian Capital, LLC ("**Canadian Capital**") to provide the Corporation with executive management, operations, administrative, finance and tax services for term of three (3) years.

In consideration of the services rendered hereunder, the Corporation shall issue to Canadian Capital the following:

(a) 900,000 common shares within five (5) days of entering into the agreement;
(b) 900,000 common shares on the one (1) year anniversary of the agreement; and
(c) 900,000 common shares on the two (2) year anniversary of the agreement.

The Corporation shall also issue to Canadian Capital common share purchase warrants ("**Warrants**") expiring on October 30, 2022 as follows:

(a) 1,200,000 Warrants at an exercise price of CAD$0.35 vesting immediately;
(b) 900,000 Warrants at an exercise price of CAD$0.60 which shall vest on the one (1) year anniversary of the agreement; and
(c) 900,000 Warrants at an exercise price of CAD$1.00 which shall vest on the two (2) year anniversary of agreement.

Members of Canadian Capital include certain directors of the Corporation.

**Additional Information**

Further information on MPX may be found on the Corporation's website www.mpxbioceutical.com or readers can view annual financial statements and filings on SEDAR at http://www.sedar.com/.