

FRIDAY NIGHT INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE TWELVE MONTHS ENDED JULY 31, 2017

This management's discussion and analysis ("**MD&A**") discusses the activities and financial position of Friday Night Inc. (formerly QuikFlo Health Inc.) (the "**Company**") for the twelve month period ended July 31, 2017. The following information should be read in conjunction with the audited consolidated financial statements of the Company for the year ended July 31, 2017 and the related notes contained therein, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Additional information can be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com, and the Company's website at www.fridaynightinc.com.

All dollar amounts are expressed in Canadian currency unless otherwise stated.

Date of Report – November 28, 2017 and presents material information up to this date.

Forward-Looking Statements

This MD&A may contain forward-looking statements relating to future events. In some cases, forward-looking statements can be identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "should", "believe", or similar expressions. These forward-looking statements by their nature involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements, including the "Risks and Uncertainties" discussed in this MD&A. The Company considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions the reader that these assumptions regarding future events, many of which are beyond the control of the Company, may ultimately prove to be incorrect.

Brief Description of Current Business Overview

The Company is a Canadian-based company who now operates in the medical and recreational cannabis sectors in Nevada, USA. Alternative Medicine Association ("AMA"), a 91% owned subsidiary of the Company is licensed in the State of Nevada as a (i) cultivation facility; and (ii) a production facility for edible, or cannabis-infused products. Infused Mfg ("Infused"), also a 91% -owned subsidiary of the Company, is focused on developing, acquiring and designing hemp and CBD-infused products and brands for retail sale and use in jurisdictions where permitted.

AMA was the first licensed cultivation facility in the State of Nevada and has adopted the hashtag #vegasoriginal. It is a wholesale grower and producer and sells wholesale to the licensed medical and recreational dispensaries or retail stores who hold state licenses for retail sales to medical patient cardholders or adults over 21. Through the dispensaries, the AMA brand and other third-party brands that it has licensed, are widely recognized by to visitors and local consumers through its sales network of more than 37 dispensaries state wide. More than one million tourists visit Las Vegas every week.

AMA has developed a business model which sees it also manufacture and sell popular third party brands that are well known outside the state but whose owners do not hold current state cannabis production licenses. Through its licensing agreements, AMA is able to represent a broad array of popular brands that act as a draw to visitors from those other states. Currently AMA represents some very well-known and well respected brands which improves its presence and shelf space inside the limited number of licensed dispensaries.

The State of Nevada has some of the most stringent testing, monitoring and inventory controls in the world. All products are tested for contaminants, pesticides and mold to ensure the safe use by consumers. In addition, all products are labeled with warnings, are packed in tamper proof containers with detailed content information to protect consumers and assure proper dosing. Finally, the state requires detailed tracking of all plants and finished product using a complex radio frequency identification (RFID). The Company is committed to these security systems, controls and the state regulations.

The cannabis market in Nevada is robust and has grown dramatically since recreational use was approved beginning July 1, 2017. The Company has experienced excess demand and limited supply. Prices have risen and with the new cultivation tax of 15% of sale value, the state is generating millions of dollars a year in new tax revenues. This change has aligned the interests of the state legal cannabis industry with that of the local government leaders. The Company believes that this will lead to better relationships with the regulators and that through improved education, the general public will become more aware of the potential health benefits of properly controlled cannabis and cannabis products. AMA is a part of that growing group of companies operating within the conflicting dual systems of state versus federal cannabis regulations. While not without its risks, it is also not without its potential rewards.

While cannabis and CBD-infused products are legal under the laws of several U.S. States (with vastly differing restrictions), the United States Federal Controlled Substances Act classifies all "cannabis" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. Recently some federal officials have attempted to distinguish between medical cannabis use as necessary, but recreational use as "still a violation of federal law." At the present time, the distinction between "medical cannabis" and "recreational cannabis" does not exist under U.S. federal law

The Company has been granted licenses by the State of Nevada as well as several local jurisdictions to operate in the cannabis industry within the state. Despite the fact that cannabis is illegal under federal law, the federal government is not prosecuting businesses that are operating in compliance with their state and local laws and regulations. However, if the federal government did change their position, it would be financially detrimental to the Company.

The Company is currently in negotiations to sell its stroke diagnostic software developed within the QuikFlo Technologies subsidiary. With the acquisition of the Nevada operations the Company has spent less resources and time on their stroke diagnostic software.

Additional information and details on the QuikFlo transaction can be found in the Management Information Circular dated September 30, 2015 and recent versions of management discussion and analysis which are filed on SEDAR.

History and the Nature of Past Operations

The Company was incorporated as Viper Gold Ltd. pursuant to the provisions of the Business Corporations Act (Alberta) on January 29, 2008. The Company changed its name to QuikFlo Health Inc. on November 23, 2015., and then to Friday Night Inc. on June 15, 2017. The Company's executive office is located at 734 – 1055 Dunsmuir Street, Vancouver, British Columbia, Canada.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management believes they can raise sufficient working capital to continue current operations for the next twelve months, but is aware, in making its going concern assessment, of material uncertainties related to events or conditions that raise significant doubt upon the entity's ability to continue as a going concern. The Company has incurred a loss of \$2,740,657 (2016 - \$3,674,780) and has an accumulated deficit of \$6,450,104 (2016 - \$3,715,623) and a working capital deficiency of \$918,610 (2016 - \$682,875). The Vegas operations are currently cash flow positive.

MEDICAL & RECREATIONAL CANNABIS ACQUISITION

Effective June 15, 2017, the Company completed the acquisition of 10800034 B.C. Ltd. ("0034 BC), to which the Company acquired a 100% interest in 0034 BC, a private Canadian company. Additionally, 0034 BC held at Letter of Intent to purchase 91% of AMA and a separate Letter of Intent to purchase 91% of Infused. The Company also formed two wholly-owned subsidiaries, FN Pharmaceuticals, and FN Management.

Concurrently, the Company acquired 91% ownership of AMA, and 91% ownership of Infused (all four collectively, the "Combination"). AMA operates in the medical and recreational cannabis sectors, and Infused is in the business of developing, acquiring and designing hemp and CBD-infused products. Both companies are located in Nevada, USA.

Pursuant to the Combination the Company issued:

- 45,425,001 common shares with a fair value of \$0.15 per share to the former shareholders of 0034 BC;
- 32,750,000 common shares with a fair value of \$0.15 per share to the former shareholders of AMA; and
- 1,000,000 common shares with a fair value of \$0.15 per share to the former shareholders of Infused.

The purchase price allocation was as follows:

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Net assets acquired:	
Cash	\$ 997,891
Accounts receivable	3,612
Prepaid expenses	95,338
Biological assets	25,919
Inventory	669,697
Property and equipment	1,450,285
Accounts payable and accrued liabilities	(339,183)
Notes payable	(1,463,772)
Net assets acquired	<u>1,439,787</u>
Goodwill	<u>16,521,291</u>
Non-controlling interest	(98,390)
Total	<u>\$ 17,862,688</u>

Consideration paid:

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Fair value of common shares issued	\$ 11,876,250
Fair value of replacement warrants and options issued	783,719
Cash	5,202,719
Total	<u>\$ 17,862,688</u>

Issued common shares

	Number of Shares	Amount \$
Balance at July 31, 2015	317	372,555
Common shares issued for cash	200	250,000
Reverse takeover transaction (RTO)	(500)	-
RTO acquisition of QuikFlo Technologies	15,000,000	-
QuikFlo Health shares on RTO	4,288,600	1,715,400
Common shares issued for warrant exercise	350,000	144,300
Common shares issued for license acquisition	50,000	14,000
Balance at July 31, 2016	19,688,617	2,496,255
Common shares issued for cash	45,877,731	6,873,254
Common share issued – Other (see below)	84,075,001	14,558,692
Balance at July 31, 2017	149,641,349	21,431,946
Exercise of warrants – \$0.10	4,575,000	457,500
Exercise of warrants – \$0.30	1,131,818	339,545
Stock options exercised	33,334	5,000
Balance at November 28, 2017	155,381,501	22,233,992

During the year ended July 31, 2017, the Company issued common shares as follows:

- a) 159,375 units were issued at \$0.16 per unit, by way of a non-brokered private placement, for gross proceeds of \$25,500. Each unit comprises one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of \$0.40 per share for until March 15, 2018.
- b) 45,651,690 units were issued at \$0.15 per unit, by way of a non-brokered private placement, for gross proceeds of \$6,847,754. Each unit comprises one common share and one-half of a common share purchase warrant. Each whole warrant is exercisable for one common share at a price of \$0.30 per share until March 22, 2019, April 24, 2019, May 17, 2019, or June 14, 2019, depending on when the private placement tranche closed.. During the year ended July 31, 2017 3,550,000 warrants were exercised.
- c) 46,425,001 common shares were issued for the acquisition of 0034 BC, with a fair value of \$0.15 per share, for a total value of \$7,001,250, and 32,750,000 common shares, plus 1,000,000 common shares were issued with a fair value of \$0.15 per share, for the acquisitions of AMA and Infused respectively, for a total value of \$4,912,500 and \$150,000 respectively. Additionally, the Company issued 1,250,000

common shares with a fair value of \$0.15 per share for a total of \$187,500. These common shares were issued as a signing bonus to certain employees of AMA and Infused. The issuance of these common shares does not carry any conditions. As such, the fair value is considered post-combination compensation, and recorded within share-based payments expense.

- d) 100,000 common shares were issued for investor relations services with a fair value of \$0.39 per share, for a total value of \$39,000, expensed within investor relations.
- e) 3,550,000 common shares were issued upon the exercise of warrants at an exercise price of \$0.10 per share, for total proceeds of \$355,000.

Results of Operations/Selected Annual Information

	Year Ended July 31, 2017	Year Ended July 31, 2016	Year Ended July 31, 2015
	\$	\$	
REVENUE	1,030,297	-	-
LESS: COST OF SALES	(799,582)	-	-
GROSS MARGIN	230,715	-	-
EXPENSES			
Depreciation	13,530	-	-
General and administrative expenses	541,723	143,137	-
Listing expense	-	1,973,083	-
Professional fees	636,939	549,316	40,843
Management and consulting fees	756,042	423,924	-
Share-based payments	608,214	519,593	-
Transaction costs	179,135	-	-
Foreign exchange	580	-	-
Wages and benefits	41,183	65,727	-
Income tax expense	67,081	-	-
Net loss and comprehensive loss for the year	2,613,770	3,674,780	40,843
Basic and diluted loss per share	0.06	0.10	887.89

For the year ended July 31, 2017, the Company incurred a net loss of \$2,613,770 or \$0.06 per share. (2016 - \$3,674,780, or \$0.10 per share).

The overall higher management and consulting expenditures incurred in the twelve months period ended July 31, 2017 were due to costs incurred towards investigating and reviewing

various potential business opportunities, some of which are no longer under consideration, and additional specific costs incurred in the Nevada operations acquisition transactions. The prior year listing expense related to a reverse takeover transaction.

During the year ended July 31, 2017 the Company incurred transaction costs of \$176,135 related to the change of business and related acquisitions of AMA and Infused. Share based payments totalled \$608,214 (\$2016 – 519,593) of which \$420,714 related to stock options granted and \$187,500 related to bonus shares paid related to the acquisitions of AMA and infused.

Liquidity and Capital Resources

As at July 31, 2017, the Company had a working capital deficiency of \$918,610 (July 31, 2016 – working capital deficiency \$682,875). The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2017, the Company did not have sufficient cash to settle current liabilities. At July 31, 2017 the Company had a cash balance of \$598,641, (2016 - \$1,208).

During the twelve months ended July 31, 2017, the Company closed three non-brokered private placements of 45,877,731 units of the Company (“Units”) for aggregate gross proceeds of \$6,873,254. Subsequent to July 31, 2017 the Company raised \$802,046 through the issuance of 5,740,152 common shares related to the exercise of warrants. A further \$1,000,000 was raised through the issuance of convertible debenture units which closed on October 5, 2017.

Selected Quarterly Financial Information

A summary of selected financial information for the periods indicated follows:

Net Revenue and Net Income (Loss) for the last eight quarters

	2017	2017	2017	2016	2016	2016	2016	2015
	Jul. 31	Apr 30	Jan. 31	Oct. 31	Jul. 30	Apr. 30	Jan. 30	Oct. 30
Revenue	1,030,297	-	-	-	-	-	-	-
Net Income/(Loss)	(1,842,291)	(545,987)	(239,089)	(113,290)	(2,721,208)	(230,757)	(722,815)	(114,400)
Basic/Diluted Income/(Loss) Per Share	(0.04)	(0.01)	(0.01)	(0.00)	(0.07)	(0.01)	(0.02)	(190.35)
Number of weighted Average shares Outstanding	45,698,825	49,296,093	39,695,950	39,695,950	39,377,200	39,231,644	30,602,000	601

FOURTH QUARTER DISCUSSION

The Company experienced revenue growth and demonstrated an extremely high projected income potential for future periods. Please note that the Nevada operations within the US were only acquired June 15th, 2017 when the Company changed its name and business identity. This quick turn-around of revenue is attributable to two main factors. Firstly, the Nevada operations had already been active with medicinal cannabis. Secondly, on July 1, 2017 the Nevada state laws changed legalizing recreational cannabis sales which increased sales dramatically. The Company's management is confident in future gross sales growth in the medicinal and recreational sectors within the state.

The Company is in current negotiations to sell its wholly owned subsidiary, Quickflow Technologies which holds the stroke diagnostic software. With the positive growth in the US operations, management has dedicated the majority of its resources and time to the Nevada operations.

Dividends

No dividends have been declared or paid by the Company in any of the periods presented above. The Company does not anticipate declaring or paying any dividends on its Common Shares in the foreseeable future.

Commitments and Contingencies

In April 2014, AMA entered into a lease agreement for its operating facility in central Las Vegas, Nevada. AMA amended the lease agreement in June 2015. The amended lease agreement is for a period of six years and nine months with an option to extend for an additional two years beginning in April 2014. Base rent ranges from \$4,000 to \$6,800 over the life of the lease agreement. The rent under the two year option period, if exercised will be \$6,800. The amounts reflected include charges for common area maintenance.

Future required minimum lease payments on the facility are as follows (approximate):

2018	\$	92,000
2019	\$	97,000
2020	\$	100,000
2021	\$	104,000
2022	\$	105,000

Significant accounting judgments and use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The information about significant areas of estimation uncertainty and judgment considered by management in preparing these consolidated financial statements is as follows:

Determination of functional currency

In accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, the Company determined its functional currency, and the functional currency of its subsidiaries. The Company makes judgements in defining the functional currency based on the economic substance of the transactions relevant to each entity.

Estimated useful lives and depreciation of property and equipment

Depreciation of property and equipment is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value.

Share-based payments

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

Business combination

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition.

Estimates are made as to the fair value of assets and liabilities acquired. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuers. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, and discount rates.

The Company measures all the assets acquired and liabilities assumed at their acquisition-date fair values. Non-controlling interests in the acquiree are measured on the basis of the non-controlling interests' proportionate share of the equity in the acquiree's identifiable net assets. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess of the aggregate of (a) the consideration transferred to obtain control, the amount of any non-controlling interest in the acquiree over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

Recently adopted accounting standards and interpretations issued but not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards ("IAS") Board or International Financial Reporting Standards Interpretation Committee ("IFRIC") that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9 *Financial Instruments*: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- IFRS 15 *Revenue from Contracts with Customers*: New standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services, effective for annual periods beginning on or after January 1, 2018.
- IFRS 16 *Leases*: New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed transactions

The Company currently does not have any proposed transactions pending.

Management's responsibility for the financial statements

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

RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing and executing the activities of the Company. The Company has determined that its key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Key management personnel compensation during the years ended July 31, 2017 and 2016, were as follows:

	July 31, 2017	July 31, 2016
Management fees	\$ 237,584	\$ 224,495
Share-based payments	31,125	468,418
Total	\$ 268,709	\$ 692,913

Other related party transactions:

	July 31, 2017	July 31, 2016
Legal fees - expenses	\$ 24,424	\$ 224,495
Legal fees – share issue costs	152,145	383,315
Legal fees – transaction costs	179,135	-
Total	\$ 355,704	\$ 692,913

The acquisition of 0034 as part of the Combination involved a former director of the Company.

Due to related parties:

	July 31, 2017	July 31, 2016
Legal fees (all) – accounts payable and accrued liabilities	\$ 428,463	\$ 312,113
Advances – officers/directors – accounts payable and accrued liabilities	-	46,500
Due to related parties	-	121,000

Outstanding Share Data

Details about the Company’s capitalization as at July 31, 2017 are as follows:

Common shares issued and outstanding	149,641,349
Warrants outstanding	32,010,880
Stock options issued to directors, employees, officers and consultants	14,160,000

Details about the Company’s capitalization as at November 28, 2017 are as follows:

Common shares issued and outstanding	155,381,501
Warrants outstanding	26,270,728
Stock options issued to directors, employees, officers and consultants	14,160,000

CAPITAL RISK MANAGEMENT

The Company defines capital as equity (deficiency). The Company manages its capital structure and makes adjustments in order to have the funds available to support its operating activities.

The Company’s objective when managing capital is to safeguard the Company’s ability to continue as a going concern in order to pursue the development of its business. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets. As discussed in Note 1, the Company’s ability to continue as a going concern is uncertain and dependent upon the continued financial support of its shareholders, future profitable operations, positive political developments in the United States with respect to cannabis legislation, and securing additional financing.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company’s approach to capital management during the years presented. The Company is not subject to externally imposed capital requirement.

BUSINESS RISKS

US Federal and State Laws

Local, state and federal laws and regulations governing cannabis for medicinal and recreational purposes are broad in scope and are subject to evolving interpretations, which could require the Company to incur substantial costs associated with bringing the Company's operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Company's operations and result in a material adverse effect on its financial performance. It is beyond the Company's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's business.

U.S. Federal Laws

The concepts of "medical cannabis" and "recreational cannabis" do not exist under U.S. federal law. The Federal Controlled Substances Act classifies "marihuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in United States, and a lack of safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S. federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. While U.S. Department of Justice has instructed U.S. Attorneys that they need not expend resources with respect to entities selling cannabis pursuant to strict U.S. State licensing regimes, this directive can change, and U.S. Attorneys have discretion to interpret the Cole Memo as they see fit. Moreover, U.S. Attorneys have significant discretion with respect to the activities they seek to prosecute, regardless of any directive from the Department of Justice.

On December 16, 2014, President Obama signed the Omnibus Bill, approving spending for certain federal agencies through September 30, 2015. Section 583 of the Omnibus Bill prohibits the United States government from using federal funds to prevent states with medical cannabis laws from implementing state laws that authorize the use, distribution, possession, or cultivation of medical cannabis. Nevertheless, there can be no certainty that future U.S. federal funding bills will include similar provisions.

Changes resulting from the change in U.S. Administrations may result in legislative and regulatory changes that could have an adverse effect on the Company.

As a result of the 2016 U.S. presidential election and the related change in political agenda, coupled with the transition of administration, there is uncertainty as to the position the United States will take with respect to world affairs and events. This uncertainty may include issues such as enforcement of the U.S. federal laws. Implementation by the U.S. of new legislative or regulatory regimes could impose additional costs on the Company, decrease U.S. demand for the Company's services or otherwise negatively impact the Company, which may have a material adverse effect on the Company's business, financial condition and operations.

Regulation that may hinder the Company's Ability to Establish and Maintain Bank Accounts

The U.S. federal prohibitions on the sale of cannabis results in the Company being restricted from accessing the U.S. banking system and it may be unable to deposit funds in federally insured and licensed banking institutions. Such risks increase costs to the Company. Additionally, similar risks are associated with large amounts of cash at these businesses. These businesses require heavy security with respect to holding and transport of cash, whether or not they have bank accounts.

The guidance provided in the FinCEN Memo may change depending on the incumbent U.S. government administration and is subject to revision or retraction in the future, which may restrict the Company's access to banking services.

In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that the Company may seek alternative payment solutions, including but not limited to crypto currencies such as Bitcoin. There are risks inherent in crypto currencies, most notably its volatility and security issues. If the industry was to move towards alternative payment solutions and accept payments in crypto currency the Company would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

Enforcement Risk

The sale and distribution of cannabis in certain U.S. States is legal subject to compliance with applicable state regulatory regimes. U.S. federal law currently classifies cannabis as a controlled substance and its manufacture, sale, distribution, and use is illegal under U.S. federal law. The U.S. Department of Justice has indicated in the Cole Memo that it does not intend to interfere with the sale or distribution of cannabis in U.S. States where such sale and distribution is legal provided the regulations are complied with.

The Company operates in the medical mCannabis and the recreational mCannabis industries in the State of Nevada and is exploring opportunities in the medical mCannabis industry in Canada. Certain U.S. States have recently legalized medical Cannabis. Certain U.S.

States have further legalized the recreational use of cannabis. The Company's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry in the United States.

While the cannabis industry is legal in certain U.S. States, it is regulated differently. Consequently, certain activities conducted by the Company may be permissible under one regulatory regime while not under another. In the past, Canadian courts and regulatory authorities have taken the view that it is not contrary to Canadian or provincial law for an entity to hold interests in affiliates that are engaged in regulated activities where such activities may be regulated differently than in the home jurisdictions and have enforced extra-territorial laws even where such laws (or regulatory regimes applicable to certain activities or industries) differs from those in the Canadian jurisdiction. There is a risk; however, that the courts may take contrary view in the future.

Additionally, because cannabis is illegal under U.S. federal law, the courts in the U.S. may take the position that parties to contracts involving cannabis, whether directly or indirectly, may not enforce such contracts because they concern an illegal product or activity.

Regulatory Risks

The activities and biomedical products of the Company are subject to regulation by governmental authorities, including, the U.S. Food and Drug Administration, and others. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Limited Operating History

The Company is subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

The Company has a history of net losses, may incur significant net losses in the future and may not achieve or maintain profitability.

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

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Additional Financing

The building and operation of production facilities and businesses are capital intensive. In order to execute the anticipated growth strategy, the Company will require some additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available when needed or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

The cannabis industries are highly competitive

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business.

Product Liability

As a manufacturer and distributor of biomedical products, the Company will face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. The Company may be subject to various product liability claims, including, among others, that its products caused injury or illness, include inadequate instructions for use or include inadequate warnings. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the Company's results of operations and financial condition. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all.

The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company intends to have detailed procedures in place for testing finished products, there can be no assurance that any problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's products were subject to recall, the image of the brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Dependence on Suppliers and Skilled Labour

The ability to compete and grow will be dependent on the Company having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

Operating Risk and Insurance Coverage

The Company carries insurance to protect its assets, operations and employees. While the Company believes insurance coverage can adequately address all material risks to which it may be exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Management of Growth

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

Conflicts of Interest

Certain of the directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect its ability to continue operating. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

The market price of the Common Shares may be subject to wide price fluctuations

The market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in operating results, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general

economic and political conditions, could adversely affect the market price for the Common Shares.

Dividends

The Company has no earnings or dividend record, and does not anticipate paying any dividends on the Common Shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Limited Market for Securities

There can be no assurance that an active and liquid market for the Common Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

Financial instruments and risk management

Set out below is a comparison, by category, of the carrying amounts and fair values of all of the Company financial instruments that are carried in the financial statements and how the fair value of financial instruments is measured.

Fair values

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities. The Company has no level 1 financial instruments.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices). Cash equivalents are classified as level 2 financial instruments; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company has no level 3 financial instruments.

The fair value of cash is measured using Level 1 inputs. The carrying values of receivables, accounts payable and accrued liabilities, income taxes payable, notes payable, and due to related parties approximate their respective fair values due to the short-term nature of these instruments.

The Company's exposures and the impact on its financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, and receivables. Cash is held with reputable Canadian and United States financial institutions, from which management believes the risk of loss is remote. Receivables consists of amounts due from the Government of Canada in which management believes the credit risk to be minimal and trade receivables which the Company feels there is minimal risk of non-collection. The Company does not have significant credit risk with respect to customers. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments. The Company has been granted a license pursuant to the laws of the State of Nevada with respect to cultivating cannabis. Presently, this industry is illegal under United States federal law. The Company has, and intends, to adhere strictly to the state statutes in its operations.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2017, the Company's financial liabilities consist of accounts payable and accrued liabilities, and income taxes payable, which have contractual maturities within one year, notes payable, and due to related parties, which have no fixed terms of repayment. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis. The Company regards liquidity risk to be low as it has sufficient working capital to for at least the next twelve months.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. As at July 31, 2017, the Company had cash, receivables, accounts payable and accrued liabilities, income taxes payable, notes payable, and due to related parties denominated in United States dollars ("USD"). A 10% fluctuation in the foreign exchange rate between the USD and Canadian dollar would have a \$85,000 impact on profit or loss for the year. The Company does not undertake currency hedging activities to mitigate its foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company holds cash in accounts with variable interest rates, and currently does not carry variable interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its financial institutions. It is management's opinion that the Company is not exposed to significant interest rate risk.

Outlook

The current priority for the Company is to operate its newly acquired medical cannabis acquisition. With this acquisition, management feels it has acquired a business in a growing sector with significant cash flow potential.

The Company has plans to expand its operations in the state of Nevada. It has recently acquired a parcel of land, gone through the zoning approvals and is in the process of completing plans to build a larger cultivation and production facility.

The Company is also reviewing possible acquisitions that would be complementary to its current focus, both within and outside of Nevada.

Additional Information

Additional information on the Company can be accessed through www.sedar.com.