FOUR RIVER VENTURES LTD.

FILING STATEMENT

In Respect of the Proposed Acquisition
of Canabo Medical Corporation by
Plan of Arrangement

Neither the TSX Venture Exchange Inc. (the "Exchange") nor any securities regulatory authority has in any way passed upon the merits of the reverse takeover and change of business described in this filing statement.

October 26, 2016

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GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Filing Statement; including the summary hereof. Words importing the singular, where the context requires, include the plural and vice versa and word importing any gender includes all genders.

"**ACMPR**"	means the Canadian *Access to Cannabis for Medical Purposes Regulations*;
"**Affiliate**"	has the meaning as defined in Appendix 1 of the Exchange "Form 3D2-Information Required in a Filing Statement for a Reverse Takeover or Change of Business", except as otherwise provided for herein;
"**Arm's Length Transaction**"	means a transaction which is not a Related Party Transaction;
"**Associate**"	has the meaning as defined in Appendix 1 of the Exchange "Form 3D2-Information Required in a Filing Statement for a Reverse Takeover or Change of Business", except as otherwise provided for herein;
"**Arrangement**"	means an arrangement under Part 9, Division 5, Section 288 of the BCA;
"**Arrangement Agreement**"	means the arrangement agreement date for reference October 6, 2016 between the Company and Canabo;
"**BCA**"	means the *Business Corporations Act* of British Columbia, S.B.C. 2002, Chapter 57, as amended from time to time or re-enacted and the regulations thereto as from time to time amended or re-enacted;
"**Business**"	means the medical diagnostics and treatment services for chronic pain therapy and disabling illnesses provided by Canabo's health care practitioners through health clinics managed and operated by its wholly-owned subsidiary, CMC, medical marijuana independent medical evaluations, related non-cannabinoid product sales, as well as the production and publication of research based reports on the treatment experience and efficacy of medical marijuana and cannabinoid products;
"cannabis"	has the same meaning as set out in the ACMPR, and is a plant that contains at least 85 types of cannabinoids;
"cannabinoid"	means a class of chemical compounds (or receptor proteins) that act on receptor cells that repress neurotransmitter release in the brain, and include endocannabinoids (which are produced naturally in the body by humans and animals), phytocannabinoids (which are found in cannabis and some other plants), and synthetic cannabinoids (which are manufactured chemically);
"Canabo Shares"	means the common shares in the capital of Canabo as constituted on the date hereof;
"**Canabo Physician Champion Program Agreement**"	means an equity incentive compensation agreement developed by Canabo to reward and encourage licensed physicians associated with Canabo to refer patients where medically appropriate to CMC Clinics to promote the growth of cannabinoid treatment in Canada as a legitimate medical treatment for pain and other disabling illnesses;
"Canabo Warrants"	means the share purchase warrants to acquire up to 545,000 common shares of Canabo held by three persons, each warrant being exercisable at a price of $0.50 per share until September 24, 2018;

"**Closing Date**"	means the date upon which the Proposed Transaction shall become effective which, pursuant to the Securities Exchange Agreement, shall mean the earlier of (i) December 31, 2016, provided that all required consents pursuant to the Securities Exchange Agreement are obtained on or before December 31, 2016, or (ii) the seventh business day following the day on which all required consents pursuant to the Securities Exchange Agreement are obtained;
"**CMC**"	means the Corporation's wholly-owned subsidiary, 2412550 Ontario Inc., DBA The Cannabinoid Medical Clinic;
"**CMClinic**"	means the medical clinics currently operating in Toronto, Barrie, Ottawa, Halifax, St. John's, Calgary, Edmonton, Stoney Creek, Hamilton, and Burlington, held indirectly by Canabo through CMC;
"**Common Shares**" or "**Shares**"	means the common shares in the capital of the Company as constituted on the date hereof;
"Company" or **"Four River"**	means Four River Ventures Ltd.;
"**Consolidation**"	means a share consolidation prior to the completion of the Proposed Transaction of all of the issued and outstanding Common Shares of the Company on the basis of every two (2) issued shares for one (1) new common share without par value
"**Control Person**"	means any Person or company that holds or is one of a combination of Persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;
"**CPSO**"	means the College of Physicians and Surgeons of Ontario;
"**Escrow Agent**"	means Computershare Investor Services Inc.;
"**Escrow Agreement**"	means the Form 5D Value Security Escrow Agreement to be entered into among the Company, the Escrow Agent, and certain shareholders of Canabo effective as at the Closing Date, whereby the escrowed securities are to be held in escrow by the Escrow Agent;
"**Exchange**"	means TSX Venture Exchange Inc.;
"**Exchanged Shares**"	means the post-Consolidation common shares of the Company to be exchanged for all of the Canabo Shares outstanding on the Closing Date on a one (1) for one (1) share basis;
"**Exchanged Warrants**"	means the 545,000 non-transferable share purchase warrants of the Company exercisable to purchase up to 545,000 common shares of the Company at a price of $0.50 per share until September 24, 2018, to be issued on the Closing Date to finders in exchange for their Canabo Warrants;
"**Final Exchange Bulletin**"	means the Exchange Bulletin which is issued following closing of the Proposed Transaction and the submission of all required documentation that evidences the Exchange's final acceptance of the Proposed Transaction;

“**Insider**”	has the meaning as defined in Appendix 1 of the Exchange “Form 3D2-Information Required in a Filing Statement for a Reverse Takeover or Change of Business”, except as otherwise provided for herein;
“**Listing Date**”	means the date of listing of the Resulting Issuer on the Exchange;
“**LP**” or “**Licensed Producer**”	means a licensed producer as defined under the ACMPR;
“**marijuana**”	has the same meaning as “marihuana”.
“**MMPR**”	means the Canadian *Marihuana for Medicinal Purposes Regulations*, as amended;
“**OHIP**”	means the Ontario Health Insurance Plan;
“**Person**”	means a company or individual;
“**Plan of Arrangement**”	means the plan of arrangement set out in Schedule 1 of the Arrangement Agreement, providing for the exchange of securities involving the Company, as purchaser, Canabo, and all of the security holders of Canabo, as vendors, provided for in the Securities Exchange Agreement, and any amendments or variations thereto made in accordance with its terms, to be adopted and approved by the security holders of Canabo for the Arrangement by Special Resolution;
“**Private Placement**”	means Canabo’s non-brokered private placement of 6,915,000 Canabo Shares at an offering price of $0.50 per share to raise gross proceeds of $3,457,500;
“**Proposed Transaction**”	means the completion of the proposed acquisition of Canabo pursuant to the terms of the Securities Exchange Agreement by way of the Plan of Arrangement to be approved by the securityholders of Canabo;
“**Related Party Transaction**”	means as related to that term in Exchange Policy 5.9, and includes a related party transaction that is determined by the Exchange, to be a Related Party Transaction. The Exchange may deem a transaction to be a Related Party Transaction where the transaction involves Non Arms Length Parties, or other circumstances exist which may compromise the independence of the issuer with respect to the transaction;
“**Resulting Issuer**”	means the issuer existing on the Closing Date;
“Securities Exchange Agreement”	means the Securities Exchange Agreement dated September 30, 2016 entered into among the Company, Canabo and the Canabo shareholders;
“**Special Resolution**”	means a resolution passed at least two-thirds of the votes cast in person or by proxy by the shareholders of a company at a duly convened general meeting; or by a written consent resolution of all of the shareholders entitled to vote;
“**Stock Option Plan**”	means the Company’s stock option plan as described under “Information Concerning Four River – Stock Options”; and
“**Valuation Report**”	means the Valuation Report dated September 28, 2016 prepared by Evans & Evans, Inc. on Canabo.

FORWARD LOOKING INFORMATION

This Filing Statement contains forward-looking statements and information that are based on the beliefs of management and reflect the Company's current expectations. When used in this Filing Statement, the words "estimate", "project", "belief", "anticipate", "intend", "expect", "plan", "predict", "may" or "should" and the negative of these words or such variations thereon or comparable terminology are intended to identify forward-looking statements and information. The forward-looking statements and information in this Filing Statement includes information relating to the acquisition (including the structure of the acquisition), the Proposed Transaction (including shareholder approval, principal shareholder support, and other terms), the Private Placement (including its completion and the use of proceeds from the Private Placement), the principal owners, directors and management of the resulting issuer upon completion of the Transaction, and the implementation of Canabo's business plan. Such statements and information reflect the current view of the Company with respect to risks and uncertainties that may cause actual results to differ materially from those contemplated in those forward-looking statements and information.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: risks associated with the completion of the Proposed Transaction and matters relating thereto; and risks associated with the marketing and sale of securities, the need for additional financing, reliance on key personnel, the potential for conflicts of interest among certain officers or directors with certain other projects, and the volatility of the Company's common share price and volume. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

There are a number of important factors that could cause the Company's actual results to differ materially from those indicated or implied by forward-looking statements and information. Such factors include, among others, risks related to the capital and operating costs of each medical clinic, sufficient working capital to develop and operate such clinics, access to adequate services and supplies, economic conditions, commodity prices, foreign currency exchange rates, interest rates, access to capital and debt markets and associated costs of funds, government regulation, availability of a qualified work force, and the Corporation's ultimate ability to provide medical services on economically favourable terms.

The Company cautions that the foregoing list of material factors is not exhaustive. When relying on the Company's forward-looking statements and information to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company has assumed a certain progression, which may not be realized. It has also assumed that the material factors referred to in the previous paragraph will not cause such forward-looking statements and information to differ materially from actual results or events. However, the list of these factors is not exhaustive and is subject to change and there can be no assurance that such assumptions will reflect the actual outcome of such items or factors. While the Company may elect to, it does not undertake to update this information at any particular time.

THE FORWARD-LOOKING INFORMATION CONTAINED IN THIS FILING STATEMENT REPRESENTS THE EXPECTATIONS OF THE COMPANY AS OF THE DATE OF THIS FILING STATEMENT AND, ACCORDINGLY, IS SUBJECT TO CHANGE AFTER SUCH DATE. READERS SHOULD NOT PLACE UNDUE IMPORTANCE ON FORWARD-LOOKING INFORMATION AND SHOULD NOT RELY UPON THIS INFORMATION AS OF ANY OTHER DATE. WHILE THE COMPANY MAY ELECT TO, IT DOES NOT UNDERTAKE TO UPDATE THIS INFORMATION AT ANY PARTICULAR TIME EXCEPT AS REQUIRED IN ACCORDANCE WITH APPLICABLE LAWS.

SUMMARY OF FILING STATEMENT

The following is a summary of information relating to the Company, Canabo and the Resulting Issuer (assuming completion of the Proposed Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement. Certain capitalized words and terms used in this summary are defined in the Glossary of Terms.

Proposed Transaction

The Company proposes to acquire Canabo, a private Canadian corporation, organized on March 19, 2014, under a Plan of Arrangement. Canabo operates through its wholly owned subsidiary, CMC. Canabo is engaged in the provision of medical services and products for patients suffering from chronic pain and disabling illnesses through health clinics operated by qualified health care practitioners. The Company entered into a Securities Exchange Agreement dated for reference September 30, 2016, with Canabo and the Canabo shareholders to acquire all of the issued securities of Canabo, and the Company entered into an Arrangement Agreement dated for reference October 6, 2016 providing for the Plan or Arrangement.

The Company's proposed acquisition of Canabo constitutes a reverse takeover and a change of business under the policies of the Exchange and is referred to as the "Proposed Transaction" in this Filing Statement. The Proposed Transaction is an Arm's Length Transaction.

Upon completion of the Proposed Transaction, the Company will become a Tier 2 Technology or Life Sciences Issuer under the policies of the Exchange. See "Information Concerning Four River – General Development of the Business" and "Information Concerning Canabo – General Development of the Business".

Securities Exchange Agreement

The Securities Exchange Agreement replaces the letter of intent entered into on August 8, 2016, as amended September 14, 2016, between the Company, Canabo and the shareholders of Canabo. Under the terms of the Securities Exchange Agreement, the Company will acquire (i) all of the issued and outstanding Canabo Shares on the basis of one (1) Canabo Share for one (1) post-Consolidation common share of the Company, or in other words, 27,546,900 Canabo Shares, in exchange for 27,546,900 Exchanged Shares (more or less), and (ii) all of the outstanding 545,000 Canabo Warrants in exchange for the 545,000 Exchanged Warrants. Canabo will become a wholly owned subsidiary of the Company and will continue to carry on Canabo's business. Based upon the number of Common Shares outstanding at the date of this Filing Statement and including the Common Shares to be issued pursuant to the Securities Exchange Agreement, if the Proposed Transaction is completed, the Company will issue 27,546,900 Exchanged Shares to the Canabo shareholders and 545,000 Exchanged Warrants, in exchange for their Canabo Shares and Canabo Warrants, for an aggregate deemed consideration of approximately $13,222,512. As a result, upon completion of the Proposed Transaction, the former Canabo shareholders will hold approximately 91.6% of the then total issued post-Consolidation Shares of the Company. See "Information Concerning Four River – General Development of the Business".

Arrangement Agreement

The Arrangement Agreement between the Company and Canabo provides for the Plan of Arrangement to complete the Proposed Transaction, including the approval of the Arrangement by the Canabo securityholders by Special Resolution, the procedure for the exchange of the Canabo Shares, and delivery of a letter of transmittal to the Canabo securityholders, among other matters.

Private Placement

As part of the Proposed Transaction, Canabo was required to complete (and has completed) a non-brokered private placement, and in this regard Canabo has successfully closed a non-brokered private placement of

6,915,000 Canabo Shares at $0.50 per share to raise proceeds of $3,457,500 (the "Private Placement"). The net proceeds of the Private Placement will be used by the Resulting Issuer to fund its business plan, the expenses of the Proposed Transaction, and general working capital and corporate purposes. See "Information Concerning Four River – Private Placement".

Available Funds and Principal Purposes

Funds available to the Resulting Issuer upon completion of the Proposed Transaction are estimated to be $1,826,000 which will be used to fund the estimated costs to complete the Proposed Transaction ($100,000); to fund general and administrative expenses for the first year ($749,020); to fund the estimated capital and start-up costs of new clinic openings ($600,000); to fund the required performance bonuses to the Founding Shareholders after the issuance of the Final Exchange Bulletin ($60,000); and for unallocated estimated general working capital ($316,980). It is anticipated that Resulting Issuer's operating expenses will be funded from the medical consultation and research revenue to be generated from Canabo's CMClinics (see "Information Concerning the Resulting Issuer – Available Funds and Principal Purposes").

Selected Pro Forma Financial Information

Upon Completion of the Proposed Transaction, the Resulting Issuer will have approximately $1,826,000 in working capital (after deduction of the expenses of the Proposed Transaction). The issued share capital of the Company will be 30,083,350 post-Consolidation Common Shares (see "Information Concerning the Resulting Issuer – Pro Forma Capitalization" and the unaudited Pro Forma Financial Statements of the Resulting Issuer at July 31, 2016 attached to this Filing Statement as Schedule "D").

The following table sets out certain financial information for Canabo and the Company and pro forma financial information for the Company after giving effect to the Proposed Transaction and certain other adjustments.

The following information should be read in conjunction with the financial statements and reports thereon included in this Filing Statement, being:

- audited financial statements of the Company for the years ended January 31, 2016, 2015 and 2014 and the unaudited interim financial statements for the six months ended July 31, 2016 and 2015, which are together attached hereto as Schedule "A";

- MD&A of the Company for the years ended January 31, 2016, 2015 and 2014 and for the six months ended July 31, 2016, which are together attached hereto as Schedule "B";

- audited financial statements of Canabo for the years ended October 31, 2015 and 2014, and unaudited financial statements of Canabo for the period ending July 31, 2016, which are together attached hereto as Schedule "C";

- MD&A of Canabo for the period from November 1, 2015 to July 31, 2016, which is contained herein under the section "Information Concerning Canabo – Selected Financial Information and Management's Discussion and Analysis"; and

- unaudited pro forma financial statements of the Resulting Issuer as at July 31, 2016, giving effect to the Proposed Transaction which are attached hereto as Schedule "D".

The information provided in the table below is derived from the unaudited financial statements of the Company for the six months ended July 31, 2016, and the unaudited financial statements of Canabo for the nine months ended July 31, 2016.

Selected Financial Information

Balance Sheet Data	The Company at July 31, 2016 $	Canabo at July 31, 2016 $	Pro Forma as at July 31, 2016 $
Assets:			
Current Assets	59,591	587,482	3,773,823
Other Assets	-	154,606	154,606
Total Assets	59,591	742,088	3,928,429
Liabilities:			
Current Liabilities	583,297	853,618	1,878,915
Other Liabilities	-	442,000	442,000
Total Liabilities	583,297	1,295,618	1,878,915
Shareholder's Equity:			
Capital Stock	5,040,575	2,038,650	6,365,394
Contributed Surplus	2,507,400	52,500	793,751
Deficit	(8,071,681)	(2,644,680)	(5,109,631)
Total Equity (Deficiency)	(523,706)	(553,530)	2,094,514
Income (Loss)	(24,372)	(962,930)	-
Number of Shares Issued and Outstanding	5,072,900	20,606,700	30,083,350

Stock Exchange Listings

The Company's common shares are currently listed and trade on the NEX division of the Exchange under the symbol "FFC.H". The Company has filed an application with the Exchange to approve the Proposed Transaction and the Private Placement. Upon receipt of final Exchange acceptance and completion of the Proposed Transaction, the Company will change its name to "Canabo Medical Inc.", or such other name as is acceptable to the shareholders of Canabo, the Exchange and the Registrar of Companies, and after the closing of the Proposed Transaction and the Final Exchange Bulletin, the Company will become a Tier 2 Technology or Life Sciences Issuer with its Shares listed on the Exchange.

Market Price of Company's Shares

The closing price of the Company's Common Shares on August 5, 2016, the last trading date before the trading in the Common Shares was halted by the Exchange on August 8, 2016, was $0.30 (see "Information Concerning Four River – Stock Exchange Price"), or $0.60 on a post-Consolidation share basis.

Conditions to Completion of Proposed Transaction

The completion of the Proposed Transaction is subject to a number of conditions. Among other things, the Proposed Transaction is subject to acceptance for filing by the Exchange, completion of due diligence, completion of the Private Placement and shareholder approval. There can be no assurance that the Proposed Transaction will be completed as proposed or at all. See "Information Concerning Four River – Securities Exchange Agreement".

Interests of Experts

No person or company, whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Filing Statement or as having prepared or certified a report or valuation described or included in this Filing Statement, holds any beneficial interest, directly or indirectly, in the Company or Canabo or any of their respective associates or affiliates and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the Resulting Issuer or of an associate or affiliate of the Resulting Issuer and no such person is a promoter of the Company or Canabo or any of their respective associates or affiliates.

Valuation Report

The services of Evans & Evans, Inc. ("Evans") were retained by the Company in connection with the provision of a comprehensive valuation report related to the Proposed Transaction. Pursuant to the engagement, Evans' delivered a comprehensive Valuation Report dated September 28, 2016 to the Company as to the fair market value of Canabo. Evans has expressed no opinion, nor has it been requested to do so, as to the expected trading price of the Resulting Issuer (if the Proposed Transaction is completed).

Based upon the valuation work conducted by Evans, and subject to the assumptions and qualifications set forth in the Valuation Report, Evans concluded that the fair market value of Canabo is in the range of $13.1 to $13.7 million. See "Information Concerning Four River – General Development of the Business – Valuation Report".

Summary of Risk Factors

The Proposed Transaction should be considered highly speculative due to the nature of the Resulting Issuer's proposed business and the present stage of Canabo's development. Canabo has no history of earnings and a limited history of operations. There are inherent risks in the nature of the health clinic industry. Canabo competes with other companies with greater financial resources and technical facilities. Canabo faces developmental risks in implementing its expansion plans. Canabo and its assets may become subject to uninsurable risks. Canabo's operations may be subject to governmental laws or regulations promulgated by various legislatures, regulatory bodies, physicians' colleges , or governmental agencies from time to time. Physicians may not refer patients to Canabo's CMClinic. If there are issues with the integrity or security of Canabo's research data, the data and reports could be considered ineffective or unreliable. The Company has not yet received approval for the Proposed Transaction from the Exchange, and may never receive approval for the Proposed Transaction. Canabo is subject to global economic, political and social conditions that may cause patients to delay or reduce medical treatments due to economic downturns, unemployment, volatility in the costs of energy and other consumer goods, geopolitical uncertainties and other macroeconomic factors affecting spending behaviour. There is no assurance that additional funding will be available to Canabo. Canabo's operating results and financial condition may fluctuate from quarter to quarter and year to year, and are likely to vary due to a number of factors, some of which are outside of Canabo's control. Canabo is currently largely dependent on the performance of its officers, and there is no assurance Canabo can maintain their services. Canabo does not maintain key person insurance on any of its officers, and in result Canabo would bear the full loss and expense of hiring and replacing any officer. There is no assurance that an active market will develop or be sustained after the completion of the Proposed Transaction. Additional Common Shares may be issued which will cause dilution to the ownership interests of shareholders. Current global financial conditions have been subject to increased volatility. The Company does not anticipate paying any dividends on its Common Shares in the foreseeable future. For more information, see "Risk Factors".

RISK FACTORS

The securities of the Company (and correspondingly those of the Resulting Issuer) should be considered highly speculative due to the nature of the Resulting Issuer's proposed Business and the present stage of Canabo's development. A prospective investor should consider carefully the risk factors set out below. In addition, prospective investors should carefully review and consider all other information contained in the Filing Statement before making an investment decision. An investment in securities of the Company or the Resulting Issuer should only be made by persons who can afford a significant or total loss of their investment.

The risks and uncertainties described below are those that Four River's and Canabo's management believes are material, but these risks and uncertainties may not be the only ones that the Company may face. Additional risks and uncertainties, including those that Four River's and Canabo's management currently are not aware of or deem immaterial, may also result in decreased operating revenues, increased operating expenses or other events that could result in a decline in the value of any securities of the Company. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Filing Statement.

An investment in the securities of the Company is highly speculative.

Limited Operating History

Canabo has no history of net earnings and a limited operating history. Accordingly, it has no significant operating history upon which to evaluate its performance. Past performance of Canabo's operations is not indicative of future results, and there can be no assurance that Canabo will operate profitably at a greater number of locations. No conclusions should be drawn from the past performance of its operations and personnel. The likelihood of success of Canabo must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. Canabo has limited financial resources and there is no assurance that additional funding will be available to it for further operations or to fulfill its obligations under applicable agreements. There is no assurance that Canabo can generate sufficient revenues to operate profitably, or provide a return on investment, or that it will successfully implement its business plans. Canabo expects that its operating expenses will continue to increase in future periods as it pursues its proposed growth strategies. Any future increases to Canabo's development expenses and/or general and administrative expenses will directly affect its future results of operations and may have an effect on its financial condition.

Risks Inherent in the Nature of the Health Clinic Industry

Changes in operating costs (including costs for maintenance, insurance), inability to obtain permits required to conduct Canabo's Business, changes in health care laws and governmental regulations, and various other factors may significantly impact the ability of Canabo to generate revenues. Certain significant expenditures, including legal fees, borrowing costs, maintenance costs, insurance costs and related charges must be made to operate its clinics, regardless of whether Canabo is generating revenue.

Competition

The medicinal marijuana industry is intensely competitive, and Canabo competes with other companies that may have greater financial resources and technical facilities. Numerous other businesses are expected to compete in the clinic space and provide additional patient servicing under the new regulatory regime in seeking patients that purchase medicinal marijuana. It is possible that LPs or other third parties could also establish their own medical clinics that are similar to Canabo's, as there are no significant barriers to entry.

An increase in competition for cannabis and cannabinoid products may decrease prices and result in lower profits to the LPs. This increases the risk that LPs would not have funding available to purchase the research data Canabo will have available.

Development Risks

Future development of Canabo's Business may not yield expected returns and may strain management resources. Development of Canabo's revenue streams is subject to a number of risks, including construction delays, cost overruns, financing risks, cancellation of key service contracts, and changes in government regulations. Overall costs may significantly exceed the costs that were estimated when the project was originally undertaken, which could result in reduced returns, or even losses, from such investments.

Uninsurable Risks

Canabo carries comprehensive general liability, fire, and flood insurance with policy specifications, limits and deductibles for its CMClinics. It is possible that, in the future, Canabo will not be able to obtain clinic insurance for these types of risks at reasonably economic rates, or at all. Moreover, there are certain types of risks, generally of a catastrophic nature, such as wars or natural disasters, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, the assets of Canabo may not be sufficient to satisfy these losses. In the course of developing Canabo's Business, certain risks, and in particular, medical malpractice or product liability suits, may occur. It is not always possible to fully insure against such risks, and Canabo may decide not to take out insurance against some or all of such risks as a result of high premiums or other reasons. Even a partially uninsured claim of significant size, if successful, could materially adversely affect Canabo's Business, financial condition, results of operations and liquidity and result in increasing costs and a decline in the value of the securities of Canabo. However, even if Canabo successfully defends against any such claim, it could be forced to spend a substantial amount of money in litigation expenses, management could be required to spend valuable time in the defence against these claims and Canabo's reputation could suffer, any of which could adversely affect results of its operations.

Government Regulations, Permits and Licenses

Canabo's operations may be subject to governmental laws or regulations promulgated by various legislatures or governmental agencies from time to time. A breach of such legislation may result in imposition of fines and penalties. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. Canabo intends to fully comply with all governmental laws and regulations. The LPs that provide medical marijuana to Canabo's patients will be subject to various federal, provincial and municipal laws relating to the ACMPR in Canada. While there are currently no indications that Canabo will require approval by Health Canada under the new program, such approvals may ultimately be required. There can be no assurance, however, that all permits which Canabo may require for its operations and activities will be obtainable on reasonable terms or on a timely basis or such laws and regulations would not have an adverse effect on Canabo's Business.

The current or future operations of Canabo are and will be governed by laws and regulations governing the health care industry, labour standards, occupational health and safety, land use, environmental protection, and other matters. Amendments to current laws, regulations and permits governing operations and activities of health clinics, or more stringent implementation thereof, could have a material adverse impact on Canabo and cause increases in capital expenditures or costs, or reduction in levels of its medical services.

The government of Canada proposes to legalize recreational marijuana in 2017 and there can be no assurance that such laws and regulations would not have an adverse effect on Canabo's Business. It is expected that pending legislation relating to recreational marijuana will include introducing regulation governing taxation, sales and distribution of the product on a large scale and will significantly alter availability and demand for recreational marijuana. There can be no assurances that availability of recreational marijuana will not reduce the demand for medical marijuana, that recreational distributors may also become distributors of medical marijuana, or that the significant industry effect of new corporate entrants into the marijuana industry (some of which could have significantly more capital, distribution and marketing resources than Canabo), may have an adverse effect of Canabo's Business.

Non-referrals

Physicians may not refer patients to Canabo's CMClinic. In addition, as the market grows and general practitioners become more comfortable and knowledgeable about the medical marijuana industry and products available, they may choose to write prescriptions directly for their own patients rather than refer them to an outside clinic.

Provincial Health Care Funding

All patients seen at CMClinics have been referred by other physicians. As such, the patient interaction with the consulting CMC physician is eligible to be reimbursed by Provincial Health Departments. Revenues for the consulting physician vary by consulting physician speciality (i.e. family practitioner, internist, anaesthesiologist, etc.) within each province, and the revenue schemes vary between provinces. Revenues generated by physician engagement (scope of exam and assessment) and physician specialty are subject to change by each provincial Health Department. Changes to any province's consulting physician reimbursement model may adversely effect Canabo's ability to recruit or retain consulting physicians or Canabo's business model.

Federal Court Ruling

On March 21, 2014 the Federal Court of Canada issued an order for injunctive relief in response to a motion brought by four individuals (the "Applicants"). As a result of the Court's injunction, the persons who were previously authorized to possess and grow marijuana under the old *Marihuana Medical Access Regulations* (MMAR), who meet the terms of the Court order, were able to continue to do so on an interim basis, until the Court issues a final decision on the merits of the case. On February 24, 2016, the Federal Court of Canada issued reasons for judgement that the Canadian *Marihuana for Medicinal Purposes Regulations*, as amended (the "MMPR") was unconstitutional and invalid in that the MMPR does not provide Canadians with reasonable access to marihuana for medical purposes and that implementation of this decision was suspended until August 24, 2016 to allow sufficient time for the Federal government to enact new regulations. On August 24, 2016, the ACMPR were made effective. Pursuant to the ACMPR, an individual is eligible to produce cannabis for their own medical purposes as a registered person or to have it produced for them by a designated person. Canabo expects that the immediate probable effect of the Court's decision could be a lower number of existing MMAR patients than may have otherwise been anticipated seeking physician referrals or registering with Canabo for its clinical services, as some potential patients may choose to self-medicate and continue to grow their own marijuana without a prescription, as they have been doing under the MMAR.

Complications with Research Data

The research data collected by Canabo will be an integral part of its Business for the production of research based reports. If there are issues with the data's integrity or security, the data and research based reports could be considered ineffective or unreliable.

Early Stage of the Industry and Growth

The Canadian medical marijuana industry is in a nascent stage, only having been granted license to generate revenue from cannabis products and services since April 1, 2014. The change in federal legislation from the MMPR to the ACMPR could have an adverse impact on a LP's ability to successfully market its strains.

The industry in which Canabo plans to operate may also be subject to rapid and sustained growth and development. A variety of competitors and companies consulting on the use of cannabis may impact Canabo's ability to attract and retain staff, physicians or sufficient patients to support our business objectives.

Plans for Growth

Canabo plans to grow rapidly and significantly expand its operations. This growth will place a significant strain on management systems and resources. Canabo will not be able to implement our business strategy in a rapidly evolving market, without an effective planning and management process. To date, Canabo has implemented some managerial, informational, operational and financial systems and controls, however, there can be assurance these systems and controls will be adequate. Canabo may be required to manage multiple relationships with various strategic partners, users, advertisers and other third parties. These requirements will be strained in the event of rapid growth, or a large increase in the number of third party relationships Canabo has, as its systems, procedures or controls may not be adequate to support increased operations and management may be unable to manage growth effectively. To manage the planned growth, Canabo will be required to significantly improve or replace existing managerial, informational, financial and operational systems, procedures and controls, and to expand, train and manage its intended growing base of personnel. Canabo may also be required to expand its finance, administrative and operations staff. Canabo may be unable to complete in a timely manner the improvements to its systems, procedures and controls necessary to support future operations, management may be unable to hire, train, retain, motivate and manage required personnel and management may be unable to successfully identify, manage and exploit existing and potential market opportunities.

Conditional Approval

The Exchange has not yet provided conditional approval for the Proposed Transaction and may not provide such approval at all. In connection with their review, the Exchange may require that certain changes be made to the structure of the transaction that may result in some information in this Filing Statement being inaccurate. In such case, Four River may be required to reprint this Filing Statement or to issue a press release detailing the changes required by the Exchange.

Global Economic, Political and Social Conditions

Canabo is subject to global economic, political and social conditions that may cause patients to delay or reduce medical treatments due to economic downturns, unemployment, volatility in the costs of energy and other consumer goods, geopolitical uncertainties and other macroeconomic factors affecting spending behaviour. Canabo faces risks that may arise from financial difficulties experienced by suppliers or patients, including:

- The risk that patients may face financial difficulties or may become insolvent, which could lead to an inability to obtain payment of accounts receivable that those patients may owe;

- The risk that key suppliers of medical marijuana may face financial difficulties or may become insolvent, which could lead to disruption of the supply cannabis products; and

- The inability of patients, including suppliers to obtain credit financing to finance purchases of products and raw materials used to grow or build those products.

Should any of these risks occur, then they could have a material adverse effect on Canabo and its prospects.

Lack of Capital Resources

Expanding Canabo's Business to meet its growth strategy may require additional investments of capital from time to time, and existing sources of cash and any funds generated from operations may not provide sufficient capital. For various reasons, additional financing may not be available when needed, or may not be available on favorable terms. If Canabo fails to obtain adequate capital on a timely basis or if capital cannot be obtained at reasonable costs, Canabo will not be able to achieve its planned rate of growth, which will adversely affect its results of operations and future prospects.

Operating Results and Financial Condition may Fluctuate on a Quarterly and Annual Basis

Canabo's operating results and financial condition may fluctuate from quarter to quarter and year to year, and are likely to vary due to a number of factors, some of which are outside of Canabo's control. In addition, actual or projected operating results may fail to match past performance. These events could in turn cause the market price of the Common Shares to fluctuate. If operating results do not meet the expectations of securities analysts or investors, who may derive their expectations by extrapolating data from recent historical operating results, the market price of the Common Shares will likely decline.

Canabo's operating results and financial condition may fluctuate due to a number of factors, including those listed below, and those identified in this "Risk Factors" section:

- the introduction of new competitive clinics by others;
- changes in the size and complexity of the organization, including interprovincial operations;
- reduction in the number of new and existing patients;
- the geographic distribution of Canabo's sales;
- the ability to timely and effectively scale the Business during periods of sequential quarterly or annual growth;
- limitations or delays in Canabo's ability to reduce its expenses during periods of declining sequential quarterly or annual revenue;
- changes in Canabo's pricing policies or those of its competitors, including Canabo's responses to price competition;
- changes in the amount spent on marketing and other efforts;
- the volatile global economy;
- general economic and industry conditions that affect patient demand and product development trends; and
- changes in accounting rules as well as tax and other laws.

Management

The success of Canabo is currently largely dependent on the performance of its officers. The loss of the services of these persons will have a materially adverse effect on Canabo's Business and prospects. There is no assurance Canabo can maintain the services of its officers or other qualified personnel required to operate its Business. Failure to do so could have a material adverse effect on Canabo, its Business and its prospects.

Key Person Insurance

Canabo does not maintain key person insurance on any of its officers, and in result Canabo would bear the full loss and expense of hiring and replacing any officer in the event the loss of any such persons by their resignation, retirement, incapacity, or death, as well as any loss of business opportunity or other costs suffered by Canabo from such loss of any officer.

Resale of Shares

The continued operation of Canabo will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained. If Canabo is unable to generate such revenues or obtain such additional financing, any investment in Canabo may be lost. In such event, the probability of resale of the Shares would be diminished.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of Canabo in creating revenues, cash flows or earnings.

An active public market for the Common Shares might not develop or be sustained upon completion of the Proposed Transaction. If an active public market for the Common Shares does not develop, the liquidity of a shareholder's investment may be limited.

Conflicts of Interest

Some of the directors and officers are engaged and will continue to be engaged in the search for additional business opportunities on behalf of other corporations, and situations may arise where these directors and officers will be in direct competition with Canabo. Conflicts, if any, will be dealt with in accordance with the relevant provisions of the *Canada Business Corporations Act*.

Some of the directors and officers of Canabo are or may become directors or officers of other companies engaged in other business ventures. In order to avoid the possible conflict of interest which may arise between the directors' duties to Canabo and their duties to the other companies on whose boards they serve, the directors and officers of Canabo have agreed to the following:

1. Participation in other business ventures offered to the directors will be allocated between the various companies and on the basis of prudent business judgment and the relative financial abilities and needs of the companies to participate;
2. No commissions or other extraordinary consideration will be paid to such directors and officers; and
3. Business opportunities formulated by or through other companies in which the directors and officers are involved will not be offered to Canabo except on the same or better terms than the basis on which they are offered to third party participants.

Financing Risks

Canabo has no history of significant earnings and, due to the nature of its Business, there can be no assurance that Canabo will be profitable. Canabo has paid no dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to Canabo is through the sale of its equity shares. Even if the net revenues of the Business are encouraging, Canabo may not have sufficient funds for future expansion of the Business that may be necessary to remain competitive in the market. While Canabo may generate additional working capital through further equity offerings or through the sale, there is no assurance that any such funds will be available on terms acceptable to Canabo, or at all. If available, future equity financing may result in substantial dilution to shareholders. At present it is impossible to determine what amounts of additional funds, if any, may be required.

Substantial Number of Authorized but Unissued Shares

Four River has an unlimited number of Common Shares which may be issued by the Board of Directors without further action or approval of Four River's shareholders. While the Board of Directors is required to fulfil its fiduciary obligations in connection with the issuance of such Common Shares, Common Shares may be issued in transactions with which not all shareholders agree, and the issuance of such Common Shares will cause dilution to the ownership interests of shareholders.

Current Global Financial Condition

Current global financial conditions have been subject to increased volatility. Access to financing has been negatively impacted by both sub-prime mortgages in the United States and elsewhere and the liquidity crisis affecting the asset-backed commercial paper market. As such, Canabo is subject to counterparty risk and liquidity risk. Canabo is exposed to various counterparty risks including, but not limited to: (i) through financial institutions that hold Canabo's cash; (ii) through companies that have payables to Canabo; and (iii) through Canabo's insurance providers. Canabo is also exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of Canabo to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to Canabo. If these increased levels of volatility and market turmoil continue, Canabo's operations could be adversely impacted and the trading price of the Common Shares could be adversely affected.

Dividends

The Resulting Issuer does not anticipate paying any dividends on its Common Shares in the foreseeable future.

INFORMATION CONCERNING FOUR RIVER

Name and Incorporation

The full name of the Company is "Four River Ventures Ltd.".

The head office of the Company is located at Suite 280, 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7. The registered and records offices of the Company are located at Suite 2900 – 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1J5.

The Company was incorporated pursuant to the *Business Corporations Act* (British Columbia) on January February 2, 2007 under the name Wyn Metals Inc. On July 15, 2009, the Company changed its name to Award Ventures Ltd. completed a three (3) old for one (1) new share consolidation. On May 28, 2010, the Company changed its name to Auracle Resources Ltd. On June 16, 2015, the Company completed a twenty (20) old for one (1) new share consolidation, and a name change from "Auracle Resources Ltd." to "Four River Ventures Ltd.".

The Company has one wholly owned subsidiary, Mexican Hat Holdings Ltd., a corporation incorporated in British Columbia on March 27, 2014, which is currently inactive.

General Development of the Business

The Company was incorporated on February 2, 2007 and listed on the Exchange on July 29, 2011. The principal business of the Company was the exploration of natural resource properties in British Columbia. The Company does not currently have any ongoing business operations and has no material assets other than cash. The Company is considered a Tier 2 Mining Issuer under the policies of the Exchange.

Effective September 30, 2016, the Company entered into a Securities Exchange Agreement with Canabo and the Canabo Shareholders to acquire all of the issued securities of Canabo.

Trading in the Common Shares was halted on August 8, 2016 by the Exchange upon the Company's announcement of the Proposed Transaction, and is expected to remain halted until the completion of the Proposed Transaction and the issuance of the Final Exchange Bulletin.

The Company's proposed acquisition of Canabo constitutes a reverse takeover and a change of business under the policies of the Exchange. The Proposed Transaction is an Arm's Length Transaction. Upon completion of the Proposed Transaction, the Company will become a Tier 2 Technology or Life Sciences Issuer under the policies of the Exchange.

Securities Exchange Agreement

On September 30, 2016, the Company entered into the Securities Exchange Agreement with Canabo and the shareholders of Canabo pursuant to which the Proposed Transaction will be completed. The Securities Exchange Agreement replaces the letter of intent entered into on August 8, 2016, as amended September 14, 2016, between the Company, Canabo and the shareholders of Canabo. Under the terms of the Securities Exchange Agreement, the Company will acquire (i) all of the issued and outstanding Canabo Shares, on the basis of one (1) Canabo Share for one (1) post-Consolidation common share of the Company, or in other words, 27,546,900 Canabo Shares, in exchange for 27,546,900 Exchanged Shares (more or less), and (ii) all of the outstanding Canabo Warrants in exchange for the Exchanged Warrants.

The Proposed Transaction shall close on the earlier of (i) December 31, 2016, provided that all required consents pursuant to the Securities Exchange Agreement are obtained on or before December 31, 2016, or (ii) the seventh business day following the day on which all required consents pursuant to the Securities Exchange Agreement are obtained, or such other date as may be agreed between the Canabo shareholders' representative and the Company. In the event that the Closing Date does not occur on or before December 31, 2016, the Company or the Vendors may terminate the Securities Exchange Agreement.

Upon completion of the Proposed Transaction, the Company will change its name to "Canabo Medical Inc.", or such other name as is acceptable to the principal shareholders of Canabo, the Exchange and the Registrar of Companies.

Upon completion of the Proposed Transaction, Canabo will become a wholly owned subsidiary of the Company and will continue to carry on Canabo's Business. Based upon the number of Common Shares outstanding at the date of this Filing Statement and including the post-Consolidation Common Shares to be issued pursuant to the Securities Exchange Agreement, if the Proposed Transaction is completed, the Company will issue 27,546,900 Exchanged Shares to the Canabo shareholders and 545,000 Exchanged Warrants, in exchange for their Canabo Shares and Canabo Warrants, for aggregate deemed consideration of approximately $13,222,512. As a result, upon completion of the Proposed Transaction, the former Canabo shareholders will hold approximately 91.6% of the then total issued Shares of the Company.

Conditions to the Completion of the Proposed Transaction

The completion of the Proposed Transaction contemplated by the Securities Exchange Agreement is subject to certain conditions, including (a) obtaining all necessary regulatory approvals, including the approval of the Exchange, including, without limitation the Exchange being satisfied that after the completion of the Proposed Transaction the Company will satisfy the Exchange's minimum listing requirements for a Tier 2 Technology or Life Sciences Issuer as prescribed by the policies of the Exchange, and (b) other conditions under the Securities Exchange Agreement which are typical for this type of transaction.

The completion of the Proposed Transaction depends on the satisfaction of a number of conditions precedent in the Securities Exchange Agreement, which are for the exclusive benefit of Four River, including:

- delivery of an executed certificate certifying that the representations and warranties of Canabo in the Securities Exchange Agreement are true and correct as of the Closing Date with the same force and effect as if made on that date;
- delivery of an executed certificate certifying that Canabo has complied with all covenants contained in the Securities Exchange Agreement at or prior to Closing;
- delivery of the Required Consents (as defined in the Security Exchange Agreement);
- delivery of executed instruments of transfer transferring, together with the share certificates representing, the purchased securities and evidence that Four River or its nominees have been entered on the books of Canabo as the holder of the purchased securities;
- delivery of certified true copies of charter documents and by-laws of Canabo and resolutions of the board of directors of Canabo approving the completion of the transaction contemplated by the Securities Exchange Agreement;
- delivery of certificate of status, compliance, and good standing with respect to Canabo from each jurisdiction of incorporation and each jurisdiction in which Canabo carried on its business;
- delivery of releases in favour of Canabo of the Canabo Physician Champion Program Agreements;
- delivery of applicable Ancillary Agreements (as defined in the Securities Exchange Agreement);
- completion by Four River of its due diligence investigation, which has not disclosed any matter that Four River, acting reasonably, considers to be materially adverse to Canabo, Canabo's business or assets, or Four River's decision to acquire the securities;
- no Material Adverse Change (as defined in the Securities Exchange Agreement) shall have occurred in the asset, financial condition, or business prospects of Canabo; and
- all corporate and other proceedings to be taken in connection with the transaction are reasonably satisfactory to Four River and Four River has received copies of all instruments and other evidence relating to the transaction.

The completion of the Acquisition depends on the satisfaction of a number of conditions precedent in the Securities Exchange Agreement, which are for the exclusive benefit of Canabo, including:

- delivery of an executed certificate certifying that the representations and warranties of Four River in the Securities Exchange Agreement are true and correct as of the Closing Date with the same force and effect as if made on that date;
- delivery of an executed certificate certifying that Four River has complied with all covenants contained in the Securities Exchange Agreement at or prior to the Closing Date;
- payment of the Purchase Price (as defined in the Securities Exchange Agreement) by Four River by the issuance and delivery of the Exchanged Shares and Exchanged Warrants;
- delivery of a certificate of good standing issued by the Registrar of Companies for British Columbia;
- delivery of the Required Consents (as defined in the Securities Exchange Agreement);
- confirmation of completion of the Consolidation;

- delivery of the Escrow Agreement executed by Four River and the Escrow Agent (as defined in the Securities Exchange Agreement);
- delivery of consent resolutions of all of the directors of Four River, dated effective as of the Closing Date, authorizing the change of name of Four River to “Canabo Medical Inc.”;
- delivery of the written resignation of all directors and officers of Four River dated effective as of the Closing Date, other than Alistair MacLennan as a director of Four River;
- delivery of consent resolutions of all of the directors of Four River appointing new officers and directors of Four River
- no Material Adverse Change (as defined in the Securities Exchange Agreement) with respect to Four River has occurred; and
- all corporate and other proceedings to be taken in connection with the transaction are reasonably satisfactory to Canabo and Canabo has received copies of all instruments and other evidence relating to the Proposed Transaction.

The completion of the Proposed Transaction depends on the satisfaction of a number of conditions precedent in the Securities Exchange Agreement, which are for the benefit of both parties, including:

- no action or proceeding is pending or threatened by any person to enjoin, restrict, or prohibit any of the transactions contemplated by the Securities Exchange Agreement or the right of Canabo to conduct business after closing on substantially the same basis; and
- Canabo has completed the Private Placement.

Covenants

Canabo and Four River have agreed to certain covenants under the Securities Exchange Agreement, including customary negative and affirmative covenants requiring each party to operate its Business and conduct itself in the ordinary course and use commercially reasonable efforts to satisfy the conditions precedent to their respective obligations under the Securities Exchange Agreement.

Representations and Warranties

The Securities Exchange Agreement contains customary representations and warranties, given by Canabo, on the one hand, and Four River, on the other hand, in respect of matters pertaining to, among other things, incorporation and corporate power, due authorization of the Proposed Transaction, Exchanged Shares and Exchanged Warrants, corporate records, financials, assets, employment, tax, and general matters relating to the business and operations of Canabo and Four River.

<u>Arrangement Agreement</u>

On October 6, 2016, the Company entered into the Arrangement Agreement with Canabo providing for the Plan of Arrangement to close the Proposed Transaction, including the order of the transactions involved, approval of the Arrangement by the Canabo securityholders by Special Resolution, the procedure for the exchange of the Canabo Shares, and the delivery of a letter of transmittal to the Canabo securityholders, among other matters.

Under the Plan of Arrangement, at the effective time of the Arrangement:

(a) The Company will by directors’ resolution, as permitted by its Articles, consolidate its common shares on the basis of two (2) shares for one (1) shares, with any fractional shares being rounded down to the nearest lower whole share (the "Consolidation");

(b) The Company will by directors’ resolution, as permitted by its Articles, change its name to “Canabo Medical Inc.” or such other name as may be acceptable to the Company, Canabo, and regulatory authorities (the “Change of Name”);

(c) The Company will file a Form 11 Notice of Alteration with the Registrar of Companies for British Columbia;

(d) On the completion of the Consolidation and Change of Name:

i. The Company will acquire all of the outstanding Canabo Shares in exchange for the Exchanged Shares with the result that Canabo will be a wholly-owned subsidiary of the Company; and the Company will acquire all of the outstanding Canabo Warrants for cancellation in exchange for Exchanged Warrants;

ii. the Canabo Shareholders will receive one Exchanged Share in exchange for every Canabo Share owned;

iii. each Canabo Warrant outstanding immediately before the Effective Date will be exchanged for an Exchanged Warrant pursuant to which the holder will be entitled to receive, upon exercise of the Exchanged Warrant, one post-Consolidation Share in lieu of each Canabo Share that were issuable upon exercise of the related Canabo Warrant immediately before the Effective Time, and the exercise price per share under the Exchanged Warrant will be equal to the exercise price under the related Canabo Warrant. Save and except as otherwise agreed to by the Company and the holders of Canabo Warrants, the term to expiry, conditions to and manner of exercising, applicable laws, and all other terms and conditions of the Exchanged Warrants will otherwise be the same as those of the Canabo Warrants;

iv. the Canabo Warrants will be cancelled;

v. all of the business, property and assets of Canabo will indirectly become the business, property and assets of the Company, as a wholly-owned subsidiary of the Company;

vi. any other transactions contemplated in the Securities Exchange Agreement will be completed (such as the changes to the board of directors and officers of the Company); and

vii. all of the above transactions, exchanges and cancellations will be deemed to occur on the Effective Date, notwithstanding that certain of the procedures related thereto may not be completed until after the Effective Date.

In addition, the Plan of Arrangement provides that any certificates formerly representing Canabo Shares that are not delivered to the Company with a duly executed letter of transmittal on or before the sixth anniversary of the Effective Date shall cease to represent any right or claim of any kind or nature in or to Exchanged Shares and any right of the former holder of such Canabo Shares to receive certificates representing Exchanged Shares, and the Exchanged Shares issued to such former Canabo shareholder shall be deemed to be surrendered to the Company together with all dividends or distributions thereon held for such holder.

<u>Private Placement</u>

As part of the Proposed Transaction, Canabo was required to complete a non-brokered private placement, and, in this regard, on September 23, 2016 Canabo successfully closed a non-brokered private placement of 6,915,000 Canabo Shares at $0.50 per share to raise proceeds of $3,457,500.

Pursuant to the Private Placement, Canabo paid finder’s fee of 7% of the proceeds raised by the finders (or $190,750), and issued 545,000 non-transferable share purchase warrants of Canabo exercisable to purchase up to 545,000 Canabo Shares at a price of $0.50 per share until September 24, 2018 to three arm’s length finders in connection with the Private Placement.

Valuation Report

The services of Evans & Evans, Inc. were retained by the Company in connection with the provision of the comprehensive valuation report related to the Proposed Transaction. Pursuant to the engagement, Evans' delivered a comprehensive Valuation Report dated September 28, 2016 to the Company as to the fair market value of Canabo as at September 9, 2016 (the "Valuation Date"). Evans has expressed no opinion, nor has Evans been requested to do so, as to the expected trading price of the Resulting Issuer (if the Proposed Transaction is completed).

A summary of the comprehensive Valuation Report is as follows, which is derived directly from the comprehensive Valuation Report:

Definition of Market Value

In the Valuation Report, fair market value is defined as the highest price available in an open and unrestricted market between informed and prudent parties, acting at arms' length and under no compulsion to act, expressed in terms of cash.

Scope of the Valuation Report

The authors of the Valuation Report have reached the assessments contained herein by relying on the following:

- Interviewed members of Canabo's management team and board of directors to gain an understanding of Canabo's past, present and planned future operations.
- Conducted a site visit of a CMC Clinic in Toronto, Ontario in July of 2016.
- Reviewed the CMC website www.cmclinic.ca.
- Reviewed Canabo's July 2016 Investor Presentation.
- Reviewed Canabo's responses to Evans' valuation questionnaire.
- Reviewed the Certificate of Incorporation, Certificate of Amendment and the Articles of Incorporation for Canabo.
- Reviewed the Certificate of Incorporation and the Articles of Incorporation for 2412550 Ontario Inc. (CMC).
- Reviewed a corporate organizational chart.
- Reviewed the following Cannabinoid Medical Clinic documents: (1) Canabo Clinic policies as of July 2016; (2) patient educator guideline; (3) patient handbook; and, (4) physician operation guidelines.
- Reviewed a sample patient education presentation utilized at CMC Clinics.
- Reviewed Canabo's detailed share capitalization chart as of August 10, 2016. The chart did not include the shares issued in September of 2016 for gross proceeds of $3.457 million.
- Reviewed the draft unaudited consolidated financial statements for the nine months ended July 31, 2016 and the six months ended April 30, 2016.
- Reviewed the draft audited consolidated financial statements for the year ended October 31, 2015 and the period from March 14, 2014 to October 31, 2014.
- Reviewed the accounts receivable report as of July 31, 2016. A significant portion of Canabo's receivables were outstanding more than 30 days. However, the receivables are due from research subscribers with which Canabo has agreements in place.

- Reviewed the accounts payable report as of July 31, 2016. A significant portion of Canabo's payables were outstanding more than 90 days. However, approximately 33% of the payables are due to consultants.
- Reviewed management-prepared data on the number of new patients and the number of referrals by month for calendar 2016.
- Reviewed a management-prepared summary of the lease details for existing CMC Clinics.
- Reviewed Canabo's detailed financial budget for the 12 and 24 months following the completion of the financing in the third quarter of calendar 2016 as prepared by management.
- Reviewed the agreement dated June 26, 2014 between InputHealth Systems Inc. ("IHS") and TCMC. The agreement outlines the terms by which TCMC licenses EMR and patient engagement system software from IHS on a perpetual, Canada-wide license.
- Reviewed a Scientific and Medical Research Services Agreement between Canabo and a research subscriber. Also discussed with management how many such agreements were in place as of the Valuation Date. Research subscribers who partner with Canabo pay an annual fee for each patient included in the scientific and medical research that is registered with the LP. Reviewed information on Canabo's market from such sources as: Forum Research, CBC News, CTV News, Canadian Medical Association, Ottawa Sun, Dundee Capital Markets, CIBC, Mackie Research Capital Corp., PI Financial Corp., Health Canada, Statistics Canada and Global News.
- Reviewed publicly available information on competitors to Canabo such as Cannabis Clinics, Green Doctor Network, The Greenleaf Medical Clinic, and the Medicinal Cannabis Resource Centre Inc.
- Reviewed financial and stock market trading data on the following companies: Aurora Cannabis Inc., Canopy Growth Corp., Emerald Health Therapeutics Inc., PharmaCan Capital Corp., Lexaria Bioscience Corp., Supreme Pharmaceuticals Inc., Maple Leaf Green World Inc., Wildflower Marijuana Inc., True Leaf Medicine International Ltd., THC Biomed International Ltd., Namaste Technologies Inc., GrowPros Cannabis Ventures Inc., Nutritional High International Inc., Golden Leaf Holdings, Global Hemp Group Inc., OrganiGram Holdings Inc., Vodis Pharmaceuticals Inc., Aphria Inc. and Mettrum Health Corp.

Assumptions of the Valuation Report

In arriving at its conclusions, Evans have made the following assumptions:

- As at the Valuation Date all assets and liabilities of Canabo have been recorded in its accounts and financial statements and follow International Financial Reporting Standards.
- The book value of Canabo's assets at the Valuation Date equaled their fair market value unless otherwise noted.
- The financial forecast / budget for Canabo as provided by management represents management's best estimate of the future economic performance of the assets held by Canabo as at the Valuation Date.
- An audit of Canabo's financial statements from incorporation to July 31, 2016 would not result in any material changes to the draft financial statements provided to Evans.
- There was no material change in the financial position of Canabo between the date of the most recent financial statements (July 31, 2016) the Valuation Date unless noted in the Valuation Report.
- Canabo has satisfactory title to all of its assets and intellectual property and there are no liens or encumbrances on such assets nor have any assets been pledged in any way.

- Canabo has complied with all government taxation, import and export and regulatory practices as well as all aspects of its contractual agreements that would have an effect on the Valuation Report, and there are no other material agreements entered into by Canabo that are not disclosed in the Valuation Report.
- Canabo and all of its related parties and its principals had no contingent liabilities, unusual contractual arrangements, or substantial commitments, other than in the ordinary course of business, nor litigation pending or threatened, nor judgments rendered against, other than those disclosed by management and included in the Valuation Report that would affect the evaluation or comment.
- At the Valuation Date, no specific special purchaser(s) was/were identified that would pay a premium to purchase Canabo.

The Valuation Report is based upon information made available to Evans and on the assumptions that have been made. Evans reserves the right to review all information and calculations included or referred to in the Valuation Report and, if Evans considers it necessary, to revise Evans' views in the light of any information which becomes known to Evans during or after the date of the Valuation Report.

Overall Valuation Approach

With respect to the fair market value of 100% of Canabo, Evans believed it was appropriate to value Canabo on a going concern basis. The reason for this is: (1) Canabo does have a history of revenue generation; (2) Canabo is projecting positive net income in the short-term; and, (3) a going concern approach arrives at a higher value than a liquidation approach.

Given the status of Canabo at the Valuation Date as well as the approaches of valuation outlined above, it is the view of the authors of the Valuation Report that that the most appropriate approaches in determining the range of the fair market value of Canabo at the Valuation Date was a Market Approach, the Guideline Public Company Method.

The Guideline Public Company Method ("GPC Method") was determined appropriate given Canabo's history of revenue generation and that a multiple of revenues is often used to value companies with a recurring revenue base prior to generating positive net income. Furthermore, the GPC Method captures the market sentiment towards companies in Canabo's space as at the Valuation Date.

In the view of Evans, the value implied by the March and April 2016 financings were not reflective of the current fair market value of Canabo as Canabo's revenues have increased dramatically since the completion of those financings and the number of CMC Clinics has also increased. In addition, the March and April 2016 financings involved very small issuances of new equity, and thus it was in appropriate to imply the value of 100% of Canabo.

In September of 2016, Canabo completed a financing that involved the issuance of 6.915 million shares at a price of $0.50 per share for an implied value of 100% of Canabo of $13.76 million. Evans carefully considered the value implied by the last round of financing given its size. However, given the letter of intent with Four River was entered into prior to the completion of the financing and accordingly, investors in Canabo would have had the expectation that their shares in Canabo would shortly become more liquid as they would be exchange for shares in a TSXV listed company.

Valuation of Canabo

The Guideline Public Company Method involves identifying public companies with operations similar to the subject company with stocks that trade freely in the public markets on a daily basis. The objective of the Guideline Public Company Method is to derive multiples to apply to the fundamental financial variables of the subject company. Since the indication of value is based on minority interest transactions, if one is valuing a controlling interest, it may sometimes be necessary to consider applying a premium for control. A discount for lack of marketability may also be appropriate.

Evans identified 19 companies as potential comparable companies to Canabo. The companies selected were involved in the marijuana / cannabis sector either LPs, product suppliers or providing consultation services.

The reader of the Valuation Report should note that although the guideline companies may not be direct competitors to Canabo, they do or may offer similar products and/or services to their target markets and embody similar business, technical and financial risk/reward characteristics that a notional investor would consider as being comparable.

Thereafter, those companies whose revenues were less than $1.0 were removed from the analysis as the revenue multiplier would be unreliable for such early stage ventures. Accordingly, seven companies were utilized in the analysis. Evans used a multiple of enterprise value to revenues as a means of deriving the fair market value of the Company at the Valuation Date. The multiple was based on applying different enterprise value ("EV") to revenue multiples to a weighting of Canabo's annualized fiscal year end 2016 revenues (based on nine months of actual results) and the forecast fiscal year end 2017 revenues. As the budget outlined in the Valuation Report was based on cash and not accrual accounting, the authors of the Valuation Report applied the same quarter over quarter growth rates in the forecasts to the quarter three fiscal year end 2016 actual revenues.

These companies were selected as the most appropriate in terms of business model. These companies were a combination of LPs (with significant investments in fixed assets and recurring revenues) and product / consulting companies that would be more comparable to Canabo's clinic revenues.

Evans selected an EV to revenue multiple of 2.0x for the clinic revenues and 6.5x for the medical research revenues. Thereafter the multiples were adjusted to reflect the size of Canabo relative to the selected companies and Canabo as a private company had less liquidity. The adjusted EV to revenue multiple was applied to Canabo's weighted revenues as calculated above.

Evans deemed it appropriate to value Canabo's two revenue streams separately as industry research shows that recurring revenue is valued significantly higher than one-time revenues.

Thereafter, cash on hand was added back to arrive at a fair market value in the range of $13,100,000 to $13,700,000.

A copy of the Valuation Report will be available for inspection at the registered office of Canabo located at Suite 1750, 1185 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4E6, during ordinary business hours from the date hereof until completion of the Proposed Transaction.

Selected Financial Information and Management's Discussion and Analysis

Selected Financial Information of the

The following table sets out certain selected financial information of the Company from the Company's audited financial statements for the years ended January 31, 2016, 2015 and 2014, and the Company's unaudited interim financial statements for the six months ending July 31, 2016. The following information should be read in conjunction with the Company's audited financial statements for the years ended January 31, 2016, 2015 and 2014, and unaudited interim financial statements for the six months ending July 31, 2016.

Income Statement Data	Financial Year Ended January 31, 2014 ($ audited)	Financial Year Ended January 31, 2015 ($ audited)	Financial Year Ended January 31, 2016 ($ audited)	Six month Period Ended July 31, 2016 ($ unaudited)
Other Items (incl. GST recoveries and write-offs)	(81,647)	(18,032)	79,698	(1,197)
Total Expenses	(3,062,979)	(130,049)	(89,682)	(23,175)
Net Loss	(3,144,626)	(148,081)	(9,984)	(24,372)
Balance Sheet Data	**As at January 31, 2014 (audited)**	**January 31, 2015 (audited)**	**January 31, 2016 (audited)**	**As at July 31, 2016 (unaudited)**
Cash	19,762	4,712	3,669	59,381
Total Assets	23,227	8,177	4,164	59,591
Total Liabilities	523,746	651,277	657,248	583,297
Shareholders' Equity	(500,519)	(643,100)	(653,084)	(523,706)

Management's Discussion and Analysis

The Company's management's discussion and analyses ("MD&A") for the six month period ending July 31, 2016 and the years ending January 31, 2015 and 2014 are presented in Schedule "B" to this Filing Statement. Such MD&A, representing a discussion and analysis of financial position and results of operations of the Company should be read in conjunction with the Company's interim unaudited financial statements for the six months ended July 31, 2016 and the audited financial statements for the years ended January 31, 2016, 2015 and 2014.

Description of the Securities

The Company is authorized to issue an unlimited number of Common Shares without par value of which, as at the date of this Filing Statement, 5,072,900 are issued and outstanding as fully paid and non-assessable. As a pre-condition to the closing of the Proposed Transaction, the Company's common shares will be consolidated on a two (2) for one (1) share basis.

The holders of Common Shares, including those issued pursuant to the completion of the Proposed Transaction, are entitled to dividends, if, as and when declared by the board of directors, to one vote per share at meetings of the shareholders of the Company and, upon liquidation, to share equally in such assets of the Company as are distributable to the holders of Common Shares. All Common Shares to be outstanding after completion of the Proposed Transaction will be fully paid and non-assessable and not subject to any pre-emptive rights, conversion or exchange rights, redemption, retraction, purchase for cancellation or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities or provisions requiring a shareholder to contribute additional capital.

Stock Options

The Corporation has a "rolling" stock option plan (the "Plan"). Pursuant to the Plan, the Company can grant options up to a maximum of 10% of the Company's issued and outstanding share capital at any given time. As at the date of this Filing Statement, the Company has nil options outstanding pursuant to the Plan.

The stock option plan provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers and consultants to the Company, non-transferable options to purchase Common Shares. The options are exercisable up to 5 years from the date of grant, so long as the optionee maintains the optionee's position with the Company. The number of Common Shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding Common Shares and the number of Common Shares reserved for issuance to any consultant will not exceed 2% of the issued and outstanding Common Shares. Any stock options granted under the Plan will not be subject to any vesting schedule, unless otherwise determined by the Board of Directors or required by the policies of the Exchange.

Where an optionee's relationship with the Company terminates by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Where the relationship terminates for cause, the options are immediately cancelled. For directors, officers, employees or consultants who resign, take early retirement or whose relationship with the company is terminated other than for cause the options may be exercised within 30 days following cessation of the optionee's relationship with the Company.

Prior Sales

During the 12 month period prior to the date of this Filing Statement, the Company has issued the following securities:

Date	Number of Common Shares	Issue Price per Share	Aggregate Issue Price	Consideration Received
March 22, 2016	3,075,000[(1)]	$0.075	$153,750	Cash

(1) Each unit consisted of one Common Share and one share purchase warrant entitling the holder to purchase one additional Common Share at $0.075 until March 22, 2017. As a condition of the Share Exchange Agreement, the Company must complete a two for one common share consolidation. As a result of the share consolidation, this financing will give 1,537,500 shares and 1,537,500 share purchase warrants to purchase one additional common share at $0.15 until March 22, 2017.

Stock Exchange Price

The Company's Common Shares are listed and posted for trading on the NEX division of the Exchange. The following table sets out trading information for the Common Shares for the periods indicated.

Trading Periods	High	Low	Trading Volume
August 1, 2014 to October 31, 2014	0.20	0.10	48,231
November 1, 2014 to January 31, 2015	0.20	0.10	21,327
February 1, 2015 to April 30, 2015	0.10	0.10	26,380
May 1, 2015 to July 31, 2015	0.12	0.05	184,979
August 1, 2015 to October 31, 2015	0.075	0.05	193,947
November 1, 2015 to January 31, 2016	0.07	0.065	13,644
February 1, 2016 to March 22, 2016	0.095	0.07	50,000
March 22, 2016 to April 30, 2016	0.205	0.105	359,639
May 1, 2016 to July 31, 2016	0.39	0.20	353,639
August 2016[(1)]	0.30	0.26	50,780
September 1, 2016 to the date of the Filing Statement[(1)]	Nil	Nil	Nil

(1) Halted by the Exchange on August 8, 2016 following the filing of a news release announcing the Proposed Transaction. Trading in the Shares remains halted pending completion of the Proposed Transaction.

Arm's Length Transaction

The Proposed Transaction is an Arm's Length Transaction.

Conditional Listing Approval

Documentation respecting the Proposed Transaction has been filed with the Exchange, but the Exchange has not yet conditionally accepted the Proposed Transaction. Acceptance of the Proposed Transaction and the Private Placement by the Exchange will be subject to the Company fulfilling all of the requirements of the Exchange.

Legal Proceedings

The Company is not currently a party to any actual or pending material legal proceedings to which it is or is likely to be a party or of which any of its assets are or are likely to be subject. Management of the Company is currently not aware of any legal proceedings contemplated against it.

Auditor, Transfer Agent and Registrar

Auditor

Dale Matheson Carr-Hilton Labonte LLP
Chartered Professional Accountants
1500 - 1140 West Pender St.
Vancouver, BC V6E 4G1

Transfer Agent and Registrar

Computershare Investor Services Inc.
3rd Floor, 510 Burrard Street
Vancouver, B.C. V6C 3B9

Material Contracts

The Company is (or will be on the Closing Date) a party to the following material contracts, excluding contracts entered into in the ordinary course of business:

(a) Securities Exchange Agreement dated September 30, 2016 among the Company, Canabo and Canabo shareholders relating to the Proposed Transaction (see "Information Concerning Four River - General Development of the Business – Securities Exchange Agreement"); and.

(b) Escrow Agreement effective as at the Closing Date among the Company, Computershare Investor Services Inc. and the principals of Canabo and their spouses relating to the Proposed Transaction (see "Information Concerning Resulting Issuer – Escrowed Securities").

Copies of these agreements will be available for inspection at Suite 1750, 1185 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4E6, during ordinary business hours from the date hereof until completion of the Proposed Transaction and for a period of 30 days thereafter.

INFORMATION CONCERNING CANABO

The following information is provided by Canabo, is presented on a pre-acquisition basis and is reflective of the current business, financial and share capital information of Canabo. See "Information Concerning the Resulting Issuer" for pro forma business, financial and share capital information relating to the Resulting Issuer following the Proposed Transaction.

Name and Incorporation

The full name of Canabo is "Canabo Medical Corporation".

The principal place of business of Canabo is located at 1 Eglinton Ave. East, Unit 407, Toronto, Ontario, M4P 1P1. The registered and records offices of Canabo are located at Suite 1750, 1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6.

Canabo was incorporated pursuant to the *Canada Business Corporations Act* on March 19, 2014 under the name "8824479 Canada Inc.". Canabo changed its name to its current name "Canabo Medical Corporation" on September 17, 2014. Canabo was extra-provincially registered in Ontario on October 29, 2014. By special resolution of its shareholders dated August 27, 2015, Canabo consolidated its issued shares on the basis of every two (2) common shares issued being consolidated into one common share without par value.

Canabo has one wholly owned subsidiary, 2412550 Ontario Inc., DBA The Cannabinoid Medical Clinic, a private corporation existing under the laws of Ontario and incorporated on March 27, 2014. The CMC was extra-provincially registered in Nova Scotia on October 30, 2014, in Newfoundland on February 18, 2016, in Alberta on February 16, 2016, in Manitoba on March 22, 2016 and in Saskatchewan on April 11, 2016.

General Development of the Business

Company Background and History

Canabo is a Canadian corporation, incorporated on March 19, 2014. Canabo operates through its wholly owned subsidiary, 2412550 Ontario Inc., DBA The Cannabinoid Medical Clinic ("CMC"), a private corporation existing under the laws of Ontario and incorporated on March 27, 2014. The principal business carried on by Canabo is the provision of medical services and (non-cannabinoid) products for patients suffering from chronic pain and disabling illnesses through health clinics operated by qualified health care practitioners, independent medical marijuana evaluations for employers and insurers, and medical marijuana scientific research (the "Business"). Canabo's first CMClinic was located in Toronto, Ontario, and Canabo now operates ten clinics in Canada, and has plans to open up to six (6) more clinics within the next twelve (12) months. CMC is at the forefront of patient care in the field of prescription cannabinoids and medical marijuana. CMC is dedicated to helping patients find effective alternate and adjunct treatments for their ailments through the use of medical marijuana and cannabinoid products, educating patients, physicians and the community and advancing research in the field of medical marijuana and synthetic cannabinoids.

Significant Acquisitions

By a restated share exchange and investment agreement dated July 20, 2015 (the "Restated Agreement") among Canabo and Dr. Danial Schecter and Dr. Ilan Nachim (the "Founding Shareholders"), and CMC, Canabo acquired all of the issued and outstanding shares of CMC (the "CMC Acquisition"), the particulars of which are described in greater detail below. At all relevant times leading up to the Restated Agreement, Canabo and the Founding Shareholders dealt with each other on an arm's length basis.

Pursuant to the terms of the Restated Agreement, Canabo acquired all of the issued and outstanding shares of CMC in exchange for the issuance of 1,500,000 Common Shares of Canabo (3 million preconsolidation) to the Founding Shareholders and the payment of $499,214 (the "Cash Payment") on behalf of CMC, upon completion of this Proposed Transaction. The Founding Shareholders also agreed to cause their professional corporations to enter into consulting agreements with Canabo (the "Consulting Agreements") to assist in managing and directing the operations of the Business, and the appointments of Dr. Schecter as Chief Medical Officer of CMC. The Founding Shareholders will each be paid a performance bonus of $30,000 within two (2) business days of the Listing Date.

Canabo did not file a Form 51-102F4 *Business Acquisition Report* in connection with the CMC Acquisition, because Canabo was not a reporting issuer on the date of the acquisition. The CMC Acquisition is reflected in the financial statements included in this Filing Statement.

To date, in addition to the share consideration and other acquisition costs described above, Canabo has incurred over $3.0 million in direct expenditures on the Business. The development of the Business to its current stage has been financed by the Founding Shareholders and through private placements of Canabo Shares.

Trends

In June 2013, the Government of Canada modified the laws in Canada surrounding the production and distribution of medical marijuana, and in doing so created a free market in medical marijuana production through licensed producers and a need for specialized health care. Revised legislation effective April 1, 2014 (the *Marihuana for Medical Purposes Regulations*, or "MMPR", promulgated under section 55(1) of the *Controlled Drugs and Substances Act*), subsequently replaced by the ACMPR effective August 26, 2016, states that legal sources to obtain medical marijuana in Canada are from a licensed producer (an "LP") approved by Health Canada after receiving a medical document (as defined under the MMPR) from a health care practitioner, or from a health care practitioner in the course of treatment of a medical condition. As of September 2016, there are approximately 35 federally licensed LPs in Canada. Medical marijuana use is estimated to grow considerably in Canada (Source: Health Canada, *List of Authorized Licensed Producers under the Marihuana for Medicinal Purposes Regulations*). Long-term estimates show market growth from current levels of about 37,000 users to over 433,638 users by 2024, a growth factor of 11.72 times over the next ten years (Source: Globe and Mail, "*By the Numbers: Canada's Medical Marijuana Use*", October 3, 2013).

Legalization of marijuana for recreational use has become an issue on the federal political agenda in Canada, and outright legalization may become a reality in 2017. Despite this, Canabo has discounted any incremental revenue opportunities that may be presented due to legalization of cannabis for recreational use. Canabo's business plan does not predicate its success on this potential outcome.

Narrative Description of the Business

Summary of Business and its Development

The principal business carried on and intended to be carried on by Canabo is the provision of medical services and non-cannabinoid products for patients suffering from chronic pain and disabling illnesses through health clinics operated by qualified health care practitioners, independent medical marijuana evaluations and medical marijuana scientific research. The ACMPR requires that medical marijuana must be prescribed by a health care practitioner; however, **Canabo does NOT and has NO PLANS to sell cannabinoid products or medical marijuana at CMClinics**.

Canabo plans to capitalize on the medicinal marijuana opportunities through its cannabinoid medical clinics (each a "CMClinic"), its research abilities, and plans for expansion. The main components of Canabo's business operations are:

- **Cannabinoid Therapy**

  Each CMClinic will be staffed by qualified health practitioners legally permitted to prescribe medicinal marijuana for pain therapy or the treatment of disabling illnesses. Canabo has developed specialized training programs for physicians and cannabinoid educators. All new physicians and cannabinoid educators joining a Canabo practice complete training specifically related to assessment and treatment and use of cannabinoid therapies. Both the physician training and educator training programs developed by Canabo are proprietary to Canabo. Currently, the Company's ten CMClinics in Toronto, Barrie, Ottawa, Halifax, St. John's, Calgary, Edmonton, Stoney Creek, Hamilton, and Burlington.

- **Cannabinoid Education**

  All patients referred to Canabo are fully assessed and their medical history reviewed prior to their visit to the CMClinic. Following consultation with a CMClinic's internally-trained physician, patients selected for herbal cannabis products receive an introductory cannabinoid education session with one of CMClinic's trained cannabinoid educators. These sessions help patients navigate the new medical marijuana regulatory system, providing patient education with respect to treatment with cannabinoids and medical marijuana generally, the different cannabis strains and cannabinoid profiles, and how to access medical marijuana from a licensed producer.

  Each clinic will provide cannabinoid educators, who will consult with patients to determine the proper treatment for his/her ailments using medical marijuana based on the medical documentation as prepared by the physician. The clinics have an exhaustive training manual for cannabinoid educators developed by the physician team. The CE role is filled by health care workers, who work closely with the consulting physician and act as a resource for the CMClinic's patients after the initial assessment. Despite the growing number of medical marijuana users in Canada, there remains a lack of research available to general practitioners concerning the various strains of marijuana, the efficacy of options, and the long-term impact of treatments.

- **Independent Medical Marijuana Evaluations**

  By a Medical Assessment Strategic Alliance Agreement dated September 15, 2016 between CMC and Rapid Interactive Disability Management Ltd. ("RIDM"), CMC became the exclusive supplier within Canada of medical marijuana independent evaluations ("MMJ IMEs") to RIDM.

- **Strategic Alliance for Delivery of Medical Services**

  By a Strategic Alliance and Collaboration Agreement dated March 23, 2016 between Canabo, CMC and Medica One Ltd. ("Medica One"), Medica One has agreed to exclusively collaborate with Canabo for the delivery of medical services through medical clinics with a specific focus on cannabinoid treatments. Medica One is a medical services provider which owns and operates medical clinics primarily doing business as "Medica One Integrative Health Care", under the trademark "Medica One™". The Medica One clinics are staffed by licenced physicians and other qualified health care practitioners within Ontario.

  Canabo has also agreed to issue to Medica One up to a total of 105,000 Canabo Shares (the "Medica One Bonus Shares") for each CMClinic located at a designated Medica One facility that operates with over 112 new CMC patients per month for six (6) consecutive months. The agreement also provides for bonus shares if certain patient targets are obtained. The maximum bonus shares per clinic would be 105,000 common shares if the clinic maintains 225 new patients per month or more for the preceding six months. To the date hereof, Canabo has not issued to Medica One, and Medica One has not become entitled to receive any Medica One Bonus Shares.

- **Data Collection & Clinical Research**

  Canabo will conduct clinical-based data collection, research and eventual clinical research on the efficacy of cannabinoid treatment. Completion of data input will be an ongoing request for every patient of the clinic. Custom data collection modules are currently in use at the operating clinic, to monitor trends, and effectiveness of products. Patient confidentiality will be maintained utilizing standard clinical research practices.

- **Ongoing Education**

  Canabo will conduct ongoing educational programs with the general practitioners and physicians community. Canabo's practicing physicians will partake on a continuing basis in conferences, speaking opportunities, and medical professional development opportunities with the goals of increasing the awareness and understanding of cannabinoid treatment programs and efficacy, and increasing patient referrals.

Stated Business Objectives and Milestones

Canabo is dedicated to helping patients find effective alternate and adjunct treatments for their ailments through the use of medical marijuana, educating patients, physicians and the community about cannabinoid treatment programs and efficacy, and advancing research in the medical marijuana field.

Canabo through its wholly-owned subsidiary, CMC, opened its first CMClinic on July 14, 2014, and now has ten operating clinics. Canabo's goal is to expand by up to an additional six clinics within the following 12 months. Equity in each additional CMClinic will also be held 100% by the Corporation.

Canabo intends on expending a portion of its existing working capital to pay:

(a) The balance of the estimated costs of this Proposed Transaction (estimated to be $100,000);
(b) $60,000 as a performance bonus to the two Founding Shareholders of CMC for Canabo's acquisition of CMC;
(c) For the expansion of CMClinics in Canada (estimated to be $600,000);
(d) For administrative costs and rent for the next twelve months (estimated to be $749,060); and
(e) For unallocated general working capital.

It is anticipated that Canabo's operating expenses will be covered by the operating revenues of Canabo, including medical consultation fees and research revenue. Canabo intends to open additional medical clinics in Canada as the opportunities arise, capital resources permitting. Canabo has conducted its own demographic review and market analysis to identify its existing and future potential locations for CMClinics. Canabo continues to build its network of qualified physicians and medical staff for its CMClinics.

The opening of additional CMClinics will of course be conditional upon Canabo's profitable operation of the existing clinics, and the availability of adequate equity or debt financing for investment in new clinics.

Products and Services

Canabo intends to meet the rapidly-growing demand for doctors involved in cannabinoid therapy in the medicinal marijuana sector using a physician-run clinic approach. Canabo's CMClinics are located in Toronto, Barrie, Ottawa, Halifax, St. John's, Calgary, Edmonton, Stoney Creek, Hamilton, and Burlington, and currently are the only known referral-based clinics available for medical marijuana.

Products and services to be offered by the Corporation include:

- <u>Providing referral only prescriptions</u>

  Each patient will be referred by his/her general practitioner to the clinic to be seen by a board-certified doctor who is a recognized cannabinoid specialist. Patients will be required to present a valid provincial health card to the clinics upon arrival. Initial visitation fees and urine tests will be reimbursed by provincial health insurance plans (as allowed under various provincial health programs). Revenues generated through provincial health programs vary by province and by consulting physician specialty. In other words, revenue generated by physicians of different specialty (i.e. family practitioner, internist, anesthesiologist, etc.) varies within each province, and the revenue schemes vary between provinces. Revenues generated by physician engagement (scope of exam and assessment) and physician specialty are subject to change by each provincial Health Department.

- <u>Cannabinoid Consulting</u>

  Each clinic will provide a cannabinoid educator (or CE), who will consult with patients to assist in selecting a licensed producer and the most effective strain of marijuana for his/her ailments. The clinics will offer ancillary services not currently covered by provincial health insurance plans, such as education services on strains available, how to use the product, proper storage, options for delivery mechanism, sale and legal transportation methods, as well as assistance in completing LP paperwork (either online or paper-based). The clinics will provide LPs with pre-verification of each patient and confirm the prescribed dosage. There would be no extra fee charged to patients for these services.

  All of Canabo's clinics will be non-dispensing. CE staff will provide recommendations of strains and providers from an independent perspective. The clinic will not receive any incentive from LPs for any patient referral/recommended through our CE services. The patient will deal directly with the LPs in order to have prescriptions filled.

- Independent Medical Marijuana Evaluations

- Through its recent agreement with RIDM (see "Narrative Description of Business – Summary" above), RIDM will also provide client referrals to CMC for MMJ IMEs, and CMC will perform MMJ IME consulting services for the RIDM clients, and such duties may include without limitation medical file reviews, client interviews, physical examinations, consultations and diagnoses, and CMC will report the results of all MMJ IMEs to the RIDM. No significant revenue has been generated pursuant to this agreement, so it is not considered to be material to the operations of Canabo.

- Retail of Cannabis Delivery Methods

  Canabo will offer the sale of retail products for the consumption and preparation of cannabis, including vaporizers and patient kits. Vaporizers are currently considered to be the safest and most effective method of delivering dried cannabis to a patient. The clinics will offer vaporizers in electric form, battery-operated, hand-held, and desktop versions. Patient kits will be available to assist users with storage, grinding, and paper delivery method.

- Data Collection, Market & Clinical Research

  In addition to the providing of assistance to patients by prescribing medical marijuana for chronic pain therapy and disabling illnesses, another major focus of the clinics is medical marijuana research. Canabo will collect and store relevant data on all patients consulted and treated by the clinics. As part of clinic intake, and physician and CE consultation, baseline data will be collected from all clinic patients. Data input would be an ongoing request for every patient of the clinic. The data collected would relate to specific research protocols, including but not limited to:

  - Effectiveness of the various strains of cannabinoid products on certain ailments, as reported by the patients;
  - Market views (what type of patient is using what product, trends, etc.); and
  - Studying the efficacy of newly-developed strains of cannabinoid products and delivery systems.

  During a recheck appointment, patients will be required to provide efficacy information. Patients will be surveyed for their condition, level of efficacy and efficacy time periods.

  This patient data will include reports on the effectiveness of the various strains on different medical problems, the market view, and the trending of products. Canabo has the ability to analyze data on a variety of spectrums. Canabo employs a research coordinator to liaise/sell research subscriptions to a variety of clients for their clinical research requirements. A research analyst is employed to manage and produce analyses of the clinical data using research software.

  Any data to be released will utilize standard medical data and clinic research practices to ensure patient confidentially. The research analyst will assign patient codes to all new subjects and ensure patient data is entered into the research software. Standard clinic research techniques will be employed to protect patient anonymity, including security access protocols, back-up protection, and patient name/code key being stored only in off-line devices.

  Annual subscribers to the database will have access to analyses relating to patients on an anonymous basis. They will also have access to analyses relating to the efficacy of various cannabinoid products, and be able to compare their results of various cannabinoid strains, but on an anonymous basis. Quarterly reports to the research subscribers will include raw and cross-tabulated data relating to:

  - New/dropped users;

- Strain usage history and migration trends;
- Efficacy of the strains by condition;
- Efficacy by severity of condition;
- Data comparisons on product usage levels on an anonymous basis;
- Comparing efficacy of certain strains verses other strains on an anonymous basis.

Subscribers to Canabo's database will also have the ability to contract Canabo on a specific assignment basis. This type of research product will be ideally suited for the testing the introduction of new cannabis strains. Canabo can provide patient recruitment, control groups, and recommended clinical study methodologies developed in conjunction with Canabo's research analyst and Canabo's practicing physicians. As an example, a research subscriber may work with Canabo to develop a research methodology that assesses efficacy of a newly-developed strain against a blind control group, compared to existing strains, in treatment of one or more conditions and severity of conditions. It is anticipated that these types of research projects could be significant in contributing to the research based understanding of cannabinoid therapies and will also assist producers in the introduction of new cannabis strains.

CMClinic is one of Canada's emerging organizations responding to the need for high-quality research on the efficacy of prescription cannabinoids and medical marijuana. With access to patient information obtained through consultations and patient visits, it is anticipated that the CMClinic's research will be at the forefront of prescription cannabinoids and medical marijuana use in Canada.

- <u>Ongoing Education</u>

  Canabo will conduct ongoing education with the general practitioners and physician community. Canabo anticipates that its practicing physicians will partake on a continuing basis in conferences, speaking engagements, and professional medical development opportunities, with the goals of increasing the awareness and understanding of cannabinoid treatment programs and efficacy, and increasing patient referrals.

Specialized Skill and Knowledge

Canabo has ten clinics located in Canada. CMClinic has in excess of 30 licensed doctors who have completed CMC proprietary specialized training in the assessment and use of cannabinoid therapies. In addition, each CMClinic also requires additional health care support staff. Canabo does not expect difficulties in locating qualified labour for its CMClinics and the proposed new clinics with the appropriate skills and knowledge.

Dr. Danial Schecter, a current founding doctor and Chief Medical Officer of Canabo, is active with the Canadian Consortium for Investigation of Cannabinoids ("CCIC"), a group consisting of doctors and scientists. Canabo's doctors are asked to speak at CCIC events on a regular basis.

Competitive Conditions

The Medical Marijuana Industry and its Patients

<u>*Overview of the Industry*</u>

In 2001, Canada implemented a government-run program for medical marijuana access. The original regulations permitted approved persons access to either grow the product or seek supply from Health Canada. According to a press release issued by Health Canada on June 10, 2013, the number of individuals in Canada approved to use medical marijuana has grown from 500 in 2001 to more than 30,000 as of June 10, 2013. Due in part to the growth in demand, Health Canada issued regulations in June 2013 that replaced government supply and home-grown medical marijuana previously existing under the old rules with highly secure and regulated commercial operations.

- As of October 3, 2013, about 37,00 patients in Canada were registered for medical marijuana use and that number is expected to grow to over 433,638 medical marijuana patients by 2024, a growth factor of 11.72 times (Source: Globe and Mail, "*By the Numbers: Canada's Medical Marijuana Use*", October 3, 2013).

- As of September 2016, there are approximately 35 federally-licensed producers of medical marijuana in Canada under Health Canada's rules and regulations (Source: Health Canada, *List of Authorized Licensed Producers under the Marihuana for Medicinal Purposes Regulations*).

- More than 5,363 doctors have written an authorization for cannabinoids and medical marijuana in Canada under the previous regulatory system (of whom 2,228 practice in Ontario). This represents only about 7% of all doctors in the country. Many general practitioners are hesitant to prescribe cannabinoid treatments for their patients in the absence of scientific data and clinical trials showing the efficacy of such treatments, guidance on dosing, a lack of quality standards for different strains of medical marijuana, and concerns about effects on other medications (Source: Globe and Mail, "*Doctors Balk at Increased Role in Medical Marijuana Prescriptions*", March 24, 2014; www.theglobeandmail.com/life/health-and-fitness/doctors-balk-at-increased-role-in-medical-marijuana-prescriptions/article17632264/. In result, Canabo believes a significant percentage of general practitioners will opt to refer their patients to a specialized research-based medical clinic, such as Canabo's CMClinic.

The Market

The market for medical marijuana in Canada is tightly controlled by and subject to regulation. The commercial medical marijuana industry is a new industry and Canabo anticipates that such regulations will be subject to change as the federal government monitors Licensed Producers in action.

On March 21, 2014 the Federal Court of Canada issued an order for injunctive relief in response to a motion brought by four individuals (the "Applicants"). Among other things, the Federal Court ordered the following:

1. The Applicants who, as of March 21, 2014, hold a valid Authorization to Possess pursuant to section 11 of the MMAR are exempt from the repeal of the MMAR and any other operation of the MMPR which is inconsistent with the operation of the MMAR, to the extent that such an Authorization to Possess shall remain valid until such time as a decision in the case is rendered at trial and subject to the terms of paragraph 2 below;

2. The terms of the exemption for the Applicants holding a valid Authorization to Possess pursuant to section 11 of the MMAR shall be in accordance with the terms of the valid Authorization to Possess held by that Applicant as of March 21, 2014, notwithstanding the expiry date stated on that Authorization to Possess, except that the maximum quantity of dried marijuana authorized for possession shall be that which is specified by their license or 150 grams, whichever is less;

3. The Applicants who held, as of September 30, 2013, or were issued thereafter a valid Personal-use Production License pursuant to section 24 of the MMAR, or a Designated-person Production License pursuant to section 34 of the MMAR, are exempt from the repeal of the MMAR and any other operation of the MMPR which is inconsistent with the operation of the MMAR, to the extent that the Designated-person Production License or Personal-use Production License held by the Applicant shall remain valid until such time as a decision in the case is rendered at trial and subject to the terms of paragraph 4 below; and

4. The terms of the exemption for an Applicant who held, as of September 30, 2013, or was issued thereafter a valid Personal-use Production License pursuant to section 24 of the MMAR or a Designated-person Production License pursuant to section 34 of the MMAR, shall be in accordance with the terms of their license, notwithstanding the expiry date stated on that license.

The foregoing means that (i) the Applicants who held a license to possess marijuana under the MMAR on March 21, 2014 were able to continue to possess marijuana in accordance with the terms of that license except that the maximum quantity of dried marijuana authorized for possession shall be that which is specified by their license or 150 grams, whichever is less; and (ii) the Applicants who held, as of September 30, 2013, or were issued thereafter a valid license to produce marijuana under the MMAR were able to continue to produce medical marijuana in accordance with the terms of that license; in each case until such time as the Federal Court decides the merits of the case.

On March 31, 2014, the Government of Canada issued a statement announcing its intention to appeal the Federal Court's order. As a result of the Court's injunction, the persons who were previously authorized to possess and grow marijuana under the old *Marihuana Medical Access Regulations* (MMAR), who meet the terms of the Court order, were able to continue to do so on an interim basis until the Court issues a final decision.

According to the Government of Canada's statement, after April 1st, 2014, Health Canada will no longer be in the business of providing marijuana. Health Canada will not be issuing further licenses to individuals, and Health Canada will no longer be subsidizing marijuana use. Canabo expected that the immediate effect of the Court's injunction will probably be a lower number of existing MMAR patients than may have otherwise been anticipated seeking physician referrals or registering with Canabo for its clinical services, as some may choose to continue to self-medicate and grow their own marijuana as they have been doing, under the MMAR.

Because the Federal Court order applies only to existing MMAR license holders, it does not exempt new patients who were not licensed under the old rules from having to acquire their medical marijuana from licensed producers under the MMPR system. As a result, it was not anticipated that the order will have any effect on the opportunity to supply medical marijuana to new entrants. Based on Health Canada's predictions with respect to the growth in the number of users of medical marijuana in Canada, it is anticipated that the number of new users in coming years will outnumber those who were licensed to possess or produce medical marijuana under the MMAR.

In addition, it is anticipated that problems with supply under the current system and the expertise, time and costs associated with growing one's own medical marijuana may be sufficient to cause some who have an existing license to possess and/or produce marijuana under the MMAR to choose to acquire their supply of medical marijuana from a licensed producer, despite the terms of the recent court order. In order to be able to access medical marijuana from a licensed producer, the patient will require an authorization from a qualified health practitioner, such as those working at Canabo's CMClinic.

On February 24, 2016, the Federal Court of Canada issued reasons for judgement that the Canadian MMPR was unconstitutional and invalid in that the MMPR does not provide Canadians with reasonable access to marihuana for medical purposes. The implementation of this Court decision was suspended until August 24, 2016 to allow sufficient time for the Federal government to enact new regulations. On August 24, 2016, the ACMPR were made effective. Pursuant to the ACMPR, an individual is eligible to produce cannabis for their own medical purposes as a registered person, to have it produced for them by a designated person or to purchase from a LP. Canabo expects that the immediate probable effect of the Court's decision could result in a lower number of existing MMAR patients than may have otherwise been anticipated seeking physician referrals or registering with Canabo for its clinical services, as some potential medical patients may choose to continue to self-medicate and grow their own marijuana, as they have been doing under the MMAR.

Cannabinoid treatment for chronic pain is an emerging industry in Canada. The founders of CMC, who are nationally recognized experts in pain management, believe that there will be a significant shift from the prescription of opiates to cannabinoids for the treatment of chronic pain, as in many cases these ailments can be better managed with the use of the latter.

Canabo has conducted its own market research to assess the opportunity in Canada for cannabinoid treatment of chronic pain. The basis of this research is the collection of data on patients suffering from the medical conditions that are most frequently being referred to the CMClinic, and cross referencing this information with population size and the density of the population suffering from these conditions.

	Pain Disorders				Psychiatric Disorders		Neurological Disorders			Cancer/Gastrointestinal	
	Chronic Pain	Arthritis	Migraines	Fibromyalgia	Anxiety Disorders	Insomnia	Parkinsons	Epilepsy	MS	Cancer (New Patients/Year)	Crohn's
Patient Base	2,769,400	4,801,390	2,707,400	800,000	1,208,374	4,087,146	550,536	213,242	100,000	191,300	236,936

The chart above reflects data from Statistics Canada representing the occurrence of conditions that are eligible for treatment with cannabinoid therapies. According to Statistics Canada there are 17.4 million treatable conditions in Canada. However the total number of medical marijuana eligible patients in Canada is less than the presenting conditions, as some potential patients present with multiple conditions or are medically treated in other ways.

Licensing Requirements

No municipal license or occupancy permits are required to begin clinical operations of the CMClinics apart from standard business operating requirements. The ACMPR requires that medical marijuana must be authorized by a health care practitioner; however, no cannabinoid products or medical marijuana will be sold at CMClinics.

Referral Structure

Patients require a prescription in order to obtain medical marijuana, but many general practitioners are reluctant to prescribe it, citing lack of efficacy research and liability issues. A referral-only cannabinoid medical clinic will allow a general practitioner to refer a patient to a fellow medical practitioner and be assured that the patient will receive a comprehensive assessment in order to obtain a proper prescription and education on options available.

Published efficacy studies for cannabinoid treatments are not available or substantive as medical research studies to be considered generally or widely accepted by medical practitioners. Canabo believes that many general practitioners are hesitant to prescribe cannabinoid treatments for their patients in absence of significant clinical data. In addition, there can be significant variance in suitability of a cannabinoid prescription based on appropriate strain given the patient condition, severability, and other associated medications. Canabo believes a significant percentage of general practitioners will opt to refer their patients to a research-based clinic, which will ensure patients receive the most informed level of care, and reduce the liability for referring doctors. In addition, the research-based focus of the CMClinics will position the clinics with general practitioners to address a clinical need in a growing treatment area.

Clinic Locations

The Corporation opened its first CMClinic on July 14, 2014 in Toronto, Ontario. Toronto was a prime location to start a referral-based medical marijuana clinic in Ontario given its robust public transport system and patient referral capability. .

Canabo anticipates few barriers to identifying new clinic locations, requiring only population base, referring physicians, and available qualified staff as the major requirements. Canabo's business plan is characterized by relatively low overhead. There are modest capital requirements for physical space and equipment in order to begin revenue operations. The largest industry costs relate to staff salaries, administration, marketing efforts, legal, and insurance.

Competition

The medicinal marijuana industry is intensely competitive, and Canabo competes with other companies that have greater financial resources and technical facilities. Numerous other businesses are expected to compete in the clinic space and provide additional patient servicing under the new regulatory regime in seeking patients that purchase medicinal marijuana. The main competitors include clinics similar to Canabo's, illegal dispensaries, individual prescribing physicians, and potentially LP's.

Canabo's largest, most similar competitor is "Canadian Cannabis Clinics" (CCC), having nineteen locations in two provinces (Alberta and Ontario). The business model of CCC is similar to that of Canabo as a referral-only clinic, and is engaged in conducting research in the prescription cannabinoid field. CCC is currently conducting an observational study on cannabis in Canada and hoping to enroll one thousand patients.

National Access Cannabis (NAC) is another competitor in the industry, with three locations in two provinces (Ontario, BC), however the business model is quite different. In order to become a patient, the individual must pay a membership fee of a minimum $99. The patient requires a prescription form, a referral form, or a release form of their medical records. Patients have access to online doctors and physical clinics. NAC differs from Canabo, as CMClinics are strictly referral-only, with no membership or fees for patients.

Trauma Healing Centres (THC) is another clinic specializing in medical marijuana, operating in four locations in three provinces (NS, NB, ON). THC offer more services beyond prescription cannabinoids, such as massage therapy, diet consultation and counseling services. Patients are required to have a referral or their medical history with a proper diagnosis to be seen.

In addition to clinics, illegal dispensaries are a main competitor for Canabo. There are many dispensaries in areas such as Toronto and Vancouver such as Cannawide, The Medicinal Cannabis Dispensary, and Urban Earth Med. These are not clinics with physicians prescribing marijuana, mostly require memberships, and sell the marijuana on site.

Individual physicians are able to prescribe medical marijuana directly with their own patients as there is no requirement for either general practitioners or specialists to refer patients to a specialized cannabinoid clinic.

Several clinics that operate specialized medicine are investigating medical marijuana prescription services, but Canabo's research indicates they are not exploring an exhaustive research protocol, or an advanced cannabinoid education outreach. They are looking to offer simple prescription services to attract walk-in traffic.

Several "Compassionate Clubs" exist and operate in grey areas of the legal framework around marijuana legislation throughout Canada. These clubs provide a safe access and resource area for patients with medical documentation under the previous Marihuana Medical Access Regulations (MMAR) system, but they are not considered medical clinics or medical practices. They do not prescribe cannabinoids and are not developing any research with a patient base. Canabo does not consider these clubs to be a competitive threat in the long term.

Promotion

The initial focus of Canabo's marketing and promotion will be with the general practitioners that will provide the referrals. Canabo will focus on the education of physicians, based on knowledge and research data collected.

Canabo maintains a website with information and support for patients as well as referring physicians. The company also undertakes referral development programs with physicians including but not limited to; attending conferences and health expos in areas of existing or proposed clinics, undertaking continuing medical education (CME) sessions with potential referring physicians, and newsletter and referral form distribution programs to potential referring physicians.

As the patient interaction with CMC physicians is covered by provincial health departments, Canabo is prohibited from advertising directly to potential patients. However Canabo does provide industry and cannabinoid education and information through social media and web based programs.

Components

The components for Canabo's medical and consulting services can be sourced from a wide variety of well-established medical suppliers. Canabo's retail products for the consumption and preparation of cannabis, including vaporizers and patient kits are sourced from a variety of suppliers. Canabo relies on three Canadian based wholesalers of vaporizers and accessories. The Canadian market for vaporizers and accessories is low risk and liquid, as such products are widely available for purchase and resale to patients.

Intangible Properties

Canabo does not hold any patents or patent applications in connection with its Business.

A material future intangible property for Canabo will be its copyrights for the publication of its research-based reports on cannabinoid treatment and therapeutic effects, as well as Canabo's educational and training programs which are proprietary to Canabo (see: Narrative Description of the Business: Products and Services – Clinical Research above). Canabo's research database for such reports was developed over the first six months of its operations, with the sales of research based reports to database subscribers commencing the 2015 fiscal year.

Cycles

Canabo is not affected by seasonal cycles. However, in general patient health care visits tend to reduce in frequency during the summer months as many patients report feeling better in warmer months and the availability of referring physicians is often curtailed due to summer vacations schedule. However this seasonal cycle is not anticipated to adversely affect CMC operations.

Economic Dependence

Canabo's Business is not dependent on any particular contract.

Changes to Contracts

There is no aspect of Canabo's Business that will be affected in the current fiscal year by the renegotiation or termination of any particular contract.

Environmental Protection

Human medical waste is handled as a hazardous product, and the CMClinic follows well-established industry standard systems and procedures for the storage, handling, and disposal of its human waste materials. Canabo does not expect that there will be any financial or operational effects as a result of environmental protection requirements on its capital expenditures, profit or loss, or the competitive position of Canabo in the current fiscal year or in future years.

Employees

With ten clinics currently in operation, the Corporation has 20 full-time and 3 part-time health care workers, and in excess of 30 fully trained cannabinoid consulting physicians at its most recently completed fiscal quarter. The Corporation expects that the average number of full-time and part-time employees will increase significantly over the next fiscal year, due to the proposed expansion of the CMClinics.

Foreign Operations

Canabo does not anticipate having any operations outside of Canada at this time, due to differences in the foreign legal frameworks and regulations governing both the medical profession and medicinal marijuana use.

Selected Financial Information and Management's Discussion and Analysis

Selected Financial Information

The following table sets out certain selected financial information of Canabo from Canabo's financial statements for the period from incorporation (March 19, 2014) to July 31, 2016. The following information should be read in conjunction with Canabo's financial statements, including the notes thereto, attached in Schedule C hereto.

	Nine months ended July 31, 2016 (unaudited)	**Nine months ended July 31, 2015 (unaudited)**	**Year Ended October 31, 2015 (audited)**	**Year Ended October 31, 2014 (audited)**
Medical consultation fees	837,427	325,504	513,270	9,763
Research revenue	429,450	18,600	109,850	-
Product sales	57,810	116,857	106,097	-
Total revenues	1,324,687	460,961	729,217	9,763
Cost of Sales	640,256	252,266	420,728	-
Net revenue	684,431	208,695	308,489	9,763
Consulting fees management	141,251	138,595	197,305	-
Consulting fees other	-	155,944	157,147	20,000
Management service fee	225,000	180,000	240,000	40,000
Management service consulting	37,549	78,838	78,838	-
Professional fees	83,149	70,925	91,357	58,110
Human resource recruiting	65,871	43,529	152,960	-
Salaries and benefits	592,408	173,790	249,717	-
Rent and facilities	213,690	68,311	88,315	-
Office and administrative	189,024	53,532	75,502	9,993
Marketing	33,722	19,752	21,669	2,000
Stock-based compensation	-	-	-	52,500
Travel	39,580	27,509	34,195	13,133
Depreciation	26,117	10,855	14,604	-

	Nine months ended July 31, 2016 (unaudited)	Nine months ended July 31, 2015 (unaudited)	Year Ended October 31, 2015 (audited)	Year Ended October 31, 2014 (audited)
Total expenses	(1,647,361)	(1,021,580)	(1,401,609)	(195,736)
Loss before impairment of intangible asset	(962,930)	(812,885)	(1,093,120)	(185,973)
Impairment of intangible asset	-	-	-	(402,657)
Net loss and comprehensive loss	(962,930)	(812,885)	(1,093,120)	(588,630)
Net loss per share	(0.05)	(0.05)	(0.07)	(0.23)
Weighted average outstanding common shares	19,426,985	15,895,321	16,237,407	2,581,825

Critical Accounting Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards (“IFRS”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of Canabo’s control. Revisions to estimates on the resulting effects of the carrying amounts of Canabo’s assets and liabilities are accounted for prospectively.

All of Canabo’s significant accounting policies and estimates are included in Note 3 of its audited financial statements attached hereto as Schedule “C”.

Management’s Discussion and Analysis

The following Management Discussion and Analysis of Canabo (“MD&A”) provides analysis of Canabo’s financial results for the period from the date of incorporation on March 19, 2014 to July 31, 2016. The following information should be read in conjunction with the financial statements and the notes to the financial statements of Canabo, which are prepared in accordance with IFRS, included elsewhere in this Filing Statement.

Date of MD&A

This MD&A is prepared as of September 30, 2016.

Nature of Business and Canabo Overview

Canabo was established on March 19, 2014. Since then it raised financial capital to pursue a venture in the medical marijuana industry through its acquisition on October 22, 2014 of the 2412550 Ontario Inc., (dba The Cannabinoid Medical Clinic, “CMC”), Canabo’s first clinic was located in Toronto, Ontario. CMC is at the forefront of patient care in the field of prescription cannabinoids and medical marijuana, medical marijuana independent medical evaluations, and advancement of research in the field of medical marijuana.

Summary of quarterly results

Quarter ended:	Oct 31, 2014 $	Jan 31, 2015 $	April 30, 2015 $	July 31, 2015 $
Net loss	561,757	168,769	433,156	210,960
Basic and diluted loss per share	0.05	0.01	0.03	0.01
Total assets	481,842	178,819	279,219	286,678
Total liabilities	266,072	131,815	396,372	589,792

Quarter ended:	Oct 31, 2015 $	Jan 31, 2016 $	April 30, 2016 $	July 31, 2016 $
Net loss	280,235	272,990	290,403	399,537
Basic and diluted loss per share	0.02	0.01	0.02	0.02
Total assets	510,092	320,363	837,126	742,088
Total liabilities	720,642	770,151	1,052,317	1,295,618

Results of Operations

Canabo incurred a net loss of $1,093,120 for the year ended October 31, 2015 (October 31, 2014 – $588,630) or $0.07 per share (October 31, 2014 – $0.23 per share), based on its weighted average shares outstanding of 16,237,407 (October 31, 2014 – 2,581,825). With the CMC Acquisition (see note below), Canabo acquired an intangible asset related to its operations. During the start-up period ended October 31, 2014, Canabo provided for an impairment charge of $402,657 or $0.16 per share against the intangible asset to reflect its economic value and the uncertainty in return on investment.

Year ended October 31, 2014

Canabo acquired CMC (see note below) on October 22, 2014. As a result Canabo only had nine clinic days of operation in 2014 for medical consultation fees of $9,763 on which no doctor commissions were paid. During the year ended October 31, 2014, Canabo also incurred consulting fees of $20,000 associated with the establishment of the clinic in Toronto, $40,000 in management service fees with Numus (see note below) and $58,110 of legal and financial professional fees relating to the start-up activities of Canabo and CMC. Canabo also recorded stock-based compensation of $52,500 in relation to the issuance of escrowed shares to directors and officers of Canabo.

Acquisition of The Cannabinoid Medical Clinic (CMC)

By an Amended and Restated Share Exchange Agreement dated July 20, 2015 (the "Restated Agreement") among the Corporation and the two founding shareholders of CMC, Canabo acquired all of the issued and outstanding shares of CMC (the "CMC Acquisition"), which restated the original agreement among the parties dated October 22, 2014. On October 22, 2014, the parties also entered a non-competition agreement wherein the two former shareholders of CMC agreed to not compete with the business of Canabo for three years. Dr. D. Schecter Medicine Professional Corp. also entered into a consulting agreement with Canabo for the provision of his professional services.

Pursuant to the terms of the Restated Agreement, Canabo acquired all of the issued and outstanding shares of CMC in exchange for the issuance of 1,500,000 Canabo Shares (post-consolidated) to the shareholders of CMC and the payment of $60,000 upon the completion of a listing on a recognized exchange.

Determination of the fair value of the common shares issued is based on equity financings Canabo had completed on or around the acquisition date. The CMC Acquisition has been accounted for as a business combination in accordance with IFRS 3 "*Business Combinations*".

The purchase price paid is comprised of the following:	**As at October 22, 2014 $**
1,500,000 Canabo Shares	150,000
Previous amounts advanced to CMC	243,322
Cash payment	60,000
Total:	**453,322**

Fair values of assets acquired and liabilities assumed:	**As at October 22, 2014 $**
Assets acquired	189,237
Less liabilities assumed	(138,572)
Net assets acquired	50,665
Intangible asset acquired	402,657
Total:	**453,322**

As a result of the CMC Acquisition, Canabo acquired an intangible asset related to the operations of CMC. At the end of fiscal 2014, Canabo provided for an impairment charge of $402,657 against this intangible asset.

Year ended October 31, 2015 (including nine months ended July 31, 2015)

During the year ended October 31, 2015, Canabo operated only one clinic in Toronto. Medical consultation fees amounted to $325,504 in the first nine months and $513,270 for the year. In the first nine months, Canabo recorded research revenue of $18,600 which increased to $109,850 for the year. Canabo signed its first research agreements earlier in 2015; however, the research activity only began in the latter half of the fiscal year.

Canabo records doctor commissions and the cost of product sales as cost of goods sold. The doctor commissions are based on a rate of 70% of medical consultation fees billed to the Provincial Health Boards. Early in 2015 certain doctors worked on a fixed fee basis to get the Toronto clinic established and as a result the doctor commission amount to 61% of medical consultation fees in the first nine months. The final quarter of the year included $17,500 of lead physician stock compensation and for the end of the year doctor commissions grew to reach 65% of medical consultation fees. The fair value of lead physician stock compensation is based on equity financings Canabo had completed on or around the grant date.

Nine months ended July 31, 2016

Canabo incurred a net loss of $962,930 for the nine months ended July 31, 2016 (July 31, 2015 – $812,885) or $0.05 per share (July 31, 2015 – $0.05 per share), based on its weighted average shares outstanding of 19,426,985 (July 31, 2015 – 15,895,321).

In the first quarter of fiscal 2016, Canabo began to expand its Clinic operations. It established clinics in Barrie in November 2015, Halifax in December 2015 and Ottawa in January 2016. In May 2016, Canabo established clinics in Edmonton and St. John's. As a result, Canabo's medical consultation fees increased from $513,270 in the year ended October 31, 2015 to $837,427 in the first nine months of fiscal 2016. Research revenue also increased from $109,850 in the year ended October 31, 2015 to $429,450 in the first nine months of fiscal 2016. Doctor commissions include $29,950 of lead physician stock compensation and the remaining $588,891 represents 70% of medical consultation fees.

Expenses

Consulting fees – management include fees paid to Canabo executives who were engaged as independent consultants. The details of the majority of these fees are provided in the Summary Compensation table below. Consulting fees – other include certain external consultants who provided additional consulting services associated with the start-up activities. These included services to create a Patient Handbook on Medical Cannabis and other consulting fees associated with market development and web design.

Canabo has experienced a significant increase in salary and benefits. During 2015, Canabo only had clinic staff in Toronto and one corporate staff person. With its growth and expansion in 2016, Canabo staffed ten clinics with three operations managers, and its corporate staff increased to three. In April 2016, Canabo also established a national call center in St. John's which employs seven full and part-time staff. The new COO engaged in April 2016, is also on salary as opposed to being contracted as an independent consultant.

With ten Canabo clinics in operation as of September 23, 2016, the current clinic staffing is comprised of 20 full-time and 3 part-time health care workers. Canabo expects the average number of full-time and part-time employees to increase significantly over the next year due to the proposed expansion of the CMClinics.

A critical success factor for Canabo is its ability to attract and recruit physicians. Canabo invested heavily in physician recruiting incurring $152,960 in the year ended October 31, 2015 and $65,871 in the first six months of fiscal 2016. Most of these fees were paid to CanAm Physician Recruiting Inc. In April 2016, Canabo engaged John Philpott, the founder and President of CanAm Physician Recruiting Inc., to serve as its full-time President & COO. As a result, Canabo has significantly increased its competitive advantage with regards to this key aspect of its business. Canabo has recruited in excess of 30 fully-trained cannabinoid physicians.

Canabo has an Administrative Services Agreement with Numus Financial Inc. (Numus) which covers certain accounting services, receptionist and support staff, liaising with Canabo executives and other professionals, consultants or agents of Canabo. These administrative service fees were invoiced at $20,000 per month for the year ended October 31, 2015 and increased to $25,000 per month for the nine-months ended July 31, 2016. Canabo also incurred additional consulting fees with Numus of $78,838 in 2015 and $37,549 in the nine months ended July 31, 2016.

With the five new clinics opened in fiscal 2016, office and administration costs increased from $75,502 in the year ended October 31, 2015 to $189,024 in the first nine months of 2016. Over the same periods:

- Rent and facilities costs increased from $88,315 to $213,690;

- Travel expenses increased from $34,195 to $39,580 as the cost includes travel associated with opening new clinics and doctor travel for training; and

- Marketing expenses has also increased from $21,669 to $33,722. Each new clinic opening was accompanied by CME events and Canabo continues to ramp up its marketing efforts.

Liquidity and Capital Resources

	As at July 31,2016 $	As at October 31,2015 $	As at October 31, 2014 $
Total current assets	587,482	400,199	435,206
Capital assets	154,606	109,893	46,636
Total assets	742,088	510,092	481,842
Total liabilities	1,295,618	720,642	266,072
Shareholders' equity (Deficiency)	(553,530)	(210,550)	215,770
Working capital (Deficiency)	(708,136)	(320,443)	169,134

Since its inception, Canabo's capital resources have been limited. Canabo has relied on equity financing to raise the funds for management, administration and its growth in operations. Since Canabo's expenses exceed its ability to generate revenues in the near future, it has continued to rely upon equity financing to raise capital. It follows that there can be no assurance that financing, whether equity or debt, will always be available to Canabo in the amount required at any particular time or, if available, that it can be obtained on terms satisfactory to Canabo.

As at July 31, 2016, Canabo had a working capital deficit of $708,136. Canabo has recently completed a Private Placement financing on September 23, 2016, issuing 6,915,000 common shares for gross proceeds of $3,457,500, and paid $190,750 in cash finders' fees. Together with the net proceeds of the Private Placement, as of September 30, 2016, Canabo had working capital of $2.23 million for general corporate purposes.

Canabo's ability to continue as a going-concern is dependent upon its ability to achieve profitability and fund any additional losses. The financial statements are prepared on a going concern basis, which implies that Canabo will realize its assets and discharge its liabilities in the normal course of business. The financial statements do not reflect adjustments to the carrying value of assets and liabilities that would be necessary if Canabo were unable to achieve and maintain profitable operations.

Proposed Corporate Transaction

Canabo entered a letter of intent with Four River on August 8, 2016, as amended on September 15, 2016, and executed the Securities Exchange Agreement ("SEA") on September 30, 2016 and an Arrangement Agreement dated October 6, 2016 setting out the Plan of Arrangement (collectively, the "Proposed Transaction"). In substance, the Proposed Transaction involves Canabo shareholders obtaining control of Four River, and accordingly it will be considered to be a reverse takeover transaction ("RTO") with Canabo acquiring Four River. Under the Proposed Transaction, Four River must complete a two-for-one share consolidation, and Canabo was required to complete a private placement financing of up to 7,050,000 at a price of $0.50 per share, to raise aggregate gross proceeds of $3.525 million. Under the Plan of Arrangement, Four River will acquire all of the issued and outstanding common shares of Canabo in exchange for 27,546,900 post-Consolidation common shares of Four River. Four River will also issue 545,000 common share purchase warrants for the purchase of 545,000 common shares of Four River at $0.50 per share until September 23, 2018.

It is anticipated that upon closing of the Proposed Transaction, former Canabo security holders will hold approximately 91.6% of the outstanding shares of the Four River.

The boards of directors of Canabo and Four River have each unanimously approved the terms of the Proposed Transaction. The Proposed Transaction will be subject to certain customary conditions including approval of Four River shareholders by written consents and various regulatory approvals. The SEA and Plan or Arrangement contain customary deal protection mechanisms and non-solicitation provisions.

Foreign Operations

Canabo does not anticipate having any operations outside of Canada at this time, due to differences in the foreign legal frameworks and regulations governing both the medical profession and medicinal marijuana use.

Off-Balance Sheet Arrangements

At July 31, 2016, Canabo had no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to Canabo.

Transactions with Related Parties

Canabo entered certain transactions with related parties. These are outlined in the section entitled "*Non-Arm's Length Party Transactions*" below.

Risks and Uncertainties

A discussion of the risks and uncertainties facing Canabo and the resulting issuer of the Proposed Transaction can be found above in the section entitled "Risk Factors".

Outstanding Share Data

Common Shares

The authorized share capital of Canabo consists of an unlimited number of common shares without par value, of which 27,546,900 are issued and outstanding as of the date of the Filing Statement.

On September 30, 2015, Canabo consolidated its common shares on a two shares for one share basis. All share references to the number of common shares in this document have been adjusted retrospectively to reflect the Company's one-for-two share consolidation.

Warrants and Stock Options

At July 31, 2016 and the date of this Filing Statement, Canabo had no outstanding warrants or stock options, other than 545,000 share purchase warrants issued pursuant to the Private Placement to three arm's length finders for the purchase of 545,000 common shares of Canabo at $0.50 per share until September 24, 2018. These warrants entitle the holder to purchase of 545,000 common shares of Canabo at $0.50 per share until September 23, 2018. Under the Proposed Transaction, these warrants will be converted to warrants of the resulting issuer.

Description of the Securities

The authorized share capital of Canabo consists of an unlimited number of common shares without par value, of which 27,546,900 shares are issued and outstanding as of the date of the Filing Statement.

The holders of Canabo Shares are entitled to receive notice of and to attend all meetings of the shareholders of Canabo and shall have one vote for each Canabo Share held at all meetings of the shareholders of Canabo. The holders of Canabo Shares are entitled to (a) receive any dividends as and when declared by the board of directors, out of the assets of Canabo properly applicable to the payment of dividends, in such amount and in such form as the board of directors may from time to time determine, and (b) receive the remaining property of Canabo (after payment of all outstanding debts) in the event of any liquidation, dissolution or winding-up of Canabo. The holders of Canabo Shares have no pre-emptive, redemption or conversion rights.

Consolidated Capitalization

Designation of Security	Amount Authorized	Amount Outstanding as at July 31, 2016	Amount Outstanding as at September 30, 2016
Common shares	Unlimited	20,631,900[(1)]	27,546,900

(1) As at July 31, 2016, Canabo had a shareholders' deficiency of $553,530.

Prior Sales

Within the 12 months prior to the date of this Filing Statement, Canabo has issued the following securities:

On October 30, 2015, Canabo issued 561,200 common shares at a price of $0.25 pursuant to a non-brokered private placement.

On March 9, 2016, Canabo issued 1,100,000 common shares at a price of $0.25 per share pursuant to a non-brokered private placement (of which 400,000 common shares of Canabo were issued to a non-arm's length party of Canabo; namely A. Neil Smith, a director of Canabo).

On March 9, 2016, 300,000 common shares at a deemed price of $0.25 per share, pursuant to a consulting engagement were issued to a company controlled by John Philpott, the President & Chief Operating Officer (COO) of Canabo.

On March 9, 2016, Canabo issued 105,000 common shares at a deemed price of $0.25 per share, pursuant to the Canabo Physician Champion Program Agreements.

On April 12, 2016, Canabo issued 778,000 common shares; 625,000 shares at a price of $0.40 per share pursuant to a non-brokered private placement, and another 153,000 shares at a deemed price of $0.40 pursuant to the Canabo Physician Champion Program Agreements (of which 100,000 common shares of Canabo were issued to a non-arm's length party of Canabo, namely, John Philpott, its President & COO).

On August 25, 2016, Canabo issued 450,000 common shares at a price of $0.50 per share pursuant to the Private Placement to raise proceeds of $225,000.

On August 26, 2016, Canabo issued 25,200 common shares at a deemed price of $0.50 per share pursuant to the Canabo Physician Champion Program Agreements.

On September 23, 2016, Canabo completed the balance of the Private Placement of 6,465,000 common shares of Canabo at a price of $0.50 per share to raise additional proceeds of $3,232,500. In connection with the Private Placement, Canabo also issued three (3) share purchase warrants to three arm's length finders for the purchase of up to 545,000 common shares of Canabo at $0.50 per share until September 24, 2018.

Stock Exchange Price

Canabo is a private company and is not listed on any stock exchange.

Executive Compensation

Summary Compensation Table

The information below contains disclosure of compensation, for the Named Executive Officers of Canabo, being John Philpott (President and Chief Operating Officer), Robert Randall (Chief Financial Officer) and Dr. Danial Schecter (Chief Medical Officer), as well as three former Presidents and Chief Executive or

Operating Officers, for the two most recently completed financial years, and for the nine month period ended July 31, 2016.

Name and Principal Position	Fiscal Year or Period Ended	Salary ($)	Share-based Awards ($)	Option-based Awards ($)	Non-equity Incentive Plan Compensation ($)		Pension Value ($)	All Other Compensation ($)	Total Compensation ($)
					Annual Incentive Plans	Long-term Incentive Plans			
John Philpott President and Chief Operating Officer(1)	Period ended July 31, 2016	39,375	Nil	Nil	Nil	Nil	Nil	40,000	79,375
William Parsons, Former President & COO(2)	Period ended July 31, 2016	Nil	Nil	Nil	Nil	Nil	Nil	64,643	64,643
	2015	Nil	Nil	Nil	Nil	Nil	Nil	45,000	45,000
Jean Claude St-Amour Interim President & CEO(3)	2015	Nil	Nil	Nil	Nil	Nil	Nil	80,000	80,000
Scott Walters President & Chief Executive Officer(4)	2015	Nil	Nil	Nil	Nil	Nil	Nil	45,000	45,000
	2014	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Robert Randall Chief Financial Officer and Secretary	Period ended July 31, 2016	Nil	Nil	Nil	Nil	Nil	Nil	56,608	56,608
	2015	Nil	Nil	Nil	Nil	Nil	Nil	68,555	68,555
	2014	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Dr. Danial Schecter Chief Medical Officer of CMC and Director of Canabo	Period ended July 31, 2016	Nil	Nil	Nil	Nil	Nil	Nil	105,351	105,351
	2015	Nil	Nil	Nil	Nil	Nil	Nil	105,444	105,444
	2014	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(1) Mr. Philpott was appointed April 12, 2016.
(2) Mr. Parsons served from June 15, 2015 to April 12, 2016.
(3) Mr. St-Amour served as interim CEO from December 23, 2014 to June 15, 2015.
(4) Mr. Walters served from March 19, 2014 to December 23, 2014.

Options to Purchase Canabo Shares

No options to purchase Canabo Shares have been granted to the Named Executive Officers.

Pension Plan Benefits

Canabo does not have a defined benefit plan, deferred contribution plan or a deferred compensation plan.

Termination and Change of Control Benefits

Except as set out below, there are no contracts, agreements, plans or arrangements that provide for payments to the Named Executive Officers at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of Canabo or a change in a Named Executive Officer's responsibilities (excluding perquisites and other personal benefits if the aggregate of this compensation is less than $50,000).

Pursuant to a consulting agreement dated November 24, 2014, between Canabo and D. Schecter Medicine Professional Corporation ("DSMPC") whereby Dr. Danial Schecter is the Chief Medical Officer of CMC, in the event of termination of the agreement by DSMPC then Canabo has the option to waive the 12 weeks' notice requirement if Canabo pays the balance of such 12 week notice period. In the event of termination by Canabo without cause, Canabo must provide at least 6 months' notice and Canabo has the option to waive such notice requirement if Canabo pays the balance of such notice period. In the event of a change of control of Canabo, DSMPC has the right to terminate the agreement and then Canabo must pay to DSMPC an amount equal to 6 months of compensation.

Indebtedness of Directors and Officers

None of the directors or senior officers of Canabo, and no associates or affiliates of any of them, is or has been indebted to Canabo or its subsidiaries at any time since the beginning of Canabo's last completed financial year.

Management and Administrative Services Contracts

Canabo's management functions are substantially performed by Canabo's directors or senior officers and not by any other person with whom Canabo has contracted. Canabo's Chief Financial Officer, Robert Randall, performs services to Canabo through Randall Consulting, Inc., a company controlled by Mr. Randall for a consulting fee of $4,800 per month plus an hourly rate for additional professional services.

In addition, Canabo has entered into an administrative services agreement date June 1, 2016 with Numus Financial Inc. ("Numus"), providing for a fee of $25,000 per month covering financial and administrative services, accounting and marketing services, office support, plus $4,000 for office rent and associated costs.

Non-Arms Length Party Transactions/Arm's Length Transactions

Non-Arm's Length Party Transactions

During the period ended July 31, 2016, the Corporation incurred professional fees of $207,122 and doctors commissions of $105,351 with companies controlled by officers of Canabo.

The amounts owing to related parties are summarized as follows:

Description of Indebtedness	**Amount**
Bonuses due to former shareholders of CMC	$ 60,000[1]
Amounts Owing to Numus Financial Inc. (see details below)	$ 228,662
Other amounts payable to officers and directors At July 31, 2016	$ 94,826

[1]The $60,000 is due and owing to the two former shareholders of CMC, two (2) business days from the Listing Date as a performance bonus pursuant to the Restated and Amended Share Exchange Agreement dated July 20, 2015 for the acquisition of CMC.

[2]Numus Financial Inc. and its shareholders hold a significant equity position in Canabo. The amount owing is for general administrative and accounting services of $93,750, other consulting of $113,831 and rent and disbursements of $21,081.

Canabo paid administration service fees to Numus which cover accounting and bookkeeping services, receptionist and secretarial support, office equipment and support, liaising with management and office rental and associated costs and other consulting services. The associated fees charged by Numus are summarized as follows:

	Nine months ended July 31, 2016 $	Nine months ended July 31, 2015 $	Year ended October 31, 2015 $	Year ended October 31, 2014 $
Administrative services fees	225,000	180,000	240,000	40,000
Consulting fees	37,549	78,838	78,838	-
Total	262,549	258,838	318,830	40,000

Arm's Length Transactions

The Proposed Transaction is an Arm's Length Transaction.

Legal Proceedings

There are no legal proceedings material to Canabo to which Canabo is a party to or of which any of its assets are the subject matter. Additionally, to the reasonable knowledge of Canabo, there are no such proceedings contemplated.

Material Contracts

Canabo has not entered into any contracts material to investors in the Common Shares since incorporation, other than contracts in the ordinary course of business, except the following:

(a) Amended and Restated Share Exchange Agreement dated July 20, 2015 between Canabo, CMC, Dr. Danial Schecter and Dr. Ilan Nachim (restating the original agreement dated October 22, 2014), as described under the heading "Narrative Description of the Business" above;

(b) Non-Competition Agreement dated October 22, 2014 between Canabo, CMC, Dr. Danial Schecter and Dr. Ilan Nachim, as described under the heading "Narrative Description of the Business";

(c) Consulting Agreement dated November 24, 2014 with D. Schecter Medicine Professional Corporation, as described under the heading "Narrative Description of the Business" above;

(d) Strategic Alliance and Collaboration Agreement dated March 23, 2016 among Canabo, CMC and Medica One Ltd., as described under the heading "Narrative Description of the Business" above;

(e) Administrative Services Agreement dated June 1, 2016 between Canabo and Numus Financial Inc. (see "Information Concerning Canabo – Management Contracts");

(f) Securities Exchange Agreement dated September 30, 2016 among Four River, Canabo and Canabo shareholders relating to the Proposed Transaction (see "Information Concerning Four River - General Development of the Business – Securities Exchange Agreement"); and

(g) Arrangement Agreement dated October 6, 2016 between Four River and Canabo.

Copies of these agreements will be available for inspection at the offices of Canabo's legal counsel, located at Suite 1750, 1185 West Georgia Street, Vancouver, British Columbia V6E 4E6, during ordinary business hours from the date hereof until completion of the Proposed Transaction and for a period of 30 days thereafter.

INFORMATION CONCERNING THE RESULTING ISSUER

Name and Incorporation

Upon completion of the Proposed Transaction, the name of the Resulting issuer will be changed to "Canabo Medical Inc.", or such other name as is acceptable to the principal shareholders of Canabo, the Exchange and the Registrar of Companies. The Resulting Issuer will continue to be incorporated pursuant to the provisions of the *Business Corporations Act* (British Columbia). Upon completion of the Proposed Transaction, the Resulting Issuer's principal place of business will be located at 1 Eglinton Ave. East, Unit 407, Toronto, Ontario, M4P 1P1. The registered and records office of the Resulting Issuer shall be Suite 1750, 1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6.

Intercorporate Relationships

The Resulting Issuer will have two direct wholly-owned subsidiaries, Canabo, a private Canadian corporation, and Mexican Hat Holdings Ltd., a private and inactive British Columbia corporation, upon completion of the Proposed Transaction, and one indirectly wholly-owned subsidiary, CMC, a private Ontario corporation (held through Canabo).

Narrative Description of the Business

Upon completion of the Proposed Transaction, the Resulting Issuer's business and stated business objectives will be the Business and stated business objectives of Canabo, and the Resulting Issuer will be listed as a Tier 2 Technology or Life Sciences Issuer on the Exchange. See "Information Concerning Canabo" above.

Description of the Securities

Upon completion of the Proposed Transaction, the share structure of the Resulting Issuer will be the same as the share structure of the Company and the rights associated with each Resulting Issuer Share will be the same as the rights associated with each Share. See "Information Concerning Canabo – Description of the Securities".

Pro Forma Consolidated Capitalization

Pro Forma Consolidated Capitalization

The following table represents select particulars of the pro forma share capital of the Resulting Issuer, on a consolidated basis, following the completion of the Proposed Transaction.

Designation of Security	Amount Authorized or to be Authorized	Amount to be Outstanding in the Company upon the Completion of the Proposed Transaction	Amount[(2)]
Common Shares	Unlimited	30,083,350[(1)]	$2,049,514
Resulting Issuer Warrants	N/A	2,262,070	$1,939,685[(3)]

(1) Excluding any shares that may be issued pursuant to stock options and share purchase warrants. See "Information Concerning the Resulting Issuer – Options to Purchase Securities".

(2) Based on the unaudited Pro Forma Financial Statements of the Resulting Issuer at July 31, 2016 (attached to this Filing Statement as Schedule "D"), including contributed surplus of $793,751, and net of deficit of $5,109,631.

(3) Includes 545,000 warrants at $0.50 per share until Sept. 24, 2018; 1,537,500 warrants at $0.15 per share until March 22, 2017; and 179,570 warrants at $8.00 per share until September 4, 2017, and assuming all of such warrants are exercised in full.

Fully Diluted Share Capital

The following table summarizes the securities of the Resulting Issuer to be issued and outstanding following the completion of the Proposed Transaction on a fully-diluted basis:

Description	Number of Securities	Percentage of Total
Issued as at date of this Filing Statement	2,536,450(1)	7.77%
Shares to be issued to Vendors upon completion of Proposed Transaction	27,546,900	84.34%
Securities Reserved for Future Issue:		
Medica One Bonus Shares	315,000(2)	Less than 1%
On exercise of warrants	1,537,500(3)	4.70%
On exercise of warrants	179,570(5)	Less than 1%
On exercise of the exchanged warrants pursuant to the Private Placement	545,000(5)	67%
TOTAL:	32,660,420	100%

(1) Post-Consolidation.
(2) Subject to performance conditions.
(3) Each share purchase warrant entitles the holder to purchase one additional common share at a price of $0.075 ($0.15 post-Consolidation) per Share until March 22, 2017.
(4) Each share purchase warrant entitles the holder to purchase one additional common share at a price of $4.00 ($8.00 post-Consolidation) until September 4, 2017.
(5) Each share purchase warrant entitles the holder to purchase one additional common share at $0.50 until September 24, 2018.

Available Funds and Principal Purposes

Funds Available

The following is a breakdown of the funds that will be available to the Resulting Issuer (the "Available Funds") upon completion of the Proposed Transaction:

Source of Funds	Available Funds upon completion of the Proposed Transaction
Working capital (deficit) of the Company as at September 30, 2016 (estimated)	($545,000)
Working capital of Canabo as at September 30, 2016 (estimated)	$2,371,000
Total Available Funds (estimated):	**$1,826,000**

Principal Purposes

The Company intends to use the Total Available Funds for the following purposes over the next 12 months:

Purpose	Amount
Estimated remaining costs to complete the Proposed Transaction	$100,000
Opening up to six (6) new clinics	$600,000(1)
General & Administrative expenses for the next 12 months	$749,020(2)
To pay the required performance bonuses to the Founding Shareholders after the Listing Date	$60,000(3)
Unallocated working capital	$316,980
Total:	**$1,826,000**

(1) See "Information Concerning Canabo – Stated Business Objectives and Milestones".
(2) See "Information Concerning the Resulting Issuer – General & Administrative Expenses below".
(3) Pursuant to the Restated and Amended Share Exchange Agreement dated July 20, 2015 for the acquisition of CMC.

The Resulting Issuer will spend the funds available to it on completion of the Proposed Transaction to carry out its business plan set out in "Information Concerning Canabo – Narrative Description of the

Business" above. There may be circumstances where, for sound business reasons, a re-allocation of funds may be necessary. The Resulting Issuer may require additional funds in order to fulfill all of the Resulting Issuer's expenditure requirements and to meet its objectives, in which case the Resulting Issuer expects to either issue additional securities or incur indebtedness. There is no assurance that additional funding required by the Resulting Issue will be available if required.

Proceeds from the exercise of any options, warrants or other rights to purchase shares of the Resulting Issuer will be used for general corporate purposes. It is anticipated that Resulting Issuer's operating expenses will be covered by operating revenue of Canabo, including medical consultation fees and research revenue.

General & Administrative Expenses

Upon completion of the Proposed Transaction, the Resulting Issuer's working capital available to fund ongoing operations will be sufficient to meet its proposed operations and administrative costs for the next twelve months. Estimated administrative expenditures during this period are comprised of the following:

(i)	Rent and office supplies	$60,000[(1)]
(ii)	TSX V and transfer agent fees	28,000
(iii)	Professional fees (accounting, audit and legal)	70,000
(iv)	Administrative Services Agreement	300, 000[(2)]
(v)	Other misc. general and administrative	30,600
(iv)	Management and administrative salaries, consulting and service fees	260,420
	Total:	**$749,020**

(1) Including office rent and re-imbursement of associated office costs at $4,000 per month payable to Numus Financial Inc.

(2) Financial, administrative and accounting services at $25,000 per month payable to Numus Financial Inc.

Dividends

The holders of the Resulting Issuer's Common Shares are entitled to dividends, if, as and when declared by the board of directors. To date, the Company has not paid any dividends on its outstanding Shares and the Resulting Issuer does not anticipate the payment of any dividends on its Shares for the foreseeable future.

Principal Securityholders

To the knowledge of the directors and officers of the Company as at the date hereof, no shareholder of the Resulting Issuer is anticipated to own of record or beneficially, directly or indirectly, or exercise control or direction over more than ten percent (10%) of any class of voting securities of the Resulting Issuer after the completion of the Proposed Transaction and the Private Placement.

Directors and Officers of the Resulting Issuer

Name, Address, Occupation and Security Holdings

Upon completion of the Proposed Transaction, the proposed directors and officers of the Resulting Issuer will be:

Name & Municipality of Residence	Office and Date First Elected/Appointed	Principal Occupation and Positions Held for the Last Five Years	Security Holdings upon Completion of Proposed Transaction (undiluted) [1][3]	% of Class Held or Controlled (undiluted)
John Philpott Elmsdale, NS	Proposed President and CEO (President and COO of Canabo since April 12, 2016)	President and Chief Operating Officer of Canabo since April 2016; and President of Can-Am Physician Recruiting Inc. from 2000 to April 2016	400,000 Shares [2]	1.2%
Dr. Danial Schecter Toronto, ON	Proposed Chief Medical Officer and Director (Director of Canabo since October 22, 2014)	Physician	750,000 Shares	2.3%
Robert Randall Halifax, NS	Proposed Chief Financial Officer and Corporate Secretary (CFO and Corporate Secretary of Canabo since March 19, 2014)	Chartered Professional Accountant; CFO of Stockport Exploration Inc. since July 2012 and Metallum Resources since August 2016; formerly, CFO of Graphene 3D Lab Inc. from August 2014 to July 2016; CFO of NSGold from April 2012 to Nov 2014;CFO of NWest Energy from July 2012 to October 2013; and Corporate Controller for Etruscan Resources Inc. from 1997 to 2011	175,000 Shares	Less than 1%
Dr. A. Neil Smith Halifax, NS	Proposed Director (Director of Canabo since March 19, 2014)	Physician	1,450,000 Shares	4.3%
Alistair MacLennan West Vancouver, BC	Director since June 15, 2016	Chairman of Helijet International Inc. since 1981; President of W.M. Technologies and self- employed businessman and investor	275,000 Shares	1.3%

Name & Municipality of Residence	Office and Date First Elected/Appointed	Principal Occupation and Positions Held for the Last Five Years	Security Holdings upon Completion of Proposed Transaction (undiluted) (1)(3)	% of Class Held or Controlled (undiluted)
Ian Klassen Tsawwassen, BC	Proposed Director (Director of Canabo since March 19, 2014)	President, Grande Portage Resources Ltd. since April 2007 and a director of several mining exploration companies	250,000 Shares	Less than 1%
Total			3,300,000 Shares	10.7%

(1) The information as to shares beneficially owned, directly or indirectly, or over which control or direction is exercised, is based upon information furnished to the Company by the respective directors and officers or has been extracted from insider reports filed by each of the individuals and publicly available on the Canadian System for Electronic Disclosure by Insiders (SEDI) at www.sedi.ca.
(2) Of which 300,000 Shares are owned by Can Am Physician Recruiting Inc., a private company controlled by Mr. Philpott.
(3) Post-Consolidation.

The term of office of the directors expires annually at the time of the Resulting Issuer's annual general meeting, unless re-elected at such meeting.

After giving effect to the Proposed Transaction and the Private Placement, it is anticipated that the directors and officers of the Resulting Issuer will beneficially, directly or indirectly, or exercise control or direction over, an aggregate 3,300,000 Shares, representing approximately 10.7% of the issued and outstanding Resulting Issuer share capital.

The Board of Directors of the Resulting Issuer will have only one committee, being the audit committee which will be comprised of Ian Klassen, A. Neil Smith, and Alistair MacLennan.

Management

The following is a brief description of the proposed members of management and directors of the Resulting Issuer:

John Philpott
President and CEO (Age: 50 years)

John Philpott is the President and Chief Operating Officer of Canabo. Mr. Philpott has been active in the medical industry for the past two decades, serving as CEO of a leading North American physician recruitment firm. His background includes management and consulting assignments relating to clinic operational efficiencies in wide variety of hospital, clinic and medical research operations. It is anticipated that Mr. Philpott's involvement with the Resulting Issuer will be on a full-time basis. Philpott's responsibilities with the Resulting Issuer will be to act as the President, CEO and a director of the Resulting Issuer and to oversee the day to day business affairs of the Resulting Issuer.

Dr. Danial Schecter
Chief Medical Officer and Director (Age: 42 years)

Dr. Danial Schecter is a Director of Canabo and is a co-founder, the Chief Medical Officer and a Director of CMC and is primarily responsible for supervising the medical consulting services of CMC. Dr. Schecter is a practicing family physician. After working alongside some of Canada's leading researchers in the field of medical marijuana, Dr. Schecter developed a strong interest in the therapeutic use of cannabinoids. As a recognized medical expert in the field of prescription cannabinoids and medical marijuana. Dr. Schecter has given numerous presentations to fellow physicians and developed educational programs on the subject of prescription cannabinoids and medical marijuana. Dr. Schecter completed a fellowship in Hospital Medicine and is an active hospitalist at the Royal Victoria Regional Health Centre in Barrie, ON. It is anticipated that Dr. Schecter's involvement with the Resulting Issuer will be approximately 40% of his time, on average. Dr. Schecter's responsibilities with the Resulting Issuer will be to act as the Chief Medical Officer and a director of the Resulting Issuer.

Robert Randall
CFO and Corporate Secretary (Age: 53 years)

Robert Randall is a CPA,CA with an extensive background in the mining and exploration industry, holding senior positions with resource-based publically traded companies including Endeavor Mining Corporation (formerly, Etruscan Resources Inc.), NovaGold Resources Inc. and as a principal with PricewaterhouseCoopers. While with Etruscan Resources Inc., Mr. Randall was responsible for the oversight of the financial operations of its gold exploration and production activities throughout West Africa, as well as its diamond operations in South Africa. Mr. Randall currently serves as the Chief Financial Officer of Stockport Exploration Inc. and Metallum Resources Inc. Formerly, he acted as CFO of NSGold Corporation, NWest Energy Corp., Fortune Bay Corp and Graphene 3D Lab Inc. Mr. Randall graduated with a Commerce Degree from St. Mary's University in Halifax, Nova Scotia, and obtained his CA designation in 1987 with Coopers and Lybrand, Chartered Accountants, where he was appointed a principal in 1995. He is a member of the Institute of Chartered Accountants of Canada and Nova Scotia. It is anticipated that Mr. Randall's involvement with the Resulting Issuer will be approximately 35% of his time, on average. Mr. Randall's responsibilities with the Resulting Issuer will be to act as the CFO and Corporate Secretary of the Resulting Issuer and to oversee the day to day financial reporting requirements of the Resulting Issuer.

Dr. A. Neil Smith
Director (Age: 49 years)

Dr. Smith is a medical doctor and member of The College of Physicians and Surgeons of Nova Scotia and The Royal College of Physicians and Surgeons of Canada. Dr. Smith is the owner of the Snore Shop Inc., with 11 clinics providing sleep apnea treatments. It is anticipated that Mr. Smith's involvement with the Resulting Issuer will be approximately 10% of his time, on average. Mr. Smith's responsibilities with the Resulting Issuer will be to act as an independent director.

Alistair MacLennan
Director (Age: 68 years)

Alistair MacLennan has been working in the junior resources sector (oil/gas/minerals), in various capacities, for over thirty years. He has gained industry knowledge through founding, investment in and serving on the Boards of a number of public and private exploration companies. Mr. MacLennan is also the Chairman and Director of Helijet International Inc., a helicopter airline operating a fleet of Sikorsky S76 helicopters throughout the Pacific Northwest since 1986. Mr. MacLennan is actively involved in a number of private companies which are involved in leasing, manufacturing and natural gas production. It is anticipated that Mr. MacLennan's involvement with the Resulting Issuer will be approximately **10**% of his time, on average. Mr. MacLennan's responsibilities with the Resulting Issuer will be to act as an independent director.

Ian Klassen
Director (Age: 50 years)

Ian Klassen holds a Bachelor of Arts from the University of Western Ontario, London, Ontario. Mr. Klassen has twenty-five years of experience in business management, public relations, government affairs and entrepreneurialism. He has extensive experience in corporate finance, the administration of public companies, government policy, media relationship strategies, business/ government project management, and legislative decision-making. Mr. Klassen is a recipient of the Commemorative Medal for the 125th Anniversary of the Confederation of Canada in recognition of his significant contribution to his community and country. It is anticipated that Mr. Klassen's involvement with the Resulting Issuer will be approximately 10% of his time, on average. Mr. Klassen's responsibilities with the Resulting Issuer will be to act as an independent director.

Except for Dr. Schecter, none of the other directors or officers of the Company have entered into non-competition or non-disclosure agreements with the Company.

Promoter Consideration

The directors of the Resulting Issuer are the promoters of the Resulting Issuer. For a description of the number and percentage of Common Shares in the Resulting Issuer to be beneficially owned, directly or indirectly, or over which direction or control will be exercised by the directors of the Company see below "Information Concerning the Resulting Issuer – Escrowed Securities".

Corporate Cease Trade Orders or Bankruptcies

To the Company's knowledge, no proposed director, officer or promoter of the Resulting Issuer or a shareholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer is, or within 10 years before the date of this Filing Statement, has been a director, officer or promoter of any other person or company that, while that person was acting in that capacity:

(a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days, or

(b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

To the Company's knowledge, no proposed director, officer or promoter of the Resulting Issuer nor a shareholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such person has been subject to any penalties or sanctions imposed by a court relating to securities legislation, or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or has been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely to be considered important to a reasonable investor making an investment decision about the Proposed Transaction.

Personal Bankruptcies

To the Company's knowledge, no proposed director, officer or promoter or a shareholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such person has, within the ten years prior to the date of the Filing Statement, as applicable become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets.

Conflicts of Interest

There are potential conflicts of interest to which the directors, officers and promoters of the Resulting Issuer will be subject in connection with the operations of the Resulting Issuer. Certain of the directors, officers and promoters may be engaged in corporations or businesses which may be in competition with the Resulting Issuer. Accordingly, situations may arise where a director, officer or promoter will be in direct competition with the Resulting Issuer. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCA.

Other Reporting Issuer Experience

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

Name	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	From	To
Robert Randall	Stockport Exploration Inc.	TSX-V	CFO	June 2012	Present
	Metallum Resources Inc.	TSX-V	CFO	August 2016	Present
	NSGold Corp.	TSX-V	CFO	Apr 2012	Nov 2014
	Fortune Bay Corp.	TSX	CFO	June 2014	Nov 2014
	NWest Energy Corp.	TSX-V	CFO	July 2012	Oct 2013
	Graphene 3D Lab Inc.	TSX-V	CFO Secretary	Aug 2014 Aug 2014	July 2016 Feb 2016
Alistair MacLennan	Helijet International Inc.	TSX-V	Chairman	1986	Present
	GMV Minerals Inc.	TSX-V	Director	Dec 2007	Present
	Grande Portage Resources Ltd.	TSX-V	Director	June 2005	Present
Ian Klassen	Graphene 3D Lab Inc.	TSX-V	President COO Secretary Director	Aug 2015 Aug 2015 Feb 2016 June 2011	May 2016 May 2016 May 2016 May 2016
	MatNic Minerals Inc.	TSX-V	President, CEO and Director	June 2011	Aug 2014
	GMV Minerals Inc.	TSX-V	President, CEO and Director	March 2009 Dec 2007	Present
	Grande Portage Resources Ltd.	TSX-V	President, CEO and Director	Apr 2007 Sep 2007 Aug 2007	Present Present Present
	Canada Gold Corp.	TSX-V	Director	June 2009	Dec 2012

Proposed Executive Compensation

The following table sets forth the expected annual and long-term compensation for services in all capacities to the Resulting Issuer for the 12 months following completion of the Proposed Transaction in respect of the Resulting Issuer's three most highly compensated executive officers, in addition to the proposed Chief Executive Officer.

Name and Principal Position	Salary ($)	Share-based Awards ($)	Option-based Awards ($)	Non-equity Incentive Plan Compensation (US$)		Pension Value ($)	All Other Compensation ($)	Total Compensation ($)
				Annual Incentive Plans	Long-term Incentive Plans			
John Philpott Proposed President & Chief Executive Officer	135,000	Nil	Nil	Nil	Nil	Nil	Nil	135,000
Dr. Danial Schecter Proposed Chief Medical Officer	Nil	Nil	Nil	Nil	Nil	Nil	160,000	160,000
Robert Randall Proposed Chief Financial Officer and Corporate Secretary	Nil	Nil	Nil	Nil	Nil	Nil	57,600	57,600

Termination and Change of Control Benefits

There will be no agreements with any directors or officers of the Resulting Issuer regarding arrangements for termination or change of control benefits upon completion of the Proposed Transaction, other than Canabo's consulting agreement with Dr. Danial Schecter's professional corporation, which provides for a payment of six months' consulting fees to Dr. Schecter's corporation upon a change of control of Canabo, provided that Dr. Schecter elects to terminate the consulting agreement.

Compensation of Directors

Upon completion of the Proposed Transaction, directors will not receive any cash compensation, but will be eligible for incentive stock options of the Company. The Company has a stock option plan for the granting of incentive stock options to the officers, employees and directors. The purpose of granting such options is to assist the Resulting Issuer in compensating, attracting, retaining, and motivating the directors of the Resulting Issuer and to closely align the personal interests of such persons to that of the shareholders.

Indebtedness of Directors and Officers

None of the directors or officers of the Resulting Issuer or Canabo, nor any individual who is proposed to be a director or officer of the Resulting Issuer, nor any other individual who at any time during the mostly recently completed financial year of the Resulting Issuer, was a director or officer of the Resulting Issuer or Canabo, nor any Associate of such individuals, is indebted to the Resulting Issuer or Canabo. Neither will any indebtedness of any of these Individuals or associates to another entity be the subject of a guarantee, support guarantee, letter of credit or other similar arrangement or understanding provided by the Resulting Issuer or Canabo.

Investor Relations Arrangements

Four River and Canabo have not entered into any written or oral agreement or understanding with respect to any person or company to provide promotional or investment services for the Resulting Issuer or its securities. Any new investor relation arrangements with be disclosed in a news release, as well as, filing the appropriate information with the TSX Venture Exchange.

Options to Purchase Securities

Stock Option Plan

Please see "Information Concerning Four River – Stock Options" for details of the existing stock option plan.

As at the date of the Filing Statement, there are nil options held by the Resulting Issuer's current directors and officers.

Warrants

Pursuant to the completion of the private placement in March 2016, the Company has 3,075,000 share purchase warrants outstanding which entitle the holders to purchase up to 3,075,000 Shares (1,537,500 Shares post-Consolidation) at a price of $0.075 ($0.15 post-Consolidation) per Share until March 22, 2017. In addition, the Company has 359,140 share purchase warrants outstanding which entitle the holders to purchase up to 359,140 Shares (179,570 Shares post-Consolidation) at a price of $4.00 ($8.00 post-Consolidation) per Share until September 4, 2017.

The Resulting Issuer will have an additional 545,000 share purchase warrants outstanding which entitle the holders to purchase up to 545,000 Shares at a price of $0.50 per Share until September 24, 2018. These share purchase warrants will have been issued in exchange for the Canabo Warrants which entitle the holders to purchase up to 545,000 common shares of Canabo at a price of $0.50 per Share until September 24, 2018, and were issued by Canabo to certain finders pursuant to the Private Placement of Canabo.

Escrowed Securities

Escrowed Securities

The following table sets out, as at the date hereof, and to the knowledge of the Company, the number of Common Shares of the Resulting Issuer which will be held in escrow following completion of the Proposed Transaction:

Name and Municipality of Residence of Shareholder	Designation of class	Prior to Giving Effect to The Transaction		After Giving Effect to The Transaction	
		Number of Securities held in Escrow	Percentage of Class	Number of Securities to be held in Escrow[(1)]	Percentage of Class
John Philpott Lantz, Nova Scotia	Common Shares	Nil	Nil	100,000	Less than 1%
Can Am Physician Recruiting Inc.[(2)] Lantz, Nova Scotia	Common Shares	Nil	Nil	300,000	1%
Dr. Danial Schecter Toronto, ON	Common Shares	Nil	Nil	750,000	2.5%
Dr. Ilan Nachim Markham, ON	Common Shares	Nil	Nil	750,000	2.5%

Name and Municipality of Residence of Shareholder	Designation of class	Prior to Giving Effect to The Transaction		After Giving Effect to The Transaction	
		Number of Securities held in Escrow	Percentage of Class	Number of Securities to be held in Escrow[(1)]	Percentage of Class
Dr. A. Neil Smith Halifax, NS	Common Shares	Nil	Nil	1,450,000	4.82%
Robert Randall Halifax, NS	Common Shares	Nil	Nil	175,000	Less than 1%
Lois Randall Halifax, NS	Common Shares	Nil	Nil	200,000	Less than 1%
Alistair MacLennan West Vancouver, BC	Common Shares	Nil	Nil	275,000	Less than 1%
Ian Klassen Tsawwassen, B.C.	Common Shares	Nil	Nil	250,000	Less than 1%
Tina Klassen Tsawwassen, B.C.	Common Shares	Nil	Nil	268,000	Less than 1%
Numus Financial Inc. Halifax, NS	Common Shares	Nil	Nil	125,000	Less than 1%
Bear Trade Corporation Toronto, ON	Common Shares	Nil	Nil	800,000	2.66%
Blue Ridge Resources Inc. Halifax, NS	Common Shares	Nil	Nil	800,000	2.66%
Brigus Capital Inc. Halifax, NS	Common Shares	Nil	Nil	825,000	2.74
Derrick Chiu Toronto, ON	Common Shares	Nil	Nil	175,000	Less than 1%
Egos Capital Corp. Belize, Belize	Common Shares	Nil	Nil	700,000	2.33%
James Megann Halifax, NS	Common Shares	Nil	Nil	47,500	Less than 1%
Jean Claude St-Amour Toronto, ON	Common Shares	Nil	Nil	250,000	Less than 1%
Jennifer Horton Bedford, NS	Common Shares	Nil	Nil	25,000	Less than 1%

Name and Municipality of Residence of Shareholder	Designation of class	Prior to Giving Effect to The Transaction		After Giving Effect to The Transaction	
		Number of Securities held in Escrow	Percentage of Class	Number of Securities to be held in Escrow(1)	Percentage of Class
John St. Capital Inc. Fall River, NS	Common Shares	Nil	Nil	950,000	3.16%
Kelly Dawe Halifax, NS	Common Shares	Nil	Nil	250,000	Less than 1%
Lisa Nash Toronto, ON	Common Shares	Nil	Nil	800,000	2.66%
Nadine Wolburgh Toronto, ON	Common Shares	Nil	Nil	750,000	2.49%
Nicholas Konkin Toronto, ON	Common Shares	Nil	Nil	125,000	Less than 1%
Riverdale Contractors Ltd. Kelligrews CBS, NL	Common Shares	Nil	Nil	500,000	1.66%
T. Hickey Enterprises Ltd. Hammonds Plains, NS	Common Shares	Nil	Nil	875,000	2.91%
William Parsons Dartmouth, NS	Common Shares	Nil	Nil	1,000,000	3.32%
Wade K. Dawe Halifax, NS	Common Shares	Nil	Nil	250,000	Less than 1%
TOTAL:		Nil	Nil	13,765,500	45.76%

(1) Pursuant to the Escrow Agreement the escrowed securities will be released from escrow as to 10% upon the issuance of the Final Exchange Bulletin, with the balance in six equal releases at six month intervals over the 36 months following the issuance of the Final Exchange Bulletin. The Escrow Agent is Computershare Investor Services Inc.
(2) A private company controlled by John Philpott.

The escrowed shares may not be transferred without the approval of the Exchange for release or transfer other than in specified circumstances set out in the Escrow Agreement.

Securities Subject to Escrow or Resale Restrictions

Exchange policies require that in certain circumstances securities distributed prior to an issuer completing a RTO which are sold at a discount to the transaction price, will be subject to additional resale restrictions over and above those imposed by NI 45-102. In view of this, the Company anticipates that 13,765,500 of the total 27,546,900 Shares to be issued pursuant to the Proposed Transaction will be subject to a Form 5D Tier 2 Value Securities Escrow Agreement under the Exchange's Seed Share Resale Rules – Matrix. Under the Escrow Agreement, 10% of the escrowed Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the date 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release. The release from escrow may be accelerated if the Resulting Issuer is classified as a Tier 1 issuer on the Exchange. An accelerated escrow release will not commence until the Resulting Issuer has made application to the Exchange for listing as a Tier 1 issuer and the Exchange has issued a bulletin that announces the acceptance for listing of the Resulting Issuer on Tier 1 of the Exchange.

Auditor, Transfer Agent and Registrar

Auditor

Four River's auditor is Dale Matheson Carr-Hilton Labonte LLP, Chartered Accountants ("DMCL"). DMCL will remain as auditor until the completion of the Proposed Transaction. After the completion of the Proposed Transaction, Canabo's auditor, Manning Elliott LLP will be appointed auditor for the Resulting Issuer.

Transfer Agent and Registrar

The transfer agent of the Resulting Issuer will not change as a result of the completion of the Proposed Transaction. See "Information Concerning Four River – Auditor, Transfer Agent and Registrar".

GENERAL MATTERS

Experts

Other than the Michael A. Evans, MBA, CFA, CBV, ASA and Jennifer Lucas, MBA, CBV, ASA of Evans & Evans, Inc., who prepared the Valuation Report, and Dale Matheson Carr-Hilton Labonte LLP, Chartered Professional Accountants, which have prepared the auditor's report for the Company's audited financial statements as at January 31, 2016, 2015 and 2014, and Manning Elliott LLP, Chartered Professional Accountants for Canabo's audited financial statements at October 31, 2015 and 2014, there are no persons or companies whose profession or business gives authority to a statement made by the Person who is named as having prepared or certified a part of this Filing Statement or prepared or certified a report or valuation described in this Filing Statement. None of the aforementioned persons: (i) has any direct or indirect interest in the property of the Company, Canabo or the Resulting Issuer or of an Associate or Affiliate of the Company, Canabo or the Resulting Issuer; or (ii) beneficially owns, directly or indirectly, any securities of the Company, Canabo or any Associate or Affiliate of the Company or Canabo. No such person is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or of any Associate or Affiliate of the Resulting Issuer.

Other Material Facts

There are no other material facts about the Company, Canabo, the Resulting Issuer or the Proposed Transaction that are not elsewhere disclosed elsewhere in this Filing Statement.

Approval of the Board of Directors

The contents of this Filing Statement have been approved by the Board of Directors of the Company. Where information contained in this Filing Statement rests particularly within the knowledge of a person other than the Company or Canabo, the Company or Canabo, respectively, has relied upon information furnished by such person.

SCHEDULE A

FINANCIAL STATEMENTS OF FOUR RIVER

FOUR RIVER VENTURES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

SIX MONTHS ENDED JULY 31, 2016

(Unaudited)

FOUR RIVER VENTURES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT
(Expressed in Canadian Dollars)
(Unaudited)

	Notes		July 31, 2016		January 31, 2016 (Audited)
ASSETS					
Current					
Cash		$	59,381	$	3,669
GST receivable			210		495
		$	59,591	$	4,164
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current					
Trade and other payables	4,6	$	523,837	$	598,985
Loans payable	7		59,460		58,263
			583,297		657,248
Shareholders' deficiency					
Share capital	5		5,040,575		4,886,825
Reserves	5		2,507,400		2,507,400
Deficit			(8,071,681)		(8,047,309)
			(523,706)		(653,084)
		$	59,591	$	4,164

Nature of operations and going concern (Note 1)
Proposed transaction (Note 9)

Approved and authorized by the Board on September 29, 2016:

"Jason Leikam" Director — *"Alistair MacLennan"* Director
Jason Leikam — Alistair MacLennan

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

FOUR RIVER VENTURES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)

	Notes	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015	Six Months Ended July 31, 2016	Six Months Ended July 31, 2015
Expenses					
Administrative, office and miscellaneous		$ 629	$ 121	$ 1,127	$ 468
Foreign exchange (gain) loss		4,204	-	(7,869)	-
Professional fees	6	10,012	7,535	17,700	20,349
Shareholder communications		-	-	1,816	-
Transfer agent and filing fees		6,516	9,299	10,401	23,339
		(21,361)	(16,955)	(23,175)	(44,156)
Other items					
Interest expense	7	(605)	(605)	(1,197)	(1,205)
Recovery of GST receivable previously written off		-	6,055	-	21,055
Loss and comprehensive loss for the period		$ (21,966)	$ (11,505)	$ (24,372)	$ (24,306)
Loss per common share – basic and diluted		$ (0.00)	$ (0.01)	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted		5,072,900	1,997,900	4,211,224	1,997,900

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

FOUR RIVER VENTURES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED
(Expressed in Canadian Dollars)
(Unaudited)

	July 31, 2016	July 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (24,372)	$ (24,306)
Item not involving cash:		
Interest expense	1,197	1,205
Foreign exchange gain	(7,869)	-
Changes in non-cash working capital items:		
Decrease in receivables	285	1,165
Decrease in trade and other payables	(67,279)	(11,528)
Net cash used in operating activities	(98,038)	(33,464)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shareholder loan payable	-	34,448
Proceeds from shares issued	153,750	-
Net cash provided by financing activities	153,750	34,448
Increase in cash during the period	55,712	984
Cash, beginning of period	3,669	4,712
Cash, end of period	$ 59,381	$ 5,696

There were no non-cash investing or financing transactions during the six months ended July 31, 2016 and 2015.

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

FOUR RIVER VENTURES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Expressed in Canadian Dollars)
(Unaudited)

	Share Capital		Reserves		
	Number	Amount	Options	Deficit	Total
Balance at January 31, 2015	1,997,900	$ 4,886,825	$ 2,507,400	$ (8,037,325)	$ (643,100)
Loss and comprehensive loss for the period	-	-	-	(24,306)	(24,306)
Balance at July 31, 2015	1,997,900	$ 4,886,825	$ 2,507,400	$ (8,061,631)	$ (667,406)
Balance at January 31, 2016	1,997,900	$ 4,886,825	$ 2,507,400	$ (8,047,309)	$ (653,084)
Loss and comprehensive loss for the period	-	-	-	(24,372)	(24,372)
Shares issued for private placement	3,075,000	153,750	-	-	153,750
Balance at July 31, 2016	5,072,900	$ 5,040,575	$ 2,507,400	$ (8,071,681)	$ (523,706)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Four River Ventures Ltd. (the "Company") was incorporated under the Business Corporations Act of British Columbia and is currently seeking opportunities within the mineral exploration sector. During July, 2015, the Company's listing was transferred from the TSX Venture Exchange (the "TSX-V") to the NEX Board under the symbol FFC.H.

The Company's head office and principal address is suite 545 – 999 Canada Place, Vancouver, BC, V6C 3E1 and its registered and records office is suite 2900 – 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1J5.

These unaudited condensed consolidated interim financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At July 31, 2016, the Company has a deficit of $8,071,681 (January 31, 2016 - $8,047,309) and has incurred losses since inception. The Company has not generated any revenue and has incurred ongoing losses to date. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern. A number of alternatives are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due (Note 5).

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Statement of compliance with International Financial Reporting Standards ("IFRS")

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee.

These unaudited condensed consolidated interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual consolidated financial statements of the Company for the year ended January 31, 2016.

Approval of the financial statements

These unaudited condensed consolidated interim financial statements for the six months ended July 31, 2016 were reviewed by the Company's Audit Committee and approved and authorized for issue by the Company's Board of Directors on September 29, 2016.

(Expressed in Canadian Dollars)

3. ACCOUNTING STANDARDS ISUED BUT NOT YET EFFECTIVE

The Company has not early adopted this standard, which is effective for annual periods beginning on or after January 1, 2018, and is assessing the impact that this standard will have on its financial statements:

a) IFRS 9 Financial Instruments (new; to replace IAS 39 and IFRIC 9).

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's unaudited condensed consolidated interim financial statements.

4. TRADE AND OTHER PAYABLES

Trade and other payables are as follows:

	July 31, 2016	January 31, 2016
Trade payables (Note 6)	$ 523,837	$ 589,985
Accrued liabilities	-	9,000
	$ 523,837	$ 598,985

5. SHARE CAPITAL AND RESERVES

a) Authorized share capital

The authorized share capital of the Company is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. All issued shares, consisting only of common shares, are fully paid.

b) Issued share capital

During the year ended January 31, 2016, the Company completed a 20-old for 1-new share consolidation. All common shares, options, warrants and per share figures have been retroactively restated to reflect the consolidation.

c) Private placement

During the six months ended July 31, 2016, the Company completed a non-brokered private placement for total proceeds of $153,750 through the issuance of 3,075,000 units. Each unit was priced at $0.05 per unit and is comprised of one common share in the capital of the Company and one share purchase warrant. Each share purchase warrant will enable the holder to acquire one additional common share of the Company at a price of $0.075 per share, expiring March 22, 2017.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL AND RESERVES (cont'd)

d) Stock options

The Company has an incentive stock option plan in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 5 years and vesting periods are determined by the Board of Directors.

There were no stock options granted during the six months ended July 31, 2016 or during the year ended January 31, 2016.

As at July 31, 2016, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Options	Exercise Price	Expiry Date
55,000	$ 7.00	August 30, 2016 [1]

[1] subsequently expired unexercised

Stock option transactions are summarized as follows:

	Number of Options	Exercise Price
Balance, January 31, 2015	77,500	$ 7.00
Cancelled	(7,500)	7.00
Balance, January 31, 2016	70,000	$ 7.00
Cancelled	(15,000)	7.00
Balance, July 31, 2016	55,000	$ 7.00
Number of options currently outstanding and exercisable [1]	55,000	$ 7.00

[1] subsequently expired unexercised

As at July 31, 2016, the remaining life of the options outstanding was 0.08 years.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL AND RESERVES (cont'd)

e) Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, January 31, 2015 and 2016	359,140	$ 4.00
Issued	3,075,000	0.075
Balance, July 31, 2016	3,434,140	$ 0.49
Number of warrants currently outstanding and exercisable	3,434,140	$ 0.49

At July 31, 2016, the Company had outstanding warrants entitling the holders to acquire additional common shares as follows:

Number of Shares	Exercise Price	Expiry Date
359,140	$4.00	September 4, 2017
3,075,000	$0.075	March 22, 2017
3,434,140		

As at July 31, 2016, the remaining life of the warrants outstanding was 0.69 years.

f) Reserves

The reserves account consists of share-based payment reserve which records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital, as well as the value of warrants issued in conjunction with private placements.

6. RELATED PARTY TRANSACTIONS

During the six months ended July 31, 2016, the Company entered into the following transaction with a related party:

- Incurred $15,000 (2015 - $15,000) for professional fees paid or accrued to a company associated with the Chief Financial Officer of the Company.

As at July 31, 2016, recorded in trade and other payables is $491,182 (January 31, 2016 - $549,303) due to directors, officers and significant shareholders, and to companies associated with or controlled by directors, officers and significant shareholders of the Company. These amounts owing are non-interest bearing, unsecured and do not have a fixed term of repayment (Note 4).

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS (cont'd)

Key management personnel compensation (including senior officers and directors of the Company):

		July 31, 2016		July 31, 2015
Short-term benefits	$	15,000	$	15,000

7. LOANS PAYABLE

During the year ended January 31, 2016, the Company received a loan of $34,448 from a related party. The loan is non-interest bearing, unsecured and has no fixed terms of repayment.

During the year ended January 31, 2015, the Company received $20,000 from a director of the Company pursuant to a loan agreement. The loan bears interest at 12% per annum and is unsecured. As at July 31, 2016, the Company has accrued interest expense of $5,012 (January 31, 2016 - $3,815) in conjunction with this loan.

8. FINANCIAL RISK AND CAPITAL MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash, trade payables and loans approximate their fair value because of the short-term nature of these instruments.

The following is an analysis of the Company's financial instrument assets measured at fair value:

	As at July 31, 2016					
		Level 1		Level 2		Level 3
Cash	$	59,381	$	-	$	-

	As at January 31, 2016					
		Level 1		Level 2		Level 3
Cash	$	3,669	$	-	$	-

Financial risk factors

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

8. FINANCIAL RISK AND CAPITAL MANAGEMENT (cont'd)

Financial risk factors (cont'd)

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. The Company's primary exposure to credit risk is on its cash held in bank accounts. Cash is deposited in bank accounts held with one major bank in Canada. There is a concentration of credit risk, which is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Management believes that the credit risk with respect to cash and receivables is low because receivables are due primarily from government agencies and cash is held with reputable Canadian financial institutions. Credit risk is assessed as low.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at July 31, 2016, the Company had a cash balance of $59,381 (January 31, 2016 - $3,669) to settle current liabilities of $583,297 (January 31, 2016 - $657,248). To maintain liquidity, the Company is continually investigating financing opportunities (Note 5). There can be no assurance these efforts will be successful in the future. All of the Company's financial liabilities are subject to normal trade terms. Liquidity risk is assessed as high.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

   Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk on its cash balances as these instruments roll over daily.

b) Foreign currency risk

   The Company is exposed to foreign currency risk as some of its trade and other payables are denominated in US Dollars (USD). The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

   The Company's foreign currency risk exposures is as follows:

	July 31, 2016		January 31, 2016	
	USD	CAD	USD	CAD
Trade and other payables	$87,000	$113,417	$87,000	$113,735

8. FINANCIAL RISK AND CAPITAL MANAGEMENT (cont'd)

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition and development of exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management from January 31, 2016.

9. PROPOSED TRANSACTION

The Company has entered into a letter of intent, dated Aug. 8, 2016, as amended, relating to the acquisition of Canabo Medical Corp. ("Canabo"), a private corporation existing under the laws of Canada. The principal business carried on and intended to be carried on by Canabo is the operation of medical clinics for evaluating the suitability of, prescribing and monitoring cannabinoid treatments for patients suffering from chronic pain and disabling illnesses. The transaction will be effected through an exchange of securities with all of the security holders of Canabo.

Subsequent to July 31, 2016, Canabo completed a private placement equity financing to raise $3,457,500, by the issuance of 6,915,000 common shares of Canabo at an offering price of $0.50 per share. Finders' fees of 7% and 10% broker's warrants were payable in connection with the private placement as permitted under the policies of the exchange.

As a condition of the proposed transaction, the Company proposes to complete a share consolidation on the basis of two old common shares of the Company for one new common share of the Company.

Pursuant to the terms of the acquisition, the Company will acquire all of the issued securities and control of Canabo, and as consideration, the Company will issue approximately 27,546,900 common shares (post-consolidation) to the security holders of Canabo, representing approximately 91.6% of the issued and outstanding common shares of the Company after completion of the acquisition on the basis of approximately one common share of the Company for each one common share of Canabo outstanding.

The completion of the transaction is expected to occur on the day that is the seventh business day following the satisfaction or waiver of the conditions precedent, or such other date as mutually agreed to by the Company and Canabo, but in any event no later than December 31, 2016.

The transaction is subject to due diligence by both parties and regulatory and shareholder approvals.

FOUR RIVER VENTURES LTD.
(formerly Auracle Resources Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

YEAR ENDED JANUARY 31, 2016

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Four River Ventures Ltd. (formerly Auracle Resources Ltd.)

We have audited the accompanying consolidated financial statements of Four River Ventures Ltd. (formerly Auracle Resources Ltd.), which comprise the consolidated statements of financial position as at January 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' deficiency for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Four River Ventures Ltd. (formerly Auracle Resources Ltd.) as at January 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Four River Ventures Ltd.'s (formerly Auracle Resources Ltd.) ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

May 11, 2016
Vancouver, Canada

An independent firm associated with Moore Stephens International Limited
MOORE STEPHENS

FOUR RIVER VENTURES LTD.
(formerly Auracle Resources Ltd.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(Expressed in Canadian Dollars)

	Notes		January 31, 2016		January 31, 2015
ASSETS					
Current					
Cash		$	3,669	$	4,712
GST receivable			495		3,465
		$	4,164	$	8,177
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current					
Trade and other payables	5, 7	$	598,985	$	629,877
Loans payable	8		58,263		21,400
			657,248		651,277
Shareholders' deficiency					
Share capital	6		4,886,825		4,886,825
Reserves	6		2,507,400		2,507,400
Deficit			(8,047,309)		(8,037,325)
			(653,084)		(643,100)
		$	4,164	$	8,177

Nature of operations and going concern (Note 1)
Subsequent event (Note 13)

Approved and authorized by the Board on May 11, 2016:

"Jason Leikam"	Director	*"Robin Forshaw"*	Director
Jason Leikam		Robin Forshaw	

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

FOUR RIVER VENTURES LTD.
(formerly Auracle Resources Ltd.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
YEAR ENDED
(Expressed in Canadian Dollars)

	Notes	January 31, 2016	January 31, 2015
Expenses			
Administrative, office and miscellaneous		$ 3,001	$ 6,301
Foreign exchange loss		24,581	-
Management fees	7	-	72,000
Professional fees	7	37,114	39,880
Transfer agent and filing fees		24,986	11,868
		(89,682)	(130,049)
Other items			
Write-off of trade and other payables	10	52,983	-
Gain on settlement of debt	11	4,435	-
Interest expense	8	(2,415)	(1,400)
Recovery of GST refunds previously written-off		24,695	-
Write-off of exploration and evaluation asset	4	-	(16,632)
		79,698	(18,032)
Loss and comprehensive loss for the year		$ (9,984)	$ (148,081)
Loss per common share – basic and diluted		$ (0.00)	$ (0.07)
Weighted average number of common shares outstanding – basic and diluted		1,997,900	1,997,900

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

FOUR RIVER VENTURES LTD.
(formerly Auracle Resources Ltd.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED
(Expressed in Canadian Dollars)

	January 31, 2016	January 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (9,984)	$ (148,081)
Items not involving cash:		
Interest expense	2,415	1,400
Write-off of trade and other payables	(52,983)	-
Gain on settlement of debt	(4,435)	-
Changes in non-cash working capital items:		
Decrease in receivables	2,970	-
Increase in trade and other payables	26,526	106,131
Net cash used in operating activities	(35,491)	(40,550)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans payable	34,448	20,000
Subscriptions receivable	-	5,500
Net cash provided by financing activities	34,448	25,500
Decrease in cash during the year	(1,043)	(15,050)
Cash, beginning of year	4,712	19,762
Cash, end of year	$ 3,669	$ 4,712

There were no non-cash investing or financing transactions during the year ended January 31, 2016.

During the year ended January 31, 2015, the Company incurred $16,632 in exploration and evaluation asset expenditures that were included in trade and other payables, and written-off to the statement of loss and comprehensive loss.

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

FOUR RIVER VENTURES LTD.
(formerly Auracle Resources Ltd.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Expressed in Canadian Dollars)

	Share Capital					
	Number	Amount	Subscriptions receivable	Reserves	Deficit	Total
Balance at January 31, 2014	1,997,900	$ 4,886,825	$ (5,500)	$ 2,507,400	$ (7,889,244)	$ (500,519)
Loss and comprehensive loss for the year	-	-	-	-	(148,081)	(148,081)
Subscriptions receivable	-	-	5,500	-	-	5,500
Balance at January 31, 2015	1,997,900	4,886,825	-	2,507,400	(8,037,325)	(643,100)
Loss and comprehensive loss for the year	-	-	-	-	(9,984)	(9,984)
Balance at January 31, 2016	1,997,900	$ 4,886,825	$ -	$ 2,507,400	$ (8,047,309)	$ (653,084)

On June 16, 2015, the Company completed a 20-old for 1-new share consolidation and a name change. All common shares, warrants, options, loss per share and weighted average number of shares outstanding have been retroactively restated to reflect this share consolidation.

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Four River Ventures Ltd. (formerly Auracle Resources Ltd.) (the "Company") was incorporated under the Business Corporations Act of British Columbia and is currently seeking opportunities within the mineral exploration sector. During July, 2015, the Company's listing was transferred from the TSX Venture Exchange (the "TSX-V") to the NEX Board under the symbol FFC.H.

The Company's head office and principal address is suite 202 – 837 West Hastings Street, Vancouver, BC, V6C 3N6 and its registered and records office is suite 2900 – 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1J5.

On June 16, 2015, the Company completed a 20-old for 1-new share consolidation and a name change from Auracle Resources Ltd. to Four River Ventures Ltd. All common shares, warrants, options, loss per share and weighted average number of shares outstanding have been retroactively restated to reflect this share consolidation.

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At January 31, 2016, the Company has a deficit of $8,047,309 (2015 - $8,037,325) and has incurred losses since inception. The Company has not generated any revenue and has incurred ongoing losses to date. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern. A number of alternatives are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Statement of compliance with International Financial Reporting Standards ("IFRS")

These consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. These consolidated financial statements are presented in Canadian dollars unless otherwise noted.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Mexican Hat Holdings Ltd., a company incorporated in British Columbia. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions and balances have been eliminated upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, the recoverability and measurement of deferred tax assets and provisions for restoration and environmental obligations.

Significant judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the determination of the functional currency of the parent company and its subsidiaries; and
- the classification and allocation of expenditures as exploration and evaluation expenditures or operating expenses.

Foreign currency translation

The functional currency of each of the Company's entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the Company's subsidiary is the Canadian dollar.

<u>Transactions and balances:</u>

Foreign currency transactions are translated into their functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Exploration and evaluation expenditures

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and rights, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined at the grant date using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments

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

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

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

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

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

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

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

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

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

The Company does not have any derivative financial assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of assets

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

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

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

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

Income taxes

<u>Current income tax:</u>

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

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

<u>Deferred tax:</u>

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

Accounting standards issued but not yet effective

The Company has not early adopted this standard, which is effective for annual periods beginning on or after January 1, 2018, and is assessing the impact that this standard will have on its financial statements:

a) IFRS 9 Financial Instruments (new; to replace IAS 39 and IFRIC 9).

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's consolidated financial statements.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSET

Mexican Hat Property

On May 15, 2009, the Company had entered into an option agreement to acquire a 100% interest in certain claims comprising the Mexican Hat Gold Property (the "Property"), located in Arizona, USA.

During the year ended January 31, 2015, management terminated the option agreement and, as a result, wrote off all associated costs of the Property, totaling $2,884,756, to the statement of comprehensive loss at January 31, 2014. During the year ended January 31, 2015, the Company incurred additional costs of $16,632 relating to expenditures on the Property, which were expensed to the statement of loss and comprehensive loss.

5. TRADE AND OTHER PAYABLES

Trade and other payables are as follows:

	January 31, 2016	January 31, 2015
Trade payables (Note 7)	$ 589,985	$ 619,877
Accrued liabilities	9,000	10,000
	$ 598,985	$ 629,877

6. SHARE CAPITAL AND RESERVES

a) Authorized share capital

The authorized share capital of the Company is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. All issued shares, consisting only of common shares, are fully paid.

b) Issued share capital

During the year ended January 31, 2016, the Company completed a 20-old for 1-new share consolidation. All common shares, options, warrants and per share figures have been retroactively restated to reflect the consolidation.

There were no share capital transactions during the years ended January 31, 2015 or 2016.

c) Stock options

The Company has an incentive stock option plan in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 5 years and vesting periods are determined by the Board of Directors.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL AND RESERVES (cont'd)

c) Stock options (cont'd)

There were no stock options granted during the years ended January 31, 2015 or 2016.

As at January 31, 2016, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Options	Exercise Price	Expiry Date
70,000	$ 7.00	August 30, 2016[(1)]

(1) Subsequent to January 31, 2016, 15,000 stock options terminated.

Stock option transactions are summarized as follows:

	Number of Options	Exercise Price
Balance, January 31, 2014	158,750	$ 7.00
Cancelled	(81,250)	7.00
Balance, January 31, 2015	77,500	7.00
Cancelled	(7,500)	7.00
Balance, January 31, 2016	70,000	$ 7.00
Number of options currently outstanding and exercisable	70,000	$ 7.00

As at January 31, 2016, the remaining life of the options outstanding was 0.58 years (2015 – 1.58 years).

d) Warrants

There were no warrant transactions during the years ended January 31, 2015 or 2016.

At January 31, 2016, the Company had outstanding warrants entitling the holders to acquire additional common shares as follows:

Number of Shares	Exercise Price	Expiry Date
359,140	$4.00	September 4, 2017

As at January 31, 2016, the remaining life of the warrants outstanding was 1.59 years (2015 – 2.59 years).

(Expressed in Canadian Dollars)

6. SHARE CAPITAL AND RESERVES (cont'd)

e) Reserves

The reserves account consists of share-based payment reserve which records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

7. RELATED PARTY TRANSACTIONS

During the year ended January 31, 2016, the Company entered into the following transactions with related parties:

a) Incurred $Nil (2015 - $72,000) for management fees to a company controlled by a director of the Company; and
b) Incurred $22,500 (2015 - $28,500) for professional fees paid or accrued to a company associated with the Chief Financial Officer of the Company.

As at January 31, 2016, recorded in trade and other payables is $554,428 (2015 - $325,890) due to directors, officers and significant shareholders, and to companies associated with or controlled by directors, officers and significant shareholders of the Company. These amounts owing are non-interest bearing, unsecured and do not have a fixed term of repayment (Note 5).

Key management personnel compensation (including senior officers and directors of the Company):

	January 31, 2016	January 31, 2015
Short-term benefits	$ 22,500	$ 100,500

8. LOANS PAYABLE

During the year ended January 31, 2016, the Company received a loan of $34,448. The loan is non-interest bearing, unsecured and has no fixed terms of repayment.

During the year ended January 31, 2015, the Company received $20,000 pursuant to a loan agreement. The loan bears interest at 12% per annum and is unsecured. As at January 31, 2016, the Company has accrued interest expense of $3,815 (2015 - $1,400) in conjunction with this loan.

9. FINANCIAL RISK AND CAPITAL MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

(Expressed in Canadian Dollars)

9. FINANCIAL RISK AND CAPITAL MANAGEMENT (cont'd)

The carrying value of cash, trade payables and loans approximate their fair value because of the short-term nature of these instruments.

The following is an analysis of the Company's financial instruments measured at fair value:

	As at January 31, 2016		
	Level 1	Level 2	Level 3
Cash	$ 3,669	$ -	$ -

	As at January 31, 2015		
	Level 1	Level 2	Level 3
Cash	$ 4,712	$ -	$ -

Financial risk factors

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

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. The Company's primary exposure to credit risk is on its cash held in bank accounts. Cash is deposited in bank accounts held with one major bank in Canada. There is a concentration of credit risk, which is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Management believes that the credit risk with respect to cash and receivables is low because receivables are due primarily from government agencies and cash is held with reputable Canadian financial institutions. Credit risk is assessed as low.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at January 31, 2016, the Company had a cash balance of $3,669 (2015 - $4,712) to settle current liabilities of $657,248 (2015 - $651,277). To maintain liquidity, the Company is continually investigating financing opportunities (Note 13). There can be no assurance these efforts will be successful in the future. All of the Company's financial liabilities are subject to normal trade terms. Liquidity risk is assessed as high.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

9. FINANCIAL RISK AND CAPITAL MANAGEMENT (cont'd)

Financial risk factors (cont'd)

Market risk (cont'd)

a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk on its cash balances as these instruments roll over daily.

b) Foreign currency risk

The Company is exposed to foreign currency risk as some of its trade and other payables are denominated in US Dollars (USD). The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The Company's foreign currency risk exposures is as follows:

	January 31, 2016		January 31, 2015	
	USD	CAD	USD	CAD
Trade and other payables	$87,000	$113,735	$87,000	$91,107

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition and development of exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management from January 31, 2015.

10. WRITE-OFF OF TRADE AND OTHER PAYABLES

During the year ended January 31, 2016, the Company wrote-off certain expenses that were recorded in previous years.

(Expressed in Canadian Dollars)

11. DEBT SETTLEMENT

During the year ended January 31, 2016, the Company settled an outstanding debt of $4,928 with a certain creditor. The parties agreed to settle the debt for $493, resulting in a gain of $4,435.

12. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	January 31, 2016	January 31, 2015
Loss for the year	$ (9,984)	$ (148,081)
Statutory tax rate	26.00%	26.00%
Expected income tax recovery	(2,596)	(38,501)
Permanent differences	8,307	(21,332)
Change in valuation allowance	(5,711)	59,833
Deferred income tax recovery	$ -	$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	January 31, 2016	January 31, 2015
Exploration and evaluation assets	$ 5,597,156	$ 5,624,006
Loss carry-forwards	2,764,890	2,707,348
Share issuance costs	11,756	39,720
Other	78,600	103,295
	$ 8,452,402	$ 8,474,369

(Expressed in Canadian Dollars)

12. INCOME TAXES (cont'd)

The tax pools relating to these deductible temporary differences expire as follows:

	Canadian and foreign exploration and evaluation assets	Canadian loss carry-forwards	Share issuance costs
2017	$ -	$ -	$ 11,756
2027	-	6,943	-
2028	-	60,208	-
2029	-	322,255	-
2030	-	243,819	-
2031	-	421,468	-
2032	-	566,139	-
2033	-	541,672	-
2034	-	330,620	-
2035	-	196,699	-
2036	-	75,067	-
No expiry	5,597,156	-	-
	$ 5,597,156	$ 2,764,890	$ 11,756

As at January 31, 2016, the Company has approximately $2,800,000 in non-capital losses that can be offset against taxable income in future years which begin expiring at various dates commencing in 2027. The potential future tax benefit of these losses has not been recorded as a full-future tax asset valuation allowance has been provided due to the uncertainty regarding the realization of these losses.

13. SUBSEQUENT EVENT

Subsequent to January 31, 2016, the Company completed a non-brokered private placement for total proceeds of $153,750 through the issuance of 3,075,000 units. Each unit was priced at $0.05 per unit and is comprised of one common share in the capital of the Company and one share purchase warrant. Each share purchase warrant will enable the holder to acquire one additional common share of the Company at a price of $0.075 per share for a period of 12 months from closing.

AURACLE RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

JANUARY 31, 2015

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Auracle Resources Ltd.

We have audited the accompanying consolidated financial statements of Auracle Resources Ltd., which comprise the consolidated statements of financial position as at January 31, 2015 and 2014, and the consolidated statements of comprehensive loss, cash flows and changes in deficit for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
May 29, 2015

An independent firm associated with Moore Stephens International Limited
MOORE STEPHENS

AURACLE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(Expressed in Canadian Dollars)

	Notes	January 31, 2015	January 31, 2014
ASSETS			
Current			
Cash		$ 4,712	$ 19,762
GST receivable		3,465	3,465
		$ 8,177	$ 23,227
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current			
Trade and other payables	6, 8	$ 629,877	$ 523,746
Related party loan payable	8	21,400	-
		651,277	523,746
Shareholders' deficiency			
Share capital	7	4,886,825	4,886,825
Subscriptions receivable	7	-	(5,500)
Reserves	7	2,507,400	2,507,400
Deficit		(8,037,325)	(7,889,244)
		(643,100)	(500,519)
		$ 8,177	$ 23,227

Nature of operations and going concern (Note 1)

Approved and authorized by the Board on May 29, 2015:

"Jason Leikam" Director *"Robin Forshaw"* Director

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

AURACLE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
YEAR ENDED
(Expressed in Canadian Dollars)

	Notes	January 31, 2015	January 31, 2014
Expenses			
Administrative, office and miscellaneous		$ 6,301	$ 17,599
Exploration and evaluation	4	16,632	-
Interest	8	1,400	-
Management fees	8	72,000	72,000
Professional fees	8	39,880	66,266
Shareholder communications		-	2,358
Transfer agent and filing fees		11,868	18,973
Travel and related costs		-	1,027
Write-off of exploration and evaluation asset	4	-	2,884,756
		(148,081)	(3,062,979)
Other item			
Write-off of GST receivable	5	-	(81,647)
Net and comprehensive loss for the year		$ (148,081)	$ (3,144,626)
Loss per common share – basic and diluted		$ (0.01)	$ (0.08)
Weighted average number of common shares outstanding – basic and diluted		39,958,006	39,958,006

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

AURACLE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED
(Expressed in Canadian Dollars)

	January 31, 2015	January 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (148,081)	$ (3,114,626)
Items not involving cash:		
Write-off of exploration and evaluation asset	-	2,884,756
Write-off of GST receivable	-	81,647
Accrued interest expense	1,400	-
Changes in non-cash working capital items:		
Decrease in receivables	-	61,019
Decrease in prepaids	-	4,612
Increase in trade and other payables	106,131	219,874
Net cash provided by (used in) operating activities	(40,550)	107,282
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of reclamation bond	-	40,958
Exploration and evaluation assets	-	(130,991)
Net cash used in investing activities	-	(90,033)
CASH FLOWS FROM FINANCING ACTIVITIES		
Related parties loan payable – proceeds	20,000	18,024
Related parties loan payable – repayments	-	(21,024)
Subscriptions receivable	5,500	-
Net cash provided by (used in) financing activities	25,500	(3,000)
Change in cash during the year	(15,050)	14,249
Cash, beginning of year	19,762	5,513
Cash, end of year	$ 4,712	$ 19,762

Supplemental disclosure with respect to cash flows (Note 9)

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

AURACLE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT
(Expressed in Canadian Dollars)

	Share Capital					
	Number	**Amount**	**Subscriptions receivable**	**Reserves**	**Deficit**	**Total**
Balance at January 31, 2013	39,958,006	$ 4,886,825	$ (5,500)	$ 2,507,400	$ (4,744,618)	$ 2,644,107
Net and comprehensive loss for the year	-	-	-	-	(3,144,626)	(3,144,626)
Balance at January 31, 2014	39,958,006	4,886,825	(5,500)	2,507,400	(7,889,244)	(500,519)
Subscriptions receivable	-	-	5,500	-	-	5,500
Net and comprehensive loss for the year	-	-	-	-	(148,081)	(148,081)
Balance at January 31, 2015	39,958,006	$ 4,886,825	$ -	$ 2,507,400	$ (8,037,325)	$ (643,100)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Auracle Resources Ltd. (the "Company") is incorporated under the Business Corporations Act of British Columbia and is in the exploration stage with respect to its mineral property. The Company is listed on the TSX Venture Exchange ("TSX-V").

The Company's head office and principal address is suite 408 – 837 West Hastings Street, Vancouver, BC, V6C 3N6 and its registered and records office is suite 2900 – 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1J5.

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has not generated any revenue and has incurred ongoing losses to date. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern. A number of alternatives are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Statement of compliance with International Financial Reporting Standards ("IFRS")

These consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. These consolidated financial statements are presented in Canadian dollars unless otherwise noted.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Mexican Hat Holdings Ltd., a company incorporated in British Columbia. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions and balances have been eliminated upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, the recoverability and measurement of deferred tax assets and provisions for restoration and environmental obligations.

Significant judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the determination of the functional currency of the parent company and its subsidiaries; and
- the classification and allocation of expenditures as exploration and evaluation expenditures or operating expenses.

Foreign currency translation

The functional currency of each of the Company's entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the Company's subsidiary is the Canadian dollar.

Transactions and balances:

Foreign currency transactions are translated into their functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Exploration and evaluation expenditures

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and rights, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined at the grant date using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments

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

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

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

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

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

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

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

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

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

The Company does not have any derivative financial assets and liabilities.

Impairment of assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of assets *(cont'd)*

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

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

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

Income taxes

Current income tax:

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

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

Deferred tax:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

Adoption of new accounting standards

The following new standards, amendments and interpretations were adopted by the Company as of February 1, 2014:

a) IFRIC 21 Levies (new; interpretations of IAS 37); and
b) IAS 32 Financial Instruments (amended).

The adoption of the above mentioned standards did not have any impact on these financial statements.

Accounting standards issued but not yet effective

The Company has not early adopted this standard, which is effective for annual periods beginning on or after February 1, 2015, and is assessing the impact that this standard will have on its financial statements:

a) IFRS 9 Financial Instruments (new; to replace IAS 39 and IFRIC 9);

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's consolidated financial statements.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSET

	Balance January 31, 2013	Additions	Write-off	Balance January 31, 2014 and 2015
Acquisition costs:	$ 409,180	$ 76,361	$ (485,541)	$ -
Exploration costs:				
Administrative (Note 8)	360,017	24,000	(384,017)	-
Assaying	97,515	-	(97,515)	-
Drilling	826,757	-	(826,757)	-
Equipment rental	27,563	-	(27,563)	-
Field supplies	50,997	20,214	(71,211)	-
Geological consulting	922,047	23,095	(945,142)	-
Professional fees	12,000	-	(12,000)	-
Property maintenance	35,010	-	(35,010)	-
	2,331,906	67,309	(2,399,215)	-
	$ 2,741,086	$ 143,670	$ (2,884,756)	$ -

Mexican Hat Property

On May 15, 2009, the Company had entered into an option agreement to acquire a 100% interest in certain claims comprising the Mexican Hat Gold Property (the “Property”), located in Arizona, USA.

Management terminated the option agreement and, as a result, wrote-off all associated costs of the Property, totaling $2,884,756, to the statement of comprehensive loss at January 31, 2014. During the year ended January 31, 2015, the Company incurred $16,632 relating to expenditures on the Property, which were expensed to the statement of comprehensive loss.

5. RECEIVABLES

The Company’s receivables are comprised of GST receivable from the Government of Canada. During the year ended January 31, 2014, the Company received a notice of assessment from the Canada Revenue Agency (“CRA”) disallowing certain goods and services tax refunds claimed. The Company filed a notice of objection during the year ended January 31, 2014, which was approved by the CRA. However, as at January 31, 2015, the CRA had yet to reach a decision on the notice of objection. As a result, during fiscal 2014, the Company wrote-off GST receivable of $81,647.

6. TRADE AND OTHER PAYABLES

Trade and other payables are as follows:

	January 31, 2015	January 31, 2014
Trade payables (Note 8)	$ 619,877	$ 427,056
Accrued liabilities	10,000	96,690
Total	$ 629,877	$ 523,746

(Expressed in Canadian Dollars)

7. SHARE CAPITAL AND RESERVES

a) Authorized share capital

The authorized share capital of the Company is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. All issued shares, consisting only of common shares, are fully paid.

b) Issued share capital

There were no share capital transactions during the years ended January 31, 2015 and 2014.

c) Escrow shares

As at January 31, 2015, there are Nil (2014 – 2,139,601) common shares subject to escrow restrictions. The escrow shares were being released as to 10% on the date of listing and 15% every six months thereafter.

d) Stock options

The Company has an incentive stock options plan in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 5 years and vesting periods are determined by the Board of Directors.

There were no stock options granted during the years ended January 31, 2015 and 2014.

As at January 31, 2015, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Options	Exercise Price	Expiry Date
1,550,000	$ 0.35	August 30, 2016

Stock option transactions are summarized as follows:

	Number of Options		Exercise Price
Balance, January 31, 2013, and 2014	3,175,000	$	0.35
Cancelled	(1,625,000)		0.35
Balance, January 31, 2015	1,550,000	$	0.35
Number of options currently outstanding and exercisable	1,550,000	$	0.35

As at January 31, 2015, the remaining life of the options outstanding was 1.58 years (2014 – 2.58 years).

(Expressed in Canadian Dollars)

7. SHARE CAPITAL AND RESERVES (cont'd)

d) Warrants

There were no warrant transactions during the years ended January 31, 2015 and 2014.

At January 31, 2015, the Company has outstanding warrants entitling the holders to acquire additional common shares as follows:

Number of Shares	Exercise Price	Expiry Date
7,182,800	$0.20	September 4, 2017

As at January 31, 2015, the remaining life of the warrants outstanding was 2.59 years (2014 – 3.59 years).

e) Reserves

The reserves account consists of share-based payment reserve which records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

8. RELATED PARTY TRANSACTIONS

During the year ended January 31, 2015, the Company entered into the following transactions with related parties:

a) Incurred $72,000 (2014 - $72,000) for management fees to a company controlled by a director of the Company;
b) Incurred $nil (2014 - $9,000) for consulting fees to an officer of the Company;
c) Incurred $nil (2014 – $6,354) for geological consulting fees, recorded in write-off of exploration and evaluation asset, to a company controlled by a former director of the Company; and
d) Incurred $28,500 (2014 - $41,431) for professional fees of which $28,500 ($32,250) was paid or accrued to a company associated with the Chief Financial Officer of the Company and $nil ($9,181) was paid or accrued to a law firm of which a director of the Company is a partner; and
e) Incurred $nil (2014 - $24,000) for administrative fees, recorded in write-off of exploration and evaluation asset, to a company controlled by a former director of the Company.

At January 31, 2015, recorded in trade and other payables is $355,813 (2014 – $281,045) due to directors and officers and former directors of the Company. These amounts owing are non-interest bearing, unsecured and do not have a fixed term of repayment.

During the year ended January 31, 2015, the Company received $20,000 pursuant to a related party loan agreement. The loan bears interest at 12% per annum and is to be repaid within five days from the completion of the Company's next private placement. As at January 31, 2015, the Company accrued interest expense of $1,400.

Key management personnel compensation (including senior officers and directors of the Company):

	January 31, 2015	January 31, 2014
Short-term benefits	$ 100,500	$ 152,785

(Expressed in Canadian Dollars)

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing transaction during the year ended January 31, 2014 included reallocating $12,679 from reclamation bond to exploration and evaluation assets, and subsequently written-off.

10. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company uses the following hierarchy for determining and disclosing fair value of financial instruments:

Level 1 — quoted prices in active markets for identical assets and liabilities.

Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and trade payables approximate their fair value because of the short-term nature of these instruments.

The following is an analysis of the Company's financial instruments measured at fair value:

	As at January 31, 2015		
	Level 1	Level 2	Level 3
Cash	$ 4,712	$ -	$ -

	As at January 31, 2014		
	Level 1	Level 2	Level 3
Cash	$ 19,762	$ -	$ -

Financial risk factors

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

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and GST receivable. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with one major bank in Canada. There is a concentration of credit risk, which is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Management believes that the credit risk concentration with respect to financial instruments included in receivables is low because instruments are due from a government agency and cash is held with a reputable Canadian financial institution.

10. FINANCIAL RISK AND CAPITAL MANAGEMENT (cont'd)

Financial risk factors (cont'd)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at January 31, 2015, the Company had a cash balance of $4,712 (2014 - $19,762) to settle current liabilities of $651,277 (2014 - $523,746). To maintain liquidity, the Company is continually investigating financing opportunities. There can be no assurance these efforts will be successful in the future. All of the Company's financial liabilities are subject to normal trade terms. Liquidity risk is assessed as high.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

a) Interest rate risk

   Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk on its cash balances as these instruments roll over daily.

b) Foreign currency risk

   Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not currently exposed to significant foreign currency risk. The fluctuations in foreign exchange gains or losses are nominal.

c) Price risk

   The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's exploration and evaluation asset. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

(Expressed in Canadian Dollars)

10. FINANCIAL RISK AND CAPITAL MANAGEMENT (cont'd)

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

11. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	January 31, 2015	January 31, 2014
Loss for the year	$ (148,081)	$ (3,144,625)
Statutory tax rate	26.00%	25.83%
Expected income tax recovery	(38,501)	(812,257)
Permanent differences	(21,332)	12,813
Impact of tax rate change	-	(56,754)
Change in valuation allowance	59,883	856,198
Deferred income tax recovery	$ -	$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	January 31, 2015	January 31, 2014
Exploration and evaluation assets	$ 5,645,654	$ 5,629,022
Loss carry-forwards	2,623,979	2,423,501
Share issuance costs	39,720	110,071
Other	81,647	81,647
	$ 8,391,000	$ 8,224,241

(Expressed in Canadian Dollars)

11. **INCOME TAXES** (cont'd)

The tax pools relating to these deductible temporary differences expire as follows:

	Canadian exploration and evaluation assets	Foreign exploration and evaluation assets	Canadian loss carry-forwards	Share issuance costs
2016	$ -	$ -	$ -	$ 27,964
2017	-	-	-	11,756
2027	-	-	19,367	-
2028	-	-	60,208	-
2029	-	-	322,255	-
2030	-	-	243,819	-
2031	-	-	421,468	-
2032	-	-	566,139	-
2033	-	-	541,672	-
2034	-	-	230,620	-
2035	-	-	218,431	-
No expiry	978,490	4,667,164	-	-
	$ 978,490	$ 4,667,164	$ 2,623,979	$ 39,720

As at January 31, 2015, the Company has approximately $2,624,000 in non-capital losses that can be offset against taxable income in future years which begin expiring at various dates commencing in 2027. The potential future tax benefit of these losses has not been recorded as a full-future tax asset valuation allowance has been provided due to the uncertainty regarding the realization of these losses.

SCHEDULE B

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FOUR RIVER

FOUR RIVER VENTURES LTD.

Management's Discussion and Analysis

Six Months Ended July 31, 2016

This Management's Discussion and Analysis ("MD&A") for Four River Ventures Ltd. ("Four River" or the "Company") provides analysis of the Company's financial results for the six months ended July 31, 2016 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the six months ended July 31, 2016 and the related notes thereto, prepared in accordance with International Accounting Standard No.34, Interim Financial Reporting. This MD&A should also be read in conjunction with the Company's audited consolidated financial statements for the year ended January 31, 2016 and the related notes thereto. All amounts are expressed in Canadian dollars, unless otherwise stated. All documents previously mentioned are available on SEDAR at www.sedar.com. This discussion is based on information available as at September 29, 2016.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including that within the Company's financial statements and MD&A, is complete and reliable.

This MD&A contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

Description of Business

The Company was incorporated under the *Company Act* of British Columbia on February 2, 2007.

The Company is a public issuer reporting to the British Columbia and Alberta Securities Commissions and listed its shares on the TSX Venture Exchange (the "Exchange") in Canada on July 29, 2011 where it traded under the symbol AAL. On June 16, 2015, the Company changed its name to Four River Ventures Ltd. The Company no longer meets the minimum listing requirements for the Exchange and is now trading under the symbol FFC.H on the NEX of the Exchange.

The Company is continuing to examine and evaluate other prospects in the United States and Canada with the intent of identifying suitable projects for development.

PROPOSED TRANSACTION

The Company has entered into a letter of intent, dated Aug. 8, 2016 with a subsequent amendment dated September XX, 2016, relating to the acquisition of Canabo Medical Corp. ("Canabo"), a private corporation existing under the laws of Canada. This transaction will be effected through an exchange of securities with all of the security holders of Canabo.

Overview of Canabo

Canabo is a Canadian corporation, incorporated on March 19, 2014. Canabo operates through its wholly owned subsidiary, 2412550 Ontario Inc., doing business as the Cannabinoid Medical Clinic ("TCMC"), a private corporation existing under the laws of Ontario and incorporated on March 27, 2014. The principal business carried on and intended to be carried on by Canabo is the operation of medical clinics for evaluating the suitability of, prescribing and monitoring cannabinoid treatments for patients suffering from chronic pain and disabling illnesses. Clinics operated by Canabo are staffed by physicians and qualified health care practitioners specifically trained to assess patient suitability for cannabinoid treatment, recommend treatment regimes and monitor treatment progress. Canabo sees patients only on a physician-referral basis. The marihuana for medical purposes regulations (MMPR) require that medical marijuana must be prescribed by a health care practitioner. No cannabinoid products or medical marijuana will be sold at Canabo's cannabinoid medical clinics.

Canabo operates seven clinics across Canada, with aggressive plans for future expansion. Canabo plans to capitalize on the growing demand for medicinal marijuana, high-quality patient care and its research abilities.

The main components of Canabo's operations:

All patients referred to Canabo are fully assessed and their medical history reviewed prior to their visit to the CMClinic. Following consultation with a CMClinic's internally trained physician, patients selected for herbal cannabis products receive an introductory cannabinoid education session with one of CMClinic's trained cannabinoid educators. These sessions help patients navigate the new medical marijuana regulatory system, providing patient education with respect to treatment with cannabinoids and medical marijuana generally, the different cannabis strains and cannabinoid profiles, and how to access medical marijuana from a licensed producer.

Patients of CMClinic are reassessed for treatment with each prescription renewal appointment. In addition, the effect and success of the treatment on each patient are measured and tracked. CMClinic uses a sophisticated database model to collect treatment efficacy results, including in-person, Web-based and mobile platforms for patients to provide feedback on the effects of the treatments on their condition. CMClinic tracks efficacy trends on Canabo's total patient population by condition, severity, treatment and demographic profiles.

Subsequent to July 31, 2016, Canabo completed a private placement equity financing to raise $3,457,500, by the issuance of 6,915,000 common shares of Canabo at an offering price of $0.50 per share. Finders' fees of 7% and 10% broker’s warrants were payable in connection with the private placement as permitted under the policies of the exchange. The net proceeds from the private placement will be used by the resulting issuer to finance its expansion plan, to open up to six new clinics in the next approximate 12 months and for general working capital.

The transaction

As a condition of the proposed transaction, the Company proposes to complete a share consolidation on the basis of two old common shares of the Company for one new common share of the Company.

Pursuant to the terms of the acquisition, the Company will acquire all of the issued securities and control of Canabo, and as consideration, subject to TSX Venture Exchange (“exchange”) approval, the Company will issue approximately 27,546,900 common shares (post-consolidation) to the security holders of Canabo, representing approximately 91.6% of the issued and outstanding common shares of the company after completion of the acquisition on the basis of approximately one common share of the company for each one common share of Canabo outstanding.

Upon completion of the transaction, it is expected that the resulting issuer will meet the public distribution requirements of an exchange Tier 2 technology or life sciences issuer. Shareholders of the Company and the resulting issuer are expected to comply with any special escrow restrictions as are required to satisfy the exchange's minimum listing requirements, as well as to comply with applicable escrow policies of the exchange. It is also expected that the principals of Canabo will control the resulting issuer. No party involved in the transaction is a related or non-arm's-length party. No deposit or loan has been made to Canabo.

The Company must either convene a general meeting for the purpose of obtaining shareholder approval to the transaction, or obtain written consents from the holders of over 50 per cent of the total issued and outstanding shares of the Company approving the transaction, in accordance with the policies of the exchange. The completion of the transaction will be subject to at least the following mutual conditions precedent:

1. The execution of a definitive agreement;
2. The approval of all matters and documentation in support of the transaction (including and without limitation, the shareholders' approval and any required approval or consent of the shareholders of Canabo);
3. The receipt of all necessary regulatory and third party approvals, including the acceptance of the exchange, and compliance with all applicable regulatory requirements and conditions in connection with the transaction;
4. The appointment of a qualified sponsor, if required by the exchange;
5. The confirmation of the representations and warranties of each party to the definitive agreement as set out in such agreement;
6. The delivery of standard completion documentation;
7. Other conditions precedent customary for securities exchange transactions similar to this transaction.

In addition to the above-listed mutual conditions precedent, the completion of the transaction is also subject to the following conditions precedent in favour of Canabo:

1. The completion of a satisfactory due diligence review of the Company, its financial condition, operations, assets and liabilities, by Canabo and its professional advisers;
2. The completion of a share consolidation on the basis of two old common shares of the company for one new common share of company;
3. Receipt of the approval of the board of directors of Canabo.

In addition to the above-listed mutual conditions precedent and conditions precedent in favour of Canabo, the completion of the transaction is also subject to the following additional conditions precedent in favour of the Company:

1. The completion of a satisfactory due diligence review of Canabo, including a review of the valuation report, by the Company and its professional advisers;
2. The receipt of audited annual financial statements and reviewed interim financial statements of Canabo by the Company. The conditions precedent in favour of the Company may be waived in whole or in part by the Company, and the conditions precedent in favour of Canabo may be waived in whole or in part by Canabo.

The completion of the transaction is expected to occur on the day that is the seventh business day following the satisfaction or waiver of the conditions precedent, or such other date as mutually agreed to by the Company and Canabo, but in any event no later than December 31, 2016. Each of the Company and Canabo will bear its own respective costs and expenses associated with the transaction. The Company intends to apply for a waiver or an exemption from sponsorship requirements; however, there is no assurance that the Company will be able to obtain this exemption.

Overview of management and the board of directors

Management

It is expected that the management of the resulting issuer will consist of John Philpott as president and chief executive officer, Dr. Danial Schecter as chief medical officer and Rob Randall as chief financial officer and corporate secretary. Mr. Philpott, president and chief operating officer of Canabo, has been active in the medical industry for the past two decades, serving as CEO of a leading North American physician recruitment firm. His background includes management and consulting assignments relating to clinic operational efficiencies in a wide variety of hospital, clinic and medical research operations.

Dr. Schecter, a director of Canabo, is a founder, chief medical officer and a director of CMC, and is primarily responsible for supervising the medical consulting services of the operation. After working alongside some of Canada's leading researchers in the field of medical marijuana, Dr. Schecter developed a strong interest in the therapeutic use of cannabinoids. As a recognized medical expert in the field of prescription cannabinoids and medical marijuana, Dr. Schecter has given numerous presentations to fellow physicians and developed educational programs on this subject. Dr. Schecter is the driving force behind physician training and operating process protocol, and he oversees cannabinoid educator programs and designed the CMClinic treatment efficacy database and protocols.

Mr. Randall, CFO and secretary of Canabo, has served as contract CFO for a number of companies listed on the TSX Venture Exchange over the past five years and has extensive financial experience within the public company environment. He currently serves as CFO for Stockport Exploration Inc. and Metallum Resources Inc. Previously, he was the corporate controller with Etruscan Resources Inc. and a principal with PricewaterhouseCoopers.

Board of directors

It is the intention of the company and Canabo to establish and maintain a board of directors with a combination of appropriate skill sets that is compliant with all regulatory and corporate governance requirements, including any applicable independence requirements. The board of directors of the company currently consists of three members. Upon completion of the transaction, the board of the resulting issuer is expected to be reconstituted to comprise five members, consisting of Alistair MacLennan and Robert Coltura (current directors of the company), and Dr. Schecter, Dr. Neil Smith and Ian Klassen (current directors of Canabo).

Change of name

The Company proposes to change its name on closing to Canabo Medical Inc., or such other name as is acceptable to the registrar of companies and the exchange.

In accordance with exchange policy, the Company's shares are currently halted from trading and are expected to remain halted until after the exchange accepts and confirms the completion of the transaction.

Private Placement

On March 22, 2016, the Company completed a non-brokered private placement for total proceeds of $153,750 through the issuance of 3,075,000 units. Each unit was priced at $0.05, and is comprised of one common share in the capital of the Company and one share purchase warrant. Each share purchase warrant will enable the holder to acquire one additional common share of the Company at a price of $0.075 per share for a period of 12 months from closing.

Management Changes

On June 16, 2016, the Company announced the appointment of Mr. Robert Coltura to the board of directors, replacing Mr. Robin Forshaw. Additionally, the Company appointed Mr. Alistair MacLennan as its President and Chief Executive Officer replacing Mr. Forshaw.

Quarterly Information

	Three Months Ended July 31, 2016	Three Months Ended April 30, 2016	Three Months Ended January 31, 2016	Three Months Ended October 31, 2015
Total assets	$ 59,381	$ 71,571	$ 4,164	$ 7,444
Working capital deficiency	(523,706)	(501,740)	(653,084)	(693,799)
Net income (loss) for the period	(21,361)	(2,406)	40,715	(26,393)
Earnings (loss) per share	(0.00)	(0.00)	0.02	(0.01)

	Three Months Ended July 31, 2015	Three Months Ended April 30, 2015	Three Months Ended January 31, 2015	Three Months Ended October 31, 2014
Total assets	$ 7,996	$ 24,257	$ 8,177	$ 11,503
Working capital deficiency	(667,406)	(655,901)	(643,100)	(606,056)
Net income (loss) for the period	(11,505)	(12,801)	(42,544)	(24,696)
Earnings (loss) per share	(0.00)	(0.00)	(0.02)	(0.01)

Fiscal 2017

During the second quarter of fiscal 2017, the Company recorded a loss of $21,361. Included in this loss was a foreign exchange loss of $4,204 as a result of the effect of a change of foreign currency rates on US$ denominated payables. This item was offset by general operating expenses incurred during the three months ended July 31, 2016.

During the first quarter of fiscal 2017, the Company recorded a loss of $2,406. Included in this loss was a foreign exchange gain of $12,073 as a result of the effect of a change of foreign currency rates on US$ denominated payables. This item was offset by general operating expenses incurred during the three months ended April 30, 2016.

Fiscal 2016

During the fourth quarter of fiscal 2016, the Company recorded net income of $40,715. Included in net income was the recovery of expenses in the amount of $52,983. During the fourth quarter of fiscal 2016, the Company adjusted its estimates on certain expenses that were accrued during previous years. Additionally, during the fourth quarter of fiscal 2016, the Company recorded a recovery of GST receivable previously written off in the amount of $24,695 and a gain on settlement of debt of $4,435. These items were partially offset by general operating expenses. No such transactions occurred during the comparative period.

During the third quarter of fiscal 2016, the Company incurred a loss of $26,393. During this quarter, the Company recorded a $2,929 recovery of GST receivable previously written off and recorded a foreign exchange loss of $22,153 as a result of the effect of a change of foreign currency rates on US$-denominated payables.

During the second quarter of fiscal 2016, the Company incurred a loss of $11,505 which was similar to the loss incurred during the first quarter of fiscal 2016. During this quarter, the Company recorded a $6,055 recovery of GST receivable previously written off, changed its name, and completed a 20-old for 1-new share consolidation.

During the first quarter of fiscal 2016, the Company incurred a loss of $12,801, which was a decrease from a loss of $42,544 incurred during the previous quarter. The main reason for the change in loss was due to the Company's audit accrual in the previous quarter and the cessation of the accrual of management fees.

<u>Fiscal 2015</u>

During the fourth quarter of fiscal 2015, the Company incurred a loss of $42,544, which was an increase from a loss of $24,696 incurred during the previous quarter. The reason for the change in loss was due to the Company accruing for its annual audit cost.

During the third quarter of fiscal 2015, the Company incurred a loss of $24,696, which was a decrease from a loss of $32,000 incurred during the previous quarter. The reason for the change in loss was due to a decrease in overall general operating expenditures.

Liquidity and Capital Resources

The Company commenced fiscal 2017 with a working capital deficiency of $653,084 and cash of $3,669. As at July 31, 2016, the Company's working capital deficiency was $523,706 and its cash position was $59,381. During the six months ended July 31, 2016, the Company used cash of $98,038 (2015 - $33,464) for operating activities and received $153,750 pursuant to a private placement (see Private Placement section above).

The Company does not anticipate generating revenues in the near future and intends to seek other business opportunities. Any future activities will need to be funded through additional equity financings or loans.

Related party transactions

During the six months ended July 31, 2016, the Company entered into the following transaction with a related party:

- Incurred $15,000 (2015 - $15,000) for professional fees paid or accrued to a company associated with the Chief Financial Officer of the Company.

As at July 31, 2016, recorded in trade and other payables is $491,182 (January 31, 2016 - $549,303) due to directors, officers and significant shareholders, and to companies associated with or controlled by directors, officers and significant shareholders of the Company. These amounts owing are non-interest bearing, unsecured and do not have a fixed term of repayment.

Key management personnel compensation (including senior officers and directors of the Company):

	July 31, 2016	July 31, 2015
Short-term benefits	$ 15,000	$ 15,000

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements as of the date of this MD&A.

Contingencies

The Company has no contingencies as of the date of this MD&A.

Investor Relations

The Company has not entered into any investor relations agreements as of the date of this MD&A.

Proposed Transactions

The Company has not entered into any undisclosed proposed transactions as of the date of this MD&A.

Financial Risk and Capital Management

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash, trade payables and loans approximate their fair value because of the short-term nature of these instruments.

The following is an analysis of the Company's financial instruments measured at fair value:

	As at July 31, 2016		
	Level 1	Level 2	Level 3
Cash	$ 59,381	$ -	$ -

	As at January 31, 2016		
	Level 1	Level 2	Level 3
Cash	$ 3,669	$ -	$ -

Financial risk factors

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

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. The Company's primary exposure to credit risk is on its cash held in bank accounts. Cash is deposited in bank accounts held with one major bank in Canada. There is a concentration of credit risk, which is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Management believes that the credit risk with respect to cash and receivables is low because receivables are due primarily from government agencies and cash is held with reputable Canadian financial institutions. Credit risk is assessed as low.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at July 31, 2016, the Company had a cash balance of $59,381 (January 31, 2016 - $3,669) to settle current liabilities of $583,297 (January 31, 2016 - $657,248). To maintain liquidity, the Company is continually investigating financing opportunities. There can be no assurance these efforts will be successful in the future. All of the Company's financial liabilities are subject to normal trade terms. Liquidity risk is assessed as high.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk on its cash balances as these instruments roll over daily.

b) Foreign currency risk

The Company is exposed to foreign currency risk as some of its trade and other payables are denominated in US Dollars (USD). The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The Company's foreign currency risk exposures is as follows:

	July 31, 2016		January 31, 2016	
	USD	CAD	USD	CAD
Trade and other payables	$87,000	$113,417	$87,000	$113,735

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition and development of exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management from January 31, 2016.

Risks and Uncertainties

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, the Company has no mineral property. Once another property is acquired, the main operating risks will include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that claims and leases are in good standing and obtaining permits for drilling and other exploration activities. The market prices for gold and other metals can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.

Outstanding Share Data

As at September 29, 2016, there were 5,072,900 common shares issued and outstanding. In addition, there were 359,140 warrants outstanding with an exercise price of $4.00 per share which expire on September 4, 2017, 3,075,000 warrants with an exercise price of $0.075 per share which expire on March 22, 2017. There are no stock options outstanding as at the date of this MD&A.

Forward-Looking Statements

This MD&A contains certain forward-looking statements relating, but not limited to, the Company's operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "may", "will", "should", "expects", "projects", "plans", "anticipates" or similar expressions suggesting future outcomes.

Four River Ventures Ltd. does not have a history of earnings. These statements represent management's expectations or beliefs concerning, among other things, future performance and financial results and various components thereof. Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking assumptions will not be achieved by the Corporation. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, including but not limited to: changes in business strategies; general economic and business conditions; the effects of competition; changes in laws and regulations, including environmental and regulatory laws; and various events that could disrupt operations. Actual performance and financial results in future periods may differ materially from any projections of future performance or results expressed or implied by forward-looking statements.

Four River undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise, or the foregoing list of factors affecting such information.

FOUR RIVER VENTURES LTD.
(formerly Auracle Resources Ltd.)

Management's Discussion and Analysis

Year Ended January 31, 2016

This Management's Discussion and Analysis ("MD&A") of Four River Ventures Ltd. (formerly Auracle Resources Ltd.) ("Four River" or the "Company") provides analysis of the Company's financial results for the year ended January 31, 2016 and should be read in conjunction with the accompanying audited consolidated financial statements for the year ended January 31, 2016 and the related notes thereto. Those consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS). All dollar amounts included therein and in the following management discussion and analysis are expressed in Canadian dollars except where noted. This discussion is based on information available as at May 11, 2016.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including that within the Company's financial statements and MD&A, is complete and reliable.

This MD&A contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

Description of Business

The Company was incorporated under the *Company Act* of British Columbia on February 2, 2007.

The Company is a public issuer reporting to the British Columbia and Alberta Securities Commissions and listed its shares on the TSX Venture Exchange (the "Exchange") in Canada on July 29, 2011 where it traded under the symbol AAL. On June 16, 2015, the Company changed its name to Four River Ventures Ltd. The Company no longer meets the minimum listing requirements for the Exchange and is now trading under the symbol FFC.H on the NEX of the Exchange.

The Company is continuing to examine and evaluate other prospects in the United States and Canada with the intent of identifying suitable projects for development.

OVERVIEW

Share Consolidation

On June 16, 2015, the Company completed a 20-old for 1-new share consolidation and a name change to Four River Ventures Ltd. All common shares, warrants, options, loss per share and weighted average number of shares outstanding have been retroactively restated for this share consolidation

Private Placement

On March 22, 2016, the Company completed a non-brokered private placement for total proceeds of $153,750 through the issuance of 3,075,000 units. Each unit was priced at $0.05, and is comprised of one common share in the capital of the Company and one share purchase warrant. Each share purchase warrant will enable the holder to acquire one additional common share of the Company at a price of $0.075 per share for a period of 12 months from closing.

Management Changes

On January 8, 2016, the Company announced the appointment of Mr. Alistar MacLennan to the board of directors, replacing Mr. Ross McCutcheon.

Mexican Hat Property

On May 15, 2009, the Company entered into an option agreement to acquire a 100% interest in certain claims comprising the Mexican Hat Gold Property (the "Property"), located in Arizona, USA.

Management terminated the option agreement and, as a result, wrote-off all associated costs of the Property, totaling $2,884,756, to the statement of comprehensive loss at January 31, 2014. During the year ended January 31, 2015, the Company incurred $16,632 relating to expenditures on the Property, which were expensed to the statement of comprehensive loss.

Selected Annual Financial Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Company's audited annual Consolidated Financial Statements.

		Year Ended January 31, 2016		Year Ended January 31, 2015		Year Ended January 31, 2014
Loss for the year	$	(9,984)	$	(148,081)	$	(3,144,626)
Loss per share		(0.00)		(0.01)		(0.08)
Total assets		4,194		8,177		23,227
Total long-term liabilities		-		-		-

Results of Operations

Fourth Quarter Results

The Company recorded net income (loss) of $40,715 (2015 – ($42,544)) for the three months ended January 31, 2016. Included in the 2016 net income was the recovery of expenses in the amount of $52,983. During the fourth quarter of 2016, the Company adjusted its estimates of certain expenses that were accrued during previous years. Additionally, during the fourth quarter of 2016, the Company recorded a recovery of GST receivable previously written-off in the amount of $24,695 (2015 - $Nil) and a gain on settlement of debt of $4,435 (2015 - $Nil). These items were partially offset by general operating expenses. No such transactions occurred during the comparative period.

Year Ended January 31, 2016

The Company recorded a loss of $9,984 (2015 - $148,081) for the year ended January 31, 2016. Some significant items that comprise the change in loss are as follows:

The write-off of exploration and evaluation assets of $Nil (2015 - $16,632), as the Company wrote off the Mexican Hat property during the year ended January 31, 2014, with residual costs written off during fiscal 2015.

Foreign exchange loss of $24,582 (2015 - $217) was recorded during the current year. This amount was a result of holding a US$-denominated payable of US$87,000.

A gain on settlement of debt of $4,435 (2015 - $Nil) was recorded during the current year. The Company settled an outstanding debt of $4,928 with a certain creditor. The creditor agreed to settle the debt for $493, resulting in a gain of $4,435. No such transaction occurred during the comparative year.

Management fees of $Nil (2015 - $72,000) were incurred during the current year. A director of the Company was charging $6,000 per month during fiscal 2015. As of February 1, 2015, that director ceased charging the Company for management fees.

Professional fees of $37,114 (2015 - $39,880) were incurred during the current year, a decrease from the prior year. The decrease in professional fees was a result of a reduction of legal fees incurred.

Recovery of GST receivable previously written-off of $24,695 (2015 - $Nil), as the Company wrote off $81,647 of GST in fiscal 2014 that was not deemed collectable. During the year ended January 31, 2016, the Company was able to recover a portion of the written-off amount.

Transfer agent and filing fees of $24,986 (2015 - $11,868) were incurred during the current year. The increase was primarily a result of the share consolidation that occurred during the current year.

Quarterly Information

	Three Months Ended January 31, 2016	Three Months Ended October 31, 2015	Three Months Ended July 31, 2015	Three Months Ended April 30, 2015
Total assets	$ 4,164	$ 7,444	$ 7,996	$ 24,257
Working capital deficiency	(653,084)	(693,799)	(667,406)	(655,901)
Net income (loss) for the period	40,715	(26,393)	(11,505)	(12,801)
Earnings (loss) per share	0.02	(0.01)	(0.00)	(0.00)

	Three Months Ended January 31, 2015	Three Months Ended October 31, 2014	Three Months Ended July 31, 2014	Three Months Ended April 30, 2014
Total assets	$ 8,177	$ 11,503	$ 12,792	$ 17,676
Working capital deficiency	(643,100)	(606,056)	(581,360)	(549,360)
Net income (loss) for the period	(42,544)	(24,696)	(32,000)	(48,841)
Earnings (loss) per share	(0.02)	(0.01)	(0.02)	(0.02)

Fiscal 2016

During the fourth quarter of fiscal 2016, the Company recorded net income of $40,715 for the three months ended January 31, 2016. Included in net income was the recovery of expenses in the amount of $52,983. During the fourth quarter of fiscal 2016, the Company adjusted its estimates on certain expenses that were accrued during previous years. Additionally, during the fourth quarter of fiscal 2016, the Company recorded a recovery of GST receivable previously written off in the amount of $24,695 and a gain on settlement of debt of $4,435. These items were partially offset by general operating expenses. No such transactions occurred during the comparative period.

During the third quarter of fiscal 2016, the Company incurred a loss of $26,393. During this quarter, the Company recorded a $2,929 recovery of GST receivable previously written off and recorded a foreign exchange loss of $22,153 as a result of the effect of a change of foreign currency rates on US$-denominated payables.

During the second quarter of fiscal 2016, the Company incurred a loss of $11,505 which was similar to the loss incurred during the first quarter of fiscal 2016. During this quarter, the Company recorded a $6,055 recovery of GST receivable previously written off, changed its name, and completed a 20-old for 1-new share consolidation.

During the first quarter of fiscal 2016, the Company incurred a loss of $12,801, which was a decrease from a loss of $42,544 incurred during the previous quarter. The main reason for the change in loss was due to the Company's audit accrual in the previous quarter and the cessation of the accrual of management fees.

Fiscal 2015

During the fourth quarter of fiscal 2015, the Company incurred a loss of $42,544, which was an increase from a loss of $24,696 incurred during the previous quarter. The reason for the change in loss was due to the Company accruing for its annual audit cost.

During the third quarter of fiscal 2015, the Company incurred a loss of $24,696, which was a decrease from a loss of $32,000 incurred during the previous quarter. The reason for the change in loss was due to a decrease in overall general operating expenditures.

During the second quarter of fiscal 2015, the Company incurred a loss of $32,000, which was a decrease from a loss of $48,841 incurred during the previous quarter. The main reason for the decrease in the loss was the write-off of additional costs incurred on the Company's exploration and evaluation asset of $16,632 during the previous quarter, with no such transaction taking place during the current quarter.

During the first quarter of fiscal 2015, the Company incurred a loss of $48,841, which was a decrease from a loss of $3,041,843 incurred during the previous quarter. The main reasons for the decrease in the loss was the write-off of the Company's exploration and evaluation asset of $2,884,756 during the fourth quarter of fiscal 2014 (compared to $16,632 in the current quarter), as well as the write-off of GST receivable of $81,647 and a decrease in professional fees due the Company's annual audit fee accrual being recorded during the prior quarter.

Liquidity and Capital Resources

The Company commenced fiscal 2016 with a working capital deficiency of $643,100 and cash of $4,712. As at January 31, 2016, the Company's working capital deficiency was $653,084 and its cash position was $3,669. During the year ended January 31, 2016, the Company used cash of $35,491 (2015 - $40,550) for operating activities and received $34,448 (2015 - $20,000) pursuant to loans payable.

During March 2016, the Company completed a non-brokered private placement for total proceeds of $153,750 through the issuance of 3,075,000 units. Each unit was priced at $0.05, and is comprised of one common share in the capital of the Company and one share purchase warrant. Each share purchase warrant will enable the holder to acquire one additional common share of the Company at a price of $0.075 per share for a period of 12 months from closing.

The Company does not anticipate generating revenues in the near future and intends to seek other business opportunities. Any future activities will need to be funded through additional equity financings or loans.

Related party transactions

During the year ended January 31, 2016, the Company entered into the following transactions with related parties:

a) Paid or accrued $Nil (2015 - $72,000) for management fees to Domus Capital Inc., a company controlled by a director of the Company; and
b) Paid or accrued $22,500 (2015 - $28,500) for professional fees to iO Corporate Services Ltd., a company associated with the Chief Financial Officer of the Company.

At January 31, 2016, recorded in trade and other payables is $554,428 (January 31, 2015 – $325,890) due to directors, officers and significant shareholders and to companies associated with or controlled by directors, officers and significant shareholders of the Company. These amounts owing are non-interest bearing, unsecured and do not have a fixed term of repayment.

During the year ended January 31, 2016, the Company received $34,448 pursuant to a loan agreement. The loan is non-interest bearing and has no fixed terms of repayment.

During the year ended January 31, 2015, the Company received $20,000 pursuant to a related party loan agreement. The loan bears interest at 12% per annum. As at January 31, 2016, the Company accrued interest expense of $3,815 (January 31, 2015 - $1,400) in conjunction with this loan.

Key management personnel compensation (including senior officers and directors of the Company):

	January 31, 2016	January 31, 2015
Short-term benefits	$ 22,500	$ 100,500

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements as of the date of this MD&A.

Contingencies

The Company has no contingencies as of the date of this MD&A.

Investor Relations

The Company has not entered into any investor relations agreements as of the date of this MD&A.

Proposed Transactions

The Company has not entered into any proposed transactions as of the date of this MD&A.

Financial Risk and Capital Management

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash, receivables and trade and other payables approximate their fair value because of the short-term nature of these instruments.

The following is an analysis of the Company's financial instruments measured at fair value:

	As at January 31, 2016		
	Level 1	**Level 2**	**Level 3**
Cash	$ 3,669	$ -	$ -

	As at January 31, 2015		
	Level 1	**Level 2**	**Level 3**
Cash	$ 4,712	$ -	$ -

Financial risk factors

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

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts. The majority of cash is deposited in bank accounts held with one major bank in Canada. There is a concentration of credit risk, which is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote because instruments are due primarily from government agencies and cash and cash equivalents is held with reputable Canadian financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at January 31, 2016, the Company had a cash balance of $3,669 (January 31, 2015 - $4,712) to settle current liabilities of $657,248 (January 31, 2015 - $651,277). To maintain liquidity, the Company is continually investigating financing opportunities. There can be no assurance these efforts will be successful in the future. All of the Company's financial liabilities are subject to normal trade terms. Liquidity risk is assessed as high.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk on its cash balances as these instruments roll over daily.

b) Foreign currency risk

The Company is exposed to foreign currency risk as some of its accounts payable and accrued liabilities are held in US Dollars (USD). The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The exposure of the Company's accounts payable and accrued liabilities is as follows:

	January 31, 2016		January 31, 2015	
	Amount in USD	Amount in CAD	Amount in USD	Amount in CAD
Accounts payable and accrued liabilities	87,000	113,735	87,000	91,107

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management from January 31, 2015.

Risks and Uncertainties

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, the Company has no mineral property. Once another property is acquired, the main operating risks will include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that claims and leases are in good standing and obtaining permits for drilling and other exploration activities. The market prices for gold and other metals can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.

Outstanding Share Data

As at May 11, 2016, there were 5,072,900 common shares issued and outstanding. In addition, there were 359,140 warrants outstanding with an exercise price of $4.00 per share which expire on September 4, 2017; 3,075,000 warrants with an exercise price of $0.075 per share which expire on March 22, 2017; and 55,000 stock options outstanding with an exercise price of $7.00 per share, expiring August 30, 2016.

Forward-Looking Statements

This MD&A contains certain forward-looking statements relating, but not limited to, the Company’s operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "may", "will", "should", "expects", "projects", "plans", "anticipates" or similar expressions suggesting future outcomes.

Four River Ventures Ltd. does not have a history of earnings. These statements represent management’s expectations or beliefs concerning, among other things, future performance and financial results and various components thereof. Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking assumptions will not be achieved by the Corporation. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, including but not limited to: changes in business strategies; general economic and business conditions; the effects of competition; changes in laws and regulations, including environmental and regulatory laws; and various events that could disrupt operations. Actual performance and financial results in future periods may differ materially from any projections of future performance or results expressed or implied by forward-looking statements.

Four River undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise, or the foregoing list of factors affecting such information.

AURACLE RESOURCES LTD.

Management's Discussion and Analysis

Year Ended January 31, 2015

This Management's Discussion and Analysis ("MD&A") of Auracle Resources Corp. ("Auracle" or the "Company") provides analysis of the Company's financial results for the year ended January 31, 2015 and should be read in conjunction with the accompanying audited consolidated financial statements for the year ended January 31, 2015 and the related notes thereto. Those consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS). All dollar amounts included therein and in the following management discussion and analysis are expressed in Canadian dollars except where noted. This discussion is based on information available as at June 1, 2015.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including that within the financial statements and MD&A, is complete and reliable.

This MD&A contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

Description of Business

The Company was incorporated under the *Company Act* of British Columbia on February 2, 2007.

The Company is a public issuer reporting to the British Columbia and Alberta Securities Commissions and successfully listed its shares on the TSX Venture Exchange (the "Exchange") in Canada on July 29, 2011 where it trades under the symbol AAL.

The Company is continuing to examine and evaluate other prospects in the United States and Canada with the intent of identifying precious metal prospects suitable for advanced exploration and development.

OVERVIEW

Mexican Hat Property

On May 15, 2009, the Company entered into an option agreement to acquire a 100% interest in certain claims comprising the Mexican Hat Gold Property (the "Property"), located in Arizona, USA.

Management terminated the option agreement and, as a result, wrote-off all associated costs of the Property, totaling $2,884,756, to the statement of comprehensive loss at January 31, 2014. During the year ended January 31, 2015, the Company incurred $16,632 relating to expenditures on the Property, which were expensed to the statement of comprehensive loss.

Selected Annual Financial Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Consolidated Financial Statements.

	Year Ended January 31, 2015	Year Ended January 31, 2014	Year Ended January 31, 2013
Loss for the year	$ (148,081)	$ (3,144,626)	$ (509,621)
Loss per share	(0.01)	(0.08)	(0.(
Total assets	8,177	23,227	2,950,979
Total long-term liabilities	-	-	-

Results of Operations

Fourth Quarter Results

The Company recorded a loss of $42,544 (2014 - $3,041,843) for the three months ended January 31, 2015. Included in the 2014 loss was the write-off of the Company's exploration and evaluation asset of $2,884,756. No such write-off occurred in the fourth quarter of fiscal 2015. The Company also wrote-off $81,647 of GST receivable in the fourth quarter of fiscal 2014. No such write-off occurred in the fourth quarter of fiscal 2015.

Year Ended January 31, 2015

The Company recorded a loss of $148,081 (2014 - $3,144,626) for the year ended January 31, 2015. Some significant items that comprised the change in loss are as follows:

The write-off of exploration and evaluation assets of $16,632 (2014 - $2,884,756), as the Company wrote-off the Mexican Hat property during the year ended January 31, 2014, with residual costs written off during the current year.

The write-off of GST receivable of $nil (2014 - $81,647), as the Company wrote off GST that was not deemed collectable.

Professional fees of $39,880 (2014 -$66,266) were incurred during the current year, a decrease from the prior year. The decrease in professional fees was a result less legal fees incurred.

Quarterly Information

	Three Months Ended January 31, 2015	Three Months Ended October 31, 2014	Three Months Ended July 31, 2014	Three Months Ended April 30, 2014
Total assets	$ 8,177	$ 11,503	$ 12,792	$ 17,676
Exploration and evaluation asset	-	-	-	-
Working capital deficiency	(643,100)	(606,056)	(581,360)	(549,360)
Loss for the period	(42,544)	(24,696)	(32,000)	(48,841)

	Three Months Ended January 31, 2014	Three Months Ended October 31, 2013	Three Months Ended July 31, 2013	Three Months Ended April 30, 2013
Total assets	$ 23,227	$ 2,971,291	$ 2,968,435	$ 2,988,279
Exploration and evaluation asset	-	2,831,492	2,806,512	2,783,507
Working capital deficiency	(500,519)	(343,805)	(292,432)	(231,428)
Loss for the period	(3,041,843)	(26,393)	(37,999)	(38,391)

Fiscal 2015

During the fourth quarter of fiscal 2015, the Company incurred a loss of $42,544, which was an increase from a loss of $24,696 incurred during the previous quarter. The reason for the change in los is due to the Company accruing for its annual audit cost.

During the third quarter of fiscal 2015, the Company incurred a loss of $24,696, which was a decrease from a loss of $32,000 incurred during the previous quarter. The reason for the change in loss is due to a decrease in overall general operating expenditures.

During the second quarter of fiscal 2015, the Company incurred a loss of $32,000, which was a decrease from a loss of $48,841 incurred during the previous quarter. The main reason for the decrease in the loss was the write-off of additional costs incurred on the Company's exploration and evaluation asset of $16,632 during the previous quarter, with no such transaction taking place during the current quarter.

During the first quarter of fiscal 2015, the Company incurred a loss of $48,841, which was a decrease from a loss of $3,041,843 incurred during the previous quarter. The main reasons for the decrease in the loss was the write-off of the Company's exploration and evaluation asset of $2,884,756 during the fourth quarter of fiscal 2014 (compared to $16,632 in the current quarter), as well as the write-off of GST receivable of $81,647 and a decrease in professional fees due the Company's annual audit fee accrual being recorded during the prior quarter.

Fiscal 2014

During the fourth quarter of fiscal 2014, the Company incurred a loss of $3,041,843, which was an increase from a loss of $26,393 incurred during the previous quarter. The main reasons for the increase in the loss was the write-off of the Company's exploration and evaluation asset of $2,884,756, the write-off of GST receivable of $81,647, and an increase in professional fees due to the Company accruing for its annual audit.

During the third quarter of fiscal 2014, the Company incurred a loss of $26,393, which was consistent with the loss of $37,999 incurred during the previous quarter.

During the second quarter of fiscal 2014, the Company incurred a loss of $37,999, compared to a loss of $38,391 incurred during the previous quarter. The decrease was a result of a decrease in transfer agent and filing fees as the Company paid its annual sustaining fee in the previous quarter. The decrease of transfer agent and filing fees was partially offset by an increase in professional fees as a result of work performed to complete the Company's yearend audit.

During the first quarter of fiscal 2014, the Company incurred a loss of $38,391 compared to a loss of $132,323 incurred during the previous quarter. The decrease was a result of the overall reduction of expenditures by the Company so as to conserve its cash balance. The previous quarter also included $28,500 in consulting fees in connection with the write-off of transaction costs related to a proposed financing. Also during the first quarter of fiscal 2014, the Company incurred $24,021 in exploration expenditures and $18,500 in acquisition costs on the Mexican Hat property.

Liquidity and Capital Resources

The Company commenced fiscal 2015 with a working capital deficiency of $500,519 and cash of $19,762. As at January 31, 2015, the Company's working capital deficiency was $643,100 and its cash position was $4,712. The Company used cash of $40,550 for operating activities and received $20,000 pursuant to a related party loan payable.

As at June 1, 2015, the Company does not have sufficient capital to fund its ongoing administrative costs for the next twelve months and is currently seeking additional financing.

The Company does not anticipate generating revenues in the near future and intends to seek other business opportunities. Any future activities will need to be funded through additional equity financings or loans.

Related party transactions

During the year ended January 31, 2015, the Company entered into the following transactions with related parties:

a) Paid or accrued $72,000 (2014 - $72,000) for management fees to Domus Capital Inc., a company controlled by a director of the Company; and
b) Paid or accrued $28,500 (2014 - $32,250) for professional fees to iO Corporate Services Ltd., a company associated with the Chief Financial Officer of the Company.

At January 31, 2015, recorded in trade and other payables is $257,339 (2014 – $281,045) due to directors and shareholders of the Company. These amounts owing are non-interest bearing, unsecured and do not have a fixed term of repayment.

During the year ended January 31, 2015, the Company entered into a related party loan agreement for a loan of $20,000. The loan bears interest at 12% per annum, and is to be repaid within five days from the completion of the Company's next private placement. As at January 31, 2015, the Company accrued interest expense of $1,400.

Key management personnel compensation (including senior officers and directors of the Company):

	January 31, 2015	January 31, 2014
Short-term benefits	$ 100,500	$ 152,785

Off Balance Sheet Arrangements

The Company has no off-Balance Sheet arrangements as of the date of this report.

Contingencies

The Company has no contingencies as of the date of this report.

Investor Relations

The Company has not entered into any investor relations agreements as of the date of this report.

Proposed Transactions

The Company has not entered into any proposed transactions as of the date of this report.

Financial Risk and Capital Management

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, receivables and trade and other payables approximate their fair value because of the short-term nature of these instruments.

The following is an analysis of the Company's financial instruments measured at fair value:

	As at January 31, 2015		
	Level 1	**Level 2**	**Level 3**
Cash	$ 4,712	$ -	$ -

	As at January 31, 2014		
	Level 1	**Level 2**	**Level 3**
Cash	$ 19,762	$ -	$ -

Financial risk factors

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

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts. The majority of cash is deposited in bank accounts held with one major bank in Canada. There is a concentration of credit risk, which is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote because instruments are due primarily from government agencies and cash and cash equivalents is held with reputable Canadian financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at January 31, 2015, the Company had a cash balance of $4,712 (2014 - $19,762) to settle current liabilities of $651,277 (2014 - $523,746). To maintain liquidity, the Company is continually investigating financing opportunities. There can be no assurance these efforts will be successful in the future. All of the Company's financial liabilities are subject to normal trade terms. Liquidity risk is assessed as high.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk on its cash balances as these instruments roll over daily.

b) Foreign currency risk

The Company is not currently exposed to significant foreign currency risk as most transactions are denominated in Canadian dollars.

c) Price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's exploration and evaluation asset. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.
The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

Risks and Uncertainties

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, the Company's property has no known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that claims and leases are in good standing and obtaining permits for drilling and other exploration activities. The market prices for gold and other metals can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.

Outstanding Share Data

As at June 1, 2015, there were 39,958,006 common shares issued and outstanding. In addition, there were 7,182,800 warrants outstanding, which expire on September 4, 2017 with an exercise price of $0.20 per share and 1,550,000 stock options outstanding with an exercise price of $0.35 per share, expiring August 30, 2016.

Forward-Looking Statements

This MD&A contains certain forward-looking statements relating, but not limited to, the Company’s operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "may", "will", "should", "expects", "projects", "plans", "anticipates" or similar expressions suggesting future outcomes.

Auracle does not have a history of earnings. These statements represent management’s expectations or beliefs concerning, among other things, future performance and financial results and various components thereof. Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking assumptions will not be achieved by the Corporation. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, including but not limited to: changes in business strategies; general economic and business conditions; the effects of competition; changes in laws and regulations, including environmental and regulatory laws; and various events that could disrupt operations. Actual performance and financial results in future periods may differ materially from any projections of future performance or results expressed or implied by forward-looking statements.

Auracle undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise, or the foregoing list of factors affecting such information.

AURACLE RESOURCES LTD.

Amended Management Discussion and Analysis

Year Ended January 31, 2014

This discussion and analysis of financial position and results of operations ("MD&A") is prepared as at June 2, 2014, and should be read in conjunction with the audited consolidated financial statements for the years ended January 31, 2014 and 2013 of Auracle Resources Ltd. (the "Company" or "Auracle") with the related notes thereto. Those consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS). All dollar amounts included therein and in the following management discussion and analysis are expressed in Canadian dollars except where noted.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the financial statements and MD&A, is complete and reliable.

This MD&A contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

Description of Business

The Company was incorporated under the *Company Act* of British Columbia on February 2, 2007.

The Company is a public issuer reporting to the British Columbia and Alberta Securities Commissions and successfully listed its shares on the TSX Venture Exchange (the "Exchange") in Canada on July 29, 2011 where it trades under the symbol AAL.

On March 5, 2010, the Company acquired all of the issued and outstanding share capital of Mexican Hat Holdings Ltd. ("Mexican Hat") (formerly Auracle Resources Ltd.), a private Canadian company. Mexican Hat was incorporated in British Columbia in 2006 specifically to explore for mineral deposits within Canada and the United States.

OVERVIEW

Mexican Hat Property

On May 15, 2009, the Company entered into an option agreement to acquire a 100% interest in certain claims comprising the Mexican Hat Gold Property (the "Property"), located in Arizona, USA, for consideration which included the payment of US$25,000 (CDN $25,057) and the issuance of 1,000,000 units (issued, with a fair value of $100,000) which included 1,000,000 warrants (issued, with a fair value of $10,155). The Company also paid a finder's fee of $2,500 and issued 75,000 warrants (issued, with an immaterial fair value).

The Company was required to pay US$3,500 per month plus expenses, as consulting fees until the sooner of the Company abandoning the Property or August 1, 2014. During the year ended January 31, 2014, the Company was required to pay US$42,000 (CDN $Nil paid and CDN $58,690 recorded in trade payables and accrued liabilities).

The Property was further subject to an annual advance royalty, as amended as of October 1, 2009, prior to commercial production, of US$24,000 (further increased to US$32,000 as of March 31, 2011). The Company could have purchased 50% of the advance royalty for US$1,500,000 and a further 66% of the remaining advance royalty on 2 claims for US$750,000. During the year ended January 31, 2014, the Company was required to pay US$32,000 (USD $13,600 paid and CDN $15,784 recorded in trade payables and accrued liabilities) in advance royalty payments.

The Property was subject to a 3% net smelter royalty, of which the Company could have purchased 1.5% for $1,500,000.

Effective April 16, 2014, the Company terminated the option agreement and relinquished all rights to the Mexican Hat property. The Company is continuing to examine and evaluate other prospects in the United States and Canada with the intent of identifying precious metal prospects suitable for advanced exploration and development. During the year ended January 31, 2014, the Company wrote-off all associated costs of the property totaling $2,884,756.

Selected Annual Financial Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Consolidated Financial Statements.

	Year Ended January 31, 2014	Year Ended January 31, 2013	Year Ended January 31, 2012
Interest income	$ 61	$ 169	$ 4,142
Loss for the year	(3,144,626)	(509,621)	(2,560,428)
Loss per share	(0.08)	(0.01)	(0.09)
Total assets	23,227	2,950,979	2,749,314
Total long-term liabilities	-	-	-

Results of Operations

Fourth Quarter Results

The Company recorded a loss of $3,041,843 (2013 - $132,323) for the three months ended January 31, 2014. Included in the loss was the write-off of the Company's exploration and evaluation asset of $2,884,756. No such write-off occurred in the fourth quarter of fiscal 2013. The Company also wrote-off $81,647 of GST receivable. No such write-off occurred in the fourth quarter of fiscal 2013. The Company incurred management fees of $18,000 (2013 - $9,500), an increase due to a change in management. However, all fees were accrued at January 31, 2014. The loss was also comprised of professional fees of $2,896 (2013 - $67,204), a decrease due to the decreased activity of the Company.

Year Ended January 31, 2014

The Company recorded a loss of $3,144,626 (2013 - $509,621) for the year ended January 31, 2014. Some significant items that comprised the change in loss are as follows:

The write-off of exploration and evaluation assets of $2,884,756 (2013 - $nil), as the Company wrote-off the Mexican Hat property.

The write-off of GST receivable of $81,647 (2013 - $nil), as the Company wrote off GST that was not deemed collectable.

Management fees of $72,000 (2013 - $111,500), which was a decrease from the prior year as a result of the Company paying the current CEO $6,000 per month, compared to the current CEO and former CEO both being paid fees in the prior year. The former CEO was paid $45,500 in the prior year.

Professional fees of $66,266 (2013 -$185,854) were incurred during the current year, a decrease from the prior year. The decrease in professional fees was a result of the Company not being as active as in the current year, compared to some significant activities in the prior year such as the loans, bonuses, and the issuance of share capital and settlement of debts.

Shareholder communications expense of $2,358 (2013 - $107,882) decreased as a result of the Company not being active over the current year and completing all shareholder communication contracts it had in the prior year.

Quarterly Information

	Three Months Ended January 31, 2014	Three Months Ended October 31, 2013	Three Months Ended July 31, 2013	Three Months Ended April 30, 2013
Total assets	$ 23,227	$ 2,971,291	$ 2,968,435	$ 2,988,279
Exploration and evaluation asset	-	2,831,492	2,806,512	2,783,507
Working capital (deficiency)	(500,519)	(343,805)	(292,432)	(231,428)
Loss for the period	(3,041,843)	(26,393)	(37,999)	(38,391)

	Three Months Ended January 31, 2013	Three Months Ended October 31, 2012	Three Months Ended July 31, 2012	Three Months Ended April 30, 2012
Total assets	$ 2,950,979	$ 2,959,543	$ 2,849,874	$ 2,726,873
Exploration and evaluation asset	2,741,086	2,679,298	2,580,670	2,523,730
Working capital (deficiency)	(150,616)	22,523	(305,747)	(153,879)
Loss for the period	(132,323)	(192,042)	(94,688)	(90,568)

Fiscal 2014

During the fourth quarter of fiscal 2014, the Company incurred a loss of $3,041,843, which was an increase from a loss of $26,393 incurred during the previous quarter. The main reasons for the increase in the loss was the write-off of the Company's exploration and evaluation asset of $2,884,756, the write-off of GST receivable of $81,647, and an increase in professional fees due to the Company accruing for its annual audit.

During the third quarter of fiscal 2014, the Company incurred a loss of $26,393, which was consistent with the loss of $37,999 incurred during the previous quarter.

During the second quarter of fiscal 2014, the Company incurred a loss of $37,999, compared to a loss of $38,391 incurred during the previous quarter. The decrease was a result of a decrease in transfer agent and filing fees as the Company paid its annual sustaining fee in the previous quarter. The decrease of transfer agent and filing fees was partially offset by an increase in professional fees as a result of work performed to complete the Company's yearend audit.

During the first quarter of fiscal 2014, the Company incurred a loss of $38,391 compared to a loss of $132,323 incurred during the previous quarter. The decrease was a result of the overall reduction of expenditures by the Company so as to conserve its cash balance. The previous quarter also included $28,500 in consulting fees in connection with the write-off of transaction costs related to a proposed financing. Also during the first quarter of fiscal 2014, the Company incurred $24,021 in exploration expenditures and $18,500 in acquisition costs on the Mexican Hat property.

Fiscal 2013

During the fourth quarter of fiscal 2013, the Company incurred $43,336 in exploration expenditures and $18,452 in acquisition costs. The loss for the current quarter of $132,323 decreased from a loss of $192,042 in the previous quarter mainly due to the decrease in management fees to $9,500 from $36,000 as a result of management no longer taking management fees, and a decrease in shareholder communications expense to $28,237 from $46,615 as the Company terminated certain shareholder communication agreements.

During the third quarter of fiscal 2013, the Company incurred $80,305 in exploration expenditures and $18,323 in acquisition costs. The loss for the current quarter of $192,042 increased from a loss of $94,688 in the previous quarter mainly due to the increase in legal fees associated with the potential business combination (subsequently cancelled) as disclosed in the Company's news release dated October 12, 2012.

During the second quarter of fiscal 2013, the Company continued its focus on the exploration of the Mexican Hat property. The Company incurred $38,200 in exploration expenditures and $18,740 in acquisition costs. The loss for the current quarter of $94,688 increased from a loss of $90,568 in the previous quarter mainly due to the fluctuation of foreign currencies as the Company incurred a foreign currency loss during the current period as compared to a foreign currency gain in the prior period.

During the first quarter of fiscal 2013, the Company continued its focus on the exploration of the Mexican Hat property. The Company incurred $88,171 in exploration expenditures and $18,751 in acquisition costs. The loss for the current quarter of $90,568 decreased from a loss of $1,577,379 in the previous quarter due to the finance fee charged in the previous quarter on the extension of certain warrants.

Liquidity and Capital Resources

The Company commenced fiscal 2014 with a working capital deficiency of $150,616 and cash of $5,513. As at January 31, 2014, the Company's working capital deficiency was $500,519 and its cash position was $19,762. Cash provided by operating activities totaling $107,282 and net cash used in exploration and evaluation expenditures totaling approximately $90,033 were incurred during the year ended January 31, 2014. The Company also used cash of $3,000 for financing activities.

As at June 2, 2014, the Company does not have sufficient capital to fund its administrative costs for the next twelve months.

The Company does not anticipate generating revenues in the near future and intends to seek other business opportunities. Any future activities will need to be funded through additional equity financings or loans. (See Subsequent Event section below)

Related party transactions

During the year ended January 31, 2014, the Company entered into the following transactions with related parties:

a) Paid or accrued $72,000 (2013 - $111,500) for management fees to Domus Capital, a company controlled by a director, and to Nicholson & Associates, a company controlled by a former director of the Company;
b) Paid or accrued $41,431 (2013 - $142,748) for professional fees of which $32,250 (2013 - $36,250) was paid or accrued to iO Corporate, a company related to an officer of the Company and $9,181 (2013 - $106,498) was paid or accrued to Maitland & Co., a law firm of which a director of the Company is a partner;
c) Paid or accrued $6,354 (2013 – $47,933) for geological consulting fees, recorded in exploration and evaluation asset, to Ironstone Consulting, a company controlled by a former director of the Company;
d) Paid or accrued $24,000 (2013 - $90,000) for administrative fees, recorded in exploration and evaluation asset, to Nicholson & Associates, a company controlled by a former director of the Company; and
e) Paid or accrued $9,000 (2013 - $nil) for consulting fees to a Louise Davey, an officer of the Company.

At January 31, 2014, recorded in trade and other payables is $281,045 (2013 – $136,394) due to directors and shareholders of the Company. These amounts owing are non-interest bearing, unsecured and do not have a fixed term of repayment.

During the year ended January 31, 2013, the Company entered into a related party loan agreement for $3,000. The loan was non-interest bearing and had no fixed terms of repayment. During the year ended January 31, 2014, the Company entered into additional related party loan agreements totalling $18,024 which, together with the loan payable at January 31, 2013 of $3,000, were repaid, in full, during the year ended January 31, 2014.

Key management personnel compensation (including senior officers and directors of the Company):

	January 31, 2014	January 31, 2013
Short-term benefits	$ 152,785	$ 395,981

Off Balance Sheet Arrangements

The Company has no off-Balance Sheet arrangements as of the date of this report.

Contingencies

The Company has no contingencies as of the date of this report.

Investor Relations

The Company has not entered into any investor relations agreements as of the date of this report.

Proposed Transactions

The Company has not entered into any proposed transactions as of the date of this report.

Financial Risk and Capital Management

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, receivables and trade and other payables approximate their fair value because of the short-term nature of these instruments.

The following is an analysis of the Company's financial instruments measured at fair value:

	As at January 31, 2014		
	Level 1	**Level 2**	**Level 3**
Cash	$ 19,762	$ -	$ -

	As at January 31, 2013		
	Level 1	**Level 2**	**Level 3**
Cash	$ 5,513	$ -	$ -

Financial risk factors

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

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and receivables. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts. The majority of cash and cash equivalents is deposited in bank accounts held with one major bank in Canada. There is a concentration of credit risk, which is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote because instruments are due primarily from government agencies and cash and cash equivalents is held with reputable Canadian financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at January 31, 2014, the Company had a cash balance of $19,762 (2013 - $5,513) to settle current liabilities of $523,746 (2013 - $306,872). To maintain liquidity, the Company is continually investigating financing opportunities. There can be no assurance these efforts will be successful in the future. All of the Company's financial liabilities are subject to normal trade terms. Liquidity risk is assessed as high.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk on its cash balances as these instruments roll over daily.

b) Foreign currency risk

The Company is not currently exposed to significant foreign currency risk as most transactions are denominated in Canadian dollars.

c) Price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's exploration and evaluation asset. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

Risks and Uncertainties

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, the Company's property has no known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that claims and leases are in good standing and obtaining permits for drilling and other exploration activities. The market prices for gold and other metals can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.

Subsequent Event

Subsequent to the year ended January 31, 2014, the Company received proceeds totalling $20,000 pursuant to a loan from a company controlled by a director of the Company. The loan bears interest at the rate of 10% per annum, and is to be repaid within five days from the completion of a private placement. In addition, the Company will issue a loan bonus payable in share purchase warrants at the maximum allowable amount pursuant to TSX Venture policies. This transaction is subject to regulatory approval.

Outstanding Share Data

As at June 2, 2014, there were 39,958,006 common shares issued and outstanding. In addition, there were 7,182,800 warrants outstanding, which expire on September 4, 2017 with an exercise price of $0.20 per share and 3,175,000 stock options outstanding with an exercise price of $0.35 per share, expiring August 30, 2016.

Forward-Looking Statements

This MD&A contains certain forward-looking statements relating, but not limited to, the Company's operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "may", "will", "should", "expects", "projects", "plans", "anticipates" or similar expressions suggesting future outcomes.

Auracle does not have a history of earnings. These statements represent management's expectations or beliefs concerning, among other things, future performance and financial results and various components thereof. Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking assumptions will not be achieved by the Corporation. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, including but not limited to: changes in business strategies; general economic and business conditions; the effects of competition; changes in laws and regulations, including environmental and regulatory laws; and various events that could disrupt operations. Actual performance and financial results in future periods may differ materially from any projections of future performance or results expressed or implied by forward-looking statements.

Auracle undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise, or the foregoing list of factors affecting such information.

SCHEDULE C

FINANCIAL STATEMENTS OF CANABO

CANABO MEDICAL CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
AS AT JULY 31, 2016,
OCTOBER 31, 2015 AND 2014
AND FOR THE PERIODS ENDED JULY 31, 2016,
OCTOBER 31, 2015 AND 2014
(unaudited)

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7

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INDEPENDENT AUDITORS' REPORT

To the Directors of
Canabo Medical Corporation

We have audited the accompanying financial statements of Canabo Medical Corporation which comprise the consolidated statements of financial position as at October 31, 2015 and 2014, and the consolidated statements of comprehensive loss, cash flows and changes in equity (deficiency) for the year ended October 31, 2015 and for the period ended from incorporation on March 14, 2014 to October 31, 2014, and the related notes comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Canabo Medical Corporation at October 31, 2015 and 2014, and its financial performance and cash flows for the year ended October 31, 2015 and for the period ended from incorporation on March 14, 2014 to October 31, 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Canabo Medical Corporation to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
August 17, 2016

CANABO MEDICAL CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	July 31, 2016 (unaudited)	**October 31, 2015** (audited)	**October 31, 2014** (audited)
	$	$	$
ASSETS			
Current			
Cash	129,009	117,737	315,424
Amounts receivable	405,340	216,836	89,526
Prepaid expenses and security deposits	48,884	62,812	16,055
Inventory	4,249	2,814	14,201
Total Current Assets	587,482	400,199	435,206
Equipment (note 5)	154,606	109,893	46,636
TOTAL ASSETS	742,088	510,092	481,842
LIABILITIES			
Current			
Accounts payable and accrued liabilities	470,129	295,390	179,507
Deferred revenue	442,000	192,025	-
Due to related parties (note 6)	383,489	233,227	86,565
TOTAL LIABILITIES	1,295,618	720,642	266,072
Equity (Deficiency)			
Share capital (note 7)	2,038,650	1,326,200	751,900
Contributed surplus	52,500	145,000	52,500
Deficit	(2,644,680)	(1,681,750)	(588,630)
TOTAL EQUITY (DEFICIENCY)	(553,530)	(210,550)	215,770
TOTAL LIABILITIES AND EQUITY	742,088	510,092	481,842

Nature of Operations (note 1)
Basic of Presentation and Continuing Operations (note 2)
Commitments (note 11)
Subsequent Events (note 12)

Approved on behalf of the board:

____________________________________Director ________________________________Director

CANABO MEDICAL CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Nine-months ended July 31, 2016 (unaudited)	**Nine-months ended July 31, 2015** (unaudited)	**Year ended October 31, 2015** (audited)	**Period ended October 31, 2014** (audited)
	$	$	$	$
REVENUE				
Medical consultation fees	837,427	325,504	513,270	9,763
Research revenue	429,450	18,600	109,850	-
Product sales	57,810	116,857	106,097	-
	1,324,687	460,961	729,217	9,763
COST OF SALES				
Doctor commissions (note 6)	618,841	199,960	348,564	-
Cost of goods sold	21,415	52,306	72,164	-
	640,256	252,266	420,728	-
	684,431	208,695	308,489	9,763
EXPENSES				
Consulting fees – management (note 6)	141,251	138,595	197,305	-
Consulting fees – other	-	155,944	157,147	20,000
Depreciation	26,117	10,855	14,604	-
Human resource recruiting	65,871	43,529	152,960	-
Administrative service fees (note 6)	225,000	180,000	240,000	40,000
Consulting fees (note 6)	37,549	78,838	78,838	-
Marketing	33,722	19,752	21,669	2,000
Office and administrative	189,024	53,532	75,502	9,993
Professional fees	83,149	70,925	91,357	58,110
Rent and facility	213,690	68,311	88,315	-
Salaries and benefits	592,408	173,790	249,717	-
Stock-based compensation	-	-	-	52,500
Travel	39,580	27,509	34,195	13,133
	1,647,361	1,021,580	1,401,609	195,736
Loss before impairment of intangible asset	(962,930)	(812,885)	(1,093,120)	(185,973)
Impairment of intangible asset, net of tax (note 4)	-	-	-	(402,657)
NET LOSS AND COMPREHENSIVE LOSS	(962,930)	(812,885)	(1,093,120)	(588,630)
NET LOSS PER SHARE	(0.05)	(0.05)	(0.07)	(0.23)
Weighted average outstanding number of common shares	19,426,985	15,895,321	16,237,407	2,581,825

The accompanying notes are an integral part of these condensed interim consolidated financial statements

CANABO MEDICAL CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in Canadian dollars)

	Nine-months ended July 31, 2016 (unaudited)	**Nine-months ended July 31, 2015** (unaudited)	**Year ended October 31, 2015** (audited)	**Period ended October 31, 2014** (audited)
	$	$	$	$
OPERATING ACTIVITIES				
Net loss and comprehensive loss for the period	(962,930)	(812,885)	(1,093,120)	(588,630)
Non-cash items:				
Depreciation	26,117	10,855	14,604	-
Doctors commission	29,950	-	17,500	-
Human resource recruiting	40,000	-	75,000	-
Impairment of intangible asset	-	-	-	402,657
Stock-based compensation	-	-	-	52,500
	(866,863)	(802,030)	(986,016)	(133,473)
Changes in non-cash working capital items:				
Amounts receivable	(188,504)	(50,553)	(127,310)	(7,558)
Prepaid expense and deposits	13,928	1,426	(46,757)	-
Inventory	(1,435)	5,294	11,387	-
Accounts payable and accrued liabilities	174,739	67,892	135,883	67,500
Due to related parties	150,262	160,694	146,662	-
Deferred revenue	249,975	113,075	192,025	-
	(467,898)	(504,202)	(674,126)	(73,531)
INVESTING ACTIVITIES				
Purchase of equipment	(70,830)	(7,405)	(77,861)	(3,910)
FINANCING ACTIVITIES				
Advances to 2412550 Ontario Inc.	-	-	-	(243,322)
Cash acquired on acquisition of subsidiary	-	-	-	34,287
Proceeds from issuance of common stock	550,000	264,000	554,300	601,900
	550,000	264,000	554,300	392,865
Change in cash during the period	11,272	(247,607)	(197,687)	315,424
Cash, beginning of period	117,737	315,424	315,424	-
Cash, end of period	129,009	67,817	117,737	315,424
Non-cash transactions and supplemental cash flows disclosure:				
Common shares issued for services provided (note 7)	-	-	$ 20,000	-
Common shares issued for business acquisition (note 4)	-	-	-	$150,000
Interest paid in cash	-	-	-	-
Income taxes paid in cash	-	-	-	-

The accompanying notes are an integral part of these condensed interim consolidated financial statements

CANABO MEDICAL CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIENCY)
FOR THE PERIODS ENDED JULY 31, 2016 AND 2015 AND OCTOBER 31, 2015 AND 2014
(Expressed in Canadian dollars)

	Common Shares		Contributed		
	Number of shares	**Amount**	**Surplus**	**Deficit**	**Total**
		$	$	$	$
Opening Balance	-	-	-	-	-
Common shares issued for cash (note 7)	12,892,500	621,900	-	-	621,900
Common shares issued in exchange for shares of subsidiary (notes 4 and 7)	1,500,000	150,000	-	-	150,000
Share subscriptions receivable	-	(20,000)	-	-	(20,000)
Stock-based compensation (note 7)	-	-	52,500	-	52,500
Net loss for the period	-	-	-	(588,630)	(588,630)
Balance, October 31, 2014 (audited)	14,392,500	751,900	52,500	(588,630)	215,770
Common shares issued for cash (note 7)	2,490,000	249,000	-	-	249,000
Common shares issued for services (note 7)	200,000	20,000	-	-	20,000
Share subscriptions receivable	-	(5,000)	-	-	(5,000)
Net loss for the period	-	-	-	(812,885)	(812,885)
Balance, July 31, 2015 (unaudited)	17,082,500	1,015,900	52,500	(1,401,515)	(333,115)
Common shares issued for cash (note 7)	1,241,200	310,300	-	-	310,300
Commitment to issue common shares (note 7)	-	-	92,500	-	92,500
Net loss for the period	-	-	-	(280,235)	(280,235)
Balance, October 31, 2015 (audited)	18,323,700	1,326,200	145,000	(1,681,750)	(210,550)
Common shares issued for cash (note 7)	1,725,000	525,000	-	-	525,000
Commitment to issue common shares (note 7)	370,000	92,500	(92,500)	-	-
Common shares issued for services (note 7)	188,000	69,950	-	-	69,950
Share subscriptions received	-	25,000	-	-	25,000
Net loss for the period	-	-	-	(962,930)	(962,930)
Balance, July 31, 2016 (unaudited)	20,606,700	2,038,650	52,500	(2,644,680)	(553,530)

On August 27, 2015, the Company completed a one-for-two share consolidation. All references to the number of common shares have been adjusted retrospectively to reflect the Company's one–for-two share consolidation for the prior periods disclosed in these financial statements.

1. NATURE OF OPERATIONS

Canabo Medical Corporation (the "Company" or "Corporation") was federally incorporated pursuant to the Canada Business Corporations Act on March 19, 2014 under the name "8824479 Canada Inc.". The Corporation changed its name to Canabo Medical Corporation on September 17, 2014. The Corporation was extra-provincially registered in Ontario on October 29, 2014. The Corporation's subsidiary 2412550 Ontario Inc. was incorporated on March 27, 2014 in Ontario. The subsidiary was was extra-provincially registered in Nova Scotia on October 30, 2014, Alberta on February 16, 2016, Newfoundland on February 18, 2016, Manitoba on March 22, 2016 and Saskatchewan on April 11, 2016 .

The Corporation is engaged in the business of providing of medical services and products for patients suffering from chronic pain and disabling illnesses through it's health clinics operated by qualified health care practitioners. As of October 31, 2015 the Company had opened two clinics in Ontario. Since the end of the fiscal year, the Company has opened clinics in Ottawa and Halifax and is currently investigating other clinic locations.

The address of the Corporation's principal place of business is at Suite 407, 1 Eglinton Avenue East, Toronto, Ontario, Canada and the registered office is located at Suite 1750 – 1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6.

2. BASIS OF PREPARATION AND CONTINUING OPERATIONS

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the Corporations' October 31, 2015 annual audited consolidated financial statements.

Approval of the Consolidated Financial Statements

The condensed interim consolidated financial statements of the Corporation were reviewed approved and authorized for issuance by the Board of Directors on September 23, 2016.

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value as explained in the accounting policies set out in Note 3. These consolidated financial statements include the assets and operations of the Corporation and its wholly owned subsidiary 2412550 Ontario Inc. since the subsidiary was acquired on October 22, 2014. All significant inter-company transactions have been eliminated on consolidation.

The functional and presentation currency of the Corporation is the Canadian dollar.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION AND CONTINUING OPERATIONS (continued)

Going Concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Corporation will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. As at July 31, 2016, the Corporation had a working capital deficit of $708,136 (October 31, 2015 - $320,443). The Corporation has incurred losses since its inception and an accumulated deficit of $2,644,680 as of July 31, 2016.. These material uncertainties cast significant doubt upon the Corporation's ability to continue as a going concern.

The Corporation's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future. There is no guarantee that the Corporation will be able to raise this additional financing.

These consolidated financial statements do not give effect to any adjustment which would be necessary should the Corporation be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents in the statements of financial position is comprised of cash in banks and on hand and short-term deposits which mature in three months or less, which are readily convertible into a known amount of cash. As at July 31, 2016, the Company only held cash.

b) Equipment

Items of equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment, and are recognized in net profit (loss).

Equipment are depreciated on a declining balance basis at the following annual rates:

Office furniture and equipment	20%
Computer equipment	30%

Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting period-end and adjusted, if appropriate.

c) Significant Accounting Estimates and Judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of management estimates include the recognition of deferred income tax assets and stock-based compensation. Actual results could differ from these estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Significant Accounting Estimates and Judgements (continued)

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective or assessments with a significant risk of material adjustment in the next period. Significant areas requiring critical accounting judgements include the Corporation's ability to carry on as a going concern, deferred income taxes, determination of the purchase consideration and its allocation to the assets and obligations assumed in the transaction described in note 4 and determination of asset impairment. All of these areas require significant judgement from the Corporation's management.

d) Income Taxes

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Corporation reassesses unrecognized deferred tax assets. The Corporation recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

e) Loss Per Share

Basic loss per share is computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. The Corporation applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

f) Share Issue Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to operations.

g) Share-based Compensation

The fair value of any equity settled stock options awarded to employees defined under IFRS 2 Share-based payments (i.e. employees for legal and tax purpose, directors and certain consultants), determined as of the date of grant, and awarded to non-employees defined under IFRS 2, as of the date of delivery of service, is recognized as share-based compensation expense, included n the statement of comprehensive loss, over the vesting period of the stock options based on the estimated number of options expected to vest, with a corresponding increase to contributed surplus.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial Instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities.

Financial instruments comprise cash, certain amounts receivable, accounts payable, deferred revenue, and due to related parties. At initial recognition management has classified financial assets and liabilities as follows:

Financial assets - The Corporation has classified its cash at FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income. The Corporation does not have any accounts classified as loans and receivable.

Financial liabilities - The Corporation has classified its accounts payable, deferred revenue and due to related parties as other financial liabilities. Accounts payable are recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value. The Corporation derecognizes a financial liability when it its contractual obligations are discharged, cancelled or expire.

i) Revenue recognition

The Company earns revenue by providing medical consulting services to patients suffering from chronic pain and disabling illnesses and the sale of products related to those services. The Company also conducts medical research associated with the use of medical.

Revenue is recognized at the fair value of consideration received or receivable.

Revenue from medical services is recognized after each patient visit is completed. In order for the Company to be paid they make a submission to the Ontario Health Insurance Plan on behalf of the patient. Revenue from the sale of products is recognized when the customer takes possession of the product which usually occurs at the point of sale, net of any sales returns. Research revenue is recognized as it is earned and amounts can be reasonably estimated.

j) Inventory

Inventory consists of various products related to the medical consulting services provided by the Company. Inventory is recorded at the lower of cost and net realizable value with costs being determined on an average cost basis. Obsolete inventory is written off to the statement of loss during the period the loss is incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) New Accounting Standards Issued But Not Yet Effective

The IASB issued a number of new and revised standards which are effective for the Company's financial year beginning on November 1, 2014. The mandatory adoption of these standards did not have a significant impact on the Company's consolidated financial statements. Specifically, the Company has adopted all of the following new standards for the year ended October 31, 2015:

IAS 36 *Impairment of* Assets - In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a CGU for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when an asset's or a CGU's recoverable amount is based on fair value less costs of disposal.

IFRIC 21 *Levies* - In May 2013, the IASB issued IFRIC 21, Levies ("IFRIC 21"), an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Corporation may have been excluded from the list below. The Company is evaluating any impact the standards noted below may have on the Company's financial statements and this assessment has not been completed.

IFRS 15 *Revenue from Contracts with Customers* - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 9 *Financial Instruments* – In November 2009, as part of the IASB project the ASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flows characteristics. The standard is effective for annual periods beginning on or after January 1, 2018.

(Expressed in Canadian dollars)

4. BUSINESS ACQUISTION

By a share exchange and investment agreement dated October 22, 2014, as amended July 31, 2015 (collectively, the "Agreement") among the Corporation and the shareholders of 2412550 Ontario Inc., (d.b.a. The Cannabinoid Medical Clinic "TCMC"), the Corporation acquired all of the issued and outstanding shares of TCMC.

TCMC is engaged in the business of providing of medical services and products for patients suffering from chronic pain and disabling illnesses through health clinics operated by qualified health care practitioners.

Pursuant to the terms of the Agreement, the Corporation acquired all of the issued and outstanding shares of TCMC in exchange for the issuance of 1,500,000 common shares of the Corporation to the shareholders of TCMC and the payment of $60,000 (the "Cash Payment") upon completion of a listing on a recognized Exchange.

Determination of the fair value of the common shares issued is based on recent equity financings the Corporation had completed. The purchase of TCMC has been accounted for as a business combination in accordance with IFRS 3 "Business Combinations".

The purchase price paid is comprised of the following:

	October 22, 2014
	$
1,500,000 common shares	150,000
Previous amounts advanced to TCMC	243,322
Cash Payment	60,000
	453,322

Fair values of assets acquired and liabilities assumed:

	$
Assets acquired:	
Cash	34,287
Amounts receivable	81,968
Inventory	14,201
Prepaid and deposits	16,055
Property and equipment	42,726
	189,237
Liabilities assumed:	
Accounts payable and accrued liabilities	(138,572)
Net assets acquired	50,665
Intangible asset acquired	402,657
	453,322

Upon acquisition, the Corporation acquired an intangible asset related to the operations of TCMC. During the prior period, management of the Corporation provided for an impairment charge of $402,657 against the intangible asset to reflect its economic value and the uncertainty in return on investment. As the Corporation has provided for a full impairment charge against the intangible asset, the above table is net of a deferred tax liability of $106,704.

(Expressed in Canadian dollars)

5. EQUIPMENT

	Computer Equipment	Office Equipment	Total
	$	$	$
Cost:			
Additions (note 4)	31,096	11,630	42,726
Additions	3,910	-	3,910
October 31, 2014 (audited)	35,006	11,630	46,636
Additions	30,504	47,357	77,861
At October 31, 2015 (audited)	65,510	58,987	124,497
Additions	34,951	35,879	70,830
At July 31, 2016 (unaudited)	100,461	94,866	195,327
Accumulated Depreciation:			
October 31, 2014 (audited)	-	-	-
Additions	12,080	2,524	14,604
At October 31, 2015 (audited)	12,080	2,524	14,604
Additions	15,367	10,50	26,117
At July 31, 2016 (unaudited)	27,447	13,274	40,721
Net book value:			
At October 31, 2014 (audited)	35,006	11,630	46,636
At October 31, 2015 (audited)	53,430	56,463	109,893
At July 31, 2016 (unaudited)	73,014	81,592	154,606

On October 22, 2014, the Corporation acquired the equipment from TCMC as described in note 4. For the period ended October 31, 2014, the Corporation did not record any depreciation as the amount was not material to the presentation of these consolidated financial statements.

(Expressed in Canadian dollars)

6. RELATED PARTY BALANCES AND TRANSACTIONS

The amounts owing to related parties are summarized as follows:

	Nine-months ended July 31, 2016 (unaudited)	**Year ended October 31, 2015** (audited)	**Year ended October 31, 2014** (audited)
	$	$	$
Amounts due to founding shareholders of TCMC	60,000	60,000	60,000
Amount owing to Numus Financial Inc.	228,662	136,650	-
Other amounts payable to officers and directors	94,826	36,577	26,565
	323,489	233,227	86,565

The amount owing to the founding shareholders of TCMC is due two business days after the completion of a listing on a recognized Exchange.

As of July 31, 2016, a cash balance of $nil (October 31, 2015 - $101,132, October 31, 2014 - $281,137) was held in trust by Numus Financial Inc. ("Numus"). Numus and its shareholders hold a significant equity position in the Company.

The Corporation paid consulting fees and administrative fees covering consulting and administrative services, rent, accounting services, marketing services, office and administrative expense to Numus for the following periods:

	Nine-months ended July 31, 2016 (unaudited)	**Nine-months ended July 31, 2015 (unaudited)**	**Year ended October 31, 2015 (audited)**	**Year ended October 31, 2014 (audited)**
	$	$	$	$
Administrative fees	225,000	180,000	240,000	40,000
Consulting fees	37,549	78,838	78,838	-
	262,549	258,838	318,830	40,000

Key management includes directors, and officers of the Corporation. The Corporation incurred professional fees and doctors' commissions to companies controlled by the officers of the Corporation for the following periods:

	Nine-months ended July 31, 2016 (unaudited)	**Nine-months ended July 31, 2015 (unaudited)**	**Year ended October 31, 2015 (audited)**	**Year ended October 31, 2014 (audited)**
	$	$	$	$
Professional fees	207,122	138,595	193,555	12,000
Doctor's commissions	105,351	103,446	175,323	-
	312,473	242,041	368,878	12,000

(Expressed in Canadian dollars)

7. SHARE CAPITAL

Authorized:
Unlimited number of common shares without par value

Effective August 27, 2015, the Corporation completed a one-for-two share consolidation. All references to the number of common shares have been retroactively adjusted to reflect this share consolidation.

Issued and outstanding common stock:

	Number of shares	Amount
		$
Issued to officers and directors in escrow (Note 7a)	1,750,000	17,500
Issued (Note 7b)	8,497,500	339,900
Issued (Note 7c)	2,645,000	264,500
Issued (Note 7d)	1,500,000	150,000
Subscription receivable	-	(20,000)
Balance, October 31, 2014 (audited)	14,392,500	751,900
Issued (Note 7e)	2,490,000	249,000
Issued for services (Note 7e)	200,000	20,000
Issued (Note 7f)	1,241,000	310,300
Subscription receivable	-	(5,000)
Balance, October 31, 2015 (audited)	18,323,700	1,326,200
Issued (Note 7g)	1,100,000	275,000
Issued (Note 7h)	625,000	250,000
Issued for services shares (Note 7i)	370,000	92,500
Issued for services (Note 7j)	188,000	69,950
Subscription received	-	25,000
Balance, July 31, 2016 (unaudited)	20,606,700	2,038,650

a) On August 17, 2014 the Corporation issued 1,750,000 common shares at a price of $0.01 per share to officers and directors of the Corporation. The fair value of the 1,750,000 common shares issued was estimated to be $70,000. Accordingly, the Corporation recorded stock-based compensation expense of $52,500 and a corresponding increase to contributed surplus.
b) On September 16, 2014 the Corporation issued 8,497,500 common shares at a price of $0.04 per share.
c) On October 16, 2014 the Corporation issued 2,645,000 common shares at a price of $0.10 per share.
d) On October 22, 2014 the Corporation issued 1,500,000 common shares for its acquisition of 100% of the common shares of 2412550 Ontario Inc.
e) On February 18, 2015, the Corporation issued 2,490,000 at a price of $0.10 per share. The Corporation also issued 200,000 common shares with a fair value of $20,000 for services received from Numus.
f) In September and October 2015, the Corporation issued 1,241,200 common shares at a price of $0.25 per share.
g) In March 2016, the Corporation issued 1,100,000 common shares at a price of $0.25 per share.
h) In April 2016, the Corporation issued 625,000 common shares at a price of $0.40 per share.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Issued and outstanding common stock (continued)

i) During the year ended October 31, 2015, the Company has entered agreements with certain service providers including lead physician and a physician recruitment agency. As part of these agreements, the Company made commitments to issue 370,000 common shares. The obligation to issue these shares was recorded as contributed surplus at the prevailing price of $0.25 per share at October 31, 2015 resulting in additional accrued expenses of $92,500 for the year then ended. Upon issuance in the period ended July 31, 2016 this amount has been transferred from contributed surplus to share capital.

j) The Corporation also issued 188,000 common shares with a fair value of $69,950 at the prevailing price for services received from certain lead physicians and under employment contracts.

Share Commitments

In April 2016, the Company also entered an agreement with a Clinic Development Partner (“Partner”) and has agreed to issue up to 105,000 common shares for each additional clinic to be opened within the Partner’s clinics. The issuance of these shares is subject to the Partner achieving certain patient targets over the first six months of operations.

8. MANAGEMENT OF CAPITAL

The Corporation’s objectives when managing capital are to safeguard the Corporation’s ability to continue as a going concern in order to pursue the acquisition described in Note 4. The Corporation does not have any externally imposed capital requirements to which it is subject.

As at July 31, 2016, the Corporation had capital resources consisting mainly of cash and amounts receivable. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation will rely on capital markets to support its continued growth and may attempt to issue common shares to raise additional financing.

9. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory United States federal and State income tax rates:

		Year ended October 31, 2015 (audited)		Year ended October 31, 2014 (audited)
Combined statutory tax rate		26.5%		26.5%
Income tax recovery at combined statutory rate	$	(289,677)	$	(155,987)
Non-deductible items for tax purposes and other items		513		120,616
Change in tax benefits not recognized		289,164		35,371
Income tax expense (recovery)	$	-	$	-

(Expressed in Canadian dollars)

9. INCOME TAXES (continued)

The tax effect of deductible and taxable temporary differences that give rise to the Corporation's deferred income tax assets and liabilities are shown below:

		Year ended October 31, 2015 (audited)		Year ended October 31, 2014 (audited)
Non-capital loss carry forwards	$	324,535	$	35,371
Tax benefits not recognized		(324,535)		(35,371)
Net deferred income tax assets (liabilities)	$	-	$	-

As at October 31, 2015, the Corporation had approximately $1,224,000 in non-capital loss carry forward available to reduce taxable income for future years. These losses expire as follows:

Expiry date		
October 31, 2014	$	133,000
October 31, 2015		1,091,000
	$	1,224,000

10. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash, amounts receivable, accounts payable and amounts due to related parties.

The following table summarizes the carrying values of the Corporation's financial instruments:

		Nine-months ended July 31, 2016 (unaudited)		Year ended October 31, 2015 (audited)		Year ended October 31, 2014 (audited)
FVTPL (i)	$	129,009	$	117,737	$	315,424
Other receivables (ii)		408,688		202,571		57,899
Other financial liabilities (iii)		853,618		528,617		266,072

(i) Cash
(ii) Amounts receivable
(iii) Accounts payable and due to related parties

The Corporation classifies its fair value measurements in accordance with an established hierarchy that priorities the inputs in valuation techniques used to measure fair value as follows:

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

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS (continued)

The following table sets for the Corporation's financial assets measured at fair value by level within the fair value hierarchy:

	Level 1 $	Level 2 $	Level 3 $	Total $
Cash	129,009	-	-	129,009

i) Credit risk

Credit risk is the risk of financial loss to the Corporation if counter-party to a financial instrument fails to meet its contractual obligations. The Corporation manages credit risk by investing its cash with large Canadian chartered banks. Amounts receivable are monitored on an ongoing basis and as a result the exposure to credit risk is not significant. The maximum exposure to credit risk at the reporting date is the carrying value of the Company's cash and the amounts receivable.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Corporation to interest rate risk with respect to its cash flow**.** The Corporation did not have any financial instruments with exposure to interest rate risk.

iii) Currency risk

The Corporation has not had any transactions in foreign currencies and as a result is not exposed to foreign exchange risk from the Canadian Dollar. Foreign exchange risk arises from financing and purchase transactions that are denominated in currency other than the CDN Dollar, which is the functional currency of the Corporation. As at and during the year ended October 31, 2015 and the subsequent period ended July 31, 2016, the Corporation did not hold any cash in foreign currencies.

iv) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure and financial leverage as outlined above. As at July 31, 2016 the Corporation has cash of $129,009. The continuation of the Corporation depends upon the support of its lenders and equity investors, which cannot be assured.

11. COMMITMENTS

i) The Corporation has entered a administrative services agreement with Numus at a fee of $29,000 per month covering management and administrative services, rent, accounting services, marketing services, office and administrative expenses.

ii) As at October 31, 2015, the Corporation has entered use permits for the Corporation's Clinic facilities in Toronto, Ottawa and Halifax periods ranging from three to seven years. During the period ended July 31, 2016, the Corporation entered two additional use permits for clinics in St. John's, Newfoundland. The leases require monthly payments of approximately $21,000 over the life of the leases.

(Expressed in Canadian dollars)

11. COMMITMENTS (continued)

The minimum annual clinic lease payments for the years ended October 31:

	$
2016	183,477
2017	213,533
2018	230,796
2019	202,508
2020	193,079
Thereafter	89,859

12. SUBSEQUENT EVENTS

i) Subsequent to July 31, 2016, the Company issued 25,200 common shares at $0.50 per share to a lead physician. The Company has no further obligations under its lead physician arrangements.

ii) The Corporation entered a letter of intent with Four River Ventures Ltd. (“Four River”) on August 8, 2016, as amended on September 15, 2016 (“Proposed Transaction”). Four River is a publicly traded company listed on the NEX stock exchange. In substance, the Proposed Transaction involves the Corporation shareholders obtaining control of Four River and accordingly it will be considered to be a reverse takeover transaction with the Corporation acquiring Four River. Under the letter of intent, Four River must complete a two-for-one share consolidation. Under the amendment, the Corporation intends to complete a private placement financing of up to 7,050,000 at a price of $0.50 per share, to raise aggregate gross proceeds of $3.525 million – please see Note 12(iii) below. Four River will acquire all of the issued and outstanding common shares of Canabo in exchange for 27,546,900 post-consolidation common shares of Four River. Four River will also issue 545,000 common share purchase warrants for the purchase of 545,000 common shares of Four River at $0.50 per share until September 23, 2018.

It is anticipated that upon closing of the Proposed Transaction, the Corporation’s shareholders will hold approximately 91.6% of the outstanding shares of the Four River.

The boards of directors of the Corporation and Four River have each unanimously approved the terms of the Proposed Transaction. The Proposed Transaction will be subject to certain customary conditions including approval of Four River shareholders by written consents and various regulatory approvals. The Proposed Transaction contains customary deal protection mechanisms and non-solicitation provisions.

iii) Financing - Subsequent to July 31, 2016, the Corporation completed private placement financings issuing 6,915,000 common shares for gross proceeds of $3,457,500. In connection with this financing, the Company paid cash of $190,750 and issued 545,000 broker warrants as finder’s fees. Each broker warrant entitles the holder to purchase one common share at $0.50 per share for 2 years from the date of issuance.

SCHEDULE D

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF THE RESULTING ISSUER

FOUR RIVER VENTURES LTD.

UNAUDITED PRO-FORMA
Consolidated Statement of Financial Position
(Prepared by Management)
(Expressed in Canadian dollars)

July 31, 2016

FOUR RIVER VENTURES LTD.
UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2016

	Four River Ventures Ltd. as at July 31, 2016 (unaudited)	Canabo Medical Corporation as at July 31, 2016 (unaudited)	Notes	Pro-forma Adjustments (unaudited)	Consolidated (unaudited)
ASSETS					
Current assets					
Cash	$ 59,381	$ 129,009	3(c)	$ 3,457,500	$ 3,315,140
			3(c)	(230,750)	
			3(e)	(100,000)	
Receivables	210	405,340		-	405,550
Prepaid expenses and deposits	-	48,884		-	48,884
Inventory	-	4,249		-	4,249
	59,591	587,482		3,126,750	3,773,823
Non-current					
Property and equipment	-	154,606		-	154,606
	$ 59,591	$ 742,088		$ 3,126,750	$ 3,928,429
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	$ 32,655	$ 470,129		$ -	$ 502,784
Loans payable	59,460	-		-	59,460
Deferred revenue	-	442,000		-	442,000
Amount due to related parties	491,182	383,489		-	874,671
	583,297	1,295,618		-	1,878,915
SHAREHOLDERS' EQUITY (note 4)					
Share capital	5,040,575	2,038,650	3(a)	1,268,225	6,365,394
			3(b)	(5,040,575)	
			3(c)	3,457,500	
			3(c)	(230,750)	
			3(c)	(180,831)	
			3(d)	12,600	
				(713,831)	
Contributed surplus	2,507,400	52,500	3(a)	560,420	793,751
			3(b)	(2,507,400)	
			3(c)	180,831	
				(1,766,149)	
Deficit	(8,071,681)	(2,644,680)	3(a)	(523,706)	(5,109,631)
			3(a)	(1,268,225)	
			3(a)	(560,420)	
			3(b)	8,071,681	
			3(d)	(12,600)	
			3(e)	(100,000)	
	(523,706)	(553,530)		5,606,730	2,049,514
	$ 59,591	$ 742,088		$ 3,126,750	$ 3,928,429

The accompanying notes are an integral part of this unaudited pro-forma consolidated statement of financial position.

1. PROPOSED TRANSACTION

Four River Ventures Ltd. ("Four River" or the “Company”) and Canabo Medical Corporation ("Canabo"), a private company involved in the business of providing of medical services and products for patients suffering from chronic pain and disabling illnesses through its health clinics operated by qualified health practitioners, have entered into a letter of intent dated August 8, 2016 and amended September 14, 2016. On September 30, 2016, Four River and Canabo entered into a Securities Exchange Agreement and on October 6, 2016 entered into an Arragement Agreement setting out a plan of arrangement under which the proposed transaction will be completed. Under the terms of the plan of arrangement, Four River will acquire all of the issued and outstanding common shares and common share purchase warrants of Canabo based on a one for one exchange ratio (the “Transaction”).

Canabo recently completed a private placement financing to raise gross proceeds of $3,457,500 (the “Subsequent Financing”) by the issuance of 6,915,000 common shares at $0.50 per share.

Four River will complete a share consolidation on the basis of two old common shares of Four River for one new common share of Four River. As a result, the outstanding shares of Four River will be reduced from 5,072,900 to 2,536,450 post consolidation shares and the common share purchase warrants will be reduced from 3,434,140 to 1,717,070 post consolidation warrants.

The boards of directors of Four River and Canabo have each unanimously approved the terms of the Transaction. As a result, Four River will issue a total of 27,521,700 post consolidation common shares and 545,000 post consolidation common share purchase warrants to the Canabo Security holders. It is anticipated that upon closing, Canabo security holders will hold approximately 91.6% of the outstanding shares of the Company.

The Transaction will be subject to certain customary conditions including approval of the Four River and Canabo shareholders and various regulatory approvals. The Agreement contains customary deal protection mechanisms and non-solicitation provisions.

The Company intends to adopt a financial year end of October 31 effective on the closing of the Transaction.

2. BASIS OF PRESENTATION

The unaudited pro-forma consolidated statement of financial position of Four River gives effect to the Transaction as described above. In substance, the Transaction involves Canabo shareholders obtaining control of Four River and accordingly the Transaction will be considered to be a reverse takeover transaction (“RTO”) with Canabo acquiring Four River. As Four River does not meet the definition of a business under International Financial Reporting Standards (“IFRS”), the consolidated financial statements of the combined entity will represent the continuation of Canabo. The Transaction has been accounted for as a share-based payment by which Canabo acquired the net liabilities and listing status of Four River. Accordingly, the accompanying unaudited pro-forma consolidated statement of financial position of Four River has been prepared by management using the same accounting policies as described in Canabo’s consolidated financial statements for the period ended July 31, 2016 and its audited consolidated financial statements for the year ended October 31, 2015.

The unaudited pro-forma consolidated statement of financial position is not necessarily indicative of the Company’s consolidated financial position on closing of the Transaction had the Transaction closed on the dates assumed herein.

The unaudited pro-forma consolidated statement of financial position has been compiled from information derived from and should be read in conjunction with the following information, prepared in accordance with IFRS:

- Four River’s unaudited condensed interim consolidated financial statements for the period ended July 31, 2016;
- Canabo’s unaudited condensed interim consolidated financial statements for the period ended July 31, 2016; and
- the additional information set out in Note 3 of this unaudited pro-forma consolidated statement of financial position.

3. UNAUDITED PRO-FORMA ASSUMPTIONS AND ADJUSTMENTS

The unaudited pro-forma consolidated statement of financial position gives effect to the completion of the Transaction, incorporating the assumptions within Note 1, as if it had occurred on the date presented, July 31, 2016. Consequential adjustments to the accumulated deficit are based on the transaction equation described in Note 3(a).

The unaudited pro-forma consolidated statement of financial position has been prepared based on the following assumptions:

a) As consideration for 100% of the outstanding common shares of Canabo, Four River will issue 27,521,700 common shares and 545,000 non-transferable common share purchase warrants in exchange for all of the Canabo securities.

As a result of the share exchange, the former shareholders of Canabo will acquire control of Four River and the Transaction will be treated as an RTO. The Transaction will be accounted for as an acquisition of the net liabilities and listing status of Four River by Canabo via a share based payment. The excess of the estimated fair value of the equity instruments that Canabo is deemed to have issued to acquire Four River, plus the transaction costs (both the "Consideration") and the estimated fair value of Four River's net liabilities, will be recorded as a charge to the accumulated deficit as the cost of obtaining the listing.

For the purposes of the pro-forma consolidated statement of financial position, management has estimated the fair value of the equity instruments deemed to be issued by Four River. The fair value of the 2,536,450 common shares (post consolidation) amounted to $1,268,225, based on the recent Canabo private placement financing of $0.50 per share. The fair value of the 1,537,500 warrants (post consolidation), exercisable at $0.15 per share for six months, amounted to $557,400 and 179,570 warrants (post consolidation), exercisable at $8.00 for one year amounted to $3,020. The fair value of the warrants was estimated using the Black-Scholes option pricing model applying a market price of $0.50, an exercise price of $0.15 and $8.00 respectively, a risk free rate of 1%, an expected volatility of 135% and an expected dividend yield of 0%. The fair value of the equity instruments is recorded as a listing expense.

The allocation of the Consideration for the purposes of the pro-forma consolidated statement of financial position is as follows:

Net liabilities acquired:		
Cash	$	59,381
Receivables		210
Accounts payable and accrued liabilities		(583,297)
Net liabilities assumed		523,706
Consideration		1,928,645
Cost of public listing charged to deficit	$	2,452,351
Consideration:		
Common shares deemed to be issued re Four River	$	1,268,225
Warrants deemed to be issued re Four River		560,420
Legal and other transaction costs		100,000
	$	1,928,645

3. UNAUDITED PRO-FORMA ASSUMPTIONS AND ADJUSTMENTS (continued)

b) As a result of the acquisition, there will be an elimination of Four River's pre-acquisition share capital of $5,040,575, contributed surplus of $2,507,400 and the deficit of $8,071,681.

c) The pro-forma statement of financial position assumes Canabo completes its private placement financing for gross proceeds of $3,457,500 at a price of $0.50 per common share, resulting in the issuance of 6,915,000 common shares. A 7% finder's fee of $190,750 will be payable on a portion the financing and Canabo has accrued an additional $40,000 for other share issue costs. Canabo issued broker's warrants to acquire 545,000 common shares at an exercise price of $0.50 for two years with a fair value of $180,831. The fair value was estimated using the Black-Scholes option pricing model applying a market price of $0.50, an exercise price of $0.50, a risk free rate of 1%, an expected volatility of 135% and an expected dividend yield of 0%. The finder's fee and fair value of the brokers' warrants will be recorded as a share issue cost.

d) Canabo issued 25,200 common shares at $0.50 per share to a lead physician. The Company has no further obligations under lead physician arrangements.

e) Four River and Canabo's legal, business valuator and other transaction costs are estimated to be $100,000 which will be recorded as a listing expense.

4. PRO-FORMA SHAREHOLDERS' EQUITY

As a result of the Transaction and the pro-forma assumptions and adjustments, the shareholders' equity of the combined entity as at July 31, 2016 is comprised of the following:

		Share Capital					
	Notes	Number of Shares	Capital Stock	Number of Warrants	Contributed Surplus	Deficit	Total
Canabo balances prior to transactions below		20,606,700	$ 2,038,650	-	$ 52,500	$ (2,644,680)	$ (553,530)
Shares issued in concurrent financing	3(c)	6,915,000	3,457,500	-	-	-	3,457,500
Share issue costs	3(c)	-	(230,750)	-	-	-	(230,750)
Share issue costs	3(c)	-	(180,831)	545,000	180,831	-	-
Shares issued August 2016	3(d)	25,200	12,600	-	-	(12,600)	-
		27,546,900	5,097,169	545,000	233,331	(2,657,280)	2,673,220
Common shares and warrants of Canabo exchanged for common shares and	3(a)	(27,546,900)	-	(545,000)	-	-	-
warrants of Four River	3(a)	27,546,900	-	545,000	-	-	-
Shares deemed to be issued re Four River[1]	3(a)	2,536,450	1,268,225	-	-	(1,268,225)	-
Warrants deemed to be issued re Four River[1]	3(a)	-	-	1,717,070	560,420	(560,420)	-
Net liability position assumed re Four River	3(a)	-	-	-	-	(523,706)	(523,706)
Transaction costs - cash	3(d)	-	-	-	-	(100,000)	(100,000)
		30,083,350	$ 6,365,394	2,262,070	$ 793,751	$ (5,109,631)	$ 2,049,514

[1] Four River has undertaken a 2:1 share consolidation subsequent to the period ended July 31, 2016. This number of shares reflects the 2:1 consolidation.

5. INCOME TAXES

The effective income tax rate applicable to the consolidated operations is estimated to be 35%.

CERTIFICATE OF FOUR RIVER VENTURES LTD.

The foregoing document constitutes full, true and plain disclosure of all material facts relating to the securities of Four River Ventures Ltd., assuming the completion of the Proposed Transaction.

DATED: October 26, 2016

s/"*Alistair MacLennan*"

ALISTAIR MACLENNAN
President and Chief Executive Officer

s/"*Mark Gelmon*"

MARK GELMON
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

s/" *Robert Coltura*"

ROBERT COLTURA
Director

s/"*Jason Leikam*"

JASON LEIKAM
Director

CERTIFICATE OF CANABO MEDICAL CORPORATION

The foregoing document as it relates to Canabo Medical Corporation constitutes full, true and plain disclosure of all material facts relating to the securities of Canabo Medical Corporation.

DATED: October 26, 2016

s/"*John Philpott*"	s/"*Robert Randall*"
JOHN PHILPOTT President and Chief Operating Officer	ROBERT RANDALL Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

s/"*Ian Klassen*"	s/"*A. Neil Smith*"
IAN KLASSEN Director	A. NEIL SMITH Director

ACKNOWLEDGEMENT – PERSONAL INFORMATION

Re: Filing Statement of Four River Ventures Ltd. (the "Company") dated October 26, 2016 (the "Filing Statement")

For the purposes of this acknowledgment, "Personal Information" means any information about an identifiable individual, and includes information contained in any Items in the Filing Statement that are analogous to Items 4.2, 11, 13.1, 16, 18.2, 19.2, 24, 25, 27, 32.3, 33, 34, 35, 36, 37, 38, 39, 41 and 42 of Form 3D2 *Information Required in a Filing Statement for a Reverse Takeover or Change of Business* ("Form 3D2") of the TSX Venture Exchange Inc. (the "Exchange"), as applicable.

The undersigned hereby acknowledges and agrees, in his capacity as an officer of the Company and not in his personal capacity, that the Company has obtained the express written consent of each individual to:

(a) the disclosure of Personal Information by the Company to the Exchange (as defined in Appendix 6B *Acknowledgement - Personal Information* of the Exchange ("Appendix 6B")) pursuant to Form 3D2; and

(b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

DATED: October 26, 2016.

FOUR RIVER VENTURES LTD.

s/"*Alistair MacLennan*"

Per: ____________________________

Alistair MacLennan, President
and Chief Executive Officer