

MORRO BAY RESOURCES LTD.

FILING STATEMENT
IN RESPECT OF THE REVERSE TAKEOVER TRANSACTION
WITH

EXPERION BIOTECHNOLOGIES INC. (“Experion”)

Dated as of September 25, 2017

All information contained in this Filing Statement with respect to Experion Biotechnologies Ltd. and the future plans for the Resulting Issuer (as defined herein) was supplied by Experion Biotechnologies Inc. for inclusion herein.

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 transaction described in this Filing Statement.

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GLOSSARY OF TERMS

Unless otherwise indicated, whenever used in this Filing Statement, the following words and terms have the indicated meanings or, if not defined herein, have the meanings set out in Exchange Policy 1.1 – *Interpretations*. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. All dollar amounts herein are in Canadian dollars, unless otherwise stated.

“**ACMPR**” means the Access to Cannabis for Medical Purposes Regulations (Canada) issued pursuant to the *Controlled Drugs and Substances Act* (Canada).

“**Affiliate**” means a Company that is affiliated with another Company as described below. A Company is an “Affiliate” of another Company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same Person. A Company is “controlled” by a Person if:
 - (a) voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person, and
 - (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company.

A Person beneficially owns securities that are beneficially owned by:

- (a) a Company controlled by that Person, or
- (b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

“**Agency Agreement**” means the agency agreement among Morro Bay, Experion and the Agent to be entered into in respect of the Offering.

“**Agent**” means Wellington-Altus Private Wealth, the agent in relation to the Offering.

“**Agent’s Commission**” means the cash commissions payable to the Agent in the amount of (i) \$20,000, (ii) seven percent (7%) of the gross proceeds, not including orders in respect of the Offering from Persons included on the President’s List, (iii) three and one half percent (3.5%) of the gross proceeds on orders in respect of the Offering from Persons included on the President’s List, and (iv) taxes thereon.

“**Agent’s Option**” means the Agent’s option for the purchase of Units (each consisting of one (1) Resulting Issuer Common Share and one (1)) at the price of sixty cents (\$0.60) per Unit and to acquire up to (i) seven percent (7%) of the Units issued pursuant to the Offering not including orders from Persons included on the President’s List, plus (ii) three and one-half percent (3.5%) of the Units issued pursuant to the Offering, to Persons on the President’s List. The Agent’s Option expires nine (9) after the Completion of the Transaction.

“**Arm’s Length Transaction**” means a transaction which is not a Related Party Transaction.

“**Associate**” when used to indicate a relationship with a Person, means

- (a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer,
- (b) any partner of the Person,
- (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity,

- (d) in the case of a Person who is an individual
 - (i) that Person's spouse or child, or
 - (ii) any relative of that Person or of his spouse who has the same residence as that Person; but
- (e) where the Exchange determines that two Persons shall, or shall not, be deemed to be Associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D.1.00 of the TSX Venture Exchange Rule Book and Policies with respect to that Member firm, Member corporation or holding company.

"Board" means the Board of Directors of the Resulting Issuer.

"Change of Business" or "COB" means a transaction or series of transactions which will redirect an Issuer's resources and which changes the nature of its business, for example, through the acquisition of an interest in another business which represents a material amount of the issuer's market value, assets or operations, or which becomes the principal enterprise of the issuer.

"Change of Control" includes situations where after giving effect to the contemplated transaction and as a result of such transaction:

- (a) any one Person holds a sufficient number of the Voting Shares of the Issuer or Resulting Issuer to affect materially the control of the Issuer or Resulting Issuer, or
- (b) any combination of Persons, acting in concert by virtue of an agreement, arrangement, commitment or understanding hold in total a sufficient number of the Voting Shares of the Issuer or Resulting Issuer to affect materially the control of the Issuer or Resulting Issuer;

where such Person or combination of Persons did not previously hold a sufficient number of Voting Shares to affect materially the control of the Issuer or Resulting Issuer. In the absence of evidence to the contrary, any Person or combination of Persons acting in concert by virtue of an agreement, arrangement, commitment or understanding, hold more than 20% of the Voting Shares of the Issuer or Resulting Issuer is deemed to materially affect the control of the Issuer or Resulting Issuer.

"Company" unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

"Completion" means the closing of the Transaction.

"Completion Date" means the date of the Final Exchange Bulletin.

"Computershare" means Computershare Trust Company of Canada, the transfer agent and registrar for the Morro Bay Shares.

"Control Person" means any Person that holds or is one of a combination of Persons 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.

"CSL" means a Controlled Substances License granted by Health Canada.

"Debt Conversion" means the reduction of the debt owing by Morro Bay through the issuance of Morro Bay Shares.

"Debentures" means the convertible debentures issued by Experion pursuant to the Debenture Offering.

“Debenture Purchase Warrant” means the right to acquire one (1) common share of the Resulting Issuer (after the Resulting Issuer Consolidation) for a period of nine (9) months from the Completion Date at an exercise price of \$0.80 per common share.

“Debentureholders” means the owners of the Debentures.

“Debenture Offering” means the offering by Experion of Convertible Debentures raising the gross sum of \$1,056,000 through the issuance of unsecured convertible debentures entitling the holder thereof to convert each One Thousand Dollars (\$1,000) of the Convertible Debenture amount held by the holder of the debenture to one (1) Experion Debenture Unit.

“Debenture Acquisition Unit” means one Resulting Issuer Share and one Debenture Purchase Warrant.

“Debenture Purchase and Sale Agreement” means the Debenture Purchase and Sale Agreement between and among Morro Bay and the Debentureholders in respect of the acquisition by Morro Bay of the issued Debentures.

“Drag Along Right” means, pursuant to the Experion Shareholders Agreement, upon acceptance of a take-over offer by holders of over 50% the Experion Common Shares, the right of Morro Bay and/or Experion to require all other Experion shareholders who have not accepted the take-over offer to tender their shares in accordance with the take-over offer and as more particularly described in the Experion Shareholders Agreement.

“Exchange” means the TSX Venture Exchange Inc.

“Exchange Policy” means the policies of the Exchange.

“Experion” means Experion Biotechnologies Inc., a corporation incorporated under the laws of British Columbia.

“Experion Common Shares” means the class “A” voting common shares of Experion.

“Experion Debenture Unit” means 533.333 Experion Common Shares and 533.333 Experion Warrants.

“Experion Securities” means all of the issued and outstanding securities in the capital of Experion, including the Experion Common Shares and the Debentures.

“Experion Securityholders” means the holders of the issued and outstanding Experion Securities, including the holders of the Experion Common Shares and the Debentureholders.

“Experion Shareholders Agreement” means the shareholders agreement between Experion and the Experion Securityholders dated April 14, 2014.

“Experion Warrant” means the right of the Debentureholders to acquire 533.333 Experion Common Shares at an exercise price of \$2.50 per Experion Class “A” Common Share and which must be exercised on the earlier of ten (10) months from the closing of the Debenture Offering and May 31, 2018, or such other date as determined by the Experion board of directors.

“Final Exchange Bulletin” means the bulletin which is issued by the Exchange following the Effective Date and the submission of all documentation required by the Exchange in connection therewith that evidences the final acceptance by the Exchange of the Transaction.

“IFRS” means international financial reporting standards.

“Incentive Options” means options granted pursuant to the Option Plan.

“Initial Consolidation” means the consolidation of the Morro Bay Shares on the basis of ten (10) Morro Bay common shares for one (1) Morro Bay share completed on May 9, 2017.

“Insider” if used in relation to an issuer, means:

- (a) a director or senior officer of the issuer;
- (b) a director or senior officer of the Company that is an insider or subsidiary of the Issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the Issuer; or
- (d) the Issuer itself if it holds any of its own securities.

“Langley Lab” means the laboratory and testing business operated by Northern Vine.

“License to Produce” means the license to produce issued to Experion on August 18, 2017 pursuant to the ACMPR by Health Canada (and includes any license to cultivate).

“License to Sell” means the license to sell cannabis products issued pursuant to the ACMPR (and includes any license to distribute).

“Licensed Producer” has the meaning given to such term in the ACMPR.

“MD&A” means management’s discussion and analysis.

“MMAR” means the Marihuana Medical Access Regulations, being the predecessor regulatory framework to the MMPR.

“MMPR” the Marihuana for Medical Purposes Regulations, being the predecessor regulatory framework to the current ACMPR.

“Member” means a Person that is a member of the Exchange.

“Mission Site” means the lands located at or near Mission, British Columbia, leased by Experion and for which lands the License to Produce relates.

“Morro Bay” means Morro Bay Resources Ltd., a corporation incorporated under the laws of Alberta.

“Morro Bay Shares” means the common shares in the capital of Morro Bay.

“Morro Bay Securities Consideration” means (i) 3,132,531.5 Resulting Issuer Shares for one (1) Experion Common Share, (ii) 1,771,962 Resulting Issuer Shares to be delivered to the Debentureholders pursuant to the Debenture Purchase and Sale Agreement, and (iii) 1,771,962 Debenture Purchase Warrants to be delivered to the Debentureholders pursuant to the Debenture Purchase and Sale Agreement.

“Morro Bay Shareholders Meeting” means the general and special meeting of the shareholders of Morro Bay held on July 14, 2017.

“NEX” means the NEX board of the Exchange.

“Named Executive Officers” has the meaning given to such term in National Instrument 51-102 of the Canadian Securities Administrators.

“Non Arm’s Length Party” means in relation to a Company, a promoter, officer, director, other Insider or Control Person of that Company (including an issuer) and any Associates or Affiliates of any of such Persons. In relation to

an individual, means any Associate of the individual or any Company of which the individual is a promoter, officer, director, Insider or Control Person.

“Non-accepting Shareholder” means the Experion shareholder holding 2,500,000 Experion Common Shares.

“Northern Vine” means Northern Vine Canada Inc. incorporated under the laws of British Columbia.

“Offering” means the brokered private placement for aggregate proceeds between \$500,000 and \$3,000,000 at a price of \$0.60 per Unit and includes the Over-Allotment Option.

“Over-Allotment Option” the entitlement of the Agent to subscribe and acquire Units issued under the Offering for a maximum subscription amount by the Agent of the greater of ten percent (10%) of the Offering amount received and \$300,000.

“OTCPink” means the OTC Pink Marketplace operated by the OTC Markets Group.

“Option Plan” means the stock option plan adopted by Morro Bay and effective as of the date hereof.

“Person” means a company, individual, or other entity.

“Post-Approval Documents” mean the documents prescribed as such in Policy 5.2 – *Changes of Business and Reverse Takeovers*.

“President’s List” means certain Persons introduced by Experion or Morro Bay to the Agent who participate in the Offering.

“Private Sale” means the sale and conveyance by Settlement Shareholders of the greater of 1,809,730 Morro Bay Shares (prior to the Resulting Issuer Consolidation and 502,222 Resulting Issuer Shares (after the Resulting Issuer Consolidation)) to certain shareholders, directors, and officers of Experion.

“Private Sale Agreement” means the agreement between the Settlement Shareholders and certain employees, officers and directors of Experion to complete the Private Sale.

“RSUs” means Resulting Issuer Shares granted pursuant to the RSU Plan.

“RSU Plan” means the Morro Bay Restricted Share Plan of Morro Bay.

“Resulting Issuer Consolidation” means the consolidation of the Morro Bay Shares outstanding prior to the completion of the transaction and the closing of the Private Placement on the basis 3.603457 Morro Bay Shares for one new Morro Bay Common Share or otherwise to required result in the Morro Bay Shares outstanding on the Completion Date being equal to 3,386,520 Morro Bay Common Shares.

“Transaction” means the transaction by which Morro Bay proposes to acquire in excess of sixty percent (60%) of the issued and outstanding securities of Experion in exchange for the Morro Bay Securities Consideration and includes the Share Purchase and Sale Agreement and the Debenture Purchase and Sale Agreement.

“Purchase Price” means \$22,200,000.

“Related Party Transaction” has the meaning ascribed to that term 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 Arm’s Length Parties, or other circumstances exist which may compromise the independence of the issuer with respect to the transaction.

“Resulting Issuer” means Morro Bay after giving effect to the Transaction.

“Resulting Issuer Shares” means common shares of the Resulting Issuer upon Completion of the Transaction, including the Resulting Issuer Consolidation.

“Resulting Issuer Option Plan” means the option plan approved by the Morro Bay shareholders as of the Completion Date.

“Reverse Takeover” or “RTO” means a transaction or series of transactions, involving an acquisition by the issuer or of the issuer, and a securities issuance by an issuer that results in:

- (a) new shareholders holding more than 50% of the outstanding voting securities of the issuer, and
- (b) a Change of Control of the issuer. The Exchange may deem a transaction to have resulted in a Change of Control by aggregating the shares of a vendor group and/or incoming management group,

but does not include any transaction or series of transactions whereby the newly issued securities are to be issued to shareholders of an issuer listed on TSX or another senior exchange under a formal takeover bid made pursuant to Securities Laws.

A transaction or series of transactions may include an acquisition of a business or assets, an amalgamation, arrangement or other reorganization.

Any securities issued pursuant to a Private Placement effected concurrently, contingent upon, or otherwise linked to a transaction or series of transactions, may be used in order to determine whether a transaction or series of transactions satisfies (a) and/or (b), above.

“Settlement Shareholders” means Diesel Consulting Ltd., Oz Transportation Ltd., and Triplet Entertainment Ltd.

“Share Purchase and Sale Agreement” means the Share Purchase and Sale Agreement between and among Morro Bay and the Experion Securityholders dated as of the date of closing of the Transaction in respect of the acquisition of all of the issued and outstanding securities of Experion.

“Resulting Issuer Warrant” means the right to acquire one Resulting Issuer Common Share at an exercise price of \$0.80 per acquired Resulting Issuer common share and which must be exercised within nine (9) months from the Completion date of the Transaction.

“Subscription Agreements” means those subscription agreements entered into between subscribers of the Units and Morro Bay pursuant to the Offering.

“Swap Agreement” means the agreement between Experion and Northern Vine (amongst others) by which Experion has agreed to convey to Northern Vine the 6,275 Northern Vine common shares owned by Experion in exchange for the transfer to Experion by Northern Vine of the 2,500,000 Experion common shares owned by Northern Vine.

“Unit” means one Resulting Issuer common share and one-half of a Resulting Issuer Warrant.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Filing Statement contains “forward-looking information” for purposes of applicable securities laws (“forward-looking statements”). Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on the current beliefs, expectations or assumptions of Experion and Morro Bay regarding the future of the Companies’ business, future plans and strategies, operational results and other future conditions. Forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or states that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, although not all forward-looking statements contain these identifying words. Forward-looking

statements include all matters that are not historical facts and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Morro Bay, Experion or the Resulting Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Forward-looking statements appear in a number of places throughout this Filing Statement. Examples of such statements include: (i) the intention to complete, and expected closing date of, the Transaction, (ii) the description of the Resulting Issuer that assumes completion of the Transaction; and (iii) in respect of the Resulting Issuer and Experion, statements pertaining to Experion's proposed operations and method for funding thereof, expectations regarding the ability to raise capital and to be able to obtain and maintain all applicable licenses and permits for Experion's operations, treatment under governmental regulatory regimes and tax laws, capital expenditure programs and the timing and method of financing thereof and future development plans and status of assets, future growth and performance.

Readers are cautioned not to place undue reliance on forward-looking information if and when forward looking statements are made. Forward-looking statements relate to, among other things, realizing the value of Experion' assets, capitalizing on increasing market demand for Experion' products and executing Experion' strategic plan. The risks and uncertainties that may affect forward-looking statements include, among others, risks involved in fluctuating interest rates and general economic conditions, legislative and regulatory developments, the nature of Experion' and the Resulting Issuer's customers, competition and other risks detailed from time to time in the Resulting Issuer's filings with Canadian securities regulators. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and, except as required pursuant to the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations*, Morro Bay and the Resulting Issuer do not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change.

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

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

NOTICE TO INVESTORS

Reporting Currencies: In this Filing Statement, all references to “\$” or “dollars” are to Canadian currency unless otherwise specified.

Market Data: Unless otherwise indicated, market data and industry forecasts contained in this Filing Statement have been obtained from publicly available sources (including industry publications, surveys and forecasts), and the good faith estimates of management of HPI and Morro Bay, respectively (“Management”). Unless otherwise indicated, Management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from their internal research, and are based on assumptions made by Management based on such data and its knowledge of the industry and markets, which Management believes to be reasonable. The internal research of Management has not been independently verified by any independent source. While Management believes the market position, market opportunity and market share information included in this Filing Statement is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of the future performance of HPI, Morro Bay and the Resulting Issuer and their respective future performance is necessarily subject to a high degree of uncertainty and risk due to a variety of factors. See “*Special Note Regarding Forward-Looking Statements*” and “*Part III: Information Concerning the Resulting Issuer - Risk Factors*”.

IFRS Measures: The financial statements, interim financial statements and pro forma financial statements included in this Filing Statement have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. Non-IFRS Financial Measures In order to supplement their respective financial statements, Morro Bay or Experion may use select non-IFRS measures. Morro Bay and Experion have not included non-IFRS measures in this Filing Statement. Non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to any similar measures presented by other companies.

SUMMARY OF FILING STATEMENT

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

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

GENERAL OVERVIEW

The Companies

Morro Bay: Morro Bay was incorporated pursuant to the Alberta *Business Corporations Act* on August 21, 2012. The head office of Morro Bay is located at 1150, 707 – 7th Avenue SW, Calgary, Alberta, Canada, T2P 3H6 and the registered office is located at 2248 9th Avenue SE, Calgary, Alberta, T2G 5P7. The Corporation is a reporting issuer in the provinces of Alberta, British Columbia, and Ontario and, as such, is required to make filings on a continuous basis thereunder. Such material is available for inspection under Morro Bay's profile on SEDAR. Morro Bay's common shares trade on the Exchange and the OTC Pink.

Morro Bay was originally named Morro Bay Capital Ltd. and was a Capital Pool Company as defined by the Exchange Policies. On January 22, 2014, Morro Bay and Sierra Madre Developments Inc. ("**Sierra Madre**") closed an Asset Purchase Agreement by which Morro Bay acquired a drilling rig from Sierra Madre and an option under an option agreement dated February 14, 2012 (the "**Peñoles Option Agreement**") between Sierra Madre and Riverside Resources Inc. ("**Riverside**") (collectively the "**Peñoles Assets**"). Morro Bay acquired the Peñoles Assets in exchange for 16 million of the Morro Bay Shares at a deemed value of \$0.10 per share and share purchase warrants entitling the holders thereof to acquire up to 8 million of the Morro Bay Shares for the period expiring on January 22, 2015. These warrants were not exercised and have expired. The Peñoles Option Agreement was subsequently amended through which Morro Bay delivered an additional 10,135,135 Morro Bay Shares pursuant to the Peñoles Option Agreement. On May 1, 2015 Morro Bay exercised its option under the Peñoles Option Agreement such that Morro Bay became an owner of 51% of the precious metal exploration project located in Mexico (the "**Peñoles Project**"). On June 21, 2016, Morro Bay was unable to meet its obligations required under the Peñoles Option Agreement. As a result, Morro Bay's interest in the Peñoles Project was terminated and was returned to Riverside. Riverside also transferred 20,108,108 Morro Bay Shares (2,010,810 Morro Bay shares post the recent Morro Bay Initial Consolidation) to the Settlement Shareholders, as directed by Morro Bay (subject to applicable securities laws). In addition, Morro Bay and Riverside entered into release documentation releasing one another from any obligations.

As of June 21, 2016, Morro Bay owns no material assets.

Effective as of May 9, 2017 Morro Bay consolidated its common shares on the basis of ten (10) pre-consolidation shares for one (1) post-consolidation share (the "**Initial Consolidation**"). Following the Initial Consolidation, the total issued and outstanding Morro Bay Shares was 9,180,096 common shares.

On June 28, 2017 Morro Bay completed the Debt Conversion whereby Morro Bay converted \$340,097 of debt owed by it to the directors, employees and consultants and pursuant to which it issued 3,023,082 Morro Bay Shares. As of the date hereof Morro Bay has 12,203,178 Morro Bay Shares issued and outstanding.

Morro Bay Selected Financial Information

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

Morro Bay Selected Consolidated Financial Information and Management's Discussion and Analysis

	For the Nine Months ended June 30, 2017	For the Year Ended September 30, 2016	For the Year Ended September 30, 2015
	\$ (unaudited)	\$ (audited)	\$ (audited)
Revenue (Interest)	Nil	583	1,740
Net income (loss)	(114,500)	(4,829,085)	(986,747)
Loss Per Common Share	(0.012)	(0.053)	(0.011)
Current Assets	6,132	18,473	289,009
Exploration and Evaluation Expenditures	Nil	Nil	4,917,085
Current Liabilities	160,916	513,590	226,385

Experion: Experion is a private company with its head office and registered office at 105, 33425 Maclure Road, Abbotsford, B.C. V2S 6V5. Experion was incorporated pursuant to the British Columbia *Business Corporations Act* on September 26, 2013. Experion securities are not listed or traded on any exchange. See “*Part II Information Concerning Experion – Corporate Structure*”

Experion is a Canadian biotech company focused on obtaining a license to produce and to distribute medical cannabis products from Health Canada (the “**Licensed Producer Business**”) pursuant to the *Access to Cannabis for Medical Purposes Regulations* (the “ACMPR”). On August 18, 2017 Experion acquired its License to Produce pursuant to the ACMPR.

Experion is proceeding to commence cultivation of cannabis as permitted by the License to Produce and is proceeding to obtain its License to Sell under the ACMPR. Experion has substantially completed construction of its indoor production, secure storage and processing facility. The License to Produce relates to this facility. See “*Information Concerning Experion – Narrative Description of the Business*”. **Experion has been granted its License to Produce but has not obtained its License to Sell and there is no assurance Health Canada will grant to Experion a License to Sell.**

Experion also currently holds 6,275 Common Shares (approximately 18% shareholding interest) in the Northern Vine which operates the Langley Lab. The Langley Lab is expected to become operational prior to the end of 2017. The Langley Lab obtained a Controlled Substance License (the “CSL”) from Health Canada on September 22, 2016 which was subsequently renewed on January 1, 2017. This CSL remains in good standing. Upon commencement of its operations, the Langley Lab will become a laboratory service provider for the Canadian medical cannabis industry. Services are anticipated to include testing to determine the chemical components and potency of products, physical testing, microbial analysis, and chemical contaminants testing. The Langley Lab is located at 104-9295 198 Street, Langley, B.C.

Northern Vine is the owner of 2,500,000 Experion Common Shares. Pursuant to the Swap Agreement Northern Vine has agreed to convey its Experion Common Shares to Experion in exchange for Experion delivering its Northern Vine shares to Northern Vine. Closing of the Swap Agreement is scheduled to occur approximately five (5) days after the Resulting Issuer Shares commence trading on the Exchange. If closing of the Swap Agreement does not occur by October 13, 2017, the Swap Agreement is null and void.

Experion Selected Financial Information

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

	Unaudited Six months ended May 31, 2017	2016	Audited Fiscal year ended November 30, 2015	2014
Revenue	\$0	\$0	\$0	\$0
Comprehensive loss for the period	(\$155,475)	(\$32,628)	(\$25,984)	(\$32,922)
Total Assets	\$2,355,965	\$1,279,890	\$0	\$0
Total Liabilities	\$94,224	\$262,694	\$50,156	\$24,172

Debenture Offering

In July 2017 Experion commenced the Debenture Offering. Experion has proceeded to enter into Debentures totaling \$1,056,000 aggregate principal amount bearing interest at eight percent (8%) per annum unsecured convertible debentures. Each Debenture is due and payable on or before July 31, 2019. The issuance date of the Debentures is August 1, 2017 (“**Issuance Date**”). For each one-thousand dollars (\$1,000) owing on the Debentures, the Debentures are convertible into Experion Debenture Units, at the option of the holder, at any time after the earlier of a change of control of Experion and September 30, 2017, and prior to eighteen (18) months from the Issuance Date. The Debentures may be converted at the option of Experion. As a result, upon conversion of the Debentures a total of 1,056 Experion Debenture Units may be issued which Experion Debenture Units will result in the issuance of 563,200 Experion Shares and 563,200 Experion Share purchase warrants. The Experion Share purchase warrant (the “**Experion Warrants**”) entitles the holders thereof to acquire one (1) Experion Common Share at a price of \$2.50 for a period expiring ten (10) months from the Issuance Date.

The funds received from the Debenture offering will be used for general corporate purposes (including toward the acquisition of the contemplated 40,000 square foot greenhouse). By on or before August 24, 2017 all Debentureholders entered into the Debenture Purchase and Sale Agreement. Pursuant to the Debenture Purchase and Sale Agreement, it is anticipated that Morro Bay will acquire all of the Debentures in exchange for 1,771,962 Debenture Acquisition Units.

The Transaction

The current common shares outstanding of Morro Bay totals 12,203,178. As part of the Transaction the Morro Bay Shares are to be consolidated pursuant to the Resulting Issuer Consolidation such that the Morro Bay shareholders will own (prior to the closing of the Private Sale) 3,386,520 Morro Bay Shares.

On May 15, 2017 Morro Bay made an offer (the “**Offer**”) to acquire all of the issued and outstanding shares of Experion and deliver with the Offer the Share Purchase and Sale Agreement. As of the date hereof a total of over eighty-one percent of the holders of Experion Common Shares have accepted the Offer and have executed the Purchase and Sale Agreement. The Offer initially remained open for acceptance (unless otherwise extended by Morro Bay) to and including June 14, 2017. Morro Bay extended the time for acceptance of the Offer to July 3, 2017. The Offer is now closed. Northern Vine is the only Experion Shareholder who has not agreed to the Transaction. Northern Vine has agreed to an exchange of its Experion Common Shares in accordance with the Swap Agreement (see discussion below).

Pursuant to the Offer, in exchange for each Experion Share, Morro Bay has agreed to issue to the Experion shareholders 3.1325315 Resulting Issuer Shares (post the Resulting Issuer Consolidation) for each Experion share held. Holders of a total of 10,833,333 Experion shares have accepted the Offer which will result in the issuance of 33,935,757 Resulting Issuer Shares. In addition, on closing of the Swap Agreement the remaining 2,500,000 Experion Common Shares will

have been acquired. The deemed value per share is \$0.60 per Morro Bay Share (the total deemed value is approximately \$22.2 million).

On August 6, 2017 Morro Bay made an offer to the Experion Debentureholders to acquire all of the issued and outstanding Debentures (the “Debenture Offer”) in exchange for One (1) Debenture Acquisition Unit for each \$0.60 of the Debentures. As of August 24, 2017, all Debentureholders have accepted the Debenture Offer. As a result, upon Completion pursuant to the Debenture Purchase and Sale Agreement a total of 1,771,958 Debenture Acquisition Units will be issued (pursuant to which the Debentureholders shall be entitled to 1,771,962 Resulting Issuer Shares and 1,771,962 Debenture Purchase Warrants). Upon closing of the Debenture Purchase and Sale Agreement, Morro Bay will be the owner of all of the Debentures.

Approximately eighty-one percent (81.25%) of the Experion shareholders have agreed to the Share Purchase and Sale agreement and all of the Debentureholders have agreed to the Debenture Purchase and Sale Agreements. Pursuant to the Swap Agreement, Experion will acquire the remaining approximately 18.75% of the Experion Common Shares. As a result of the completion of the Swap Agreement and the subsequent cancellation of the Experion Common Shares acquired by Experion thereunder, and assuming completion of the Transaction, the Resulting Issuer will become the owner of 100% of the Experion Common Shares. In addition in the event the Swap Agreement is not closed, Morro Bay retains the right to acquire the remaining Experion Shares held by Northern Vine pursuant to the Experion Shareholders Agreement. In the event that Morro Bay elects to proceed to exercise the Drag Along Right an additional 7,831,329 Resulting Issuer Shares would be issued.

After Completion of the Transaction, after the Resulting Issuer Consolidation and prior to the closing of the Offering (and assuming no other share issuances by Morro Bay or Experion), there will be 39,094,235 Resulting Issuer Shares issued and outstanding, of which current shareholders of Morro Bay (prior to the Private Sale) will own 3,386,520 Resulting Issuer Shares (approximately 8.7%), the Experion Securityholders who have accepted the Offer will own 33,935,757 Resulting Issuer Shares (approximately 86.8%) and the Debentureholders will own 1,771,962 Resulting Issuer Shares (approximately 4.5%).

The Transaction will constitute a reverse takeover of Morro Bay pursuant to Exchange Policy 5.2 – *Changes of Business and Reverse Takeovers*. See “*Information Concerning Resulting Issuer – Pro Forma Consolidated Capitalization*.”

In addition, coincident with the Completion of the Transaction, the Settlement Shareholders have agreed to complete the Private Sale Agreement by which they have agreed to convey the greater of 1,809,730 Morro Bay Shares (prior to the Resulting Issuer Consolidation) and 502,222 Resulting Issuer Shares (post Resulting Issuer Consolidation) for nominal consideration in order to assist with completion of the Transaction. As a result, upon completion of the Private Sale, the Experion shareholders will own approximately 88.3% of the Resulting Issuer Shares, the Debentureholders will own approximately 4.3% of the Resulting Issuer Shares and the remaining Morro Bay shareholders will own approximately 7.4% of the Resulting Issuer Shares.

The Offer and the Debenture Purchase and Sale Agreement is subject to the acceptance of the Exchange to list the shares of the Resulting Issuer on the Exchange. Additional conditions must be met in order for the Transaction to be completed. There is no assurance that the Transaction will be completed.

Upon Completion of the Transaction, Morro Bay will cease to be a Mining Issuer and the Resulting Issuer will operate as a Life Sciences issuer continuing the business of Experion.

The primary purposes of the Transaction are to obtain additional equity capital, create a public market for the Experion Shares and facilitate future access to financial opportunities for the Resulting Issuer. The Transaction is subject to compliance with all necessary regulatory approvals and certain other terms and conditions. See “*The Transaction*”.

Offering

In conjunction with the Transaction, Morro Bay intends to raise capital through the Offering for aggregate total proceeds of a minimum of \$500,000 and a maximum of \$3,000,000 plus additional amounts arising from the Over-Allotment Option. Closing of the minimum Offering is a condition to the closing of the Transaction pursuant to Exchange Policy 5.2 – *Changes of Business and Reverse Takeovers* and the Share Purchase and Sale Agreement and the Debenture Purchase and Sale Agreement.

Morro Bay has retained the Agent, Wellington-Altus Private Wealth, to act as lead agent in connection with a best efforts brokered private placement to raise gross proceeds of between \$500,000 and \$3,000,000. Pursuant to the Offering, Morro Bay intends to issue up to \$3,000,000 through the issuance of the Units at a price of \$0.60 per Unit. Closing of the Offering is conditional upon a number of events including the completion of the Transaction, the obtaining by Experion of the License to Produce (which has been obtained), and the listing of the Resulting Issuer Shares on the Exchange.

Each Unit will consist of one common share and one-half of one Resulting Issuer Warrant. Each Resulting Issuer Warrant being exercisable to acquire one common share of the Resulting Issuer at a price of \$0.80 for a period of 9 months following the closing date of the Transaction.

In connection with the Offering, the Agent will be entitled to (i) a corporate finance fee of \$20,000 (ii) a sales commission of 7% of the gross proceeds of the Units sold by the Agent pursuant to the Offering to Persons not on the President's and a sales commission of 3.5% of the Units sold to subscribers on the President's List (all herein referred to as the "**Agent's Commission**"). The Agent will also be granted an option to purchase Units in an amount equal to 7% of the Units sold by the Agent pursuant to the Offering to persons not on the President's List and 3.5% of the Units sold to persons on the President's List (the "**Agent's Option**"). The Agent's Option will have a term of 9 months from the closing of the Transaction and will be exercisable at the price of \$0.60 per Unit. The Agent will also be reimbursed for its out of pocket expenses and the payment of all applicable sales taxes on the Agent's fees.

Additionally, Morro Bay has agreed to grant to the Agent the Over-Allotment Option, an option to cover over-allotments and for market stabilization purposes (which will allow the Agent to arrange for purchasers to acquire up to 10% of the number of Units sold under the Offering). The maximum amount to be raised pursuant to the Over-Allotment Option is \$300,000 resulting in the issuance of a maximum of 500,000 Units. The Over-Allotment Option will be exercisable, in whole or in part, at any time up to 30 days after the closing of the Offering.

The Offering will be conducted pursuant to available prospectus exemptions, including sales to accredited investors.

As a result, the Offering is anticipated to result as follows:

Summary of the Offering			
	Minimum Offering (\$500,000)	Maximum Offering (\$3,000,000)	Maximum Offering plus Maximum Over-Allotment Option (\$300,000)
Resulting Issuer shares to be Issued ⁽¹⁾	833,333	5,000,000	5,500,000
Resulting Issuer Warrants ⁽²⁾ to be Issued	416,667	2,500,000	2,750,000
Maximum Agent's Commission Amount ⁽³⁾	\$55,000	\$230,000	\$230,000
Maximum Agent's Warrants Amount	29,167 common shares 29,167 Warrants	350,000 common shares 175,000 Warrants	350,000 common shares 175,000 Warrants

Notes:

1. Does not include the Over-Allotment Option which allows for issuance of an additional 500,000 Units.
2. Each Warrant entitles the holder to acquire one Resulting Issuer Common Share.
3. Applicable sales taxes will also be added to the Agent's Commission and the Agent is also entitled to re-imbursement of out of pocket and legal expenses.

Other Corporate Proceedings

In addition to the completion of the Transaction and the Offering, on July 14, 2017 Morro Bay held the Morro Bay Shareholders Meeting at which meeting the following resolutions were approved by the Morro Bay shareholders, *inter alia*:

1. to fix the number of directors for the ensuing year at six (6);
2. to elect to the Board of Directors of the Morro Bay John Zang, Keith Erickson, Ken Younger, Matt Zubot, Benjamin Eastwood, and Michael Steele;
3. re-approval of the Stock Option Plan of the Corporation;
4. approval of the RSU Plan;
5. approval of the continuance of the Corporation from the *Business Corporations Act* (Alberta) to the *Canada Business Corporations Act*;
6. approval of the amending the Articles of the Corporation to change the name of Morro Bay from Morro Bay Resources Ltd. to "Viridium Pacific Ltd." or such other name as the Board of Directors determines appropriate; and
7. approval to complete the Resulting Issuer Consolidation.

The Resulting Issuer

The Resulting Issuer will be Morro Bay. Experion will be a wholly owned subsidiary of the Resulting Issuer (assuming completion of the Swap Agreement). The Resulting Issuer will carry on the business of Experion through Experion. In the event that the Swap Agreement is not completed and in the event the Drag Along Right is not exercised Experion will be a subsidiary of the Resulting Issuer in which the Resulting Issuer will own approximately

eighty-one percent (81.25 %) of the Experion Common Shares. See “*Part II Information Concerning Experion – General Development of the Business*”.

The name of the Resulting Issuer will continue to be Morro Bay unless and until changed by the Resulting Issuer board of directors and with necessary approvals. Morro Bay has obtained shareholder approval to change its name to Viridium Pacific Ltd. or such other name as the board may determine. It is anticipated that the name of the Resulting Issuer will be “Viridium Pacific Group Ltd.”. Morro Bay has reserved with the Exchange the stock symbol “VIR” for the Resulting Issuer.

Prior to Completion of the Transaction and subject to Morro Bay shareholder approval, the Resulting Issuer will continue under the Canada *Business Corporations Act*. See “*Part III Information Concerning Resulting Issuer – Corporate Structure*.”

Upon Completion of the Transaction the board of directors of the Resulting Issuer will consist of Robert Wilson, John Zang, Stephen Serenas, Betty Indar Kour Dusange-Hayer, Michael Steele and Benjamin Eastwood. Senior management is anticipated to consist of Stephen Serenas (Chief Executive Officer), Robert Wilson (Chief Financial Officer), Jarrett Malnarick (Chief Operating Officer), and John Zang (Corporate Secretary). Stephen Serenas, John Zang and Robert Wilson are Promoters of the Resulting Issuer. See “*Part III Information Concerning the Resulting Issuer – Directors, Officers and Promoters*”.

After Completion of the Transaction, after the Resulting Issuer Consolidation and prior to the closing of the Offering (and assuming no other share issuances by Morro Bay or Experion), there will be 39,094,235 Resulting Issuer Shares issued and outstanding, of which current shareholders of Morro Bay (prior to the Private Sale) will own 3,386,520 Resulting Issuer Shares (approximately 8.7%) and the Experion Securityholders (excluding the Northern Vine Experion Common Shares) will own 33,935,757 Resulting Issuer Shares (approximately 86.8%) and the Debentureholders will own 1,771,962 Resulting Issuer Shares (approximately 4.5%). The Transaction will constitute a reverse takeover of Morro Bay pursuant to Exchange Policy 5.2 – *Changes of Business and Reverse Takeovers*. See “*Part III Information Concerning Resulting Issuer – Pro Forma Consolidated Capitalization*.”

In addition, coincident with the Completion of the Transaction, the Settlement Shareholders have agreed complete the Private Sale Agreement by which they have agreed to convey the greater of 1,809,730 Morro Bay Shares (prior to the Resulting Issuer Consolidation) and 502,222 Resulting Issuer Shares (post resulting Issuer Consolidation) for nominal consideration in order to assist with completion of the Transaction. As a result, upon completion of the Private Sale the Experion shareholders will own approximately 88.3% of the Resulting Issuer Shares, the Debentureholders will own approximately 4.3% of the Resulting Issuer Shares, and the remaining Morro Bay shareholders will own approximately 7.4% of the Resulting Issuer Shares. The completion of the Private Sale Agreement is conditional upon the completion of the RTO. See “*Part III Information Concerning Resulting Issuer – Pro Forma Consolidated Capitalization*.”

Forecast Resulting Issuer Shares

The anticipated issued and outstanding Resulting Issuer Shares are as follows:

Forecast Resulting Issuer Shares Outstanding Upon Closing			
	Resulting Issuer Shares	Minimum Financing (\$500,000) ⁽³⁾	Maximum Financing (\$3,000,000) ⁽³⁾
Current Morro Bay Shareholders Shares Owned ⁽¹⁾	3,386,520		
Resulting Issuer Shares to be issued to Experion Accepting Shareholders Pursuant to the Offer ⁽²⁾	33,935,757		
Resulting Issuer Shares to be issued to Debentureholders Pursuant to the Debenture Purchase and Sale Agreement	1,771,962		

<i>Subtotal</i>	<i>39,094,235</i>		
Offering Units to be Issued and Percentage (basic) ⁽²⁾		833,333 (2.1%)	5,000,000 (11.3%)
Total Forecast Resulting Issuer Shares (basic) ⁽²⁾		39,927,572	44,094,239
Resulting Issuer Shares to be issued upon conversion of Debtenture Purchase Warrants and Funds to be Received	1,771,962 \$1,410,548		
Resulting Issuer Shares to be issued on conversion of Offering Warrants and Resulting Issuer Warrant funds to be Received		416,667 \$333,333	2,500,000 \$2,000,000
Total Forecast Fully Diluted Resulting Issuer Shares ⁽²⁾	40,866,197	42,116,197	48,366,197

Notes:

- (1) Assuming the completion of the Resulting Issuer Consolidation (consolidation of the current outstanding Morro Bay Shares on the basis of 3.603457 for one Resulting Issuer Share).
- (2) Assuming the Drag Along Right does not occur. In the event the Drag Along Right occurs an additional 7,831,329 Resulting Issuer Shares will be issued.
- (3) Not including securities issuable pursuant to the Over-Allotment Option and from the Agent's Commission.

Material Resulting Issuer Shareholders

After Completion of the Transaction and the completion of the minimum and maximum Offering, assuming Swap Agreement is completed, the Resulting Issuer shareholders who will own, direct or exercise control, over ten percent (10%) of the issued and outstanding Resulting Issuer Shares is as follows:.

NAME OF SHAREHOLDER, MUNICIPALITY OF RESIDENCE	FORECAST NUMBER OF COMMON SHARES OWNED, DIRECTED, OR CONTROLLED	PERCENTAGE OF COMMON SHARES HELD AFTER THE TRANSACTION (INCLUDING THE MINIMUM FINANCING)	PERCENTAGE OF COMMON SHARES HELD AFTER THE TRANSACTION (INCLUDING THE MAXIMUM FINANCING)
1107569 BC Ltd. Abbotsford, BC	4,176,708	10.5%	9.4%

Note: In the event the Swap Agreement is not completed and the exercise of the Drag Along Right does occur, Northern Vine will own, direct, or exercise control over 10% of the Resulting Issuer Shares.

No other person will own, direct, or exercise control over Resulting Issuer Shares in excess of ten percent (10%).
See "Part III Information Concerning the Resulting Issuer - Principal Security Holders".

Officers and Directors

In connection with the closing of the Transaction, the officers and directors of Morro Bay are expected to change such that, upon completion of the Transaction, the directors and officers of the Resulting Issuer will be as follows:

Stephen Serenas	- CEO and a Director
Robert Wilson	- CFO and a Director
John Zang	- Corporate Secretary and a Director
Benjamin Eastwood	- Independent Director
Michael Steele	- Independent Director
Betty Indar Kour Dusange-Hayer	- Independent Director
Jarrett Malnarick	- Chief Operating Officer

The Resulting Issuer proposes to have the following committees of its board of directors:

Audit Committee:	Robert Wilson Michael Steele Betty Indar Kour Dusange-Hayer
Compensation Committee:	Michael Steele Betty Indar Kour Dusange-Hayer Benjamin Eastwood

Additional Committees may be constituted by the Resulting Issuer board of directors.

Approval of Morro Bay Directors

Morro Bay's Board has created a Special Committee to review the Transaction. The Morro Bay Special Committee and the Morro Bay Board of Directors have reviewed and approved the terms and conditions of the Transaction and the Offering and has concluded that they are fair and reasonable and are in the best interests of Morro Bay.

Interests of Insiders, Promoters or Control Persons

The following is a summary of the interests of Insiders of Morro Bay, and their respective Associates and Affiliates, before and after giving effect to the Transaction:

Morro Bay Insiders

Insider, Promoter or Control Person (including Associates and Affiliates)	Position	Number and Percentage of the Morro Bay Shares or Experion Shares prior to the Transaction⁽¹⁾	Number and Percentage of the Resulting Issuer Shares upon Completion of the Transaction⁽²⁾
John Zang	CEO & President, Director	1,207,922 Common Shares (9.9%)	335,211 Common Shares (0.8%)
Ken Younger	Director	144,444 Common Shares (1.21%)	35,064 Common Shares (0%)
Keith Erickson	Director	277,780 Common Shares (2.3%)	77,087 Common Shares (0%)
Matthew Zubot	Director	224,444 Common Shares (1.8%)	62,285 Common Shares (0%)
Denny Chow	CFO	650,000 Common Shares (5.3%)	180,382 Common Shares (0.5%)
TOTAL:		2,504,590 Common Shares (20.51%)	690,029 Common Shares (1.3%)

Notes:

- (1) Morro Bay Insiders currently own no securities in Experion.
- (2) Total Resulting Issuer Shares outstanding after the Resulting Issuer Consolidation is 39,094,235 and after the minimum subscription pursuant to the Offering is anticipated to be 39,927,568.

The following is a summary of the interests of Insiders of Experion, and their respective Associates and Affiliates, before and after giving effect to the Transaction:

Experion Insiders

Insider, Promoter or Control Person (including Associates and Affiliates)	Position	Number and Percentage of the Morro Bay Shares or Experion Shares prior to the Transaction⁽¹⁾	Number and Percentage of the Resulting Issuer Shares upon Completion of the Transaction⁽²⁾
Stephen Serenas	CEO Director	76,000 Common Shares (0.57%)	238,072 Common Shares (0.6%)
Robert Wilson	CFO	600,000 Common Shares (4.5%)	1,942,019 Common Shares (5%)
Kevin Morneau	Director	Nil	Nil
TOTAL:		3,176,000 (23.8%)	2,180,091⁽³⁾ (5.6%)

- (1) Experion Insiders currently own no securities in Morro Bay.
- (2) Total Resulting Issuer shares outstanding after the Resulting Issuer Consolidation is 39,094,235 and after the minimum subscription pursuant to the Offering is anticipated to be 39,927,568. Percentages are based upon the Resulting Issuer Shares outstanding prior to the Minimum Financing.
- (3) Does not include Resulting Issuer Shares which may be issued pursuant to the Drag Along Right. A total of 7,831,329 (16.7%) Resulting Issuer Shares may be issued to Northern Vine pursuant to the Drag Along Right assuming the Swap Agreement is not completed.

Resulting Issuer Unaudited Pro Forma Consolidated Summary Financial Information

The following table sets out selected unaudited pro forma consolidated financial information for the Resulting Issuer, assuming completion of the Transaction, as at June 30, 2017 (reflecting the pro-forma consolidation of Morro Bay as at such date and Experion as at June 30, 2017), and should be considered in conjunction with the more complete information contained in the unaudited pro forma consolidated financial statements of the Resulting Issuer and the notes thereto attached as Appendix "E" to this Filing Statement.

Unaudited Pro Forma Consolidated Financial Statements

	Morro Bay June 30, 2017	Experion May 31, 2017	Adjustments	Notes*	Post Transaction Pro Forma
Assets					
Current assets					
Cash and cash equivalents	784	1,270,567	2,790,000	1 (c)	
			1,056,000	1 (d)	
			(454,630)	1 (g)	4,662,721
Accounts receivable	989	50,350	35,648	1 (g)	86,987
Prepaid expenses	4,359	8,261			12,620
Total Current assets	6,132	1,329,178	3,427,018		4,762,328
Non-current assets					
Property and equipment	-	1,026,787	506,986	1(g)	1,533,773

Total Assets	6,132	2,355,965	3,934,004		6,296,101
Liabilities					
Current liabilities					
Accounts payable & accrued liabilities	160,916	72,519	150,000	1 (e)	
			287,841	1 (g)	671,276
Non-current liabilities					
Shareholder loans	-	21,705			21,705
Debentures	-	-			-
Total Liabilities	160,916	94,224	437,841		692,981
Shareholders' equity					
Share capital	7,501,754	2,510,000	(7,501,754)	1 (a)	
			1,105,068	1 (d) (f)	
			1,863,943	2	
			2,790,000	1 (c)	8,269,011
Share based payment reserve	315,614		(315,614)	1 (a)	-
Foreign currency translation reserve	(846,155)		846,155	1 (a)	-
Retained earnings (deficit)	(7,125,997)	(248,259)	7,125,997	1 (a)	
			(2,442,803)	1 (b)	
			(49,068)	1 (f)	
			(150,000)	1 (e)	
			(199,837)	1 (g)	(3,089,967)
Non-controlling interest			424,076	1 (b)	424,076
Total Shareholders' Equity	(154,784)	2,261,741	3,496,163		5,603,120
Total Liabilities & Shareholders' Equity	6,132	2,355,965	3,934,004		6,296,101

Note 1:

- (a) The legal acquisition of Experion by Morro Bay constitutes a reverse asset acquisition for accounting purposes as Experion is identified as the acquirer and Morro Bay does not meet the definition of a business, as defined in IFRS 3, *Business Combinations*. Accordingly, as a result of the Transaction, the pro forma consolidated statement of financial position has been adjusted for the elimination of Morro Bay shareholders' equity.
- (b) As a result of this reverse asset acquisition, a listing expense of \$2,442,803 has been recorded. In accordance with reverse acquisition accounting:
- The assets and liabilities of Experion are included in the pro forma consolidated statement of financial position at their carrying values;
 - The net liabilities of Morro Bay are included at their fair value of \$154,784 (equal to the carrying value of these liabilities);
 - The net liabilities have been allocated as follows:
- | | |
|--|-----------|
| | \$ |
| Cash and cash equivalents | 784 |
| Other current assets | 5,348 |
| Accounts payable and accrued liabilities | (160,916) |
| Net liabilities assumed | (154,784) |
- The listing expense of \$2,442,803 was determined as follows:
Number of Experion common shares outstanding prior to the Qualifying Transaction is estimated to be 35,707,715 (33,935,757 and 1,771,962) or 91.3% of the combined corporation;

Estimated fair value of Experion is \$21,424,629 based on the number of outstanding shares prior to the Transaction at a value of \$0.60 per share;

Number of outstanding shares of Morro Bay prior to the Public Offering determined on a net exercise basis of 3,386,520 or 8.7% of the combined corporation;

The portion of Experion's fair value attributed to Morro Bay is \$1,863,943 calculated as 8.7% of Experion's fair value;

The non-controlling interest is in relation to Northern Vine, which accounts for 18.75% and is calculated as the proportionate interest in the pre-combination carrying amount of Experion's net asset, which is:

	\$
Cash and cash equivalents	1,270,567
Other current assets	58,611
Non-current assets	1,026,787
Accounts payable and accrued liabilities	(72,519)
Non-current liabilities	(21,705)
Net assets	2,261,741
Non-controlling interest at 18.75%	424,076

As a result of this reverse asset acquisition, a listing expense of \$2,442,803 has been recorded. This reflects the difference between the estimated fair value of the Experion shares to the Morro Bay shareholders of \$1,863,943 less the net fair value of the net liabilities of Morro Bay assumed of \$154,784 offset by the non-controlling interest in Experion of \$424,076.

- (c) To record an estimated raise of \$3,000,000 from the private placement offering of Morro Bay and Experion for the Transaction, based on information available. Amendments will be made to these amounts as values subject to estimate are finalized when the Transaction closes.
- (d) To record the Debenture financing of \$1,056,000.
- (e) Transaction costs are estimated to be approximately \$150,000.
- (f) To record interest on the Debentures of \$49,068.
- (g) To record changes in the Statement of Financial Position of Experion occurring between May 31, 2017 and June 30, 2017, as follows:

	\$
Cash and cash equivalents	(454,630)
Accounts receivable	35,648
Fixed assets	506,986
Accounts payable and accrued liabilities	287,841
Retained earnings (deficit)	(199,837)

Note 2:

	# of shares	\$ amount
Common shares		
Shares held by shareholders of Morro Bay	3,386,520	7,501,754
Shares held by shareholders of the Experion	13,333,333	2,510,000
To effect reverse takeover transaction	20,602,424	-
Conversion of Experion Debentures to common shares	1,771,962	1,105,068
Eliminate share capital of Morro Bay		(7,501,754)
Fair value of common shares issued to acquire Morro Bay		1,863,943
	39,094,239	5,479,011
Issued in conjunction with the Transaction	5,000,000	3,000,000
Share issue costs	-	(210,000)
Pro forma shares outstanding at June 30, 2017	44,094,239	8,269,011

Forecast Resulting Issuer Shares Outstanding After Offering

Assuming completion of the Offering and the Resulting Issuer Consolidation, the Offering will result in outstanding shares in the Resulting Issuer as follows:

Forecast Resulting Issuer Shares Outstanding Upon Closing			
	Resulting Issuer Shares	Minimum Financing (\$500,000) ⁽³⁾	Maximum Financing (\$3,000,000) ⁽³⁾
Current Morro Bay Shareholders' Shares Owned ⁽¹⁾	3,386,520		
Resulting Issuer Shares to be issued to Experion Accepting Shareholders Pursuant to the Offer ⁽²⁾	33,935,757		
Resulting Issuer Shares to be issued to Debentureholders Pursuant to the Debenture Purchase and Sale Agreement	1,771,962		
<i>Subtotal</i>	<i>39,094,239</i>		
Offering Units to be Issued and Percentage (basic) ⁽³⁾		833,333 (2.1%)	5,000,000 (11.3%)
Total Forecast Resulting Issuer Shares (basic) ⁽³⁾		39,927,572	44,094,239
Resulting Issuer Shares to be Issued on Conversion of Debenture Acquisition Warrants and funds to be Received	1,771,962 \$1,410,548		
Resulting Issuer Shares to be Issued on Conversion of Resulting Issuer Warrants and Resulting Issuer Warrant funds to be Received		416,667 \$333,333	2,500,000 \$2,000,000
Total Forecast Fully Diluted Resulting Issuer Shares ⁽²⁾	40,866,197	42,116,197	48,366,197

Notes:

- (1) Assuming the consolidation of the current outstanding Morro Bay Shares on the basis of 3.603457 for one Resulting Issuer Share.
- (2) Assuming the Drag Along Right does not occur. In the event the Drag Along Right occurs an additional 7,831,329 Resulting Issuer Shares will be issued.
- (3) Not including securities issuable pursuant to the Over-Allotment Option and from the Agent's Commission.

Upon closing of the Transaction, the proceeds of the Offering will be used to pay the expenses related to the Transaction and to proceed with the business of the Resulting Issuer—the post-Transaction company.

Available Funds and Principal Uses of Funds

The Resulting Issuer anticipates, as indicated on the Pro Forma Consolidated Balance Sheet attached hereto as Appendix "E" and as described in "Part III Information Concerning the Resulting Issuer – Available Funds and Principal Purposes", that the Resulting Issuer will have working capital of approximately (i) \$2,207,694 upon the Completion of the Transaction and assuming the minimum Offering; and (ii) \$4,715,444 assuming the maximum Offering (not including the Over-Allotment Option).

Upon closing of the Transaction, the proceeds of the Offering will be used to pay the expenses related to the Transaction and Offering and to proceed with the business of Experion. Such expenses are anticipated to include obtaining its License to Sell from Health Canada, commencement of its cannabis cultivation activities and the construction of 40,000 square foot of greenhouse canopy (the "Greenhouse"). The proceeds will also be utilized to pay on-going operating expenses.

The following table sets out information respecting the Resulting Issuer's sources of cash and intended uses of such cash over the next 12 months. The amounts shown in the table are estimates only and are based on the best information available to Morro Bay and Experion as at the date of this Filing Statement. The intended uses of such cash may vary based on a number of factors. See also "Part III Information Concerning Resulting Issuer - Available Funds and Principal Purposes".

Resulting Issuer Sources and Uses of Funds		
	Minimum Offering	Maximum Offering
Estimated consolidated working capital (1)	395,052	395,052
Proceeds from Debentures	1,056,000	1,056,000
Proceeds from the Offering	500,000	3,000,000
Total Available Funds	1,951,152	4,451,052
Operational staff costs	110,000	110,000
General and administrative expenses (2)	429,267	429,267
Completion of Mission Site	-	-
Greenhouse: Phase I Expansion at Mission Site (3)	-	1,081,081
Offering related costs (4)	109,250	276,250
Professional fees and transaction costs (5)	150,000	150,000
Contractual Obligations (6)	406,400	406,400
Unallocated Working Capital	747,775	1,997,694
Total Uses of Funds	1,951,052	4,451,052

(1) Estimated combined for Morro Bay (negative \$154,784) and Experion (\$594,836) as at June 30, 2017.

(2) Includes rent, insurance, office costs, supplies and IT services for the next 12 months.

(3) In support of achieving milestones. See "Information Concerning Resulting Issuer – Narrative Description of the Business"

(4) Includes Agent's Commission, transaction fees, as well as legal, audit and consulting fees related to the Private Placement

(5) Includes Agent's Commission, transaction fees, as well as legal, audit and consulting fees related to the Transaction

(6) Reflects funds to be advanced in the next 12 months for executive officers, directors, employees and regular consultants
See *Information Concerning Resulting Issuer –Executive Compensation*. All related amounts are accrued for in the financial statements of Experion.

The Resulting Issuer intends to use its working capital to obtain its License to Sell, commence its cannabis cultivation activities, commence construction of the Greenhouse, fund the expansion of Experion business and to meet future cash needs related to the on-going operating expenses of the Resulting Issuer.

Notwithstanding the proposed uses of available funds discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult, at this time, to definitively project the total funds necessary to successfully execute all elements of the Resulting Issuer's business strategy. For these reasons, management of Morro Bay and Experion consider it to be in the best interests of the Resulting Issuer and its shareholders to afford management a reasonable degree of flexibility as to how the funds are employed among the uses identified above, or for other purposes, as the need arises. As such, the above uses of available funds should be considered estimates. See "Forward Looking Statements".

Arm's Length Transaction

The Transaction is an Arm's Length Transaction.

Shareholder Approvals

The Transaction is not subject to the approval of the shareholders of Morro Bay. In accordance with the Experion Shareholders Agreement over 50% of the holders of Experion common shares are required to accept the Offer in order to permit the forced sale by all the other Experion shareholders. This Filing Statement is filed in connection with the requirements of the policies of the Exchange.

Listing and Share Price on the Exchange

The Morro Bay Shares are listed for trading on the Exchange, Tier 2, under symbol “**MRB**”. Morro Bay Shares are also listed on the OTCPink under the symbol “**MRRBF**”. The closing price of the Morro Bay Shares on the Exchange on May 12, 2017 (the last day of trading preceding the announcement of the Transaction) was \$0.15.

There is no public market for the Experion Securities.

Resulting Issuer Escrow Shares

Upon Completion of the Transaction, 23,892,142 Resulting Issuer Shares will be subject to escrow pursuant to the Exchange Policy (without giving effect to the release of any Resulting Issuer Shares as at the date of the Final Exchange Bulletin). For information pertaining to the terms of the escrow, see “*Part III Information Concerning the Resulting Issuer – Escrowed Securities*”.

Conflicts of Interest

There may be potential conflicts of interest to which the proposed directors, officers, Insiders and promoters of the Resulting Issuer will be subject in connection with the operations of the Resulting Issuer. Each of the directors and officers of the Resulting Issuer may be or already are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. In accordance with the Canada *Business Corporations Act*, directors who have a material interest or any Person who is a party to a material contract or a proposed material contract with the Resulting Issuer, are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Resulting Issuer. Certain of the directors have either other employment or other business or time restrictions placed on them and accordingly, these directors will only be able to devote part of their time to the affairs of the Resulting Issuer. See “*Part III Information Concerning the Resulting Issuer – Risk Factors*”.

Interests of Experts

Except as disclosed herein, 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 prepared or certified a report or valuation described or included in this Filing Statement currently holds, directly or indirectly, more than 1% of the Morro Bay Shares or the Experion Common Shares, or holds any property of Morro Bay or Experion or of an Associate or Affiliate of them and no such person is expected to be elected, appointed or employed as director, senior officer or employee of Morro Bay or Experion or of an Associate or Affiliate of the Resulting Issuer and no such person is a promoter of Morro Bay or Experion or an Associate or Affiliate of them.

As of the date of this Filing Statement, BDO Canada LLP, is the external auditor of Morro Bay. Such firm is independent of Morro Bay and Experion within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

As of the date of this Filing Statement, Collins Barrow Toronto LLP, Chartered Accountants, Licensed Public Accountants, is the external auditor of Experion. Such firm is independent of Morro Bay and Experion within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. See “*Part III Information Concerning the Resulting Issuer – General Matters – Interest of Experts*”.

Upon Completion of Transaction, Collins Barrow Toronto LLP will become the auditor of the Resulting Issuer.

Sponsorship

Morro Bay and Experion have applied to the Exchange for an exemption from the Sponsorship requirement.

Conditional Listing Approval

As of the date of this Filing Statement, the Exchange has not provided conditional approval of the Transaction, and such approval is necessary to consummate the Transaction. Acceptance of the Transaction by the Exchange will be subject to Morro Bay fulfilling all of the requirements of the Exchange. It is contemplated that the Exchange will require completion of the minimum Offering and receipt of the License to Produce (which has been received) prior to Final Listing Approval. There is no assurance that Morro Bay will be able to meet all of such requirements. If Morro Bay or Experion are unable to meet all of such requirements, the Transaction will not be completed.

Conditions to the Completion of the Transaction

The obligations of the parties to complete the Transaction, as contemplated by the Share Purchase and Sale Agreement, are subject to the satisfaction, on or before the Completion Date, of a number of specified conditions, including:

1. the acceptance of the proposed share purchase by not less than 60% of the Experion shareholders;
2. the completion of the minimum Offering in the amount of \$500,000,
3. the completion of the Resulting Issuer Consolidation;
4. the completion of the Private Sale;
5. the Experion Securityholders required by the Exchange to enter into escrow agreements shall have done so;
6. the Transaction costs shall not exceed \$50,000 incurred by each party unless otherwise agreed; and
7. the conditional approval of the Exchange with respect to the Transaction.

The Share Purchase and Sale Agreement provides additional conditions. See "*Part III Information Concerning the Resulting Issuer--The Transaction Conditions*".

The obligations of the parties to complete the Transaction, as contemplated by the Debenture Purchase and Sale Agreement, are subject to the satisfaction, on or before the Completion Date, of a number of specified conditions, including:

1. the closing of the Share Purchase and Sale Agreement;
2. the completion of the minimum Offering in the amount of \$500,000,
3. the completion of the Resulting Issuer Consolidation; and
4. the conditional approval of the Exchange with respect to the Transaction.

The Debenture Purchase and Sale Agreement provides additional conditions. See "*Part III Information Concerning the Resulting Issuer--The Transaction Conditions*".

RISK FACTORS

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

An investment in Morro Bay and/or the Resulting Issuer involves a significant degree of risk, including the following risks listed here in summary fashion related to receiving regulatory approvals, permits and licenses; potential changes in government regulation; the requirement to comply with environmental regulation; the ability to obtain adequate insurance coverage; public perception of the medical cannabis industry and cannabis use generally; cash flow and liquidity; the ongoing need for financing; a volatile stock price; potential conflicts of interest; dependence on cash flows of subsidiaries, attracting and retaining key personnel and dependence on certain key executives; competition; transportation disruptions; fluctuation of interest and exchange rates; changes in global financial conditions generally; product liability; product recalls; potential operational risks and costs; risks inherent in an agricultural business including, difficult to forecast and vulnerability to rising input and energy costs, the substantial dilution to the voting power of the Morro Bay Shareholders and the potential substantial dilution to the price of the Morro Bay Shares. Morro Bay Shareholders should consider that Morro Bay may not realize the anticipated benefits of the Transaction. For a comprehensive discussion of the risk factors relating to the Resulting Issuer, see "Part III: *Information Concerning the Resulting Issuer - Risk Factors*".

Risks Related to Market Conditions and Other External Factors

Completion of the Transaction, Offering and Exchange Approval

The completion of the Transaction and Offering is subject to several conditions precedent, certain of which are outside the control of Morro Bay and Experion. In addition, there is no guarantee that the Resulting Issuer will be able to satisfy the requirements of the Exchange such that it will issue the Final Exchange Bulletin. There can be no certainty, nor can Morro Bay provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. There can be no certainty that the Transaction will be completed on the terms set out in the Share Purchase and Sale Agreement, as negotiated, or at all. In the event that any of the conditions precedent are not satisfied or waived, including the minimum financing, the Transaction may not be completed.

Speculative Nature of Investment

An investment in the Common Shares should be considered highly speculative due to the nature of the Resulting Issuer's business. Neither Morro Bay nor Experion has paid dividends nor is it expected that dividends will be paid in the immediate or foreseeable future. Experion is in an expansionary stage of its business and its operations are not of sufficient scale and diversification to mitigate the risks associated with its planned activities. Experion has modest cash available and other assets and is relatively small.

Taxes

The Resulting Issuer will be subject to taxes in Canada. Due to economic and political conditions, tax rates may be subject to significant change. It is anticipated that there will be a levy or other tax imposed on recreational access to marijuana. Such tax or levy may detrimentally affect the ability of the resulting Issuer to market and sell its products for reasonable net cash flow.

Volatile Market Price for the Resulting Issuer Shares

The Common Shares of the Resulting Issuer will be listed on the Exchange. The price of Common Shares is likely to be significantly affected by short term changes in its financial condition or results of operations as reflected in its quarterly earnings reports. The market price for the Resulting Issuer Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Resulting Issuer's control, including the following:

- actual or anticipated fluctuations in the Resulting Issuer's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Resulting Issuer operates;

- addition or departure of the Resulting Issuer's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Resulting Issuer Shares;
- sales or perceived sales of additional Resulting Issuer Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Resulting Issuer or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Resulting Issuer; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Resulting Issuer's industry or target markets.

Financial markets tend to experience significant price and volume fluctuations that tend to affect the market prices of equity securities of companies and that can be unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Resulting Issuer Shares may decline even if the Resulting Issuer's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Resulting Issuer's operations could be adversely impacted and the trading price of the Resulting Issuer Shares may be materially adversely affected.

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

No Prior Public Market for Resulting Issuer Shares

Prior to the Completion of the Transaction, there will not have been a public market for Experion Securities or the shares of the Resulting Issuer on the Exchange. An active and liquid market for such shares may not develop following the Completion of the Transaction, or, if developed, may not be maintained. If an active public market does not develop or is not maintained, shareholders of the Resulting Issuer may have difficulty selling their shares in the Resulting Issuer.

Dilution to Common Shares

During the life of the Resulting Issuer Warrants and the Debenture Purchase Warrants, as well as options and other rights granted or assumed by the Resulting Issuer, if any, the holders are given an opportunity to profit from a rise in the market price of the Common Shares. The Resulting Issuer's ability to obtain additional financing during the period such Resulting Issuer Warrants, the Debenture Purchase Warrants, or rights are outstanding may be adversely affected and the existence of the warrants or rights may have an adverse effect on the price of the Resulting Issuer Shares. The holders of Resulting Issuer Warrants, the Debenture Purchase Warrants, and/or options and other rights of the Resulting Issuer may exercise such securities at a time when the Resulting Issuer would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favorable than those provided by the outstanding such warrants or rights.

The increase in the number of Common Shares in the market and the possibility of sales of such shares may have a depressive effect on the price of the Common Shares. In addition, as a result of such additional Common Shares, the voting power of the Resulting Issuer's existing shareholders will be diluted.

Future Sales of Common Shares by Existing Shareholders

Sales of a large number of Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair the Resulting Issuer's ability to raise capital through future sales of Common Shares.

Additional Regulatory Burden

Prior to the Completion of the Transaction, Experion has not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of the Exchange. As described herein, several new directors and officers will become the directors and officers of the Resulting Issuer. Experion is working with its legal, accounting and financial advisors to identify those areas in which changes should be made to Experion's financial management control systems to manage its obligations as a public company. These areas include corporate governance, corporate controls, internal audit, disclosure controls and procedures and financial reporting and accounting systems. Experion has made, and will continue to make, changes in these and other areas, including Experion's internal controls over financial reporting. However, there is no assurance that these and other measures that it may take will be sufficient to allow the Resulting Issuer to satisfy its obligations as a public company on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies will create additional costs for the Resulting Issuer and will require the time and attention of management. Morro Bay and Experion cannot predict the amount of additional costs that the Resulting Issuer may incur, the timing of such costs or the impact that management's attention to these matters will have on the Resulting Issuer's business.

Risks Related to the Business

Limited Operating History

The Resulting Issuer will be a newly consolidated entity, having just completed the Transaction and without a long consolidated operating history. The success of the Resulting Issuer will be dependent on the managers of those operations to be successful in their attempts to gain new business. There can be no assurance that we will be successful in addressing these risks. In addition, our proposed management team performing the day to day management functions has limited experience with public companies. Due to the significant and complex accounting and legal requirements applicable to public companies, the time and efforts of our management team may be diverted from operational matters and may require the recruitment of additional personnel solely or primarily to address these requirements.

The Resulting Issuer will be operating in the medical marijuana sector in Canada. There is no assurance in regard to these operations that (i) the Resulting Issuer will retain its License to Produce, (ii) the Northern Vine will retain its CSL License, (iii) Experion will be granted the License to Sell, (iv) Experion will maintain the License to Produce, and (v) Experion will be successful in erecting and thereafter, obtaining the ACMPR license for the Greenhouse. There is no assurance that the Resulting Issuer will be successful in growing marijuana and such marijuana being found fit for distribution or sale.

The Government of Canada has announced the intention to permit Marijuana to be distributed to the public under certain circumstances, there is no assurance that the applicable laws and regulations permitting same will be passed or instituted in the future or on a timely basis.

No commercial products have been developed. The Resulting Issuer has not completed the development of any commercial products, and accordingly has not begun to market or generate revenues from sales of the products we are developing.

The Resulting Issuer and its subsidiaries and affiliates, will not be able to legally grow, or process medical marijuana without a license from Health Canada. The licensing requirements mandated by Health Canada are stringent and must be complied with before any license is granted by Health Canada under the ACMPR, including significant infrastructure requirements of attaining and maintaining a license such as an indoor growing facility with physical barriers, visual monitoring, recording devices, intrusion detection, air filtration systems, as well as other important controls around distribution and access, among others. A facility meeting the rigorous licensing requirements of Health Canada must be available for inspection by Health Canada before any license can be granted, once a license is issued, the Resulting Issuer must comply with a number of ongoing requirements, including (i) physical security and storage measures, (ii) good production practices, and (iii) proper packaging, labeling and shipping practices. In order to obtain and maintain a license, the Resulting Issuer must ensure that it complies with the terms of its other permits and ancillary licenses such as the import or export permit from the Minister of Health, as well as ensuring that all of its management and designated personnel have passed the security clearance provided for under Health Canada Regulations and other applicable federal, provincial, and municipal regulations.

The License to Produce expires on August 18, 2020 and must be renewed prior to that date. The Langley Lab CSL License expires on December 31, 2018 and must be renewed prior to that date. There can be no guarantee that Health Canada will issue, extend or renew the licenses or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Failure to comply with the requirements of the License to Produce or any failure to maintain the License to Produce would have a material adverse impact on the business, financial condition and operating results of the Resulting Issuer or any company that it may invest in or acquire.

The License to Produce does not permit the sale or distribution of the cannabis cultivated by Experion. To be permitted to sell the Experion cannabis, Experion must obtain its License to Sell.

Even if the Resulting Issuer obtains the necessary marketing approvals, its products may not gain meaningful market acceptance, and may not become profitable. The nutraceutical, biotechnology and pharmaceutical industries are highly competitive and subject to significant and rapid technological change as researchers learn more about medical conditions and diseases and develop new technologies and treatments. Our current and potential competitors generally include nutraceutical and supplement companies, multinational pharmaceutical companies, biopharmaceutical firms, specialty pharmaceutical companies, universities and other research institutions. Many of our competitors, either alone or together with their collaborators, have substantially greater financial resources and larger research, development and regulatory staffs than ours and those of our corporate collaborators. There can be no assurance that competitors will not develop more effective or more affordable products, or achieve earlier patent protection or product commercialization than us and our corporate collaborators. Competition with respect to nutraceuticals, the Resulting Issuer plans to compete in an industry in which there are already many well established participants. Success will depend on our ability to successfully differentiate our product offerings and penetrate already crowded channel.

With respect to medical marijuana, there are a few, but growing number of participants. The Resulting Issuer will have to prove its ability to compete against companies that are further ahead in the approval process by Health Canada and have greater financial, technological, production and marketing resources.

The Resulting Issuer product candidates subject us to the risk of product liability claims for which it may not be able to maintain or obtain adequate insurance coverage. Inherent in the use of the Resulting Issuer's products, as well as in the manufacturing and distribution in the future of any approved products, is the risk of financial exposure to product liability claims and adverse publicity in the event that the use of such products results in personal injury or death. There can be no assurance that the Resulting Issuer will not experience losses due to product liability claims in the future. Potential delayed or impaired future sales even if any of its products receive regulatory approval, the Resulting Issuer may still face development and regulatory difficulties that may delay or impair future sales.

If the Resulting Issuer obtains regulatory approval for any of its product candidates, it will continue to be subject to extensive regulation by Health Canada and other government authorities. These regulations will impact many aspects of the Resulting Issuer's operations and the drug manufacturer's operations including manufacture, record keeping, quality control, adverse event reporting, storage, labeling, advertising, promotion, sale and distribution, export and personnel.

Health Canada and other government agencies may conduct periodic inspections to assess compliance with regulatory requirements. The Resulting Issuer will be required to conduct post-marketing surveillance of the product and also may be required to conduct post-marketing studies.

The Resulting Issuer's failure to comply with applicable regulatory requirements, or the later discovery of previously unknown problems, may result in restrictions including delays in commercialization; refusal by Health Canada, product recalls or seizures; suspension of manufacturing; withdrawals of previously approved marketing applications; fines and other civil penalties; injunctions, suspensions or revocations of marketing licenses; and criminal prosecutions.

The Resulting Issuer's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of medical marijuana and hemp but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of

the business that it may invest in or acquire. Operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of medical marijuana and hemp as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

Risks Related to Transaction

Non-Accepting Shareholder

Northern Vine currently owns 2,500,000 Experion Common Shares (approximately 18.75% of the outstanding Experion Common Shares). Northern Vine has threatened to commence litigation against Morro Bay and Experion in relation to the Transaction and other matters. Northern and Experion have entered into the Swap Agreement which, if closed, is intended to resolve all disputes between Northern Vine and Experion. If the Swap Agreement is not completed Northern Vine may bring litigation against Experion and/or the Resulting Issuer. There is no assurance that Morro Bay and/or Experion will be successful in defending such litigation.

Northern Vine Shareholdings

In accordance with the Northern Vine Shareholders' Agreement to which Experion's shareholding in Northern Vine is subject, Experion can be forced to sell its Northern Vine shares in the event that 50% of the Northern Vine shareholders elect to do so. Pursuant to the Northern Vine Shareholders Agreement, Experion is entitled to appoint one individual to the Northern Vine board of directors however there are no assurances that the interests of Experion and the interests of Northern Vine will continue to be aligned. Lastly, although pursuant to the Northern Vine Shareholders Agreement, Experion is entitled to maintain its shareholding interest in Northern Vine, Experion and/or the Resulting Issuer may elect not to participate in any Northern Vine share offerings which will result in the interest of Experion in Northern Vine being diluted. Northern Vine has over the last six months diluted the shareholding position of Experion from the initial 25% interest to approximately an 18% interest in Northern Vine, there is no assurance that such dilution may not further continue. Experion has been advised by Northern Vine that it is proceeding with a further issuance of shares which is expected to further dilute the percentage interest owned by Experion in Northern Vine. Pursuant to the Swap Agreement Experion will cease to be a shareholder in Northern Vine.

Assuming the Swap Agreement is not completed, pursuant to the Experion Shareholders Agreement the Drag Along Right exists, there is no assurance that (i) Morro Bay and/or Experion will elect to elect the Drag Along Right in regard to the acquisition of Experion Common Shares held by Northern Vine; and (ii) there is no assurance that Northern Vine will, if the Drag Along Right is exercised, tender its Experion Common Shares and meet other requirements under the Experion Shareholders Agreement. Except as required by the Swap Agreement and the Drag Along Right, there is no assurance that Morro Bay (if it elects to do so) will be able to acquire Experion Common Shares held by Northern Vine.

Experion not a Wholly Owned Subsidiary

In the event the Swap Agreement is not completed and the Drag Along Right is not exercised the Experion will not be a wholly owned subsidiary of the Resulting issuer. Pursuant to the Experion Shareholders Agreement Northern Vine will retain certain rights, including appointing a member to the board of directors of Experion. There are no assurances that business of Experion may not be negatively affected by the involvement of Northern Vine in the business of Experion.

Risks Related to the Offering

No Prior Public Market for Common Shares

Before the Transaction, there has been no public market for the Experion Common Shares, and an active public market for the Resulting Issuer Shares may not develop or be sustained after the Completion of the Transaction. If an active public market does not develop, the liquidity of your investment may be limited, and our share price may decline.

Unpredictability and Volatility of the Common Share Price

There can be no assurance that a significant public market for the Resulting Issuer Shares will develop or be sustained after the Completion of the Transaction. The deemed price of the Experion Securities to be exchanged in connection with the Transaction and the Offering (and related Resulting Issuer Shares and the Resulting Issuer Warrants and the Debenture Purchase Warrants) to be issued and sold in connection with the Offering have been determined by negotiation between Experion, Morro Bay and the Agent and may not be indicative of the market price of the Resulting Issuer Shares after the Completion of the Transaction. If an active public market for the Resulting Issuer Shares does not develop, the liquidity of an investment in such Resulting Issuer Shares and the Resulting Issuer Warrants and the Debenture Purchase Warrants may be limited, the market price could be subject to significant fluctuations and the price per share may decline below the deemed price of the Experion Securities to be exchanged for Common Shares in connection with the Transaction. The market price of the Resulting Issuer Shares could also fluctuate significantly as a result of many factors, including but not limited to the following: (a) economic and stock market conditions generally, and specifically as they may impact the growth and distribution of marijuana; (b) our earnings and results of operations and other developments affecting our businesses; (c) sales of the Resulting Issuer Shares into the market by the Experion Securityholders and/or the Insiders of Experion; (d) changes in financial estimates and recommendations by securities analysts following the Resulting Issuer Shares; (e) earnings and other announcements by, and changes in market evaluations of the medical marijuana industry; (f) changes in business or regulatory conditions affecting participants in the medical marijuana industry; (g) trading volume in the Resulting Issuer Shares; (h) additions or departures of key personnel; and (i) competitive pricing pressures in the testing and marijuana distribution industry.

Dividends

If the Resulting Issuer generates earnings in the foreseeable future, it is expected that such earnings will be retained to finance growth, both organically and by acquisitions, if any, and, when appropriate, repay debt. The Resulting Issuer's directors will determine if and when dividends should be declared and paid in the future based on our financial position at the relevant time. Each of the Resulting Issuer's Common Shares will entitle its holder to an equal share in any dividend declared and paid by us. It is not expected that the Resulting Issuer will pay any dividends in the foreseeable future. Investors seeking cash dividends should not purchase the Resulting Issuer Shares.

In addition, this concentrated control may provide these Shareholders with the ability to prevent and deter takeover proposals from third parties. The concentration of voting power limits your ability to influence corporate matters and, as a result, we may take actions that Shareholders do not view as beneficial, including rejecting takeover proposals at a premium to the then-prevailing market price of the Resulting Issuer Shares. As a result, the market price of these Common Shares could be adversely affected.

Dilution and Future Sales of Common Shares

The Resulting Issuer may issue additional Resulting Issuer Shares or other securities in the future, which may dilute a Shareholder's holding in the Resulting Issuer. The Resulting Issuer articles will permit the issuance of an unlimited number of Resulting Issuer Shares, and shareholders will have no preemptive rights in connection with such further issuances. The directors of the Resulting Issuer have the discretion to determine if an issuance of Resulting Issuer Shares or other securities is warranted, the price at which such issuance is effected and the other terms of issue of Common Shares. Also, we may issue additional Common Shares upon the exercise of options to acquire Common Shares under the Stock Option Plan and/or the RSU Plan, which will result in further dilution to the Shareholders.

Discretion in the Use of Proceeds

The Resulting Issuer currently intends to allocate the net proceeds received from the Offering as described under "*Use of Proceeds*", however, our management will have discretion in the actual application of the net proceeds, and may elect to allocate the net proceeds differently from that described under "*Use of Proceeds*" if it believes it would be in the Resulting Issuer's best interest to do so. Shareholders may not agree with the manner in which management chooses to allocate and spend the net proceeds of the Offering. The failure by management to apply these funds effectively could have a material adverse effect on our business. Additionally, the Resulting Issuer may not be successful in implementing its business strategies, and the actual capital expenditures and capital expenditure requirements may be materially different from forecasted expenditures described herein.

Future Sales of Common Shares by our Directors, officers or Principal Shareholders

Subject to compliance with applicable securities laws, our officers, directors, Principal Shareholders and their affiliates may sell some or all of their Resulting Issuer Shares in the future. No prediction can be made as to the effect, if any, such future sales of Resulting Issuer Common Shares will have on the market price of the Resulting Issuer Shares prevailing from time to time. However, the future sale of a substantial number of Resulting Issuer Shares by its officers, directors, Principal Shareholders and their affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the Common Shares.

Shareholders may be released from restrictions in their respective Escrow Agreements

Our shareholders, including our Principal Shareholders, and our directors and officers who entered into Escrow Agreements in connection with the Transaction may be released from restrictions in their respective Escrow Agreements, and may sell some or all of their Resulting Issuer Shares. No prediction can be made as to the effect, if any, that such future sales of Resulting Issuer Shares will have on the market price of the Resulting Issuer Shares prevailing from time to time. However, the future sale of a substantial number of Resulting Issuer Shares by shareholders and their affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the Resulting Issuer Shares.

Right of Rescission

Shareholders pursuant to the Offering may have the right of rescission in certain circumstances, which may require the Resulting Issuer to re-pay to them their subscription amounts pursuant to the Offering.

See “*Part III Information Concerning the Resulting Issuer –Risk Factors*” for additional risks.

PART I: INFORMATION CONCERNING MORRO BAY

CORPORATE STRUCTURE

Name and Incorporation

The full corporate name of Morro Bay is “Morro Bay Resources Ltd.”. The head office and registered office of Morro Bay is located at 1150, 707 – 7th Avenue SW, Calgary, Alberta, Canada, T2P 3H6. The Corporation is a reporting issuer in the provinces of Alberta, British Columbia, and Ontario and, as such, is required to make filings on a continuous basis thereunder. Such material is available for inspection under Morro Bay’s profile on SEDAR. Morro Bay’s common shares trade on the Exchange and the OTC Pink.

Intercorporate Relationships

MB Resources SA de CV (“**Morro Bay Mexico**”), a direct subsidiary of Morro Bay, is the only subsidiary of Morro Bay. In accordance with Mexican law, Morro Bay Mexico must have two shareholders. Morro Bay holds 99% of the voting shares of Morro Bay Mexico and John Zang holds 1% of the voting shares of Morro Bay Mexico. John Zang will hold any profits, dividends or distributions of any kind that he receives as a result of owning 1% of Morro Bay Mexico in trust for Morro Bay. Morro Bay has entered into a verbal agreement with a service provider by which Morro Bay and John Zang have agreed to sell all of the issued and outstanding shares in Morro Bay Mexico to the service provider in exchange for forgiveness all of debts owed to the service provider by Morro Bay. This sale of the Morro Bay Mexico shares has been verbally agreed to and formal documentation is being prepared..

Voting Shares and Principal Holders Thereof

Morro Bay is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in one or more series, each without nominal or par value. As at the date hereof, 12,203,178 Common Shares are issued and outstanding, each such share carrying the right to one vote at the Meeting. No preferred shares have been issued.

As at the date hereof (based on the SEDI insider reporting of the responsible individuals), the directors and officers of Morro Bay, as a group, beneficially own, control or direct, directly or indirectly, an aggregate of 2,504,590 (20.5%) of the issued and outstanding Common Shares.

GENERAL DEVELOPMENT OF THE BUSINESS OF MORRO BAY

History

Morro Bay was originally named Morro Bay Capital Ltd. Morro Bay was incorporated under the *Business Corporations Act* (Alberta) on August 21, 2012 and was a Capital Pool Company as defined by the Exchange Policies. On March 22, 2013, Morro Bay successfully completed its Initial Public Offering raising gross proceeds of \$2,667,995, pursuant to an Amended and Restated Prospectus dated March 5, 2013. An aggregate of 26,679,950 Shares were subscribed for at a price of \$0.10 per Share.

Morro Bay was originally named Morro Bay Capital Ltd. and was a Capital Pool Company as defined by the Exchange Policies. On January 22, 2014, Morro Bay and Sierra Madre Developments Inc. (“**Sierra Madre**”) closed an Asset Purchase Agreement by which Morro Bay acquired a drilling rig from Sierra Madre and an option under an option Agreement dated February 14, 2012 (the “**Peñoles Option Agreement**”) between Sierra Madre and Riverside Resources Inc. (“**Riverside**”) (collectively the “**Peñoles Assets**”). Morro Bay acquired the Peñoles Assets in exchange for 16 million Morro Bay Shares at a deemed value of \$0.10 per common share and share purchase warrants entitling the holders thereof to acquire up to 8 million of the Morro Bay Shares for the period expiring on January 22, 2015. These warrants were not exercised and have expired. The Peñoles Option Agreement was subsequently amended through which Morro Bay delivered an additional 10,135,135 Morro Bay Shares pursuant to the Peñoles Option Agreement. On May 1, 2015 Morro Bay exercised its option under the Peñoles Option Agreement such that Morro Bay became an

owner of 51% of the precious metal exploration project located in Mexico (the “**Peñoles Project**”). On June 21, 2016, Morro Bay was unable to meet its obligations required under the Peñoles Option Agreement. As a result, Morro Bay’s interest in the Peñoles Project was terminated and was returned to Riverside. Riverside also transferred 20,108,108 Morro Bay Shares (2,010,810 Morro Bay shares post the recent Morro Bay Initial Consolidation to the Settlement Shareholders, as directed by Morro Bay (subject to applicable securities laws). In addition, Morro Bay and Riverside entered into release documentation releasing one another from any obligations.

As of June 21, 2016, Morro Bay owned no material assets.

Effective as of May 9, 2017 Morro Bay completed the Initial Consolidation consolidating its common shares on the basis of ten (10) pre-consolidation shares for one (1) post-consolidation share. Following the Initial Consolidation, the total issued and outstanding common shares of the Morro Bay was 9,180,096 common shares.

On June 28, 2017 Morro Bay obtained agreements to cancel Morro Bay stock options entitling the optionholders to acquire up to 140,000 common shares which cancellations become effective upon Completion of the Transaction.

Through-out the period commencing in 2015 to date, Morro Bay did not have sufficient funds to pay the wages of its employees, officers, and consultants. As a result, as of June 15, 2017 the accrued debt owing to Morro Bay employees, officers, and consultants was \$285,371 (the “**Wages Debt**”). In addition, Morro Bay did not have sufficient funds to make a payment to its auditor. As a result, the Morro Bay directors and the Morro Bay Chief Financial Officer loaned to Morro Bay \$25,000 for payment of to the Morro Bay auditor fees (the “**Auditor Debt**”). As well, to meet Transaction costs and ongoing securities and Exchange fees on June 22, 2017 some directors and an officer loaned to Morro Bay \$29,725 (the “**Transaction Debt**”). On June 28, 2017 Morro Bay completed the Debt Conversion, whereby it converted the Wages Debt, the Auditor Debt and the Transaction Debt to 3,023,082 Morro Bay Shares.

As of the date hereof Morro Bay has 12,203,178 Morro Bay Shares issued and outstanding.

Effective as of June 28, 2017 Morro Bay obtained full releases and termination of employment agreements and/or consultant agreements from all employees and consultants effective as of the Completion of the Transaction.

Offering

In conjunction with the Transaction, Morro Bay intends to raise capital through the Offering for aggregate total proceeds of a minimum of \$500,000 and a maximum of \$3,000,000 plus additional amounts arising from the Over-Allotment Option. Closing of the minimum Offering is a condition to the closing of the Transaction pursuant to Exchange Policy 5.2 – *Changes of Business and Reverse Takeovers* and the Purchase and Sale Agreement.

Morro Bay has retained the Agent, Wellington-Altus Private Wealth, to act as lead agent in connection with a best efforts brokered private placement to raise the Offering gross proceeds of between \$500,000 and \$3,000,000. Pursuant to the Offering, Morro Bay intends to raise up to \$3,000,000 through the issuance of the Units at a price of \$0.60 per Unit. Closing of the Offering is conditional upon a number of events including the completion of the Transaction, the obtaining by Experion of the License to Produce (which has been obtained), and the listing of the Resulting Issuer Shares on the Exchange. The Offering will be conditional on the completion of the Transaction. See “*Part III Information Concerning the Resulting Issuer--The Transaction*”.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS

The following information is taken from and should be read in conjunction with the financial statements of Morro Bay and related notes thereto attached hereto as Appendix “A” and Management’s Discussion and Analysis attached hereto as Appendix “B”.

Morro Bay Selected Consolidated Financial Information and Management's Discussion and Analysis

	For the Nine Months Ended June 30, 2017	For the Year Ended September 30, 2016	For the Year Ended September 30, 2015
	\$	\$	\$
Revenue (Interest)	Nil	583	1,740
Net loss	(114,500)	(4,829,085)	(986,747)
Loss Per Common Share	(0.012)	(0.053)	(0.011)
Current Assets	6,132	18,473	289,009
Exploration and Evaluation Expenditures	Nil	Nil	4,917,085
Current Liabilities	160,916	513,590	226,385

Management's Discussion and Analysis

See Appendix “B” for Morro Bay’s Management’s Discussion and Analysis with respect to the financial years ended September 30, 2016, 2015 and unaudited interim financial statements for the three and nine months ended June 30, 2017 which should be read in conjunction with Morro Bay’s financial statements and notes thereto for the same respective periods also incorporated by reference and attached to this Filing Statement as Schedule “A”.

Description of the Morro Bay Securities

The authorized capital of Morro Bay consists of an unlimited number of Shares without par value and unlimited Class A and Class B preferred shares, issuable in series (“**Preferred Shares**”). As at the date of this Filing Statement, 12,203,178 Morro Bay Shares are issued and outstanding as fully paid and non-assessable and no Preferred Shares are issued and outstanding.

Morro Bay has previously issued Share Purchase Options pursuant to Option Plan. The stock options outstanding in Morro Bay as follows:

Outstanding Options			
Expiry Date	Number of Options	Current Exercise Price	Options Agreed to be Cancelled at Completion
March 22, 2018	50,000	\$ 1.00	(50,000)
January 22, 2019	90,000	\$ 1.00	(90,000)
June 30, 2018	30,000	\$ 0.50	
March 23, 2020	30,000	\$ 1.00	
March 23, 2020	30,000	\$ 2.00	
<i>Total</i>	<i>230,000</i>		(140,000)

As of the date of this Filing Statement, Morro Bay has no share purchase warrants issued and outstanding.

Shareholders 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 Morro Bay and, upon dissolution, to share equally in such assets of Morro Bay as are distributable to the Shareholders. The holders of Preferred Shares shall be entitled, on the liquidation or dissolution of Morro Bay, or on any other distribution of its assets among its shareholders for the purpose of winding up its affairs, to receive, before any distribution is made to the Shareholders or holders of any other shares of Morro Bay ranking junior to the Preferred Shares with respect to the repayment of capital on the liquidation or dissolution of Morro Bay, or on

any other distribution of its assets among its shareholders for the purpose of winding up its affairs, the amount paid up with respect to each Preferred Share held by them, together with the fixed premium (if any) thereon, all accrued and unpaid cumulative dividends (if any and if preferential) thereon, and all declared and unpaid non-cumulative dividends thereon. After payment to the holders of the Preferred Shares of the amounts so payable to them, they shall not, as such, be entitled to share in any further distribution of the property or assets of Morro Bay, except as specifically provided in the special rights and restrictions attached to any particular series. All assets remaining after payment to the holders of Preferred Shares as aforesaid shall be distributed rateably among the Shareholders. Holders of Preferred Shares are not entitled to receive notice of, or to attend or vote at, any general meeting of shareholders of Morro Bay.

Incentive Plans

Morro Bay Board has approved two share incentive plans (the “**Incentive Plans**”) intended to provide Morro Bay with a share related mechanism to attract, retain and motivate qualified directors, officers, consultants and employees, and to reward those directors, officers, consultants and employees for their contributions towards the long-term goals of Morro Bay. The two plans are the Option Plan and the RSU Plan and are described below. The Option Plan and the RSU Plan have been approved by the Morro Bay shareholders at the Morro Bay Shareholders Meeting.

The aggregate number of Morro Bay Shares reserved for issuance under the Option Plan and the RSU Plan, together with any other Morro Bay Shares reserved for issuance under any other plan or agreement of Morro Bay, shall not exceed ten (10%) percent of the total number of issued Morro Bay Shares (calculated on a non-diluted basis) at the time of the grant pursuant to the Option Plan or the RSU Plan.

Option Plan

Morro Bay has in place an Option Plan for the benefit of its directors, officers, employees, and consultants. The Option Plan is a “rolling” stock option plan, whereby the aggregate number of Morro Bay Shares reserved for issuance under the Option Plan, together with any other Morro Bay Shares reserved for issuance under any other plan or agreement of Morro Bay, shall not exceed ten (10%) percent of the total number of issued Morro Bay Shares (calculated on a non-diluted basis) at the time an option is granted.

The following information is intended as a brief description of the Option Plan and is qualified in its entirety by the full text of the Option Plan.

1. The Morro Bay Board shall establish the exercise price at the time each option is granted, provided that the exercise price will not be less than the minimum prevailing price permitted by the Exchange policies.
2. Upon expiry of an option, or in the event an option is otherwise terminated for any reason, without having been exercised in full, the number of Morro Bay Shares in respect of the expired or terminated option shall again be available for a grant under the Option Plan.
3. No option granted under the Option Plan may have an expiry date exceeding five (5) years from the date on which the option is granted.
4. Options granted to any one individual in any 12 month period (together with the other share compensation arrangements granted to such individuals in that 12 month period) cannot exceed more than 5% of the issued Morro Bay Shares, unless Morro Bay has obtained disinterested shareholder approval. Options granted to any one consultant in any 12 month period cannot exceed more than 2% of the issued Morro Bay Shares calculated at the time of grant, without the prior consent of the Exchange. Options granted to all Persons, in aggregate, conducting investor relations activities in any 12 month period cannot exceed more than 2% of the issued Morro Bay Shares, calculated at the time of grant, without the prior consent of the Exchange. Options issued to optionees performing investor relations activities will vest in stages over 12 months with no more than one quarter of the options vesting in any three month period or such longer period as Morro Bay’s Directors’ may determine.

5. If a director, officer, employee or consultant of Morro Bay is terminated for cause, then any option granted to such option holder will terminate immediately upon the option holder ceasing to be a director, officer, employee, or consultant of Morro Bay by reason of termination for cause.
6. If an option holder ceases to be a director, officer, employee or consultant of Morro Bay (other than by reason of death, disability or termination of services for cause), or if an optionee resigns, as the case may be, then any option granted to the holder that had vested and was exercisable on the date of termination will expire on the earlier of the expiry date or expire within 30 days (unless such lesser time is set out in an Option Agreement) following the date that the option holder ceases to be a director, officer, employee or consultant of Morro Bay.
7. If an option holder dies, the holder's lawful personal representatives, heirs or executors may exercise any option granted to the holder that had vested and was exercisable on the date of death until the earlier of the expiry date and one year after the date of death of the holder.
8. Options granted to directors, officers, employees or consultants will vest as determined by the Morro Bay Board at the time of grant.
9. The Option Plan will be administered by the Morro Bay board of directors (or a committee thereof) who will have the full authority and sole discretion to grant options under the Option Plan to any eligible party, including themselves.
10. Options granted under the Option Plan shall not be assignable or transferable by an option holder.
11. The Morro Bay Board may from time to time, subject to regulatory or shareholder approval, amend or revise the terms of the Option Plan.

A complete copy of the Option Plan is included on the Morro Bay profile on www.sedar.com as Schedule "A" to the Company's Information Circular filed on June 14, 2017.

RSU Plan

The Morro Bay RSU Plan was approved by the Morro Bay shareholders at the Morro Bay Shareholders Meeting.

The following information is intended as a brief description of the RSU Plan and is qualified in its entirety by the full text of the RSU Plan.

1. The maximum of RSUs that may be outstanding at any time is ten percent (10%) of the issued and outstanding common shares as of the closing of the Transaction and the closing of the Offering.
2. The Board may, at any time and from time to time, amend, suspend or terminate the RSU Plan in whole or in part.
3. The RSU Plan is administered by the Compensation Committee under the supervision of the Board.
4. Under the RSU Plan, the Compensation Committee recommends the RSU Participants to whom grants should be made (the "Grant") based on the RSU Participant's current and potential contribution to the success of the Corporation. The Compensation Committee determines the terms and conditions upon which a Grant is made.
5. The performance criteria under the RSU Plan shall be approved by the shareholders. In the event of no approval the RSU's shall vest one-third each year. Notwithstanding the foregoing, subject to Resulting Issuer Compensation Committee approval, the RSUs granted within 30 days of the closing of the Transaction shall vest one-half upon Experion receiving its License to Sell and the remainder of the RSUs upon a commencement of the construction of the Greenhouse or as otherwise determined by the Compensation Committee.
6. Upon vesting, each RSU entitles the RSU Participant to receive, subject to adjustments as provided for in the RSU Plan, one Common Share for the equivalent thereof, provided that the Participant is continuously employed

with, or providing services to, the Corporation from the Effective Date of such Grant to the Release Date (as those terms are defined in the RSU Plan).

7. In the event of a change in control of the Corporation, and unless otherwise determined by the Compensation Committee, or otherwise addressed in the RSU Participant's employment or service contract or share compensation plan approved by the Board, with respect to each Grant outstanding on the effective date of such change in control, and subject to the acceptance of the Exchange, all RSUs shall vest as of the effective date of the change in control; and, provided that each RSU Participant is continuously employed by or providing services to the Corporation, such RSU Participant shall be entitled to receive from the Corporation, one Morro Bay Share (as defined in the RSU Plan), or the number of Consideration Shares (as defined in the RSU Plan) rounded to the nearest whole number, that is equal to the sum of:
 - a. the number of Consideration Shares received by the Shareholders in respect of one Common Share; and
 - b. the number of Consideration Shares that the Board determines represents the fair market value of any cash or other property received by the Shareholders of the Corporation in respect of one Common Share.
8. In the event of termination of employment without cause or the retirement or permanent disability of a RSU Participant, the RSU participant shall be entitled to the settlement of the pro rata portion of RSUs based on the proportion of the performance period worked prior to termination. Any remaining RSUs terminate. In the event of voluntary resignation or termination for cause of a RSU Participant, all unvested RSUs outstanding immediately terminate. In the event of the death of a RSU Participant, the estate of the RSU Participant shall be entitled to receive on the subsequent settlement date the Shares to which the RSU Participant would have been entitled to receive on that date. All other outstanding unvested RSUs terminate.
9. Subject to certain limited exceptions, the Compensation Committee may from time to time amend the terms of Grants made under the RSU Plan, subject to confirmation by the Board and the obtaining of any required regulatory or other approvals and, if any such amendment will materially adversely affect the rights of an RSU Participant with respect to a Grant, the obtaining of the written consent of such RSU Participant to such amendment. Without limiting the generality of the foregoing, the Board may make the following amendments to the RSU Plan without obtaining shareholder approval:
 - a. Amendments to the terms and conditions of the RSU Plan necessary to ensure that the RSU Plan complies with the applicable laws, regulations, rules, orders of governmental or regulatory authorities or the requirements of the Exchange in place from time to time;
 - b. Amendments to the provisions of the RSU Plan respecting administration of the RSU Plan and eligibility for participation under the RSU Plan;
 - c. Amendments to the provisions of the RSU Plan respecting the terms and conditions on which grants may be made pursuant to the RSU Plan;
 - d. Amendments to the RSU Plan that are of a "housekeeping" nature; and
 - e. Any other amendments, fundamental or otherwise, not requiring shareholder approval under applicable laws or applicable policies of the Exchange.
10. The Compensation Committee may not, without the approval of the Morro Bay Shareholders, make the following amendments to the RSU Plan:
 - a. An increase to the RSU Plan maximum or the number of Shares reserved for issuance under the RSU Plan;
 - b. Amendment provisions granting additional powers to the Board to amend the RSU Plan or entitlements thereunder;
 - c. Extension of the termination or expiry of a Grant or the removal or increase of insider participation limits (discussed further below); and
 - d. A change to the definition of "Designated Person" or "Director" as currently defined by the RSU Plan.

The RSU Plan received shareholder approval by the Morro Bay shareholders at the Morro Bay Shareholders' Meeting. No grants have occurred pursuant to the RSU Plan.

A complete copy of the RSU Plan is included on the Morro Bay profile on www.sedar.com as Schedule "B" to the Company's Information Circular filed on June 14, 2017.

Prior Sales

Morro Bay has not sold any securities within the 12 months prior to the date of this Filing Statement, other than below.

Morro Bay Prior 12 Month Securities Issuances⁽¹⁾			
Date	Recipient	Number of Common Shares	Price Per Security
June 28, 2017	John Zang	724,924	\$0.1125
June 28, 2017	Denny Chow	600,000	\$0.1125
June 28, 2017	Ken Younger	44,444	\$0.1125
June 28, 2017	Keith Erickson	177,778	\$0.1125
June 28, 2017	Matt Zubot	44,444	\$0.1125
June 28, 2017	Stacy Bilodeau	262,297	\$0.1125
June 28, 2017	Ming Boyd	246,297	\$0.1125
June 28, 2017	T-Bear Consulting Ltd.	472,596	\$0.1125
June 28, 2017	Carl von Einsiedel	450,302	\$0.1125
	TOTAL	3,023,082	\$0.1125

Note:

(1) All issuances made to directors, officers, former officers, and employees as part of the Debt Conversion.

Stock Exchange Price

The following table sets forth the high, low and closing prices and volumes of the Morro Bay Shares traded on the Exchange for the periods indicated:

Morro Bay Trading History				
Period	High	Low	Close	Volume
May 2017 ⁽¹⁾	0.15	0.09	0.15	80,344
April 2017	0.010	0.005	0.007	370,000
March 2017	0.015	0.005	0.010	1,462,000
February 2017	0.010	0.005	0.007	858,000
January 2017	0.005	0.005	0.005	15,386
December 2016	0.010	0.005	0.006	278,379
November 2016	0.025	0.010	0.013	5,072,112
October 2016	0.010	0.005	0.007	87,987

September 2016	0.010	0.005	0.010	2,229,739
August 2016	0.015	0.010	0.011	249,440
July 2016	0.015	0.010	0.013	3,218,021
June 2016	0.025	0.005	0.012	8,527,034
May 2016	0.020	0.010	0.012	1,153,521
April 2016	0.020	0.005	0.010	3,803,320
March 2016	0.010	0.005	0.005	670,987
February 2016	0.005	0.005	0.005	1,890,545
January 2016	0.010	0.005	0.006	300,000
December 2015	0.010	0.005	0.007	5,901,056
November 2015	0.015	0.005	0.012	3,420,928
October 2015	0.020	0.015	0.019	1,273,286
September 2015	0.025	0.015	0.022	844,976
August 2015	0.030	0.015	0.024	2,871,133
July 2015	0.060	0.020	0.038	5,356,873
June 2015	0.060	0.040	0.050	5,623,484
May 2015	0.070	0.045	0.056	1,015,026
April 2015	0.070	0.035	0.057	340,478
March 2015	0.065	0.025	0.039	643,924
February 2015	0.055	0.015	0.038	605,878
January 2015	0.060	0.020	0.037	1,031,332
December 2014	0.035	0.020	0.029	714,928
November 2014	0.055	0.030	0.044	437,914
October 2014	0.080	0.035	0.057	928,866
September 2014	0.080	0.040	0.060	694,151
August 2014	0.080	0.040	0.062	262,243
July 2014	0.095	0.055	0.075	994,920
June 2014	0.110	0.050	0.084	1,337,452
May 2014	0.070	0.045	0.062	650,525
April 2014	0.065	0.015	0.060	142,000
March 2014	0.100	0.060	0.076	647,700
February 2014	0.100	0.080	0.085	281,324
January 2014	0.110	0.080	0.105	53,000
December 2013	0.110	0.110	0.110	0
November 2013	0.110	0.110	0.110	0
October 2013	0.120	0.070	0.111	349,999
September 2013	0.100	0.095	0.096	109,000
August 2013	0.100	0.070	0.076	217,360
July 2013	0.095	0.050	0.066	15,000
June 2013	0.100	0.050	0.053	50,000
May 2013	0.130	0.100	0.110	20,500
April 2013	0.120	0.100	0.111	75,545
March 2013	0.100	0.100	0.100	24,000

Note:

(1) Morro Bay's shares were consolidated on a one (1) for ten (10) basis on May 9, 2017.

Effective May 15, 2017 Morro Bay was halted from trading and has remained halted.

Executive and Director Compensation

The discussion below relates to executive and director compensation matters related to Morro Bay as of the date of this Filing Statement, prior to giving effect to the Transaction. For details concerning compensation that is expected to be payable following the completion of the Transaction, please refer to “*Part III: Information Concerning the Resulting Issuer – Executive Compensation*”.

For the purposes of this Filing Statement, a Named Executive Officer (“NEO”) of Morro Bay means each of the following individuals:

- (a) CEO of Morro Bay ;
- (b) a CFO of Morro Bay ;
- (c) each of Morro Bay’s three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6, for the September 30, 2016 financial year; and
- (d) each individual who would be an NEO under paragraph (c) above but for the fact that the individual was neither an executive officer of Morro Bay , nor acting in a similar capacity at September 30, 2016.

During the year ended September 30, 2016, and as of the date hereof Morro Bay had two NEOs: John Zang, President and Chief Executive Officer, and Denny Chow, Chief Financial Officer.

Compensation Discussion and Analysis

Morro Bay’s approach to executive compensation has historically been to provide suitable compensation for executives that is internally equitable, externally competitive and reflects individual achievement. Morro Bay attempts to maintain compensation arrangements that will attract and retain highly qualified individuals who are able and capable of carrying out the objectives of Morro Bay. For a discussion of the proposed executive compensation structure of the Resulting Issuer following completion of the Transaction, please refer to “*Part III: Information Concerning the Resulting Issuer – Executive Compensation*”.

Morro Bay’s compensation arrangements for the Morro Bay Named Executive Officers may, in addition to salary, include compensation in the form of bonuses and, over a longer term, benefits arising from the grant of Morro Bay Options. Given the stage of development of Morro Bay and focus on cash conservation, the Named Executive Officers agreed to withhold payment of remuneration. Ultimately the debt for their employment income was converted to Morro Bay common shares.

The Morro Bay Board establishes and reviews Morro Bay’s overall compensation philosophy and its general compensation policies with respect to the Chief Executive Officer and other officers, including the corporate goals and objectives and the annual performance objectives relevant to such officers. The Morro Bay Board evaluates each officer’s performance in light of these goals and objectives and, based on its evaluation, determines and approves the salary, bonus, options and other benefits for such officers. In determining compensation matters, the Morro Bay Board may consider a number of factors, including Morro Bay’s performance, the value of similar incentive awards to officers performing similar functions at comparable companies, the awards given in past years and other factors it considers relevant. The current overall objectives of Morro Bay’s compensation strategy is to reward management for their efforts, while seeking to conserve cash given current market conditions. With respect to any bonuses or incentive plan grants which may be awarded to executive officers in the future, Morro Bay has not currently set any objective criteria and will instead rely upon any recommendations and discussion at the Morro Bay Board level with respect to the above-noted considerations and any other matters which the board may consider relevant on a going-forward basis, including the cash position of Morro Bay.

During the fiscal year ended September 30, 2016, (i) the Chief Executive Officer of Morro Bay and the Chief Financial Officer of Morro Bay were not paid a salary with respect to the period from October 1, 2015 to September 30, 2016. Prior to the Debt Conversion there was due and owing to the Chief Executive officer for salary the sum of \$100,000. Prior to the Debt Conversion there was due and owing to the Chief Financial Officer for salary the sum of \$100,000. Pursuant to Exchange policies the maximum salary amount that may be converted is \$2,500 per month. As a result each of the Chief Executive Officer and the Chief Financial Officer received 555,556 Morro Bay Shares pursuant to the Debt Conversion for salary. There remained due and owing to each of the Chief Executive Officer and the Chief Financial Officer the total sum of \$73,871 which they have been forgiven.

Summary Compensation Table for NEOs

The following table sets forth all compensation paid, awarded, granted, given or otherwise provided, directly or indirectly, for the period indicated:

Name and Principal Position	Fiscal Year Ending Sept. 30	Salary (\$) ⁽¹⁾	Option-based awards (\$) ⁽²⁾	Share-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension Value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans (\$)	Long-term incentive plans			
John Zang	2014	\$120,000	\$18,736	-	-	-	-	-	\$138,736
Chief Executive Officer	2015	\$120,000	-	-	-	-	-	-	\$120,000
	2016 ⁽³⁾	\$120,000	-	-	-	-	-	-	\$120,000
Denny Chow	2014	\$120,000	\$18,736	-	-	-	-	-	\$138,736
Chief Financial Officer	2015	\$120,000	-	-	-	-	-	-	\$120,000
	2016 ⁽⁴⁾	\$120,000	-	-	-	-	-	-	\$120,000

Notes:

1. Reflects amounts actually paid to the NEO.
2. Stock options issued under Morro Bay's Option Plan based on the grant date (being March 22, 2013) fair value of the applicable awards. The fair value of the stock option grants has been determined using the same methodology and assumptions used in calculating the stock based compensation in Morro Bay's financial statements. Morro Bay applies the Black-Scholes option-pricing model with the following assumptions: Dividend yield of \$nil, expected volatility of 100%, risk-free interest rate of 2.0%, forfeiture rate of 0% and weighted average life of 5 years.
3. A portion of the wages in 2015 and all of the wages in 2016 were not paid. In addition in May 2017 a portion of the debt owed by Morro Bay to Mr. Zang for services rendered was converted to common shares at the rate of \$0.1125 per common share resulting in the issuance to Mr. Zang of 555,556 Morro Bay common shares. There remains owing to Mr. Zang for services the amount of \$147,500 which was settled and released on June 28, 2017.
4. A portion of the wages in 2015 and all of the wages in 2016 were not paid. In addition in May 2017 a portion of the debt owed by Morro Bay to Mr. Chow for services rendered was converted to common shares at the rate of \$0.1125 per common share resulting in the issuance to Mr. Chow of 555,556 Morro Bay common shares. There remains owing to Mr. Chow for services the amount of \$147,500 which was settled and released on June 28, 2017.

Incentive Plan Awards for NEOs

The following table sets forth for the NEOs, the incentive stock options pursuant to the Option Plan, outstanding as at September 30, 2016 and as of the date hereof:

Name and Principal Position	Option-based Awards			
	Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options⁽¹⁾ (\$)
John Zang	16,667	\$1.00	March 22, 2018	\$Nil
Chief Executive Officer	25,000	\$1.00	January 22, 2019	\$Nil
Denny Chow	16,667	\$1.00	March 22, 2018	\$Nil
Chief Financial Officer	25,000	\$1.10	January 22, 2019	\$Nil

Notes:

1. Based on a closing price of \$0.15 on May 12, 2017, the date on which the Morro Bay shares were halted.
2. Messrs. Zang and Chow have agreed to cancel the Options upon Completion.

Pension Plan Benefits

The Corporation does not have any pension plans that provide for payments of benefits at, following or in connection with retirement or provide for retirement or deferred compensation plans for the NEOs or directors.

Termination and Change of Control Benefits

The Corporation has entered into Employment Agreements (the "Agreements") with the following Executive Officers:

- ♦ John C. Zang – effective January 14, 2014
- ♦ Denny Chow – effective January 14, 2014

Each of these Agreements provide for an indefinite term of employment. Each Agreement may be terminated by: (i) Morro Bay giving notice of termination (other than just cause) to the Executive Officer, or (ii) the executive giving notice of termination to Morro Bay following a Change of Control (as defined below).

In the event of either of the foregoing, Morro Bay shall pay to the Executive Officer a lump sum of money equal to the Executive Officer's annual base salary as at the date of termination and Morro Bay's cost of providing benefits to the Executive Officer for a period of 12 months. The Executive Officers' have agreed release Morro Bay from any and all such severance amounts upon Completion of the Transaction.

Under the Agreements, a "**Change of Control**" is defined as:

- (a) the purchase or acquisition of any shares or convertible securities by a person which results in the person beneficially owning, or exercising control or direction over, shares or convertible securities such that, assuming only the conversion of convertible securities beneficially owned or over which control or direction is exercised by the person, the person would beneficially own, or exercise control or direction over, shares carrying the right to cast more than 50% of the votes attaching to all shares;
- (b) approval by the Shareholders of: (i) a change in the executive's duties occurring and an amalgamation, arrangement, merger or other consolidation or combination of Morro Bay with another corporation(s)

pursuant to which the shareholders of Morro Bay immediately after such transaction do not own shares of the successor or continuing corporation which would entitle them to cast more than 50% of the votes attaching to all shares in the capital of the successor or continuing corporation which may be cast to elect directors of that corporation or a person after such transaction would own or exercise control or direction over shares or convertible securities in the capital of the successor or continuing corporation such that, assuming only the conversion of such convertible securities beneficially owned or over which control or direction is exercised by the person, the person would beneficially own, or exercise control or direction over, shares carrying the right to cast more than 50% of the votes attaching to all shares in the capital of the successor or continuing corporation which may be cost to elect directors of that corporation; (ii) the liquidation, dissolution or winding-up of Morro Bay; or (iii) a change in the executive's duties and the sale, lease or other disposition of all or substantially all of the assets of Morro Bay;

- (c) The completion of any transaction or the first of a series of transactions which would have the same or similar effect or result as any transaction or series of transactions referred to in subparagraphs (a) and (b) above.

Estimated Termination Payments

The following table sets forth the details of the estimated incremental payments, payables and benefits due to each of the Executive Officers that would have arisen upon a termination on September 30, 2016 and as of the date hereof, pursuant to the terms and conditions of their Agreements:

Name	Salary (\$)	Bonus (\$)	Benefits (\$)	Unpaid Vacation (\$)	Total Incremental Obligations (\$)
John Zang	\$120,000	\$Nil	\$Nil	\$Nil	\$120,000
Denny Chow	\$120,000	\$Nil	\$Nil	\$Nil	\$120,000

Upon Completion of the Transaction the Executive Officers have released Morro Bay from all of the above claims and will not require the payment thereof.

Director Compensation

Director Compensation Table

Name ⁽¹⁾	Fiscal Year Ending Sept. 30	Fees earned (\$)	Share-based awards (\$)	Option-based awards ⁽²⁾ (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Ken Younger	2014	-	-	\$14,989	-	-	-	\$14,989
	2015	-	-	\$Nil	-	-	-	\$Nil
	2016	-	-	\$Nil	-	-	-	\$Nil
Keith Erickson	2014	-	-	\$14,989	-	-	-	\$14,989
	2015	-	-	\$Nil	-	-	-	\$Nil
	2016	-	-	\$Nil	-	-	-	\$Nil
Matthew Zubot	2014	-	-	\$14,989	-	-	-	\$14,989
	2015	-	-	\$Nil	-	-	-	\$Nil
	2016	-	-	\$Nil	-	-	-	\$Nil
Elmer Stewart ⁽³⁾	2014	-	-	\$22,483	-	-	-	\$22,483
	2015	-	-	\$Nil	-	-	-	\$Nil
		-	-	-	-	-	-	-
Garth Kirkham ⁽³⁾	2014	-	-	\$22,483	-	-	-	\$22,483
	2015	-	-	\$Nil	-	-	-	\$Nil

	2016	-	\$Nil	-	-	-	\$Nil
Carl von	2014	-	\$18,736	-	-	-	\$18,736
Einsiedel ⁽³⁾	2015	-	\$Nil	-	-	-	\$Nil
	2016	-	\$Nil	-	-	-	\$Nil

Notes:

1. John Zang is excluded from this table because he is a NEO, see “*Statement of Executive Compensation – Summary Compensation Table for NEOs*” for the compensation paid to Mr. Zang.
2. Reflects stock options issued under Morro Bay’s Option Plan based on the grant date (being March 22, 2013 and January 22, 2014) fair value of the applicable awards. The fair value of the stock option grants has been determined using the same methodology and assumptions used in calculating the stock based compensation in Morro Bay’s financial statements. Morro Bay applies the Black-Scholes option-pricing model with the following assumptions: Dividend yield of \$nil, expected volatility of 100%, risk-free interest rate of 2.0%, forfeiture rate of 0% and weighted average life of 5 years.
3. Elmer Stewart ceased to be a Director of Morro Bay Resources Ltd. as of March 31, 2015. Carl von Einsiedel ceased to be a Director of Morro Bay as of May 24, 2016. Garth Kirkham ceased to be a Director of Morro Bay as of June 15, 2016.

The following table sets forth information concerning the annual and long-term compensation in respect of the directors of Morro Bay other than the NEOs, during the period from incorporation to September 30, 2016 and to date. For details of the compensation for the NEOs who are also directors of Morro Bay, see disclosure in “*Statement of Executive Compensation – Summary Compensation Table for NEOs*”.

Incentive Plan Awards for Directors

The following table sets forth for each director all awards outstanding at the end of the most recently completed financial year, including awards granted before the most recently completed financial year.

Name ⁽¹⁾	Option-based Awards			
	Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽²⁾
Ken Younger	16,667 20,000	\$1.00 \$1.00	March 22, 2018 January 22, 2019	\$Nil \$Nil
Keith Erickson	16,667 20,000	\$1.00 \$1.00	March 22, 2018 January 22, 2019	\$Nil \$Nil
Matthew Zubot	16,667 20,000	\$1.00 \$1.00	March 22, 2018 January 22, 2019	\$Nil \$Nil

Notes:

1. John Zang is excluded from this table because he is a NEO, see “*Statement of Executive Compensation – Summary Compensation Table for NEOs*” for the compensation paid to Mr. Zang.
2. Based on a closing price of \$0.15 on May 12, 2017, the date on which the Shares were halted.
3. Messrs. Younger, Erickson and Zubot have agreed to cancel the Options upon Completion.

Exercise of Compensation Securities by Directors and Morro Bay Named Executive Officers

No compensation securities were exercised by any executive officer or directors of Morro Bay during the fiscal year ended September 30, 2016, or during the six month period ended March 31, 2017.

Escrowed Securities

To the knowledge of Morro Bay, as of the date hereof, a total of 102,881 Morro Bay Shares are held in escrow pursuant to Escrow Agreements. These escrow shares are releasable upon the escrowed shareholders complying with further share deposit requirements or as otherwise agreed to by the Company, the escrow shareholders, and the Exchange.

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

Morro Bay was indebted to John Zang for unpaid consulting fees in the amount \$147,500. Morro Bay was indebted to Denny Chow for unpaid wages and consulting fees in the amount \$147,500. Mr. Zang and Mr. Chow have agreed to release all claims in regard to such amounts on June 28, 2017 upon the conversion of a portion of this debt to shares and the forgiveness and release of the remaining amount. Morro Bay is also indebted to a law firm owned by John Zang for legal fees relating to the Transaction and the Offering. Mr. Zang has agreed to release any claims to such legal fees upon Completion.

Arm's Length Transaction

The Transaction will not be a Related Party Transaction as defined in MI 61-101 or a Non Arm's Length Transaction as defined by the Exchange Policy Manual. As a result, the Transaction is not subject to Majority of the Minority Approval or Morro Bay Shareholder approval.

Legal Proceedings

Morro Bay is subject to following legal proceedings (the "Action") commenced in the Province of Alberta on November 2, 2016:

Plaintiff	Court and Court File Number	Amount Claimed	Status
Dundeal Canada (GP) Inc.	Alberta Court of Queen's Bench Action Number: 1601-14620	\$167,781.42	Defended

The above noted action relates to the claim by the Dundeal Canada (GP) Inc., as Plaintiff, for alleged rental arrears owing by Morro Bay. Morro Bay has defended the Action. Document discovery has occurred in the Action and the proceedings are on-going.

Management of Morro Bay is not aware of any other legal proceedings contemplated against Morro Bay.

Auditor, Transfer Agents and Registrars

The auditors of Morro Bay are BDO Canada LLP, of Calgary, Alberta.

The transfer agent and registrar of Morro Bay is Computershare Trust Company of Canada, of Suite 600, 530 – 8 Avenue SW, Calgary, Alberta.

Material Contracts

Following is a list of each material contract entered into by Morro Bay, other than contracts entered into in the ordinary course of business:

1. The Agent Agreement (for the summary of the terms of this agreement see *Part III Information Concerning the Resulting Issuer Transaction: Offering*);
2. Share Purchase and Sale Agreement dated as of May 15, 2017 (for the summary of the terms of this agreement see *Part III Information Concerning the Resulting Issuer Transaction: Summary of Share Purchase Agreement*);
3. Debenture Purchase and Sale Agreement dated August 10, 2017 (for the summary of the terms of this agreement see *Part III Information Concerning the Resulting Issuer Transaction: Summary of Debenture Purchase and Sale Agreement*);

4. The RSU Plan (for the summary of the terms see *RSU Plan in this Part I*;
5. The Morro Bay Option Plan (for the summary of the terms see *Option Plan in this Part I*; and
6. The Private Sale Agreement (for the summary of the terms of this Agreement see *Part III Summary General Overview: Resulting Issuer*).

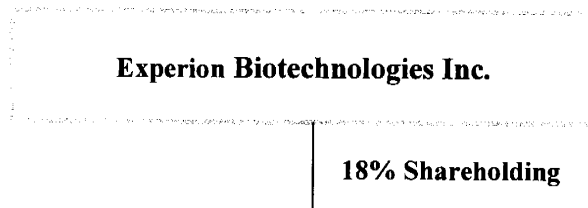
Copies of these agreements will be available for inspection without charge at the offices of John C. Zang Professional Corporation, Barrister & Solicitor, Suite 1150, 707 7th Avenue SW, Calgary, Alberta, T2P 3H6 during normal business hours until the closing of the Transactions and for a period of 30 days thereafter.

PART II - INFORMATION CONCERNING EXPERION

CORPORATE STRUCTURE

Name and Incorporation

Experion Biotechnologies Inc. (the “Company” or “Experion”) is a private company with its head office and registered office at 33425 Maclure Road, Unit 105, Abbotsford, and B.C. V2S 6V5. Experion was incorporated pursuant to the British Columbia *Business Corporations Act* on September 26, 2013. Experion securities are not listed or traded on any stock exchange.



Northern Vine Canada Inc.

Intercorporate Relationships

Northern Vine is a subsidiary and affiliate of Experion. Northern Vine Canada Inc. was incorporated pursuant to the *Business Corporations Act* (British Columbia). Experion owns 6,275 of the Northern Common Shares (18%). The Experion shareholdings in Northern Vine is subject a shareholders’ agreement (the “**Northern Vine Shareholders Agreement**”). Northern Vine has recently reduced the percentage interest of Experion in Northern Vine through a private placement of Northern Vine shares. A total of 9,434 Northern Vine shares were distributed at a price of \$106.00 per share pursuant this private placement. Experion takes the position that the private placement was contrary to the Northern Vine Shareholders Agreement. The Northern Vine Shareholders Agreement includes, *inter alia*, the following:

- a. Northern Vine shall have a four (4) member board of directors, one of whom shall be an Experion nominee;
- b. The following matters shall be determined by way of a vote of at least 50% of the Northern Vine shareholders:
 - i. any corporate restructuring, amalgamation or merger of Northern Vine with any other body corporate;
 - ii. the disposition of all or substantially all of the assets of any wholly-owned subsidiary of Northern Vine or the disposition of any shares of any wholly-owned subsidiary of Northern Vine;
 - iii. any direct or indirect application to become a Licensed Producer under the *Access to Cannabis for Medical Purposes Regulations* (the “**ACMPR**”) (other than the initial application submitted to Health Canada);
 - iv. any guarantee or indemnity to secure the liabilities or obligations of any person;
 - v. any mortgage, charge (whether by way of specific or floating charge), grant of security interest in, or other security on, the whole or any part of the present and future property, assets and undertaking of Northern Vine;
 - vi. the purchase or other acquisition any of the Northern Vine shares (i.e., a buy-back);
 - vii. the execution of any contracts with any director, officer or shareholder of Northern Vine;
 - viii. the acquisition of any assets for consideration in excess of \$25,000; and
 - ix. the incurrence and/or payment of any expenditures in excess of \$25,000.

- c. Delivery to the Northern Vine shareholders owning 25% of the Northern Vine shares: an annual budget, unaudited annual and quarterly financial statements, and such other financial and business information which may be requested.
- d. The transfer of Northern Vine shares is restricted and requires Northern Vine Board of Directors approval.
- e. Any Northern Vine shareholders owning at least 25% of the Northern Vine shares, has a pre-emptive right to acquire any securities proposed to be issued by Northern Vine;
- f. If a Northern Vine Shareholder receives from a third party an offer to acquire its shares, that Northern Vine shareholder shall notify all of the other Northern Vine shareholders of the offer and shall obtain a bona fide offer from the purchasers for all the remaining shares of Northern Vine;
- g. In the event that a third-party offer is made to acquire in excess of 50% of the Northern Vine shares and which offer is accepted by holders of more than 50% of the Northern Vine shares, the remaining shareholders shall sell their shares pursuant to the terms of the third-party offer, vote in favour of the sale, and not dissent in regard to the offer.

The directors of Northern Vine are Anthony Jackson, Sarah Siobhan McCarthy, Sean MacNeil, and Wolfgang Richter (all as disclosed by the British Columbia Corporate Registry).

Northern Vine is the owner of the Langley Lab.

The Langley Lab is expected to become operational prior to December 31, 2017. The Langley Lab obtained a Controlled Substance License from Health Canada on September 22, 2016 which was subsequently renewed on January 1, 2017. This license remains in good standing. Upon commencement of its operations, the Langley Lab will become a laboratory service provider for the Canadian medical cannabis industry. Services are anticipated to include testing to determine the chemical components and potency of products, physical testing, microbial analysis, and chemical contaminants testing. The Langley Lab is located at 104-9295 198 Street, Langley, B.C.

Pursuant to the Swap Agreement Experion will acquire from Northern Vine 2,500,000 Experion Common Shares in exchange for the 6,275 Northern Vine Common Shares currently held by Experion. The Swap Agreement and the closing documents related thereto have been executed with final closing anticipated to occur (i) after the Completion of the Transactions; and (ii) within two (2) business days after the Resulting Issuer Shares have traded on the Exchange for five (5) days. If closing of the Swap Agreement does not occur by October 13, 2017, the Swap Agreement is null and void. Assuming completion of the Swap Agreement, Experion will have no ownership interest in Northern Vine nor the Langley Lab. Upon completion of the Swap Agreement, the 2,500,000 Experion Common Shares acquired by Experion will either be cancelled or conveyed to the Resulting Issuer resulting in the Resulting Issuer owning all of the issued and outstanding Experion Common Shares.

GENERAL DEVELOPMENT OF BUSINESS

Experion Background and History

Experion was incorporated on September 26, 2013, by its founders Stephen Serenas and Sean MacNeil. The intent was to establish Experion with a commercial position within the Canadian medical marijuana industry.

Since its incorporation, Experion has achieved the following corporate milestones:

- Experion applied to Health Canada for a license under the *Marihuana for Medical Purposes Regulations* (the “MMPR”) in October 2013.

- On April 9, 2014 Experion and Northern Vine entered into a Share Exchange Agreement whereby Experion delivered to Northern Vine a 25% interest in Experion and Northern Vine delivered to Experion a 25% interest in its shares.
- Experion converted its MMPR license application to the ACMPR license application and throughout 2015 and 2016 proceeded with the licensing process.
- In June 2016, Health Canada issued a “Confirmation of Readiness” letter (pursuant to the ACMPR license process) to Experion.
- Northern Vine obtained a Controlled Substance License for the Langley Lab in September 2016.
- On October 1, 2016 Experion entered into a real estate lease agreement by which it leased Mission site lands located at or near Mission, B.C. (the “Lease”). The Lease has an initial term of three (3) years with two options to extend the term by an additional three (3) years each. On October 26, 2016, Experion entered into an Option to Purchase Agreement with the land owner of the Mission site by which Experion is granted the option to acquire the lands at any time prior to October 26, 2018. The purchase price under the option agreement is \$1,000,000. As of the date hereof, the option has not been exercised.
- In January 2017, Experion began site development work for construction of its facility on the Mission Site. The facility being constructed consists of an 8,300 square foot building which will include 2,000 square feet of indoor marijuana canopy growing space. Other areas in the structure include a lab/testing area, a secure vault for storage, a secure records-keeping area, and administrative and meeting rooms.
- In January 2017, the Northern Vine CSL license was renewed by Health Canada.
- In May 2017, Northern Vine proceeded with final equipment acquisitions and preparation for the opening of the Langley Lab.
- In May 2017, Experion commenced the final phase of work towards completion of the Mission Site facility.
- In May 2017, Experion along with over 55% of its Shareholders agreed to the Transaction.
- In June 2017, Experion committed (subject to certain terms and conditions including compliance with the terms of the Northern Vine Shareholders’ Agreement) to deliver capital in the amount of \$250,000 to Northern Vine.
- In July 2017, Northern Vine advised that it had completed a financing raising approximately \$1,000,000 by the issuance of 9,434 Northern Vine Shares.
- On August 1, 2017 Experion issued the Debentures raising \$1,056,000.
- On or about June 29, 2017 substantial completion of 8,300 square foot facility occurred with final readiness to produce completed in early August 2017.
- On August 18, 2017 Experion was granted its License to Produce by Health Canada.
- On September 12, 2017 Experion and Northern Vine entered into the Swap Agreement.

To date, Experion has incurred approximately \$200,000 in expenses in regard to application for its ACMPR License to Produce and has incurred more than \$1,210,000 in development costs in regard to the Mission Site (including the costs of constructing the facility on the Mission Site). The facility was substantially complete and ready for health Canada inspection by July 31, 2017. The facility was constructed in accordance with the approved plans and design submitted with its ACMPR license application. The License to Produce was granted on August 18, 2017. Experion is preparing to commence cultivation of its first growth of cannabis.

Significant Acquisitions

On April 9, 2014, Experion entered into a Share Exchange Agreement with Northern Vine. Pursuant to the Share Exchange Agreement Experion and Northern Vine agreed as follows:

- i) Northern Vine agreed to deliver 6,275 Northern Vine common shares (25% of the issued and outstanding Northern Vine common shares);
- ii) Experion agreed to deliver 125 Class “A” voting common shares and 2,375 Class “B” non-voting common shares (representing 25% of each of the Class “A” voting common shares and the Class “B” non-voting common shares);
- iii) Enter into an Experion Securityholders’ Agreement (see *Experion Securities* for a description of the terms); and
- iv) Enter into a Northern Vine Shareholders Agreement (see *Intercorporate Relationships* for a description of the terms).

The Share Exchange Agreement was an arm’s-length acquisition. A description of the acquired business in Northern Vine is described below under the headings *Description of Business* and *the Langley Lab*. *The Share Exchange Agreement is essentially reversed by the Swap Agreement.*

Description of the Business

Business Overview: Experion is a science-led company proceeding with its plans to conduct business in the cannabis sector. Specifically, Experion intends to be a low-cost producer and distributor of cannabis and cannabis products. Subject to the receipt of all necessary licenses and approvals Experion intends to operate in two areas:

- (1) production of whole plant “starter material”,
- (2) production of dried marijuana flowers, and
- (3) distribute its production from numbers (1) and (2) as permitted by the ACMPR or other relevant legislation including the wholesale distribution of its starter material to licensed growers and marijuana flower product for wholesale and retail distribution across Canada.

The License to Produce permits Experion to carry-out the activities described in numbers (1) and (2) above. Experion does not currently hold the necessary license (the License to Sell) described in number (3) above. Experion is proceeding to complete the requirement in order to obtain its Licence to Sell.

The Mission Site: Experion has completed construction of its 8,300-square-foot production facility at the Mission Site. The License to Produce is issued in regard to the facility on the Mission Site. Experion is commencing to move forward with the planting of its first crop of cannabis as permitted by the License to Produce. Experion intends for the Mission Site to become a producer of whole cannabis plants for sale to other ACMPR Licensed Producers, as well as dried flower for the licensed wholesale market by January 2018 and upon receipt of its License to Sell.

Marijuana Canopy Greenhouse: In addition to the initial production, storage and processing facility (see *Mission Site* above), Experion also plans on constructing 40,000 square feet of greenhouse canopy, subject to Health Canada approval, and to expand its medical-grade cannabis production at the Mission Site. Experion has currently not applied for the necessary permits and licenses to commence construction, nor has it obtained Health Canada approval to utilize the planned greenhouse for cannabis production.

Experion's near-term objectives:

- Generate 2018 revenues of over \$1.3 million and 2018 cash flow of over \$380,000.
- To proceed to cultivate its first growth of marijuana at the facility located at the Mission Site.
- To obtain the License to Sell from Health Canada by January 2018, representing clearance of the sixth and final stage of the ACMPR licensing process, and enabling the Company to be a wholesale and retail distributor. To obtain an amendment of its current License to Produce to become a License to Sell, Experion must satisfy an inspection by Health Canada to verify that Experion is meeting the requirements of ACMPR. If Experion successfully completes this step, Health Canada will issue a License to Sell cannabis/marijuana products in Canada to Experion.
- To commence the construction of a 40,000 square foot greenhouse.

Experion's long-term objectives:

- To expand production in anticipation of demand growth associated with a legalized recreational marijuana market.
- To obtain a Licence to Sell in regard to the planned greenhouse.

Management Overview and Management Contracts

The current directors and officers of Experion are as follows:

Stephen Serenas

President & Chief Executive Officer and Director

Mr. Serenas was a founder of Experion. He hails from Santa Barbara, California and has been involved in various private companies spanning the resource, real estate, personal services, and (now) cannabis sectors. His skills in organizational development, financial analysis, and vision planning matched with his significant experience in bringing ideas to reality have greatly benefited many companies. Mr. Serenas attended St. Francis Xavier University completing his graduate studies in Business Administration.

Robert Wilson

*Chief Financial Officer*¹

Mr. Wilson worked for more than twenty years in the global financial services industry, acquiring considerable capital markets, banking and insurance experience in North America, Europe, and East Asia. In 2000, Mr. Wilson founded his own financial and strategic advisory company, Mr. Wilson has been providing strategic and financial advisory services to both private and public companies, family offices, and private equity investors often serving in senior executive roles within companies. Mr. Wilson holds a Bachelor of Commerce (Honours) (Queen's University) and Master of Business administration (The Wharton School, Univ. of Pennsylvania).

Kevin Morneau

Senior Responsible Person-in-Charge (SPIC) and Director

Mr. Morneau is a graduate of Simon Fraser University majoring in Marketing/Business with a successful career operating service based companies serving the real estate, manufacturing, and recreational sectors. His natural instincts as a teacher in developing team outcomes to better serve the public, combined with leadership skills honed as a member of the Canadian Forces, make Mr. Morneau well suited for management in this new industry.

Jarrett Malnarick

Strategic Advisor – Operations

Mr. Malnarick has run his own successful consulting Company for over 10 years assisting companies with acquisitions, product development, design costing and ROI analysis, organizational budgets, developmental funding through grants and tax credit programs, new facility process planning, quality engineering and product regulatory compliance to Health Canada and international standards through the design and implementing operational systems. Mr. Malnarick has held a number of executive positions and is expected to join Experion as an executive overseeing operations at the Mission Site. He holds a Bachelor of Science degree (University of Victoria).

¹ Appointment subject to Health Canada approval including but not limited to security clearance

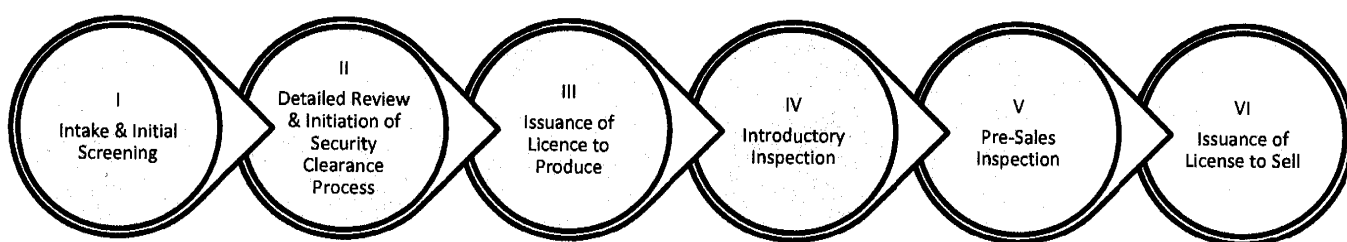
Business Trends

The Canadian medical marijuana industry continues to grow and Health Canada is continuing to explore concerns over the production and use of marijuana by Canadians. Instances such as the recent discovery of unacceptable pesticides in marijuana products are a concern for the industry going forward. The Canadian federal government has recently announced the intention to “legalize” the use of marijuana for recreational use. Despite such announcement, the structure to distribute marijuana to recreational users has yet to be confirmed by the Provincial legislatures. The methods of distribution may have an impact on both the Langley Lab and the Mission Site cultivation. Other than such trends discussed above and as are discussed elsewhere in this Filing Statement (see *Part II Information Concerning Experion – General Development of the Business and Narrative Description of the Business*), management of Experion is not aware of any trend, commitment, event or uncertainty that is reasonably expected to have a material effect on the business, financial condition or results of operations of Experion.

License to Produce

On August 18, 2017 Experion received its License to Produce. Pursuant to the License to Produce Experion is permitted to grow and cultivate cannabis at the Mission Site may only sell, transport, ship, or provide the marijuana to licensed dealers solely for the purpose of conducting analytical testing.

Stages of the Health Canada licensing process



Source: Health Canada (<https://www.canada.ca/en/health-canada/services/drugs-health-products/medical-use-marijuana/licensed-producers/application-process-becoming-licensed-producer.html>)

Experion having now received its License to Produce is at Level III of the above. In order to proceed to amend its License to Produce to become a License to Sell, Experion must complete the Health Canada inspection process, including the assessment of the requirements of the ACMPR and establish that adding the activity of sale of cannabis products is not likely to create a risk to public health, safety or security, and to confirm that there are no other grounds for refusing the amendment application. In order for the License to Sell to be granted the following information will be reviewed by Health Canada:

- results of the pre-sale inspection;
- information submitted in the amendment application to add the activity of sale to the license; and
- any other relevant information.

When the review is completed, an amended license, including the activity of sale, is issued to Experion. Upon receiving its License to Sell, Experion may then begin supplying cannabis products to registered clients, other licensed producers and/or other parties named in subsection 22(2) of the ACMPR.

The Mission Site – Overview

Located approximately 70 km east of Vancouver along the Trans-Canada Highway in the Central Fraser Valley, the Mission Site overlooks the Fraser River and is located near Mission, BC. As a growing location, the Central Fraser Valley features natural advantages, such as approximately 1,900 hours of annual sunshine, access to high-quality natural water sources, moderate temperatures, and available land for expansion, highly affordable hydro-electricity, and ready access to multiple points of distribution.

Initial Building Plan: The proposed operations will be housed in an 8,300-square foot pre-engineered steel framed structure. The interior marijuana production space will take approximately 2,000-square feet, while the rest of the space will house the office, worker quarters, security, vault, infrastructure control, non-production cultivation areas, packaging and processing, and an in-house laboratory.

License to Produce: The construction of the facility is complete, Experion has received its License to Produce for the facility on the Mission Site. Experion is preparing for its Pre-License Inspection with Health Canada as the next step for it to be granted the License to Sell. During the preparation for the inspection, Experion is implementing its Section 11 (Record Keeping) software solution, recruiting launch personnel, and implementing security procedures.

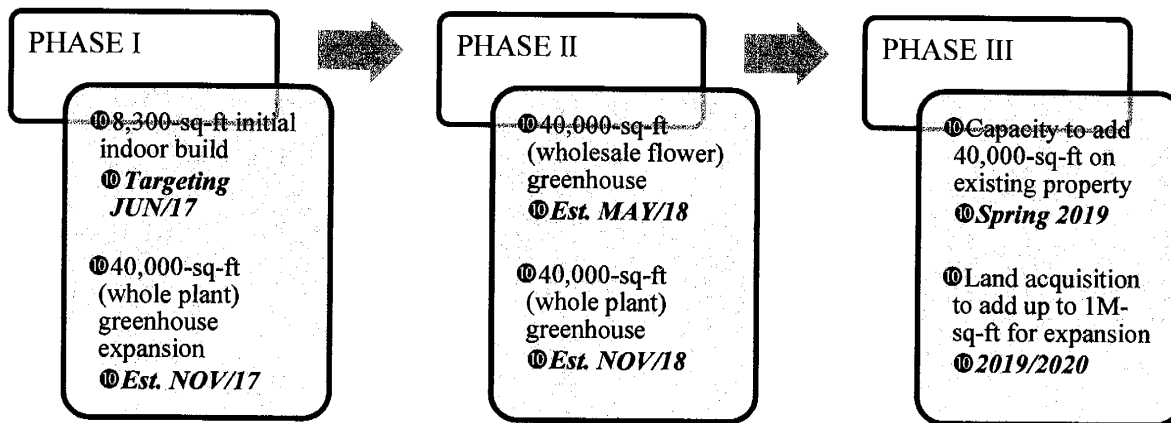
Mission Site Budget

construction		82,940	103,675	124,410	259,187	259,187	207,350	1,036,749
consultants & misc. soft costs	32,280	8,070	8,070	8,070	8,070	8,070	8,070	80,700
municipal levies & fees	5,000							5,000
other								-
total initial capex budget	37,280	91,010	111,745	132,480	267,257	267,257	215,420	1,122,449
contingencies								100,000
total start-up budget	37,280	91,010	111,745	132,480	267,257	267,257	215,420	1,222,449

Personnel Requirements: In addition to Mr. Jarrett Malnarick, Strategic Advisor – Operations, who will oversee the operation of the Mission Site, the facility requires a Quality Assurance Manager. The Quality Assurance Manager, along with the named Special Person in Charge (SPIC) on the Health Canada application, form the onsite senior management team.

Expansion Plan: The expansion plan involves erecting 40,000-square-foot greenhouse canopy dedicated to either clone (whole plant) production, or high-volume dried flower production. Experion has not currently notified Health Canada of Experion's intentions pertaining to this greenhouse canopy expansion plan.

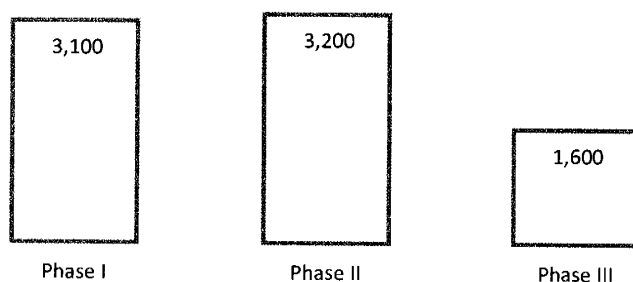
The following table describes Experion's three-phased approach to organic expansion of production capacity at its Mission Site.



The following table summarizes budgeted Capital Expenditures for each phase of the Company’s expansion plan.

Capital Expenditure to Complete Expansion Plan

All figures in C\$000s



Post-ACMPR Licensing Plan

Experion has a two-pronged go-to-market strategy having received its License to Produce:

- (1) distribute whole plant “starter material” to licensed growers, and
- (2) distribute dried flower to the wholesale market. Experion’s strategy is predicated on becoming a leading producer in terms of low production costs.

Whole Plant Model

The first greenhouse and part of the indoor grow will be dedicated to raising 8-week cannabis clones (“Clones”). These clones are used by licensed growers to maximize the production output of their facilities (i.e. purchasing ready-to-flower clones eliminates the need for the grower to dedicate in-house space for propagating clones themselves, thus maximizing production space). Experion has proceeded with a pre-licensing networking effort with British Columbia based licensed growers to ascertain levels of demand for starter material.

Wholesale Flower Model

Part of the initial indoor build will be dedicated to flower production for the purpose of providing Health Canada with samples for evaluation in aid of obtaining a License to Sell. The high-volume production of dried flower will take place in the planned Greenhouse.

Wholesale distribution strategy

Experion believes that pricing pressure will be to the downside in the medium-term, and that LPs will need to be able to compete at prices well below recent market averages above \$7.50 per gram. Experion plans to restrict distribution to the wholesale market, distributing directly to authorized licenced producers.

Time to evaluate retail plan

The prospect of legalization of marijuana for recreational use in Canada brings considerable uncertainty to the market. While the government has introduced legislation into the House of Commons to legalize marijuana, the critical elements of the distribution framework are to be decided by the provinces and remain uncertain. Experion believes it prudent to remain uncommitted to the retail market for the time being until greater clarity on the framework for legalization can be obtained.

Operating Forecast

Experion's forecast sees first revenue generated in fiscal in the 2018 fiscal year (Experion's year end is October 31). Below is the Experion operating forecast for the Mission Site.

Operating Forecast

Dried flower sales	-	2,447,311	14,062,044	27,896,606
Whole plant sales	-	5,400,000	8,732,813	11,770,313
Net sales	-	7,847,311	22,794,857	39,666,919
y/y growth			190%	74%
Total cost of sales, global	-	3,251,734	8,184,267	11,433,366
Total gross profit	-	4,595,577	14,610,590	28,233,553
Total gross margin	NM	58.6%	64.1%	71.2%
Total operating expenses	264,440	1,098,800	1,155,000	1,155,000
EBITDA	264,440	3,496,777	13,455,590	27,078,553
EBITDA margin	NM	44.6%	59.0%	68.3%

Competition - Licensed Production

Health Canada released new licensing processes on May 26, 2017, and has since granted eight new licenses (an increase of 18% in six weeks), now numbering 52. Licensed producers are clustered geographically in British Columbia and Ontario – the two largest markets for medical marijuana by registered clients. Though Health Canada does not publish current figures, as of year-end 2013, Ontario represented 29% of all registered clients while British Columbia represented 49% - combined, the two provinces accounted for 78% of all registered client in Canada.

There remains a high barrier-to-entry for potential competitors as a result of:

- the capital intensity of the business;
- the specialized skills required;
- the burdens of regulatory compliance; and
- the uncertainty of the regulatory environment for recreational use.

As of May 25, 2017, the last date for which data is available, of the 1,665 applications to become a Licensed Producer (under the ACMPR) received by Health Canada:

- 265 have been refused;
- 428 applications are in progress;
- 69 have been withdrawn; and
- 858 were incomplete and have been returned.

Market Opportunity

The current market for marijuana in Canada is currently limited to distribution for medical purposes only. There has been relatively little industry research published on the cannabis market to date, and thus market forecasts are thin. In a report published by Canaccord Genuity (*Canadian Cannabis Industry Overview*, November 28, 2016), the current medical market size was estimated at approximately \$500 million. Key forecast highlights from the Canaccord Genuity report include:

- Industry revenue is expected to grow to \$1.8 billion in 2021 (four-year compound annual growth of 38%).
- Industry production is expected to grow to 150,000 kg in 2021 (four-year compound annual growth of 26%).
- The number of medical marijuana patients is expected to grow from approximately 200,000 at the end of 2017 (currently 98,460) to approximately 500,000 in 2021 (four-year compound annual growth of 26%).

In a recently published report on the Cannabis Sector by Eight Capital (dated July 26, 2017), the following observations on the sector and its investment prospects are presented:

- Relative cost of capital is expected to decline as legalization in Canada becomes more probable and the industry itself becomes legitimized;
- A recreational market for cannabis products is expected to attract a broad range of consumers who might not otherwise participate in the cannabis market, resulting in aggregate demand outstripping supply until 2021, pending timely completion of expansion projects by Canadian producers;
- The Canadian cannabis market size is estimated to be over \$20 billion per year including ancillary businesses, with the global medical cannabis market having a \$180 billion potential size;
- Pricing deterioration and margin compression arising from the expansion of distribution channels by mid to late 2018 will put pressure on current producers that have not been able to establish an optimal profitability profile (i.e. 70% gross margin and 30% EBITDA margin).

Finally, the path to recreational sales and distribution will not be an easy one as the Canadian provinces must enact their own regulations covering a wide range of issues (e.g. taxation, impairment, criminal offences, public smoking, and education – to name but a few).

Regulatory Framework

The right of Canadian patients (i) to obtain and consume cannabis in all acceptable forms for medical purposes, and (ii) the development of a regulated domestic infrastructure to produce and supply cannabis for medical use, have developed in tandem over the past two decades. The framework that regulates the current regime for the lawful production, storage, distribution, sales, possession and use of cannabis has evolved through a series of successful court challenges brought by private citizens against prohibitions on the production or possession of cannabis, along with the ongoing responses of government to reform the legal framework to conform to these evolving rights. This evolution remains changing, ongoing and capable of having the greatest external impact on the success of the Experion strategy.

Regulatory Background and History: Legal access to dried cannabis for medical purposes was first provided to Canadians in 1999 by way of an exemption to the general prohibitions on its use under the CDSA. In the 2001 the implementation by the Federal Government of the MMAR occurred. The MMAR enabled individuals with the authorization of their health care practitioner to access dried cannabis for medical purposes by producing their own cannabis plants, designating someone to produce cannabis for them or purchasing supply directly from Health Canada under a pilot initiative whereby Health Canada produced and distributed medical cannabis. In June 2013, Health Canada replaced the prior regulatory framework and issued the MMPR to replace the provisions regarding the government supply and home-grown medical cannabis with highly secure and regulated commercial operations capable of producing consistent, quality medicine. In doing so, the MMPR covered the production and sale of dried cannabis flowers only. In response 2016, Health Canada implemented the ACMPR. Under the ACMPR, individuals with a medical need and who have obtained the requisite authorization from their health care practitioner, can access cannabis in three ways: they can continue to access quality controlled cannabis by registering with Licensed Producers, they can register with Health Canada to produce a limited amount for their own medical purposes, or they can designate someone else to produce cannabis for them.

Market Expansion with Full Legalization

The Government of Canada commissioned a taskforce report, titled *A Framework for the Legalization and Regulation of Cannabis in Canada*, released on December 13, 2016. The report was a pre-cursor to legislation tabled on April 13, 2017 in Parliament by which marijuana use for recreational purposes would be legalized. Although the timeline for implementation of the new law extends into 2018, there is no assurance that the new law will be implemented, ultimately. With the advent of legalization for the purposes of recreational use, the Canadian marijuana market was estimated to be as large as \$22 billion (including ancillary markets, such as smoking and vaping gear), according to Deloitte Consulting (*Recreational Marijuana – Insights and opportunities*, 2016).

In the same industry report to which we referred previously, Canaccord Genuity provides forecasts assuming legalization for recreational purposes. Key forecast highlights assuming legalized recreational use in the Canaccord Genuity report:

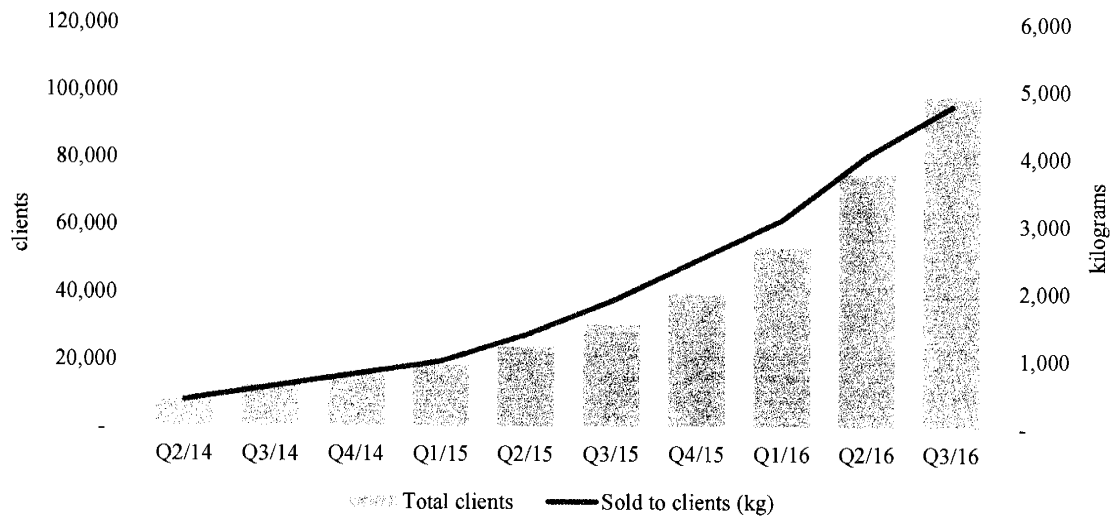
- Industry revenue is expected to grow to \$6.0 billion in 2021 (four-year compound annual growth of 86%).
- Industry production is expected to grow to 420,000 kg in 2021 (four-year compound annual growth of 63%).
- The number of medical and recreational marijuana clients is expected to grow from approximately 200,000 at the end of 2017 (including no recreational clients) to approximately 3.8 million combined in 2021 (four-year compound annual growth of 109%).

Health Canada and the Medical Marijuana Market

Health Canada published a 10-year market forecast in 2014 with the introduction of the MMPR. At the outset of MMPR, Health Canada anticipated that the MMPR market would be comprised of 450,000 medical marijuana clients by 2024, representing compound annual growth of 25% from the 37,884 MMAR clients at year-end 2013.

Actual growth in the MMPR/ACMPR registered client base has been greater than anticipated, growing at a compounded quarterly rate of 32%. At the same time, sales volume has risen from 408 kg in Q2/2014 to 4,773 kg in Q3/2016, growing at a compounded quarterly rate of 31%.

TOTAL CLIENTS & VOLUME SOLD UNDER MMPR/ACMPR

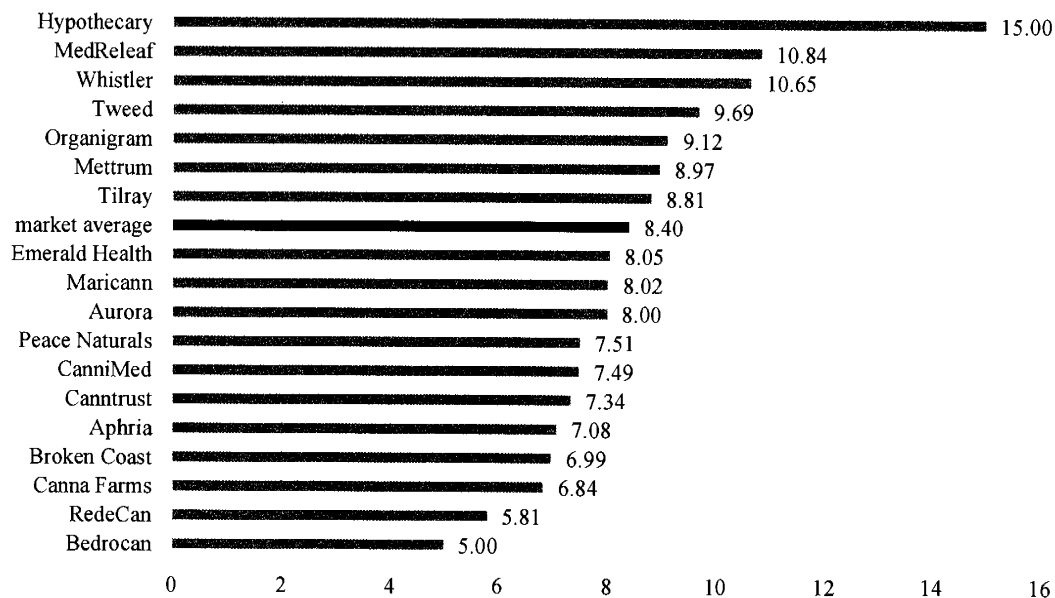


Source: Health Canada

Market Offering

Marijuana can be vaporized, smoked, or ingested to alleviate pain and other ailments. Dozens of strains of commercial marijuana are on offer from LPs, most priced between \$8 and \$11 per gram, with a recent pricing survey pegging the average price at \$8.40 per gram (among 18 LPs surveyed during a five-week period in mid-2016). Medical users typically consume between one and three grams per day. Dosage prescribed under ACMPR cannot exceed five grams, while minimum prescribed dosage is one gram.

Average Prices per gram for Selected LPs in June/July 2016

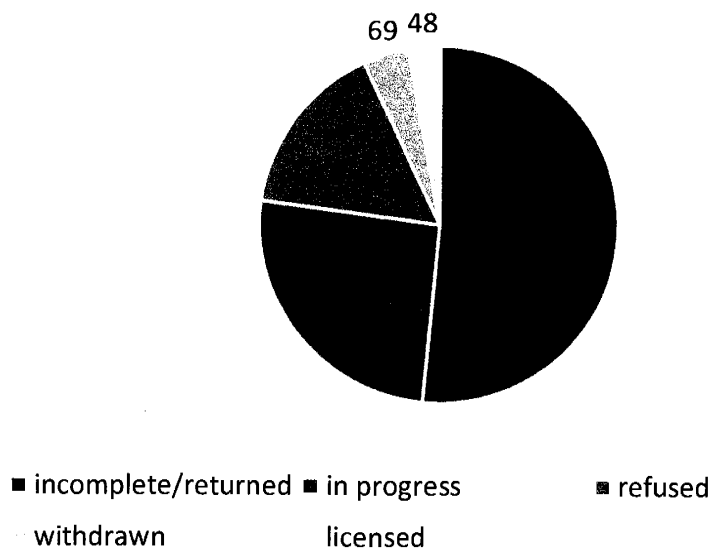


Source: Lift (<https://news.lift.co/the-cost-of-medical-cannabis-in-canada/>)

Regulatory Matters

Experion is one of approximately 428 applicants currently in progress toward obtaining a license under ACMPR (compared with 1,665 applicants to date). Experion has been granted its License to Produce. Experion does not currently have a License to Sell.

Health Canada Applicant Status (as of March 31, 2017)



Source: Health Canada ([eshttps://www.canada.ca/en/health-canada/services/drugs-health-products/medical-use-marijuana/licensed-producers/application-process-becoming-licensed-producer.html](https://www.canada.ca/en/health-canada/services/drugs-health-products/medical-use-marijuana/licensed-producers/application-process-becoming-licensed-producer.html))

The Langley Lab

Experion holds a minority equity interest in the Langley Lab. Experion is in discussion with Northern Vine which would see Experion exchange its Northern Vine shares for the Experion Common Shares now held by Northern Vine. Upon closing of the Swap Agreement, Experion will cease have any ownership interest in Northern Vine and therefore will also to have any interest in the Langley Lab. The Swap Agreement will not be closed until after Completion of the Transactions.

The Langley Lab facility located at 9295 198 Street, Suite 104, Langley, BC, has obtained a CSL from Health Canada. Previously housing a small-scale natural health product manufacturer, the Langley Lab is Good Manufacturing Practices (“GMP”) certified, and is in the final stages of re-fitting to become a laboratory service provider for the Canadian licensed cannabis industry. The Langley Lab is anticipated to commence formal operations by the end of 2017. No additional approvals are required to permit the Langley Lab to open. Upon opening, the Langley Lab will be generating revenue immediately.

Seeking early positioning in Lab Services

The detection of unauthorized pesticides in the products of several ACMPR licensed producers in 2016 was cause for increased focus on the safety of the Canadian medical marijuana supply by both governments and end customers. There are only twenty-eight (28) third-party laboratories in Canada licensed to conduct testing and analytical activities with cannabis. Northern Vine management aims to launch commercial operations at the Langley Lab prior to the end of 2017, providing testing and quality control, as well as research and development services. Experion is currently a minority shareholder in Northern Vine and does not currently have a material role in Northern Vine management decisions.

Langley Lab Services

- Potency & Identification-- Chromatographic determination of key chemical components in active ingredients
- Physical Testing-- Visual inspection of raw materials for foreign material contamination or evidence of spoilage. Determination of moisture content via loss-on-drying
- Microbial Analysis-- Determination of levels of potentially hazardous microorganisms, including yeast and mold.
- Chemical Contaminants Testing-- Determination of heavy metal levels and analysis of residual solvents following extraction of raw materials
- Reference Standards-- Provision of certified reference materials for quality and metrological traceability of cannabis products.
- Consulting and R&D-- Product and strain development, analytics, tissue culture propagation and R&D mandates.

Controlled Substance License

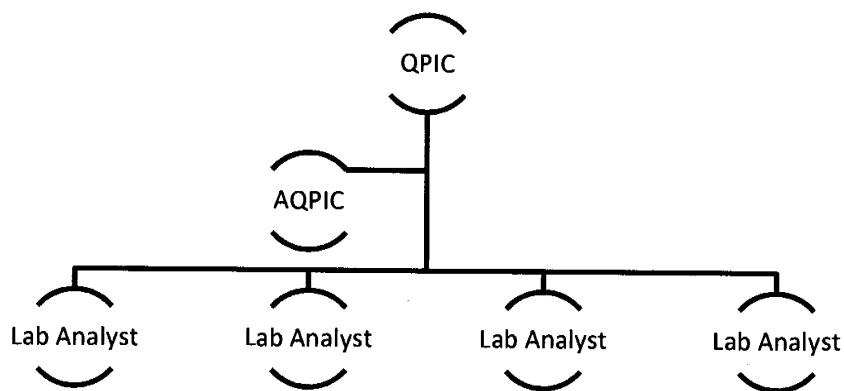
Northern Vine received its CSL from Health Canada on September 22, 2016 (which has subsequently been renewed for 2017). Possessing a CSL permits the Langley Lab to perform analytical testing of cannabis samples received from validly licenced parties in Canada as determined under the *Narcotic Control Regulations*, the *ACMPR*, or from an individual authorized by a valid exemption under the *Controlled Drugs and Substances Act* (“CDSA”) to provide, deliver, transport, or send fresh or dried marijuana or plants to licensed dealers for the purposes of analytical testing.

Good Manufacturing Practices

GMP compliance guidelines provide standards and ensure through enforcement that the fabrication, packaging, labelling, distribution, testing, and wholesaling of drugs (and food and other substances under the purview of the CDSA) do not place consumers at risk due to inadequate safety and quality.

Operating Personnel

The Langley Lab staffing needs in the operating budget are based on two senior and four junior full-time personnel.



Qualified Person in Charge (“QPIC”) –The QPIC is responsible for handling of controlled substances and ensuring compliance with all relevant regulations. A qualified individual has been appointed by Northern Vine as the QPIC.

Alternate Qualified Person in Charge (“AQPIC”) –The AQPIC performs the duties of the QPIC when that person is not present. A qualified individual has been appointed by Northern Vine as the AQPIC.

Laboratory Analysts – Full scale operation will require four lab analysts, to be hired by senior operational personnel during June 2017 as volume of business dictates. The currently required Laboratory analysts have been retained by Northern Vine.

The Langley Lab – Operating Model

Marketing: Given undersupply of third-party analytical screening capacity, management's initial strategy focuses on signing ACMPR and other LPs to monthly crop testing agreements, largely by way of direct and referral sales. Secondly, management expects to generate revenue from sale of certified reference materials. Finally, it is expected that consulting revenue will be derived in the initial phases of launch through referral of LP prospects from among the ranks of Analytics and Reference Standards customers. Experion has been highly effective in its business development efforts having entered into Letters of Intent by which various third parties have agreed to utilize the laboratory services of the Langley Lab.

Laboratory Services – Competition

The laboratory services needs of the Canadian medical marijuana market are served currently by twenty eight (28) licensed labs. There is expected to be increased demand for potency testing, chemical identification, and third-party safety assurance resulting from the Government of Canada's planned legislation to legalize recreational use of marijuana. Increased demand for testing would result from two primary market forces: first, provincially licensed distributors, which would presumably require a certificate of analysis for all cannabis products to be sold on an "over the counter" basis; and second, federally and provincially regulated food and beverage producers, cannabinoid therapeutics producers, as well as other consumer products producers seeking to include cannabis extracts as ingredients. Combined these market forces, in addition to whatever government regulations may apply, are expected to increase overall demand for independent testing.

Laboratories licensed by Health Canada to conduct activities with cannabis

A&L Canada Laboratories Inc.	ON
Anandia Laboratories Inc.	BC
Avanti Rx Analytics Inc.	ON
AXXONLAB Inc.	QC
Canadian Analytical Laboratories Inc.	ON
Centre for Applied Research and Innovation, British Columbia Institute of Technology	BC
Crest Laboratories (A Division of Europharm International Canada Inc.)	QC
Dr. Raimar Loebenberg, University of Alberta Katz Group – Rexall Centre for Pharmacy & Health Research	AB
Eurofins Experchem Laboratories, Inc.	ON
Green Sky Laboratories Corp.	BC

InnoTech Alberta Inc.	AB
Laboratoire PhytoChemia Inc.	QC
Labs-Mart Inc.	AB
Loyalist College of Applied Arts and Technology	ON
M.B. Laboratories Ltd.	BC
MS Pharma Inc.	QC
Northern Vine Canada Inc.	BC
ProgenyBio Agricultural Services Inc.	BC
RPC (Research and Productivity Council)	NB
Saskatchewan Research Council, Analytical Laboratory	SK
SGS Canada Inc.	BC
SGS QCL Quality Compliance Laboratories Inc.	ON
Supra THC Services Inc.	BC
Synfine Research Limited	ON
The Vimy Ridge Group Ltd.	ON
Toronto Research Chemicals Inc.	ON
University Health Network	ON
0904649 BC Ltd. (Salvation Botanicals)	BC

Source: Health Canada (<https://www.canada.ca/en/health-canada/services/list-licensed-dealers.html>)

SELECTED EXPERION FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Financial Information

The following table sets out financial information of Experion and should be read in conjunction with the financial statements attached hereto as Appendix “C”. The six months ended May 31, 2017 and the fiscal years ended November 30, 2016, 2015 and 2014 have been prepared in accordance with IFRS.

	Six months May 31, 2017	2016	Audited Fiscal year ended November 30, 2015	2014
Revenue	\$0	\$0	\$0	\$0
Comprehensive loss for the period	(\$155,475)	(\$32,628)	(\$25,984)	(\$32,922)
Total Assets	\$2,355,965	\$1,279,890	\$NIL	\$NIL
Total Liabilities	\$94,224	\$262,674	\$50,156	\$24,172

The Experion MD&A is attached hereto as Appendix “D” and should be read in conjunction with the financial statements attached hereto as Appendix “C”.

Comparability of the Data is Limited

Experion was formed for the purpose of successfully completing the Health Canada process for becoming a licensed producer of medical cannabis products. By virtue of the licensing process, Experion’s application involved lengthy periods of inactivity followed by shorter periods during which Experion management gathered and compiled information requested by Health Canada before making submissions for further review by Health Canada officials. Considerable effort was expended by Experion management to ensure that security provisions were met or exceeded. Each member of the Experion management team has been required to undergo extensive security clearances by the Government of Canada. Health Canada also assessed the physical location of the planned production, processing, and storage facility before granting the Readiness Letter issued in June 2016. Experion’s design of its purpose-built facility was carefully developed in consultation with experts across a range of disciplines, including but not limited to advanced security systems, HVAC, lighting, cannabis cultivation and processing, as well as cannabis research, development, and testing.

Additional time and effort was invested in securing and registering an option to purchase the Mission Site on which Experion has recently constructed its production, processing, and storage facility. Experion management successfully negotiated with the property owner an option to lease the approximate 10-acre site with an 18-month option to purchase the property.

Shortly after receipt of its Readiness Letter, the development and construction of its purpose-built facility at the Mission Site was originally budgeted to cost \$1.8 million. Through an iterative process, Experion management began to identify various means of achieving its design objectives while reducing the capital budget. By November 2016, the board of directors approved a budget of \$1.5 million for the development and construction of the 8,300 ft² facility; and preparation of the site itself commenced in January 2017. While site preparation was completed by March 2017, actual construction could not commence in any meaningful way until late April 2017 after which progress advanced rapidly. On June 29, 2017 the construction team had completed all structural and leasehold construction enabling final wiring for security and internet connectivity to be completed, furnishings to be delivered, and final configuration and outfitting of the onsite laboratory to be done.

Experion Securities

Experion is authorized to issue an unlimited number of Class “A” Voting Common Shares (the “**Experion Common Shares**”), an unlimited number of Class “B” Non-voting Common Shares (the “**Experion Class “B” Shares**”), an unlimited number of Class “C” Non-voting Common Shares (the “**Experion Class “C” Shares**”), an unlimited number of Class “D” Non-voting Common Shares (the “**Experion Class “D” Shares**”), an unlimited number of Class “E” Non-voting Common Shares (the “**Experion Class “E” Shares**”), an unlimited number of Class “F” Non-voting Preferred Shares (the “**Experion Class “F” Shares**”), an unlimited number of Class “G” Non-voting Preferred Shares (the “**Experion Class “G” Shares**”), and an unlimited number of Class “H” Non-voting Preferred Shares (the “**Experion Class “H” Shares**”).

Experion currently has issued and outstanding 13,333,333 Experion Class “A” Voting Common Shares and no other shares are issued.

On August 1, 2017 Experion completed the Debenture Offering. Through the Debenture offering Experion raised a total of \$1,056,000. Pursuant to the Debenture the Debentureholders can convert the each \$1,000 owed under the Debentures to 533.333 Experion Common Shares and 533.333 Experion Warrants.

Experion has no other securities issued and outstanding.

The holders of Common Shares are subject to the Experion Shareholders Agreement dated April 14, 2014. The Experion Shareholders Agreement includes, *inter alia*, the following:

- a. Experion shall have a four (4) member board of directors, one of whom shall be a nominee provided by Northern Vine;
- b. The following matters shall be determined by way of a vote of at least 50% of the Experion shareholders:
 - i. any corporate restructuring, amalgamation or merger of the Experion with any other body corporate;
 - ii. the disposition of all or substantially all of the assets of any wholly owned subsidiary of Experion or the disposition of any shares of any wholly owned subsidiary of the Experion;
 - iii. any direct or indirect application to become a Licensed Producer under the Marihuana for Medical Purposes Regulations (other than the initial application submitted to Health Canada);
 - iv. any guarantee or indemnity to secure the liabilities or obligations of any person;
 - v. any mortgage, charge (whether by way of specific or floating charge), grant a security interest in, or other security on, the whole or any part of the present and future property, assets and undertaking of the Experion;
 - vi. the purchase or other acquisition any of the Experion shares (i.e., a buy-back);
 - vii. the execution of any contracts with any director, officer or shareholder of Experion;
 - viii. the acquisition of any assets for consideration in excess of \$25,000; and
 - ix. the incurrence and/or payment of any expenditures in excess of \$25,000.
- c. Delivery to the Experion shareholders owning 25% or more of the Experion Common Shares: an annual budget, unaudited annual and quarterly financial statements, and such other financial and business information which may be requested;
- d. The transfer of Experion Common Shares is restricted and requires Experion Board of Directors approval;
- e. Any Experion shareholders owning at least 25% of the Experion Common Shares, has a pre-emptive right to acquire any securities proposed to be issued by Experion;

- f. If a Experion Shareholder receives from a third party an offer to acquire its Experion Common Shares, that Experion shareholder shall notify all of the other Experion shareholders of the offer and shall obtain a bone fide offer from the purchasers for all the remaining shares of Experion;
- g. In the event that a third party offer is made to acquire in excess of 50% of the Experion Common Shares and which offer is accepted by more than holders of 50% of the Experion Common Shares, the remaining shareholders shall sell their shares pursuant to the terms of the of the third party offer, vote in favor of the sale, and not dissent in regard to the offer; and
- h. The Experion Shareholders Agreement shall terminate in the event of the completion of a “Sales Transaction” as defined therein (including transactions such as the Proposed Transaction).

Rights and Privileges of the Experion Shares Classes

Experion Stock Option Plan

Experion has no Stock Option Plan or other incentive plan relating to the issuance of securities.

Consolidated Capitalization

Designation of Security	Amount authorized or to be authorized	Amount outstanding as of November 30, 2016	Amount outstanding as of the date of this Filing Statement
Experion Common Shares	Unlimited	11,466,667	13,333,333
Experion Class “B” Shares	Unlimited	Nil	Nil
Experion Class “C” Shares	Unlimited	Nil	Nil
Experion Class “D” Shares	Unlimited	Nil	Nil
Experion Class “E” Shares	Unlimited	Nil	Nil
Experion Class “F” Shares	Unlimited	Nil	Nil
Experion Class “G” Shares	Unlimited	Nil	Nil
Experion Class “H” Shares	Unlimited	Nil	Nil

Prior Sales

The following Experion Common Shares were distributed by Experion from its inception to the date of this Filing Statement:

Date	Class of Shares	Number of Shares	Cost Per Share	Gross Proceeds
September 26, 2013	Experion Class “A” Common Shares (Class “A”)	1	\$1.00	\$1.00
January 10, 2014	Experion Class “A” and Class “B” Non-Voting Common Shares (“Class “B”)	374 Class A 7,125 Class B	\$1.00	\$7,499
April 14, 2014	Class “A” Shares and Class “B” Shares	125 Class “A” 2,375 Class “B”	N/A	Share Swap (value \$2,500)
November 6, 2016	Share Restructuring—Class “B” converted to Class “A” shares and Class “A” Shares subdivided one for 1,000 Resulting in 10,000,000 Class “A” Shares issued and outstanding.			

November 8, 2016	Class "A" Shares	1,466,667	\$0.75	\$1,100,000
February 28, 2017	Class "A" Shares	1,866,666	\$0.75	\$1,400,000
<i>TOTAL</i>	<i>Experion Class "A" Shares</i>	<i>13,333,333</i>		<i>\$2,510,000</i>

On November 6, 2016, the Experion board of directors authorized the following restructuring: Class "B" Non-voting common shares without par value were exchanged for Class "A" voting common shares without par value and subsequently subdivided each issued or allotted Class "A" voting common share into 1,000 Class A voting common shares² (the "**Share Restructuring**").

On November 8, 2016, Experion completed financing by issuing 1,466,667 Experion Common Shares at a price of \$0.75 for gross proceeds of \$1,100,000. As at November 30, 2016, \$100,000 was recorded as a subscription receivable and subsequently received in early fiscal 2017. On February 28, 2017 Experion completed an additional financing by issuing 1,866,666 Experion Common Shares at a price of \$0.75 for gross proceeds of \$1,400,000.

There were no other issuances of shares in the capital of Experion from treasury to the date of this Filing Statement. As of the date this Filing Statement there are 13,333,333 Experion Common Shares issued and outstanding.

On August 1, 2017 Experion completed the Debenture Offering raising gross proceeds in the amount of \$1,056,000. Each Debenture is due and payable on or before July 31, 2019. The issuance date of the Debentures is August 1, 2017. For each one-thousand dollars (\$1,000) owing on the Debentures, the Debentures are convertible into Experion Debenture Units, at the option of the holder, at any time after the earlier of a change of control of Experion and September 30, 2017, and prior to eighteen (18) months from the Issuance Date. The Debentures may be converted at the option of Experion. As a result, upon conversion of the Debentures a total of 1,056 Experion Debenture Units may be issued which Experion Debenture Units will result in the issuance of 563,200 Experion Shares and 563,200 Experion Share purchase warrants. The Experion Warrant entitles the holders thereof to acquire one (1) Experion Common Share at a price of \$2.50 for a period expiring ten (10) months from the Issuance Date.

On or before August 24, 2017 all Debentureholders entered into the Debenture Purchase and Sale Agreements with Morro Bay.

On September 12, 2017, Experion entered into the Swap Agreement by which it will acquire 2,500,000 Experion Common Shares.

Material Experion Securityholders

Except as indicated below, no individual or entity, directly or indirectly owns, directs, or exercises control over ten percent (10%) of the Experion common shares.

NAME OF SHAREHOLDER, MUNICIPALITY OF RESIDENCE	NUMBER OF COMMON SHARES OWNED, DIRECTED, OR CONTROLLED	PERCENTAGE
Northern Vine Canada Inc. Langley, BC	2,500,000	18.8%

Note: These Experion Common Shares are to be acquired pursuant to the Swap Agreement.

² See Note 8 (b) of Company's audited financial statements

Stock Exchange Price

Experion is a private corporation and is not listed on any stock exchange or other trading system.

EXECUTIVE COMPENSATION

Introduction

This compensation discussion and analysis describes and explains the policies and practices of Experion with respect to the compensation of each of its named executive officers (together, the “Experion NEOs”). Experion’s business to date has been focused on obtaining its License to Produce and completing the facility at the Mission Site. Historically, Morro Bay has not had a compensation plan for the Morro Bay Given its early stage of operations, as part of the preparation for the completion of the Transaction Experion is developing a comprehensive executive compensation program to attract and retain qualified and experienced professionals to its executive team. Each of the Experion NEOs will become a Resulting Issuer NEO upon completion of the Transaction. For details of the proposed executive compensation for the Resulting Issuer NEOs, please see “*Details of the Resulting Issuer: Executive Compensation*”. Any hiring of NEOs must be reviewed by the Resulting Issuer Compensation Committee.

Compensation of Directors

The following table sets out the compensation paid to the directors of Experion:

Person	Year Ended	Salary	Option and Share Based Awards	Non-Equity Incentive		Pension Value	All Other Compensation	Total Compensation
	November 30			Annual Incentive Plans	Long Term Incentive Plans			
Stephen Serenas Abbotsford, B.C.	2016	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL
	2015	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL
	2014	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL
Kevin Moreau Coquitlam, B.C.	2016	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL
	2015	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL
	2014	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL

To date, none of the directors of Experion earned or were paid any compensation (cash or otherwise) for their services as directors of Experion or in any other capacity except as otherwise disclosed herein.

Compensation of Executive Officers

Base Salaries and Consulting Fees: The Experion NEOs as shown in the table below have received no form of compensation to date for their services as an Experion NEO.

Long Term Incentive Compensation: Experion does not currently have a long-term incentive plan or program.

During 2016, a company controlled by Robert Wilson (Experion CFO) was provided compensation by the founders for financial advice and consulting services provided by Mr. Wilson's consulting company. Such compensation was paid prior to Mr. Wilson becoming CFO of Experion. Total cash compensation paid to Mr. Wilson was \$NIL.

The following table sets out information concerning the compensation paid to the Experion NEOs for the applicable periods.

Person	Year Ended December 31	Salary	Share Based Awards	Option Based Awards	Non-Equity Incentive Plan		Pension Value	All Other Compensation	Total Compensation
					Annual Incentive Plans	Long Term Incentive Plans			
Stephen Serenas	2016	\$	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL
CEO	2015	\$	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL
	2014	\$	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL
Robert Wilson CFO ⁽¹⁾	2016	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL

Note: Robert Wilson was not appointed as CFO until April 2017. Experion had no CFO prior to that time. In 2017 the consulting company y controlled by Robert Wilson was granted 600,000 Experion Common shares for services rendered.

Termination of Employment, Change in Responsibilities and Employment Contracts

Experion does not have any plan, contract or arrangement, compensatory or otherwise; (i) regarding the employment of an executive officer, or (ii) whereby an executive officer is entitled to receive more than \$100,000 (including periodic payments or installments) in the event of such officer's resignation, retirement or employment, a change of control of Experion, or a change in the officer's responsibilities following a change in control of Experion.

NON-ARM'S LENGTH PARTY TRANSACTIONS

Except for the share exchange pursuant to the Swap Agreement, there have been no other acquisitions by Experion within the last five years from non-arm's length parties.

LEGAL PROCEEDINGS

Other than a potential legal claim which may be brought by Experion against Northern Vine, its directors and officers and its major shareholder, there are no actual or pending material legal proceedings to which Experion is, or is likely to be, a

party or of which any of its assets is, or is likely to be, subject. Management of Experion is not aware of any legal proceedings contemplated against Experion.

AUDITOR

The auditors of Experion are: Collins Barrow Toronto LLP, Chartered Accountants, Licensed Public Accountants, 11 King St. W., Suite 700, Box 27, Toronto, Ontario, Canada, M5H 4C7.

MATERIAL CONTRACTS

Experion has not entered into any contracts material to holders of Common Shares other than in the normal course of business operations, other than:

1. the Langley Lab CSL (for the summary of this license see *Part II Information Concerning Experion: The Langley Lab*);
2. the Northern Vine Shareholders' Agreement (for the summary of the terms of this agreement see *Part II Information Concerning Experion: Intercorporate Relationships*);
3. the Experion Shareholders Agreement (for the summary of the terms of this agreement see *Part II Information Concerning Experion: Experion Securities*);
4. the Debentures (for the summary of the terms of this agreement see *Part II Information Concerning Experion: Prior Sales*);
5. the Debenture Purchase and Sale Agreements (for the summary of the terms of this agreement see *Part II Information Concerning Resulting Issuer: Transaction: Summary of Debenture Purchase and Sale Agreement*);
6. the License to Produce (for the summary of this license see *Part II Information Concerning Experion: General Development of Business: License to Produce*);
7. the Swap Agreement (for the summary of this agreement see *Part II Information Concerning Experion: The Langley Lab*); and
8. the Mission Site Lease Agreement and Option to Purchase Agreement (for the summary of the terms of this agreement see *Part II Information Concerning Experion: General Development of Business*).

Each of the material contracts is available for inspection at no cost at the registered office of Experion during normal business hours until the date of the closing of the Proposed Transaction and for a period of thirty (30) days thereafter.

RISK FACTORS

See "*Part III: Information Concerning the Resulting Issuer—Risk Factors*"

PART III - INFORMATION CONCERNING THE RESULTING ISSUER

The following information is presented assuming completion of the Transaction and approval of all Morro Bay Shareholders Meeting matters, and is reflective of the projected business, financial and share capital position of the Resulting Issuer assuming the completion thereof. This section only includes information respecting the Resulting Issuer, on a consolidated basis, after the Transaction that is materially different from information provided earlier in this Filing Statement. See the various headings under "Part I: Information Concerning Morro Bay" and "Part II: Information Concerning Experion" for additional information regarding Morro Bay and Experion, respectively. See also the pro forma consolidated financial statements of the Resulting Issuer attached hereto as Appendix "E".

CORPORATE STRUCTURE

Name and Incorporation

The Resulting Issuer's registered office will be located at 1150, 707 - 7 Avenue SW, Calgary, AB. T2P 3H6 and its head office will be located at 105—33425 Maclure Road, Abbotsford, BC, V2S 6V5.

Morro Bay held the Morro Bay Shareholders Meeting on July 14, 2017. At the Morro Bay Shareholders Meeting, the Morro Bay shareholders approved, *inter alia*, to change its name to Viridium Pacific Ltd. or such other name approved by its board of directors, consolidate the common shares by Resulting Issuer Consolidation amount the ratio of which shall not exceed seven (7) pre-consolidation Morro Bay Shares for one (1) post-consolidation common share, and file Articles of Continuance continuing Morro Bay from Alberta to Canada pursuant to the Canada *Business Corporations Act*.

Prior to the Completion of the Transaction Morro Bay intends to:

- (1) change its name to Viridium Pacific Group Ltd.;
- (2) consolidate the Morro Bay Shares on a 3.603457 current Morro Bay Share for one (1) post-consolidation Morro Bay Share resulting in the total outstanding being 3,386,520 Morro Bay Shares;
- (3) file Articles of Continuance continuing Morro Bay from Alberta to Canada pursuant to the Canada *Business Corporations Act*.

Morro Bay has reserved with the Exchange the stock symbol "VIR" for the Resulting Issuer.

Interoperate Relationships

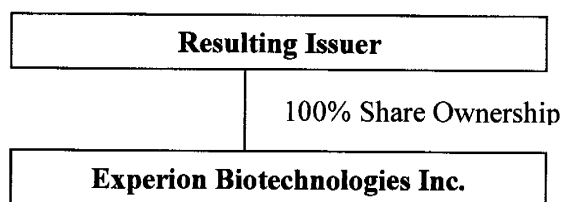
Following Completion of the Transaction, it is anticipated that the Resulting Issuer will own all of the issued and outstanding securities of Experion and as such Experion will be a wholly-owned subsidiary of the Resulting Issuer. Experion will continue to be the owner of its current interest in Northern Vine.

Resulting Issuer Organizational Chart

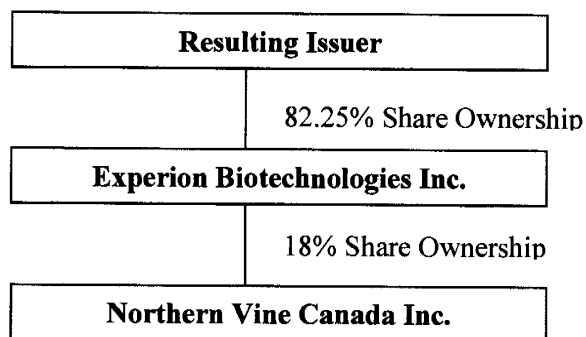
Approximately eighty-one percent (81.25%) of the Experion shareholders have agreed to the Share Purchase and Sale agreement and all of the Debentureholders have agreed to the Debenture Purchase and Sale Agreements. Pursuant to the Swap Agreement Experion will acquire the remaining approximately 18.75% of the Experion Common Shares from Northern Vine. As a result of the completion of the Swap Agreement and the subsequent cancellation of the Experion Common Shares acquired by Experion thereunder, and assuming completion of the Transaction, the Resulting Issuer will become the owner of 100% of the Experion Common Shares. In the event the Swap Agreement is not completed, the

Resulting Issuer and or Experion also has the Drag Along Right permitting the acquisition of any Experion Common Shares not acquired.

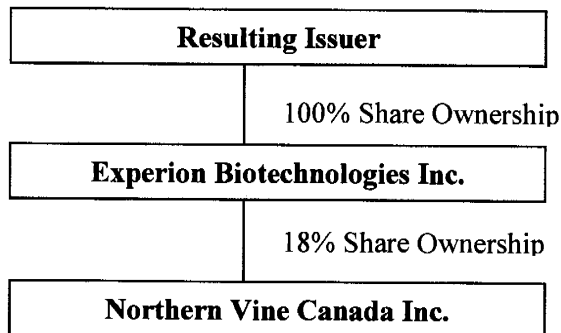
Assuming the Swap Agreement is completed the Resulting Issuer Organizational Chart will look as follows:



Assuming the Swap Agreement is not completed and assuming the Drag Along Right is not exercised the Resulting Issuer Organizational Chart will look as follows:



Assuming the Drag Along Right is exercised or the Experion Common Shares are otherwise acquired by Morro Bay the Resulting Issuer Organizational Chart will look as follows:



The Resulting Issuer will be a holding company with its principal asset being the acquired Experion Common Shares. Experion will continue to carry on its business as described fully above, under “*Part II - Information Concerning Experion - Business of Experion*”. Experion will continue to own the License to Produce. Accordingly, for details of the history, operations, strategy, drivers, products and markets of the Resulting Issuer, please refer to “*Part II - Information Concerning Resulting - Business of Resulting Issuer*”. The above assumes the sale of the Morro Bay Mexico. A sale agreement for the sale of Morro Bay Mexico in exchange for forgiveness of debt has been agreed to and will be completed upon finalization of formal documentation in regard thereto. .

THE TRANSACTION

The Transaction will result at least 81.25% of the issued and outstanding Experion Shares and all of the Experion Debentures being acquired by the Resulting Issuer.

Summary of the Transaction

Morro Bay intends to:

- (i) complete the Resulting Issuer Consolidation;
- (ii) acquire 10,833,333 of the issued and outstanding Experion Common Shares by way of a securities exchange, pursuant to which Morro Bay will issue 33,935,757 Resulting Issuer Shares (after the Resulting Issuer Consolidation) at a deemed price of \$0.60 per share or \$20,361,454 in the aggregate to the Experion Securityholders. Each Experion Common Shares will be exchanged for 3.1325315 Resulting Issuer Shares;
- (iii) acquire all of the Debentures by way of delivery to the Debentureholders of a total of 1,771,962 Resulting Issuer Shares and 1,771,962 Debenture Purchase Warrants;
- (iv) if closing of the Swap Agreement does not occur, at the Resulting Issuer option, may acquire the Experion Common Shares owned by Northern Vine pursuant to the Experion Shareholders Agreement; and
- (v) complete the Offering with aggregate proceeds of a minimum of \$500,000 and a maximum of \$3,000,000 plus any amount arising pursuant to the Over-Allotment Option.

The Completion of the Transaction is subject to compliance with all necessary regulatory approvals and certain other terms and conditions.

The Swap Agreement is agreed to be closed within two (2) days after the Resulting Issuer Shares have traded on the Exchange for five (5) days.

Pursuant to the Share Purchase and Sale Agreement, Morro Bay will acquire 10,833,333 of the issued and outstanding Experion Common Shares (81.25%). Northern Vine will be the only Experion shareholder which is not a party to the Share Purchase and Sale Agreement. A total of 33,935,757 Resulting Issuer Shares will be issued in exchange for the 10,833,333 Experion Common Shares. In the event the Drag Along Right is exercised an additional 7,831,329 Resulting Issuer shares will be issued. The Transaction will see the Resulting Issuer delivers Resulting Issuer Shares to the Experion Securityholders as follows:

Transaction	Description of Experion Securities	Number of Experion Securities Acquired	Number of Resulting Issuer Securities Delivered
Share Purchase and Sale Agreement	Experion Common Shares	10,833,333 ⁽¹⁾	33,935,757
Debenture Purchase and Sale Agreement	Debentures totaling \$1,063,175 (\$1,056,000 principal and \$7,175 interest)	Debenture debt totaling \$1,063,175	1,771,962 Shares 1,771,962 Debenture Purchase Warrants
Total Resulting Issuer Securities Delivered			35,707,719 Shares 1,771,962 Debenture Purchase Warrants

Note: (1) Does not include the acquisition of Northern Vine's 2,500,000 Experion Common Shares pursuant to the Swap Agreement or the Drag Along Right.

Pursuant to the Swap Agreement Experion will acquire from Northern Vine 2,500,000 Experion Common Shares in exchange for the 6,275 Northern Vine Common Shares currently held by Experion. The Swap Agreement and the closing documents related thereto have been executed with final closing anticipated to occur (i) after the Completion of the Transactions; and (ii) within two (2) business days after the Resulting Issuer Shares have traded on the Exchange for five (5) days. If closing of the Swap Agreement does not occur by October 13, 2017, the Swap Agreement is null and void.

Upon closing of the Swap Agreement it is anticipated the Experion Common Shares held by Experion will either be cancelled or conveyed to the Resulting Issuer. In either event, the Resulting Issuer will then own 100% of the outstanding Experion Common Shares.

After completion of the Transaction, prior to the closing of the Offering and assuming the completion of the Swap Agreement (and the Drag Along Right is not exercised), there will be 39,094,235 Resulting Issuer Shares issued and outstanding, of which current shareholders of Morro Bay (prior to the Private Sale) will own 3,386,520 Resulting Issuer Shares (8.7%), the Experion shareholders will own 33,935,757 Resulting Issuer Shares (86.8%), and the Debentureholders will own 1,771,958 Resulting Issuer Shares (4.5%). Accordingly, the Transaction will constitute a reverse takeover of Morro Bay pursuant to Exchange Policy 5.2 – *Changes of Business and Reverse Takeovers*. See *“Information Concerning Resulting Issuer – Pro Forma Consolidated Capitalization.”*

In addition, coincident with the Completion of the Transaction, the Settlement Shareholders (the holders of 2,010,810 Morro Bay Shares previously owned by Riverside Resources Inc.) have agreed to complete the Private Sale by which they have agreed to convey the greater of 1,809,730 (pre-Resulting Issuer Consolidation and 502,222 (post Resulting Issuer Consolidation) shares owned by them for nominal consideration to certain Experion officers, employees, and shareholders. Morro Bay has agreed that as compensation for their services, the Settlement Shareholders will be entitled to retain ownership of the remaining Morro Bay shares (approximately 55,801 Resulting Issuer Shares).

As a result, upon completion of the Private Sale the remaining Morro Bay shareholders will own approximately 2,884,298 Resulting Issuer Shares (7.4%), the Experion shareholders will own 34,437,979 Resulting Issuer Shares (88.3%) (not including Resulting Issuer Shares which may be issued pursuant to the Drag Along Right) and the Debentureholders will own 1,771,962 Resulting Issuer Shares (4.3%).

If the Swap Agreement is not completed, if Morro Bay or Experion elect to proceed to exercise the Drag Along Right an additional 7,831,329 Resulting Issuer Shares may be issued which will result in the total outstanding Resulting Issuer Shares will total 46,925,564 prior to the completion of the Offering.

Together with the expected closing of the Offering concurrently with the Completion of the Transaction and the Private Sale, the outstanding share capital of the Resulting Issuer is expected to be approximately as follows:

SHAREHOLDER GROUP	FORECAST NUMBER OF COMMON SHARES HELD PRE OFFERING AND PERCENTAGE	PERCENTAGE OF COMMON SHARES HELD AFTER PROPOSED TRANSACTION (INCLUDING THE MINIMUM OFFERING - 833,333 UNITS) ⁽¹⁾	PERCENTAGE OF COMMON SHARES HELD AFTER PROPOSED TRANSACTION (INCLUDING THE MAXIMUM OFFERING - 5,000,000 UNITS) ⁽¹⁾
Morro Bay Shareholders	2,884,499 (7.4%)	7.2%	6.6%

Private Sale Acquirors	502,222 (1.3%)	1.3%	1.1%
Experion Shareholders	33,935,757 (86.8%)	85.0 %	77.0%
Debentureholder Shareholders	1,771,962 (4.5%)	4.4%	11.3%
Offering Shareholders	Nil	2.1%	4.0%%
Total	39,094,239	39,927,572	44,094,239

Note:

1. Excluding the Over-Allotment Option and Agent's Options. Pursuant to the Over-Allotment Option a maximum additional 500,000 Resulting Issuer Shares and Resulting Issuer Warrants can be issued and excluding 7,831,329 Resulting Issuer Shares which may be issued pursuant to the exercise of the Drag Along Right.

See “*Part III Information Concerning Resulting Issuer – Pro Forma Consolidated Capitalization.*”

Summary of the Share Purchase and Sale Agreement

The Share Purchase and Sale Agreement provides that the consideration to be paid shall be the Purchase Price paid to the Experion Securityholders through the issuance of the Morro Bay Shares.

In the Share Purchase and Sale Agreement, each of Morro Bay and Experion Securityholders make customary representations and warranties to the other regarding, among other things, (i) due incorporation and organization and its capacity to carry on business; (ii) capitalization, including rights, warrants and options to acquire securities; (iii) corporate power and authority to enter into, and its due authorization of the execution and delivery of, the Share Purchase and Sale Agreement; (iv) the financial statements of each; (v) the absence of any material adverse change in its business or condition; (vi) title to the Experion assets; (vii) the absence of undisclosed liabilities; (viii) compliance with all applicable laws and regulations; (ix) the performance of its obligations under the Share Purchase and Sale Agreement and the consummation of the agreement not violating its articles and by-laws, applicable law or material agreements; (x) the closing of the Private Sale, and (xi) the filing of all of its tax returns and the payment of all of its taxes on a timely basis.

Morro Bay and Experion have agreed to cooperate with each other and to generally take all such actions as may be necessary for the Completion of the Transaction.

The Share Purchase and Sale Agreement is subject to the normal conditions customary for this type of transaction, and certain other conditions, the material terms of which are summarized below. If each of the conditions has not been satisfied or waived prior to the Completion of the Transaction, either party may terminate the Share Purchase and Sale Agreement.

Pursuant to the Share Purchase and Sale Agreement, the obligations of Morro Bay to complete the Transaction are subject, *inter alia*, to the following conditions:

- (a) Truth and Accuracy of Representations of the Vendors at Closing—The representations and warranties of the Vendors made in Share Purchase and Sale Agreement shall be true as of Completion;
- (b) Performance of Obligations—Experion shall have performed and complied in all material respects with all the obligations, covenants and agreements to be performed and complied with by it and the Experion Shareholders shall have complied in all material respects with their respective obligations, covenants and agreements to be performed or complied with by each of them;

- (c) Absence of Injunctions—No injunction or restraining order of any court or administrative tribunal of competent jurisdiction shall be in effect prohibiting the Transaction and no action or proceeding shall have been instituted or be pending before any court or administrative tribunal to restrain or prohibit the Completion;
- (d) Financial Condition—The financial condition of Experion as set out in the most recent Financial Statements shall not have suffered a materially adverse change;
- (e) ACMPR Licence Application and Northern Vine Licence—There shall be no material adverse change in regard to the ACMPR Licence Application;
- (f) Stock Exchange Consents—Morro Bay shall have received such consents, approvals, orders and authorizations of or from the TSX-V, its shareholders; and any applicable official body in connection with the consummation of the transactions pursuant to the Share Purchase and Sale Agreement;
- (g) Offering—Coincident with the Completion of the Share Purchase and Sale Agreement the minimum Offering shall have been completed;
- (h) Exchange Acceptance—Where required, the Conditional Acceptance (as defined by the TSX-V Policy 5.2) of the Transaction and the Offering and the subsequent final Exchange acceptance as provided by Exchange Policy 5.2;
- (i) Shareholder Meeting Matters—Morro Bay shall have received the consent and/or authorization of its Shareholders of the Shareholder Meeting Matters (as defined in the Share Purchase and Sale Agreement);
- (j) Pro Rata Interest—At Completion and prior to any financing, the total number of Resulting Issuer Shares issued to the Experion shareholders pursuant to the Share Purchase and Sale Agreement shall not exceed 94% of all issued and outstanding Resulting Shares.
- (k) Board Representation—The appointment of John Zang or another individual acceptable to Morro Bay as an officer and director of the Resulting Issuer for the period commencing after closing and the entering into of an Employment Agreement in regard to same;
- (l) Transaction Costs—The Experion's Transaction costs shall not exceed \$50,000 or as otherwise agreed;
- (m) Acceptance—This Share Purchase and Sale Agreement shall be executed and agreed by holders of Experion Securities of not less 60% of all outstanding Experion Securities;
- (n) Langley Lab—The opening of the lab at Langley, BC by Northern Vine shall have occurred;
- (o) Escrow—the Experion shareholders required by the Exchange shall have entered into the required Escrow Agreement;
- (p) Satisfactory Due Review—Morro Bay shall have determined, acting reasonably, that the results and findings of its due diligence review of the business and affairs of the Experion is satisfactory, and which reviews may include (but are not limited to) such matters as the intellectual property rights of Experion in and to the assets, the financial condition, the revenue, and the validity and terms of any contractual obligations of Experion; and
- (q) Legal Opinion—Morro Bay shall have received an opinion satisfactory to it from Experion's legal counsel as to the validity of the incorporation of Experion, the existence of Experion and the validity of the issue and full payment of the Experion Securities and as to the due authorization, execution and delivery of this document by the Experion shareholders.

The foregoing conditions can be waived by Morro Bay on or before closing.

Pursuant to the Share Purchase and Sale Agreement, the obligations of the Experion Shareholders to complete the Share Purchase and Sale Agreement are subject, *inter alia*, to the following conditions:

- (a) Truth and Accuracy of Representations of Morro Bay at Closing—The representations and warranties of Morro Bay made in the Share Purchase and Sale Agreement shall be true and correct in all material respects at Completion;
- (b) Performance of Agreements—Morro Bay shall have performed and complied in all material respects with all the obligations, covenants and agreements to be performed and complied with by it;
- (c) Absence of Injunctions—No injunction or restraining order of any court or administrative tribunal of competent jurisdiction shall be in effect prohibiting the Transaction and no action or proceeding shall have been instituted or be pending before any court or administrative tribunal to restrain or prohibit the Completion;
- (d) Stock Exchange Consents—Morro Bay shall have received such consents, approvals, orders and authorizations of or from the Exchange, its shareholders, and any applicable official body in connection with the consummation of the transactions;
- (e) Escrow on Morro Bay Shares—Morro Bay Shares shall be issued as listed on the Exchange and shall be free trading common shares of Morro Bay, subject only to such hold and/or escrow provided by (i) Securities Laws, (ii) the Exchange escrow agreement, and (iii) the performance escrow agreement to be agreed to.
- (f) Offering—Co-incident with the closing of this Share Purchase and Sale Agreement, Morro Bay shall have completed the minimum Offering;
- (g) Exchange Acceptance—Where required, the Conditional Acceptance (as defined by Exchange Policy 5.2) of the Shareholder Meeting Matters (as defined in the Share Purchase and Sale Agreement) and the subsequent final Exchange acceptance as provided by Exchange Policy 5.2;
- (h) Shareholder Meeting Matters—Morro Bay shall have received the consent and/or authorization of its Shareholders of the Shareholder Meeting Matters;
- (i) Pro Rata Interest—At Completion and prior to closing of the Offering, the total number of Resulting Issuer Shares owned by the Experion Securityholders pursuant to this Share Purchase and Sale Agreement and the Private Sale shall not be less than 93.3% of the outstanding Resulting Issuer Shares as at Closing;
- (j) Representation—The appointment to the Board of Directors of the Resulting Issuer of not less than three (3) nominees of Experion and the entering into employment agreements;
- (k) Experion Acquisition—The acquisition by the Vendors of not less than 502,222 pursuant to the Private Sale;
- (l) Purchaser Debt—Morro Bay Debt must not exceed \$100,000;
- (m) Transaction Costs—Morro Bay's costs shall not exceed \$50,000 or as otherwise agreed;
- (n) Legal Opinion—The Experion Securityholders shall have received an opinion satisfactory to them from Morro Bay's legal counsel as to the validity of the incorporation of Morro Bay, the corporate good standing of Morro Bay and as to the due authorization, execution, delivery and enforceability of this Share Purchase and Sale Agreement by Morro Bay.

The foregoing conditions can be waived by the Experion Securityholders on or before Completion.

Summary of the Debenture Purchase and Sale Agreement

The Debenture Purchase and Sale Agreement provides that the consideration to be paid shall be the Purchase Price paid to the Experion Debentureholders through the issuance of the Morro Bay Shares and the Debenture Purchase Warrant. One Resulting Issuer Share and one Debenture Warrant shall be issued for each sixty cents (\$0.60) owing under the Debentures.

In the Debenture Purchase and Sale Agreement, each of Morro Bay and the Debentureholders make customary representations and warranties to the other regarding, among other things, (i) due incorporation and organization and its capacity to carry on business; (ii) capitalization, including rights, warrants and options to acquire securities; (iii) corporate or personal power and authority to enter into, and its due authorization of the execution and delivery of, the Debenture Purchase and Sale Agreement; (iv) the financial statements of Morro Bay; (v) the absence of any material adverse change in its business or condition; (vi) compliance with all applicable laws and regulations; (vii) the performance of its obligations under the Debenture Purchase and Sale Agreement and the consummation of the agreement not violating its articles and by-laws, applicable law or material agreements; and (viii) the closing of the Share Purchase and Sale Agreement.

Morro Bay and Experion have agreed to cooperate with each other and to generally take all such actions as may be necessary for the Completion of the Debenture Purchase and Sale Agreement.

The Debenture Purchase and Sale Agreement is subject to the normal conditions customary for this type of transaction, and certain other conditions, the material terms of which are summarized below. If each of the conditions has not been satisfied or waived prior to the Completion of the Transaction, either party may terminate the Debenture Purchase and Sale Agreement.

Pursuant to the Debenture Purchase and Sale Agreement, the obligations of Morro Bay to complete the Debenture Acquisition are subject, *inter alia*, to the following conditions:

- (a) Truth and Accuracy of Representations of the Vendors at Closing—The representations and warranties of the Vendors made in the Debenture Purchase and Sale Agreement shall be true as of Completion;
- (b) Performance of Obligations—Experion shall have performed and complied in all material respects with all the obligations, covenants and agreements to be performed and complied with by it and the Experion Shareholders shall have complied in all material respects with their respective obligations, covenants and agreements to be performed or complied with by each of them;
- (c) Absence of Injunctions—No injunction or restraining order of any court or administrative tribunal of competent jurisdiction shall be in effect prohibiting the Transaction and no action or proceeding shall have been instituted or be pending before any court or administrative tribunal to restrain or prohibit the Completion;
- (d) Financial Condition—The financial condition of Experion as set out in the most recent Financial Statements shall not have suffered a materially adverse change;
- (e) Stock Exchange Consents—Morro Bay shall have received such consents, approvals, orders and authorizations of or from the TSX-V, its shareholders; and any applicable official body in connection with the consummation of the transactions pursuant to the Share Purchase and Sale Agreement;
- (f) Offering and Share Purchase and Sale—Coincident with the Completion of the Debenture Purchase and Sale Agreement the minimum Offering shall have been completed and the Share Purchase and Sale agreement shall have been completed;

(g) Exchange Acceptance—Where required, the Conditional Acceptance (as defined by the TSX-V Policy 5.2) of the Transaction and the Offering and the subsequent final Exchange acceptance as provided by Exchange Policy 5.2.

Pursuant to the Debenture Purchase and Sale Agreement, the obligations of the Debentureholders to complete the Transaction are subject, *inter alia*, to the following conditions:

- (a) Truth and Accuracy of Representations of Morro Bay at Closing—The representations and warranties of Morro Bay made in the Share Purchase and Sale Agreement shall be true and correct in all material respects at Completion;
- (b) Performance of Agreements—Morro Bay shall have performed and complied in all material respects with all the obligations, covenants and agreements to be performed and complied with by it;
- (c) Absence of Injunctions—No injunction or restraining order of any court or administrative tribunal of competent jurisdiction shall be in effect prohibiting the Transaction and no action or proceeding shall have been instituted or be pending before any court or administrative tribunal to restrain or prohibit the Completion;
- (d) Stock Exchange Consents—Morro Bay shall have received such consents, approvals, orders and authorizations of or from the Exchange, its shareholders, and any applicable official body in connection with the consummation of the transactions;
- (e) Escrow on Morro Bay Shares—Morro Bay Shares shall be issued as listed on the Exchange and shall be free trading common shares of Morro Bay, subject only to such hold and/or escrow provided by (i) Securities Laws, (ii) the Exchange escrow agreement, and (iii) the performance escrow agreement to be agreed to.
- (f) Offering and Share Purchase and Sale Agreement—Co-incident with the closing of the Debenture Purchase and Sale Agreement the Share Purchase and Sale Agreement the minimum Offering shall have been completed; and
- (g) Exchange Acceptance—Where required, the Conditional Acceptance (as defined by Exchange Policy 5.2) of the Shareholder Meeting Matters (as defined in the Share Purchase and Sale Agreement) and the subsequent final Exchange acceptance as provided by Exchange Policy 5.2;

Finder's Fee

No finder's fees are payable in regard to the Transaction.

THE OFFERING

In conjunction with the Transaction, Morro Bay intends to raise capital through the Offering for aggregate total proceeds of a minimum of \$500,000 and a maximum of \$3,000,000 (not including the Over-Allotment Option). Closing of the minimum Offering is a condition to the closing of the Transaction pursuant to Exchange Policy 5.2 – *Changes of Business and Reverse Takeovers*.

Morro Bay intends to raise capital through the Offering for aggregate total proceeds of a minimum of \$500,000 and a maximum of \$3,000,000 plus additional amounts arising from the Over-Allotment Option. Closing of the minimum Offering is a condition to the closing of the Transaction pursuant to Exchange Policy 5.2 – *Changes of Business and Reverse Takeovers* and the Purchase and Sale Agreement.

Morro Bay has retained the Agent, Wellington-Altus Private Wealth, to act as lead agent in connection with a best efforts brokered private placement to raise gross proceeds of between \$500,000 and \$3,000,000. Pursuant to the Offering, Morro Bay intends to issue up to \$3,000,000 through the issuance of the Units at a price of \$0.60 per Unit. Closing of the Offering is conditional upon a number of events including the completion of the Transaction, the obtaining by Experion of the License

to Produce (which has been obtained), and the listing of the Resulting Issuer Shares on the Exchange. Pursuant to the Offering, Units will be issued at a price of \$0.60 per Unit and will be subject to the rules of, and approval by the Exchange. Each Unit consists of one Resulting Issuer Share (i.e. after the Resulting Issuer Consolidation) and one Resulting Issuer Warrant. Each Resulting Issuer Warrant will be exercisable for one-half of a Resulting Issuer Share for a period of nine (9) months from the Completion Date at an exercise price of \$0.80 per share. The Resulting Issuer Warrants will not be listed for trading on the Exchange.

As part of the Offering, the Agent has also been granted the Over-Allotment Option, by which the Agent is entitled to subscribe for up to an additional \$300,000 of the Units at a subscription price of \$0.60 per Unit.

Assuming completion of the Resulting Issuer Consolidation, the Offering will result in share issuances of the Resulting Issuer as follows:

Forecast Resulting Issuer Shares Outstanding Upon Closing			
	Resulting Issuer Shares	Minimum Financing (\$500,000) ⁽³⁾	Maximum Financing (\$3,000,000) ⁽³⁾
Current Morro Bay Shareholders Shares Owned ⁽¹⁾	3,386,520		
Resulting Issuer Shares to be issued to Experion Shareholders pursuant to the Share Purchase and Sale Agreement ⁽²⁾	33,935,757		
Resulting Issuer Shares to be issued to Debentureholders Pursuant to the Debenture Purchase and Sale Agreement	1,771,962		
<i>Subtotal</i>	<i>39,094,239</i>		
Offering Units to be Issued and Percentage (basic) ⁽³⁾		833,333 (2.1%)	5,000,000 (11.3%)
Total Forecast Resulting Issuer Shares (basic) ⁽³⁾		39,927,572	44,094,239
Resulting Issuer Shares to be Issued on Conversion of Debenture Purchase Warrants and Funds to be Received	1,771,962 \$1,410,548		
Resulting Issuer Shares to be Issued on Conversion of Resulting Issuer Warrants and funds to be Received		416,667 \$333,333	2,500,000 \$2,000,000
Total Forecast Fully Diluted Resulting Issuer Shares ⁽²⁾	40,866,194	42,116,197	48,366,197

Notes:

- (1) Assuming the consolidation of the current outstanding Morro Bay Shares on the basis of 3.603457 for one Resulting Issuer Share. Includes 502,222 Resulting Issuer Shares conveyed pursuant to the Private Sale.
- (2) Assuming the Drag Along Right does not occur. In the event the Drag Along Right occurs an additional 7,831,329 Resulting Issuer Shares will be issued.
- (3) Not including securities issuable pursuant to the Over-Allotment Option and from the Agent's Commission.

Pursuant to the Agency Agreement entered into between Morro Bay and the Agent, Morro Bay has retained the services of the Agent to assist in the completion of the Offering on a commercially reasonable efforts basis. The Agent will be paid a corporate finance fee of \$20,000 plus applicable taxes in addition to a commission of seven percent (7%) of the

gross proceeds of the Units sold by the Agent pursuant to the Offering to Persons not on the President's List plus a commission of three and one-half percent (3.5%) of gross proceeds of the Units sold to Persons on the President's List (the "**Agent's Commission**"). The Agent will also be granted an option to purchase Common Shares in an amount equal to seven percent (7%) of the Units sold by the Agent pursuant to the Offering to Persons not on the President's List plus one and three and one-half percent (3.5%) of the Units sold to Persons on the President's List (the "**Agent's Option**"). The Agent's Option will have a term of nine (9) months from the Completion of the Transaction and will be exercisable at the price of \$0.60 per Unit. The Agent will also be reimbursed for its out of pocket expenses.

In addition, pursuant to the Agency Agreement, the Agent is entitled to subscribe and acquire additional Units pursuant to the Over-Allotment Option for a maximum Agent's subscription amount of the greater of ten percent (10%) of the Offering amount.

NARRATIVE DESCRIPTION OF THE BUSINESS

Stated Business Objectives

The business of the Resulting Issuer will be the business of Experion and the business objectives of the Resulting Issuer will be the business objectives of Experion. The primary purposes of the Transaction are to obtain additional equity capital, create a public market for the Experion Common Shares and facilitate future access to financial opportunities for the Resulting Issuer. The Resulting Issuer expects to use the total funds available set forth above for the purposes described below for a narrative description of the business of the Resulting Issuer, see "Part II *Information Concerning Experion – Narrative Description of the Business*".

Milestones

A summary timeline of major events to be completed by the Resulting Issuer is as follows:

Event	Forecasted Date	Costs
Complete Transaction and listing (inclusive of Exchange Fees and Agency Fees)	September 8, 2017	\$300,000
Complete construction of the Mission Site Facility	July 31, 2017	Complete
Health Canada submissions for License to Produce application	August 15, 2017	Complete
Commence Cultivation of Cannabis at Mission Facility	September 15, 2017	\$100,000
Provision for commencement of construction of 40,000 sq. ft. greenhouse canopy at the Mission Site (the "Mission Greenhouse")	October 1, 2017	\$1,016,081
Provision for inspections and obtaining the ACMPR licensing for Mission Greenhouse	December 31, 2017	\$15,000
Provision for remedial work at Mission Site and testing required by Health Canada required to obtain the License to Sell	December 31, 2017	\$50,000
Provision for Exercise Option to acquire title to the Mission lands	By September, 2018	\$1,000,000
Total		\$2,546,081

Description of the Securities

Following completion of the Transaction, the securities of the Resulting Issuer will have the same characteristics as those of Morro Bay. See “*Part I Information Concerning Morro Bay – Description of Securities*”.

The Resulting Issuer will be authorized to issue an unlimited number of Resulting Issuer Shares. Holders of Resulting Issuer Shares will be entitled to receive notice of any meetings of shareholders of the Resulting Issuer, and to attend and to cast one vote per Resulting Share at all such meetings. Holders of Resulting Issuer Shares will not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Resulting Issuer Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Resulting Issuer Shares will be entitled to receive on a pro rata basis such dividends on the Resulting Issuer Shares, if any, as and when declared by the board of directors of the Resulting Issuer at its discretion from funds legally available therefor, and upon the liquidation, dissolution or winding up of the Resulting Issuer will be entitled to receive on a pro rata basis the net assets of the Resulting Issuer after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Resulting Issuer Shares with respect to dividends or liquidation. The Resulting Issuer Shares will not carry any pre-emptive, subscription, redemption or conversion rights, nor will they contain any sinking or purchase fund provisions.

Share Purchase Warrants

As of the date of this Filing Statement, Morro Bay has no share purchase warrants issued and outstanding. All outstanding Morro Bay warrants expired as of August 28, 2017.

Assuming closing of the Transaction and the Offering coincident with the completion of the Transaction, the Resulting Issuer outstanding Warrants will be issued as follows:

Offering Warrants and Debenture Purchase Warrants

Event of Delivery	Number of Warrants	Number of Shares Resulting Upon Exercise of All Warrants	Exercise Price
Completion of Debenture Purchase and Sale Agreement	1,771,962	1,771,962	\$0.80
Minimum Offering	416,667	416,667	\$0.80
Maximum Offering	2,500,000	2,500,000	\$0.80

Stock Options and RSU Shares

The Morro Bay Stock Option Plan will be the Resulting Issuer Option Plan. As well, assuming approval by the Morro Bay shareholders at the Morro Bay Shareholders Meeting, the RSU Plan will be the Resulting Issuer RSU Plan. See “*Part I— Information Concerning Morro Bay-- Incentive Plans*”.

Pursuant to the RSU Plan it is proposed that upon completion of the Transaction and the Offering, (i) an aggregate of up to approximately 10% of the issued and outstanding Resulting Issuer Shares new stock options and RSUs will be granted to directors, officers, employees and consultants of the Resulting Issuer. The options shall be granted at an exercise price of \$0.60 and the RSU’s shall vest fifty percent (50%) upon Experion receiving the License to Sell and the remainder upon Experion completing its first material cannabis sale, or as otherwise determined by the Resulting Issuer board of directors.

PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the capitalization of the Resulting Issuer as at June 30, 2017 assuming completion of the Transaction, based upon the pro forma consolidated financial statements of the Resulting Issuer attached to this Filing Statement as Appendix "E". See also "*Escrowed Securities in this Part III*" below.

Resulting Issuer Pro Forma Consolidated Capitalization		
Designation of Security	Amount authorized or to be Authorized	Amount outstanding after giving effect to the Transaction ⁽¹⁾
Resulting Issuer Shares	Unlimited	39,094,235
Resulting Issuer Options ⁽²⁾	N/A	Nil
Resulting Issuer RSUs ⁽²⁾	N/A	Nil
Resulting Issuer Warrants	N/A	1,771,962 ⁽³⁾

Note:

- (1) Not including securities to be issued pursuant to the Offering and the Agent's Option and Over-Allotment Option thereunder. Does not include 7,831,329 Resulting Issuer Shares which may be issued pursuant to the Drag Along Right.
- (2) Not including options to be granted pursuant to the Option Plan or RSUs to be granted pursuant to the RSU Plan. Management currently estimates 4.4 million shares to be issuable pursuant to the Option Plan and the RSU Plan expected to be granted.
- (3) Assumes the expiry of 21,549 Morro Bay warrants which in fact expired on August 28, 2017.

Following Completion of the Transaction and the Offering, the issued and outstanding securities of the Resulting Issuer are expected to be as follows:

Forecast Resulting Issuer Shares Outstanding Upon Closing			
	Resulting Issuer Shares	Minimum Financing (\$500,000) ⁽³⁾	Maximum Financing (\$3,000,000) ⁽³⁾
Current Morro Bay Shareholders Shares Owned ⁽¹⁾	3,386,520		
Resulting Issuer Shares to be issued to Experion Shareholders Pursuant to the Share Purchase and Sale Agreement ⁽²⁾	33,935,757		
Resulting Issuer Shares to be issued to Debentureholders Pursuant to the Debenture Purchase and Sale Agreement	1,771,962		
<i>Subtotal</i>	<i>39,094,239</i>		
Offering Units to be Issued and Percentage (basic) ⁽³⁾		833,333 (2.1%)	5,000,000 (11.3%)

Total Forecast Resulting Issuer Shares (basic) ⁽³⁾		39,927,568	44,094,235
Resulting Issuer Shares to be Issued on Conversion of Debenture Purchase Warrants and Funds to be Received	1,771,962 \$1,410,548		
Resulting Issuer Shares to be Issued on Conversion of Resulting Issuer Warrants and the funds to be Received		416,667 \$333,333	2,500,000 \$2,000,000
Total Forecast Fully Diluted Resulting Issuer Shares	40,866,197	42,116,197	48,366,197

Notes:

- (1) Assuming the consolidation of the current outstanding Morro Bay Shares on the basis of 3.603457 for one Resulting Issuer Share.
- (2) Assuming the Swap Agreement is closed and/or the Drag Along Right does not occur. In the event the Drag Along Right occurs an additional 7,831,329 Resulting Issuer Shares will be issued.
- (3) Not including securities issuable pursuant to the Over-Allotment Option and from the Agent's Commission.

Dilution

In addition to the information set out in the capitalization table above, the following table sets out the diluted share capital of the Resulting Issuer: (i) after the Resulting Issuer Consolidation; and (ii) after giving effect to the Transaction and the Offering.

DILUTION CALCULATION

	Minimum Offering Raised	Maximum Offering Raised	Basic Trans and Minimum Offering	Basic Transaction and Maximum offering	F/D Transaction and Minimum Financing and exercise of all Option s and Warrants	F/D Transaction and Maximum Financing and exercise of all Option s and Warrants
Shares issued and outstanding as at the date of the Filing Statement (after the Resulting Issuer Consolidation)	3,386,520	3,386,520	8.48%	7.68%	7.36%	6.31%
Reserved for issuance pursuant to Share Purchase and Sale Agreement	33,935,757	33,935,757	84.99%	76.96%	73.71%	63.20%
Shares Reserved for Issuance pursuant to Debenture Purchase and Sale Agreement	1,771,962	1,771,962	4.44%	4.02%	3.85%	3.30%
Warrants Reserved for Issuance pursuant to Debenture Purchase and Sale Agreement	1,771,962	1,771,962			3.85%	3.30%

Reserved for issuance pursuant to Offering-- Shares	833,333	5,000,000	2.09%	11.34%	1.81%	9.31%
Reserved for Issuance pursuant to Offering-- Warrants	416,667	2,500,000	N/A	N/A	0.90%	4.66%
Reserved for Issuance pursuant to Option Plan and RSU Plan	3,606,650	4,232,228	N/A	N/A	8.29%	7.88%
Shares Reserved for Issuance pursuant to Agent's Option	58,333	350,000	0.15%	0.79%	0.13%	0.65%
Shares Reserved for Issuance upon conversion of warrants pursuant to the Agent's Option	29,166	175,000	N/A	N/A	0.06%	0.33%
Shares Reserved for Issuance pursuant to Over-Allotment Option	0	500,000	N/A	N/A	0.00%	0.93%
Shares Reserved for Issuance pursuant to Agent's Option arising from Over-Allotment Option	0	35,000	N/A	N/A	0.00%	0.07%
Shares Reserved for Issuance pursuant to Agent's Option-Warrants arising from Over-Allotment Option	0	17,500	N/A	N/A	0.00%	0.03%
Total Number of Securities (Basic)	39,927,568	44,094,235	100%	100%	100%	100%
Total Number of Securities (Fully Diluted)	45,810,342	53,675,921				

Available Funds and Principal Purpose

The following table sets out information respecting the Resulting Issuer's sources of funds and intended uses of such funds upon completion of the Transaction. The amounts shown in the table are estimates only and are based upon the information available to Morro Bay and Experion as of the date hereof. The intended uses of such funds and/or the Resulting Issuer's development capital needs may vary based upon a number of factors.

Resulting Issuer Sources and Uses of Funds

	Minimum Offering	Maximum Offering
Estimated consolidated working capital (1)	1,080,170	1,080,170
Proceeds from Debentures	1,056,000	1,056,000
Proceeds from the Offering	500,000	3,000,000
Total Available Funds	2,636,170	5,136,170
Operational staff costs	110,000	110,000
General and administrative expenses (2)	379,267	379,267
Meeting the requirements for the obtaining of the License to Sell (including testing)	50,000	50,000
Milestone costs (see <i>Narrative description of the Business: Milestones</i>) (3)	-	1,081,081
Offering related costs (4)	109,250	276,250
Professional fees and transaction costs (5)	150,000	150,000
Contractual Obligations (6)	406,400	406,400
Unallocated Working Capital	1,431,253	2,683,172
Total Uses of Funds	2,636,170	5,136,170

(1) Estimated combined for Morro Bay (negative \$154,784) and Experion (\$1,234,954) as at June 30, 2017.

(2) Includes rent, insurance, office costs, supplies, cultivating costs, and IT services for the next 12 months.

(3) In support of achieving milestones including constructing the Greenhouse, obtaining the ACMPR license for the Greenhouse. See “Information Concerning Resulting Issuer – Narrative Description of the Business”

(4) Includes Agent’s Commission, transaction fees, as well as legal, audit and consulting fees related to the Private Placement

(5) Includes Agent’s Commission, transaction fees, as well as legal, audit and consulting fees related to the Transaction

(6) Reflects funds to be advanced in the next 12 months for executive officers, directors, employees and regular consultants See *Information Concerning Resulting Issuer –Executive Compensation*. All related amounts are accrued for in the financial statements of Experion.

The above table sets out the principal purposes, using approximate amounts, for which the Resulting Issuer currently intends to use its available funds on completion of the Transaction. See “*Information Concerning Experion*” for more information on the Resulting Issuer’s business objectives.

Dividends

It is not contemplated that any dividends will be paid in the immediate or foreseeable future following completion of the Transaction.

Principal Security Holders

In the event the Swap Agreement is completed (and the Drag Along Right is not exercised), the following table sets out the principal security holders of the Resulting Issuer, the number of Resulting Issuer Shares held by each and the percentage of Resulting Issuer Shares held after the Transaction (including the minimum and maximum Offering).

NAME OF SHAREHOLDER, MUNICIPALITY OF RESIDENCE⁽¹⁾	FORECAST NUMBER OF COMMON SHARES OWNED, DIRECTED, OR CONTROLLED	PERCENTAGE OF COMMON SHARES HELD AFTER PROPOSED TRANSACTION (INCLUDING THE MINIMUM FINANCING)	PERCENTAGE OF COMMON SHARES HELD AFTER PROPOSED TRANSACTION (INCLUDING THE MAXIMUM FINANCING)
1107569 BC Ltd. Abbotsford, BC	4,176,708	10.5%	9.4%

Note:

- (1) In the event the Share Swap does not close and the Drag Along Right is exercised Northern Vine will own 7,831,329 Resulting Issuer Shares.

In the event the Swap Agreement is completed, or the Drag Along Right is not exercised and the offering raises over \$1,603,707 Share issuances the Resulting Issuer will have no shareholders controlling, directly or indirectly, in excess of ten percent (10%) of the Resulting Issuer Shares.

DIRECTORS, OFFICERS AND PROMOTERS

The following table sets forth the name and municipality of residence of the Persons who are expected to be appointed as directors and officers of the Resulting Issuer upon Completion of the Transaction, their principal occupations during the last five years and their respective expected holdings of Common Shares and percentage holdings of the Resulting Issuer after Completion of the Transaction and Offering:

Name, Age and Municipality of Residence	Position with the Resulting Issuer	Principal Occupation ⁽¹⁾	Period Served as Director/Officer	Common Shares Beneficially Owned or Controlled ⁽²⁾	
				Min ⁽³⁾	Max ⁽⁴⁾
Steve Serenas ⁽⁵⁾ Age: 71 Abbotsford, BC	CEO , Promoter, and Director	See below	Director and Officer of Experion since 2013	238,072 (0.6%)	238,072 (0.5%)
Robert Wilson ⁽⁶⁾⁽⁷⁾ Age: 54 Cobourg, Ontario	CFO, Promoter, and Director	See below	Officer of Experion since 2016	1,942,444 (4.7%)	1,942,444 (4.3%)
John Zang Age: 53	Corporate Secretary, Promoter, and Director	See below	Director and CEO of Morro Bay since 2012	335,211	335,211

Calgary, Alberta				(0.8%)	(0.8%)
Benjamin Eastwood ⁽⁵⁾ Age: 70 Edmonton, Alberta	Director	See below	Director of Morro Bay	0 (0.00%)	0 (0.00%)
Jarrett Malnarick Age: 44 Sechelt, BC	COO	See below	To be appointed on Completion	0 (0.00%)	0 (0.00%)
Betty Indar Kour Dusange- Hayer ⁽⁵⁾ Age: 61 Richmond, BC	Director	See below	To be appointed on Completion	0 (0.00%)	0 (0.00%)
Michael Steele Age: 59 Caledon, ON	Director	See below	Director of Morro Bay appointed on July 14, 2017 (subject to the Exchange approval)	0 (0.00%)	0 (0.00%)

Notes:

- (1) Please see "Directors and Executive Officers" below for a description of the principal occupations within the five years preceding the date of this Filing Statement
- (2) Common shares and other securities held by some directors and officers will be escrowed pursuant to Exchange requirements – See "Part III: *Information Concerning the Resulting Issuer – Escrowed Securities*"
- (3) Assumes the minimum amount of the Offering is subscribed for not including the Agent's Option or the Over-Allotment Option.
- (4) Assumes the maximum amount of the Offering is subscribed not including the Agent's Option or the Over-Allotment Option.
- (5) Mr. Serenas will own or control 96,485 Resulting Issuer Debenture Warrants.
- (6) To be appointed as members of the Audit Committee.
- (7) Mr. Wilson also will own or control 62,925 Resulting Issuer Debenture Warrants.

On Completion of the Transaction, as a group, the directors of the Resulting Issuer will beneficially own, directly or indirectly, or exercise control or direction over a total of approximately 2,515,727 Resulting Issuer Shares, representing approximately 6.3% (basic) assuming a minimum Offering and 5.7% (basic) assuming a maximum Offering. It is contemplated that each independent director will receive an aggregate of 149,625 RSUs pursuant to the RSU Plan.

Unless indicated otherwise in the foregoing table, each director will hold office until the next meeting of shareholders at which time any or all of the directors may be elected to hold office for a term expiring no later than the close of the next annual meeting of shareholders.

Pursuant to Exchange Policy 3.1 and National Instrument 52-110 *Audit Committees*, the Resulting Issuer is required to have an audit committee. The audit committee of the Resulting Issuer is anticipated to consist of Robert Wilson, Michael Steele and Betty Indar Kour Dusange-Hayer.

The directors and officers of the Resulting Issuer will devote the time required to achieve the goals of the Resulting Issuer. Time actually spent may vary according to the needs of the Resulting Issuer. Remuneration of \$500 per meeting (Board and Committee meetings) will be paid to directors as well as the directors' reasonable expenses in respect of meetings of the Board or Board committees may be reimbursed by the Resulting Issuer.

Principal Occupations and Experience of Proposed Directors and Officers

The experience of management of the Resulting Issuer will be instrumental to the Resulting Issuer in providing it with a reasonable opportunity to achieve its business objectives following the Transaction. The following are brief biographies of the directors, executive officers and senior management of the Resulting Issuer upon Completion of the Transaction, including particulars of their principal occupations for the past five years.

Stephen Serenas – Chief Executive Officer, Director, Age 71

Mr. Serenas attended St. Francis Xavier University where he obtained his Bachelors of Business Administration in 1970. Since that time Mr. Serenas has been actively involved in various business ventures. He is currently the CEO of Pacific Executive Capital Corp. and is CEO of Connections International Inc. located in Blaine Washington. Mr. Serenas was a founder of Experion and has been a director and officer of Experion since its incorporation on September 26, 2013. Since that time the business of Experion has been his primary focus Mr. Serenas resides in Abbotsford, B.C. and is a citizen of both Canada and the United States of America.

It is anticipated that Mr. Serenas will dedicate the majority of his time to the affairs of the Resulting Issuer. Mr. Serenas will be an employee of the Resulting Issuer as its Chief Executive Officer. The employment agreement with Mr. Serenas will entitle him for wages of \$15,000 per month. The employment agreement may be terminated, without cause, on 90 days' notice or pay in lieu thereof. The following table summarizes Mr. Serenas' five year employment history:

Employment History						
Employer Name	Employer Address	Position Held	From		To	
			MM	YY	MM	YY
Experion Biotechnologies Inc.	#105, 33425 Maclure Road Abbotsford, BC V2S 6V5	Director and CEO	09	2013	Present	
Pacific Executive Capital Corp	#435,250 H St Blaine WA, 98230	CEO	11	2001	Present	
Connections International Inc.	#435, 250 H St Blaine WA 98230	CEO	06	1999	Present	

Robert F. Wilson – Director and CFO, Age 54

Mr. Wilson received his Bachelor of Commerce Degree (Honours) from the Queen's School of Business; Queen's University in 1985 and obtained his Masters of Business Administration from the Wharton School, University of Pennsylvania, in 1990. Mr. Wilson is currently the owner and operator of Clicking Capital Corp. Clicking Capital Corp. is in the business of providing strategic business advice to companies. Clicking Capital Corp. and Mr. Wilson have been involved in the business development of Experion since his appointment as Strategic and Financial Advisor in July 2016. Clicking Capital Corp. and Mr. Wilson have previously been a director and advisor of Muskoka Medical Marijuana Company Limited. Mr. Wilson involvement in this company ceased in January 2017 in order to allow him to focus on the Experion business. As shown below, since 2000 Mr. Wilson has provided strategic and financial advisory services to both private and public companies, family offices, and private equity funds.

It is anticipated that Mr. Wilson will dedicate the required time to perform the duties expected as CFO, and as a member of the Board of the Resulting Issuer. Upon Completion Mr. Wilson, through Clicking Capital Corp., will enter into a consulting agreement with the Resulting Issuer. The consulting agreement is for services rendered as a professional services consultant and as the Chief Financial Officer of the Resulting Issuer at a rate of \$15,000 per month. The consulting agreement may be terminated, without cause, on 365 days' notice or pay in lieu thereof. Mr. Wilson will not be an employee of the Resulting Issuer but will provide consulting services to the Resulting Issuer on an independent contractor basis.

The following table summarizes Mr. Wilson's five year employment history:

Employment History						
Employer Name	Employer Address	Position Held	From		To	
			MM	YY	MM	YY
Experion Biotechnologies Inc.	#105, 33425 Maclure Road Abbotsford, BC V2S 6V5	CFO	07	2016	Present	
Clicking Capital Corp.	9 Pebble Beach Drive Toronto, Ontario	Founder and CEO	01	2000	Present	
Muskoka Medical Marijuana Company Ltd.	345 Ecclestone Drive Bracebridge, ON P1L 1R1	Director and Advisor	10	2016	01	2017
Mount Sinai General Hospital	600 University Ave. Toronto, ON M5G 1X5	Member of the Board of Governors	--	1992	01	2014

John Zang – Director and Corporate Secretary, Age 53

Mr. Zang has been self-employed providing legal services to various companies including public companies since 2000. He is a member in good standing in the Law Society of Alberta and practices law through his professional corporation—John C. Zang Professional Corporation, Barrister and Solicitor. He is currently the director, CEO, and corporate Counsel of Morro Bay Resources Ltd. (TSXV: MRB) and was one of the founders of same. As well, Mr. Zang is the CEO and a director of North Shore Petroleum Ltd., a private oil and gas company and a service provider to subsidiaries thereof. Since 1998 Mr. Zang was a founder, director, and/or officer of numerous public companies including Argonauts Group Ltd. (CDNX), Argo Energy Ltd. (TSXV), Sequoia Oil & Gas Trust (TSX), Casa Del Sol Capital Ltd. (TSXV), Tiger-Cat Energy Ltd. (TSXV), Norquay Capital Ltd. (TSXV), RMS Systems Inc. (TSXV), Touchstone Exploration Inc. (TSX), and Nextraction Energy Corp. (TSXV). Mr. Zang is also a director and/or officer of various private companies.

It is anticipated that Mr. Zang will dedicate the required time to perform the duties expected as Corporate Secretary, General Corporate Counsel, and as a member of the Board of the Resulting Issuer. Upon Completion Mr. Zang, through his Professional Corporation will enter into a consulting agreement with the Resulting Issuer. The consulting agreement is for services rendered as a professional services consultant including as the Corporate Secretary of the resulting Issuer, at a rate of \$15,000/month. The consulting agreement may be terminated, without cause, on 365 days' notice or pay in lieu thereof. Mr. Zang will not be an employee of the Resulting Issuer but will provide consulting services to the Resulting Issuer on an independent contractor basis.

The following table summarizes Mr. Zang's five year employment history:

Employment History						
Employer Name	Employer Address	Position Held	From		To	
			MM	YY	MM	YY
John C. Zang Barrister and Solicitor and John C. Zang Professional Corporation	2248 9 th Avenue SE Calgary, Alberta T2G 5P7	Sole proprietor and sole shareholder	01	2000	Present	
Morro Bay Resources Ltd. (formerly Morro Bay Capital Ltd.)	1150, 707 7 th Avenue SW Calgary, AB. T2P 3H6	Director and CEO	07	2012	Present	
North Shore Petroleum Ltd. and subsidiaries	1150, 707 7 th Avenue SW Calgary, AB. T2P 3H6	Director and CEO	09	2015	Present	
Nextraction Energy Corp.	1150, 707 7 th Avenue SW Calgary, AB. T2P 3H6	CEO	12	2015	Present	
Verity Energy Ltd.	1300, 7347 th Avenue SW Calgary, AB. T2P 3P8	Director and CEO	05	2010	09	2015
Touchstone Exploration Inc.	4100, 350 - 7 th Avenue SW Calgary, Alberta T2P 3N9	Director	02	2012	04	2014

Dr. Benjamin Eastwood - Director, Age 70

Dr. Eastwood was appointed as a director of Morro Bay at the Morro Bay Shareholders Meeting. It is anticipated that Dr. Eastwood will continue as an independent director of the Resulting Issuer. He currently holds no positions with either Morro Bay or Experion. In 1979 he received his Doctor of Dentistry degree from the University of Alberta. From 1979 to date he has operated his own Dental office in Edmonton Alberta—Academy Dental.

It is anticipated that Dr. Eastwood will dedicate the required time to the affairs of the Resulting Issuer as independent director. Dr. Eastwood will not be an employee or independent contractor of the Resulting Issuer.

The following table summarizes Dr. Eastwood five year employment history:

Employment History						
Employer Name	Employer Address	Position Held	From		To	
			MM	YY	MM	YY
Academy Dental	10070 105 Street Edmonton, AB.	Partner	10	1979	Present	

Betty Indar Kour Dusange-Hayer – Director, Age 61

Ms. Dusange-Hayer has been active in the aviation and tourism industries for over 3 years. She has also been a consultant for governmental affairs at the municipal, provincial and federal levels as well as internationally. She is currently acting as a consultant to various private and public companies and has been a lobbyist for international companies. Her consulting services have included introducing Canadian corporations to the Indian market and assisting with the opening of offices and obtaining permits as required in India. Prior to assuming this consulting role, from 2000 to 2009 Ms.

Dusange-Hayer was a member of Ishan Canada International Ltd. ("Ishan"). Ishan was a private company involved in real estate development. Ishan assembled a real estate portfolio of a value of approximately \$50 million. Prior to 2000, Ms. Dusange-Hayer was employed by various travel companies including Canadian Regional Airlines Ltd., Canada 3000 Airlines Inc., La Mirage Cruises Ltd., and Pacific Western Airlines Ltd.

Ms. Dusange-Hayer holds a Bachelor of Arts degree (International relations) from the University of British Columbia and a Sales and Marketing Diploma from Vancouver Community College. She also holds a Dangerous Goods Handling Certificate and a Workplace Hazardous Materials Information System certificate. Ms. Dusange-Hayer has also completed the University of British Columbia Project Management Association of Canada Executive Program.

It is anticipated that Ms. Dusange-Hayer will dedicate the required time to the affairs of the Resulting Issuer as independent director. Mr. Dusange-Hayer will not be an employee or independent contractor of the Resulting Issuer.

The following table summarizes Ms. Dusange-Hayer five year employment history:

Employment History						
Employer Name	Employer Address	Position Held	From		To	
			MM	YY	MM	YY
Sole Proprietor	Richmond B.C.	Owner	July	2009	Present	

Michael Steele – Director, Age 59

Mr. Steele was appointed as a director of Morro Bay at the Morro Bay Shareholders Meeting. Mr. Steele provides restructuring, finance and operational advice to public and private companies. Such consulting services have been provided to various industry sectors including real estate, mining, oil and gas and recently the Canadian Medical Marijuana sector. Since 2013 Mr. Steele has consulted to or provided financing to various companies in the Canadian Medical Marijuana industry including Canadian Cannabis Corp. (OTC: CCAN), CURA-CANN Medical Corp., Maricann Group Inc. (CSE: MARI), and The Hydroapothecary Corporation (TSXV: THCX). Mr. Steele was a previous director of Barkerville Gold Mines Ltd. (Exchange: BGM). Mr. Steele graduated from the University of Waterloo with a P.Eng. (BA Sc.) in civil engineering and received his M.BA in 1981.

Since 1988, Mr. Steele has been employed by his consulting company Avonlea Ventures Inc.

Jarrett Malnarick, Chief Operating Officer, Age 44

Upon Completion of the Transaction, Mr. Malnarick will join the Resulting Issuer as the Chief Operating Officer. Mr. Malnarick is experienced in the Canadian Medical Marijuana industry. Since May 2014, Mr. Malnarick has been employed at Affinor Growers Inc. ("Affinor"). Affinor is listed on the Canadian Stock Exchange, the OTC and the Frankfurt Exchange (CSE:AFL, OTC:RSSFF, Frankfurt:IAF). He is currently a director and CEO of Affinor. Affinor is a biotechnology company acquiring, patenting and commercializing vertical farming technology for both the indoor controlled environment and outdoor greenhouse agriculture industry. Over the course of his professional career, Mr. Malnarick has focused on product development, feasibility studies, startup budgets, and quality / compliance management for controlled and consumed products with sector specific government grants and funds for development and commercialization. Mr. Malnarick has experience with startup companies including effective team building, focused business plans, presenting financial opportunities, strategic budgeting, technology development, commercialization, sales and marketing. Since June 2006 Mr. Malnarick has been employed as a consultant with his consulting company--Growing Strategies Inc. In 1998 Mr. Malnarick received his Bachelor of Science (Biology) degree from the University of Victoria.

Promoters

Stephen Serenas (of Abbotsford, B.C.), Robert Wilson (of Cobourg, Ontario) and John Zang (of Calgary, Alberta) may be considered to be the promoters of the Resulting Issuer, having taken the initiative of substantially re-organizing the business of Morro Bay and Experion. Messrs. Serenas, Wilson and Zang will each hold or exercise beneficial control over Common Shares. For information as to the percentage of Common Shares beneficially owned, directly or indirectly, or over which control is exercised, by Mr. Serenas, Mr. Wilson and Mr. Zang, please see “*Part III Principal Security Holders*” and *Escrowed Securities*.

Corporate Cease Trade Orders or Bankruptcies

Except as indicated immediately hereafter, none of the directors, officers or promoters of the Resulting Issuer, nor any security holder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has, within the past ten (10) years, been a director, officer or promoter of any Person or company that, while the Person was acting in that capacity, (i) was the subject of a cease trade or similar order that denied the other issuer access to any exemptions under applicable securities law for a period of more than thirty (30) consecutive days; or (ii) 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.

Mr. Zang was a director and officer of Verity Energy Ltd. (a private company) which, in 2015, made a proposal pursuant to the *Companies Creditors Arrangement Act* (Canada).

Mr. Zang is the Chief Executive Officer (CEO) of Nextraction Energy Corp. (“**Nextraction**”). Nextraction is subject to a cease trade order issued by the Alberta and British Columbia Securities Commissions (the “**CTO**”). The CTO was issued prior to any involvement of Mr. Zang in the company and since his appointment as CEO, Mr. Zang has commenced rectification of the Nextraction’s defaults to allow for the CTO be removed.

Penalties or Sanctions

Except as indicated below, none of the directors, officers or promoters of the Resulting Issuer, nor any security holder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has: (i) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable security holder making a decision about the Transaction.

Stephen Serenas, a director and CEO of Experion, was subject to two investigations by the Law Society of British Columbia relating to Mr. Serenas alleged practice of law without authority to do so. Mr. Serenas was found have been in breach of the applicable Law Society of British Columbia Rules on two occasions, the first in 2003 and the second in 2013. Mr. Serenas paid fines of \$3,500 and \$2,000 for each and was found in Contempt of Court in relation to the 2003 offence. Mr. Serenas conduct did not include any legal services relating to distributing (or “public”) companies. The 2003 activities consisted of incorporating private companies and preparing resolutions for same and the 2013 activities consisted of preparing two simple Wills.

Personal Bankruptcies

Except as indicated below, none of the directors, officers or promoters of the Resulting Issuer, nor any security holder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has, within the past ten (10) years, 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 the assets of such director, officer or promoter.

Stephen Serenas, a director and CEO of Experion and the proposed CEO and director of the Resulting Issuer, made an assignment in Bankruptcy pursuant to the *Bankruptcy and Insolvency Act* (Canada) on July 14, 2010. He was discharged by the Trustee in Bankruptcy on April 15, 2011.

Conflicts of Interest

There may from time to time be potential conflicts of interest to which some of the directors, officers, insiders and promoters of the Resulting Issuer will be subject in connection with the operations of the Resulting Issuer. Conflicts, if any, will be subject to the procedures and remedies provided for under the *Canada Business Corporations Act*.

Other Reporting Issuer Experience

The following table sets out the directors, officers and promoter(s) of the Resulting Issuer that are, or have been within the past 5 years, directors, officers or promoters of other issuers that are or were reporting issuers in any Canadian or foreign jurisdiction.

Reporting Issuer Experience					
Name	Name of Reporting Issuer	Name of Exchange or Market (as applicable)	Position	From	To
John Zang	Morro Bay Resources Ltd. (formerly Morro Bay Capital Ltd.)	Exchange and OTCPink	Director and CEO	08/2012	Present
	Nextraction Energy Corp.	Exchange & NEX	CEO	12/2015	Present
	Touchstone Exploration Inc.	TSX	Director	02/2012	04/2014
	RMS Systems Inc.	Exchange	Director, Corporate Secretary and Vice President	09/2009	06/2012
Michael Steele	Barkerville Gold Corp.	Exchange	Director	03/2013	08/2015
Jarrett Malnarick	Affinor Growers Inc.	CSE, OTC, Frankfurt	Director and CEO	04/14	Present

Directors and Officers of Resulting Issuer's Subsidiaries and Affiliates

As reported to BC Registry services the directors of Northern Vine are Rene David, James Irving, Sean MacNeil, and William Panenka. The current directors of Experion are Stephen Serenas and Kevin Morneau.

EXECUTIVE COMPENSATION

The anticipated compensation, for each of the Resulting Issuer's CEO, CFO and the three most highly compensated executive officers for the 12 month period after giving effect to the Transactions prepared in accordance with the requirements of Form 51-102F6 "Statement of Executive Compensation" is required to be included in this Filing Statement. Form 51-102F6 prescribes the disclosure requirements in respect of the compensation of certain executive officers and directors of reporting issuers. The following addresses the items identified in Form 51-102F6 which are applicable to the Resulting Issuer.

The Resulting Issuer expects to pay compensation to NEOs and other officers, directors, employees and consultants of the Resulting Issuer for their services as such. The Resulting Issuer intends to enter into formal employment/consulting agreements with the CEO, CFO, and the Corporate Secretary of the Resulting Issuer. All such employment/consulting agreements are subject to the approval of the Resulting Issuer Compensation Committee or by the independent directors of the Resulting Issuer if a Compensation Committee is not formed.

Summary Compensation Table for NEOs

The following table sets forth the anticipated compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, to NEOs (as defined below) for the period indicated:

NEO ⁽¹⁾ Name and Principal Position	Forecast Period	Salary (\$)	Option- based awards (\$) ⁽²⁾	Share- based awards (RSUs) (\$)	Non-equity incentive plan compensation (\$)		Pension Value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans (\$)	Long- term incentive plans			
Stephen Serenas Chief Executive Officer	Completi on plus 12 months	\$180,000	Nil	200,000	Nil	Nil	Nil	Nil	\$180,000
Robert Wilson Chief Financial Officer	Completi on plus 12 months	\$180,000	Nil	750,000	Nil	Nil	Nil	Nil	\$180,000
Jarrett Malnarick Chief Operating Officer	Completi on plus 12months	\$180,000	Nil	1,000,000	Nil	Nil	Nil	Nil	\$180,000

NEO ⁽¹⁾ Name and Principal Position	Forecast Period	Salary (\$)	Option- based awards (\$) ⁽²⁾	Share- based awards (RSUs) (\$)	Non-equity incentive plan compensation (\$)		Pension Value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans (\$)	Long- term incentive plans			
John Zang Corporate Secretary	Completi on plus 12 months	\$180,000	Nil	200,000	Nil	Nil	Nil	Nil	\$180,000

Notes:

- (1) For the purposes of this Filing Statement, a Named Executive Officer ("NEO") of the Resulting Issuer means each of the following individuals:
 - (a) the CEO of the Resulting Issuer;
 - (b) the CFO of the Resulting Issuer;
 - (c) each of the Corporation's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6, for the twelve months after Completion; and
 - (d) each individual who would be an NEO under paragraph (c) above but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity at Completion.
2. Reflects stock options issued under Morro Bay's Option Plan based on the grant date (being the Completion date) fair value of the applicable awards. The fair value of the stock option grants has been determined using the same methodology and assumptions used in calculating the stock based compensation in the Corporation's financial statements. The Resulting Issuer will apply the Black-Scholes option-pricing model with the following assumptions: Dividend yield of \$nil, expected volatility of 100%, risk-free interest rate of 2.0%, forfeiture rate of 0% and weighted average life of 5 years.

Compensation Discussion and Analysis

Compensation Discussion & Analysis

The Resulting Issuer Board of Directors will form a Compensation Committee the majority members of which shall be "independent" directors (for the purposes of National Instrument 58-201 – *Corporate Governance Guidelines* ("NI 58-201")) of the Resulting Issuer. The Compensation Committee will govern executive compensation practices. The Board of Directors is responsible for ensuring that the Resulting Issuer has in place an appropriate plan for executive compensation and for making recommendations with respect to the compensation of the Resulting Issuer's executive officers. The Board of Directors will ensure that total compensation paid to its NEOs is fair and reasonable and is consistent with the Resulting Issuer's compensation philosophy.

The Resulting Issuer expects to provide a market-based blend of base salaries, bonuses and equity incentive components in the form of Stock Options and shares granted pursuant to the RSU Plan to further align the interests of management with the interests of the Resulting Issuer's shareholders.

It is anticipated that from time to time (including on Completion) stock options, RSUs, cash bonuses and other entitlements will be granted to: provide an incentive to the participants; to achieve the longer-term objectives of the Resulting Issuer; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Resulting

Issuer; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Resulting Issuer. The Resulting Issuer currently has no other forms of compensation.

The Resulting Issuer intends to grant stock options and RSUs equal to the lesser of up to 4.9 million and ten percent (10%) of its issued and outstanding shares as of Completion to its directors, officers, employees and consultants in connection with the Completion of the Transaction. As of the date of this Filing Statement, there are 361,000 Stock Options outstanding in Morro Bay. See “*Part III Information Concerning the Resulting Issuer – Options to Purchase Securities*”.

Compensation of Directors

Subject to Compensation Committee approval, the Resulting Issuer intends to grant an aggregate of 448,875 RSUs to directors (who are not also NEOs) upon the Completion of the Transaction. The Resulting Issuer intends to pay the directors (who are not also NEOs) compensation \$500 per board or committee meeting attended by them plus their out of pocket expenses regarding same.

The following table sets out information concerning the proposed compensation to be paid by the Resulting Issuer to the Resulting Issuer directors who are not also NEOs for the first 12 months after the closing of the Transaction.

Person	Attendance Fee (per Meeting)	Share Based Awards	Option and RSU Based Awards ⁽¹⁾	Non-Equity Incentive Plan Compensation		Pension Value	All Other Compensation	Total Compensation ⁽²⁾
				Annual Incentive Plans	Long Term Incentive Plans			
Betty Indar Kour Dusange-Hayer	\$500	N/A	149,625	N/A	N/A	N/A	N/A	\$124,000
Benjamin Eastwood	\$500	N/A	149,625	N/A	N/A	N/A	N/A	\$124,000
Michael Steele	\$500	N/A	149,625	N/A	N/A	N/A	N/A	\$124,000

Notes:

1. Experion determined the value of the option based awards by applying the Black-Scholes method.
 - a. Assuming eight (8) meetings during the year.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No proposed director or officer of the Resulting Issuer, or Associate or Affiliate of any such director or officer, will be indebted to the Resulting Issuer.

INVESTOR RELATIONS ARRANGEMENTS

The Resulting Issuer has not entered into any arrangement for promotional and investor relations services.

OPTIONS TO PURCHASE SECURITIES AND RSU PLAN

Stock Option Plan

The Resulting Issuer will continue to use the Morro Bay Option Plan and the RSU Plan. See “*Part I Information Concerning Morro Bay—Incentive Plans*”.

Option Agreements

Morro Bay currently has the following stock options outstanding.

Morro Bay Outstanding Options			
Expiry Date	Number of Options	Current Exercise Price	Options agreed to be Cancelled at Closing
March 22, 2018	50,000	\$ 1.00	(50,000)
January 22, 2019	90,000	\$ 1.00	(90,000)
June 30, 2018	30,000	\$ 0.50	
March 23, 2020	30,000	\$ 1.00	
March 23, 2020	30,000	\$ 2.00	
<i>Total</i>	<i>230,000</i>		<i>(140,000)</i>

The holders of 140,000 of the Morro Bay Options have agreed to the cancellation of same on Completion of the Transaction. As a result at Completion, there will be 91,000 Morro Bay options outstanding (approximately 24,975 options after the Resulting Issuer Consolidation). After the Resulting Issuer Consolidation the remaining Morro Bay options “inherited” by the Resulting Issuer (the “**Inherited Options**”) will be as follows:

Resulting Issuer Inherited Options Post Resulting Issuer Consolidation		
Expiry Date	Number of Options	Exercise Price
June 30, 2018	8,325	\$ 1.80
March 23, 2020	8,325	\$ 3.60
March 23, 2020	8,325	\$ 7.20
<i>Total</i>	<i>24,975</i>	

RESULTING ISSUER OPTION PLAN AND RSU FORECAST GRANTS

The following table sets forth aggregated information with respect to the Option Plan and RSU Plan, which is the only compensation plan under which equity securities of the Resulting Issuer are authorized for issuance to employees or non-employees such as directors and consultants.

Plan Category	Number of securities to be issued upon exercise of to be issued options and RSUs (minimum Offering/maximum Offering) (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (minimum Offering/maximum Offering)
Equity compensation plans approved by Shareholders	3,631,625/4,232,228 ⁽¹⁾	N/A	336,157/152,220 ⁽²⁾
Equity compensation plans not approved by Shareholders	-	-	-
Total:	3,631,625/4,232,228	N/A	336,157/152,220

- (1) Does not include the 24,975 Inherited Options. Assuming 39,927,568 Resulting Issuer Shares outstanding (assuming completion of the minimum Offering) and assuming 44,094,235 Resulting Issuer common shares outstanding (assuming completion of the maximum Offering). The total amount of permitted RSUs is 10% of the common shares outstanding as of completion of the Transaction and closing of the Offering less the Inherited Options.
- (2) Including reduction of the Inherited Options.

It is anticipated that at Completion Date pursuant to the RSU Plan an aggregate of the lesser of ten percent (10%) of the Resulting Issuer Shares outstanding as of Completion and closing of the Offering and approximately 4,400,000 RSUs (or such lesser amount equal to ten percent (10%) of the outstanding Resulting Issuer Shares less 24,975) will be granted to directors, officers, employees and consultants. Assuming a completion of the minimum Offering and subject Compensation Committee approval. A total of 3,606,650 RSU (and/or Options) of the Resulting Issuer are anticipated to be granted and allocated as follows:

Optionee or RSU Holder/Group	Number of Common RSUs to be Granted After Giving Effect to the Transaction and the Offering
Stephen Serenas, CEO and Director	149,625 RSUs
Robert Wilson, CFO and Director	149,625 RSUs
John Zang, Corporate Secretary and Director	149,625 RSUs
Jarrett Malnarick Chief Operating Officer	997,500 RSUs
Independent Directors (3 individuals) (as a group)	448,875 RSUs
Employees, Consultants, and the advisory board (as a group)	1,926,550 RSUs
Morro Bay "Inherited" Options	24,975 options
TOTAL	3,631,625

Additional options and RSU's may be granted in the event in excess of the minimum Offering is completed.

ESCROWED SECURITIES

The following paragraphs set out the number of securities of the Resulting Issuer which are or will be, upon Completion of the Transaction, held in escrow, assuming no Principals of the Resulting Issuer subscribe to the Offering. In addition to the Common Shares held in escrow prior to the completion of the Transaction, certain of the Morro Bay Shares will be held in escrow or be subject to hold periods as set forth hereafter.

In accordance with the Exchange Policy as a Tier 2 Issuer, all Resulting Issuer Shares owned or controlled by Principals (as defined by the Exchange Policies) of Experion or the Resulting Issuer are subject to escrow. Upon Completion 10% of the Resulting Issuer Shares held by the Principals in escrow will be released and the remaining Resulting Issuer Shares held in escrow will be released in six equal tranches of 15% every six months following the Completion date.

All Common Shares acquired on exercise of stock options prior to the Completion of the Transaction, will be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued. In addition, all Common Shares of the Resulting Issuer acquired in the secondary market prior to the Completion of the Transaction by any person or company who becomes a Control Person are required to be deposited in escrow.

If the Resulting Issuer meets the Exchange's Tier 1 minimum listing requirements either at the time the Final Exchange Bulletin is issued or subsequently, the release of the escrowed Common Shares may be accelerated. 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. The Escrow may also be reduced upon the Resulting Issuer ceasing to be listed on the Exchange.

Securities Escrowed Pursuant to the Transaction

23,285,172 Resulting Issuer Shares will be subject to escrow pursuant the Exchange Policies which will be deposited with Computershare under an escrow agreement dated as of the date of closing of the Transaction (the “Escrow Agreement”). 2,117,591 of these escrowed shares will be subject to a Surplus Escrow (as defined by Exchange Policies) and 21,167,581 escrowed shares will be subject to a Value Escrow (as defined by Exchange Policies) including as required Exchange Seed Share Resale Restrictions (“SSRRs”) (as defined by Exchange Policy 5.4). The following table describes the escrowed securities:

Resulting Issuer to Be Escrowed Securities— Surplus Escrow							
Name and Municipality of Residence of Securityholders and Relationship	Designation of class	Resulting Issuer Securities Owned or Controlled Prior to Giving Effect to the Transaction		After Giving Effect to the Transaction and minimum Offering ⁽¹⁾		After Giving Effect to the Transaction and maximum Offering ⁽¹⁾	
		Number of securities held in escrow	Percentage of class	Number of securities to be held in escrow	Percentage of class	Number of securities to be held in escrow	Percentage of class

Stephen Serenas Abbotsford, BC Principal ⁽²⁾	Common Shares	Nil	0%	238,072	1.4%	238,072	1.2%
Clicking Capital Corp. ⁽⁴⁾ Cobourg, ON. Principal	Common Shares	Nil	0%	1,879,519	4.8%	1,879,519	4.4%
TOTAL				2,117,591	5.3%	2,117,591	4.8%

Note:

(1) Assumes none of the escrowed parties do not participate in the Offering. Not including 7,831,329 Resulting Issuer Shares issuable pursuant to the Drag

Resulting Issuer to Be Escrowed Securities—Value Escrow/SSRR							
		Resulting Issuer Securities Owned or Controlled Prior to Giving Effect to the Transaction		After Giving Effect to the Transaction and minimum Offering⁽¹⁾		After Giving Effect to the Transaction and maximum Offering⁽¹⁾	
Name and Municipality of Residence of Securityholders and Relationship	Designation of class	Number of securities held in escrow	Percentage of class	Number of securities to be held in escrow	Percentage of class	Number of securities to be held in escrow	Percentage of class
Allan Echino Surrey, BC SSRR	Common Shares	Nil	0%	626,506	1.6%	626,506	1.4%
Magna Sterling Holdings Ltd. Burnaby, BC SSRR	Common Shares	Nil	0%	3,458,318	8.7%	3,458,318	7.8%
Viridium Blue Investments Ltd. Burnaby, BC SSRR	Common Shares	Nil	0%	3,458,318	8.7%	3,458,318	7.8%
Golden Swan Holdings Ltd. Burnaby, BC SSRR	Common Shares	Nil	0%	3,353,904	8.4%	3,353,904	7.6%
E & R Holdings Ltd. Maple Ridge, BC SSRR	Common Shares	Nil	0%	3,887,475	9.7%	3,887,475	8.8%
1095372 BC Ltd. Abbotsford, BC SSRR	Common Shares	Nil	0%	3,892,697	9.7%	3,892,697	8.8%
1098508 BC Ltd. Abbotsford, BC SSRR	Common Shares	Nil	0%	2,490,363	6.2%	2,490,363	5.6%
TOTAL				21,167,581	53.0%	21,167,581	48.0%

Along Right.

- (2) Principal as the defined by the Exchange Policies.
(3) Surplus and Value Escrow Seed Sale Restrictions as provided by the Exchange Policies.
(4) Pursuant to the Surplus Escrow Agreements releases from escrow will occur as follows 5% will be released upon the Exchange Final Bulletin, 5% 6 months thereafter, 10% 12 months thereafter, 10% 18 months thereafter, 15% 24 months thereafter, 15% 30 months thereafter, and 40% 36 months thereafter, all subject to early release in accordance with Exchange policies the Escrow Agreements.

Pursuant to the Value Escrow Agreements 10% will be released from escrow on the issuance of the Final Exchange Bulletin and 15% will be released 6-months following the date of the Final Exchange Bulletin and every six month thereafter until the 36th month following the issuance of the Exchange Bulletin at which point all escrowed securities shall have been released all subject to early release in accordance with Exchange policies the Escrow Agreements. Pursuant to the Value Escrow Agreements.

If the Resulting Issuer meets the Exchange's Tier 1 minimum listing requirements either at the time the Final Exchange Bulletin is issued or subsequently, the release of the escrowed Common Shares may be accelerated. 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.

General Information Concerning Escrowed Securities

Holders of securities of the Resulting Issuer held in escrow may generally exercise voting rights attaching to such securities. However, no holder of securities held in escrow shall vote any securities (whether in escrow or not) in support of one or more arrangements that would result in the repayment of capital being made on the securities prior to a winding up of the Resulting Issuer. Generally, holders of securities in escrow do not see their right to receive a dividend or other distribution on the securities impaired.

The Exchange's prior consent must be obtained before a transfer within escrow of escrowed Common Shares occurs. Generally, the Exchange will only permit a transfer within escrow to be made to incoming Principals in connection with a Transaction.

RISK FACTORS

The following risk factors should be carefully considered in evaluating the Morro Bay, Northern Vine, Experion, and the Resulting Issuer. In the following description of Risk Factors, where applicable, references to risks to the business of Experion includes risks that the Resulting Issuer may face as a shareholder of them. Risks that are specific to the business and operations of Northern Vine and/or Experion should be understood to include the impact that such risks may present to the Resulting Issuer. The risks presented below may not be all of the risks that Experion and the Resulting Issuer may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. Other sections of this Filing Statement include additional factors that could have an effect on the business and financial performance of the business. The market in which Experion currently compete is very competitive and changes rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. You should not rely upon forward-looking statements as a prediction of future results. The below Risk Factors are in addition to and supplemental to the Risk Factors contained in the Summary herein.

The License Requirements

Experion's ability to grow, store and sell medical cannabis in Canada is dependent on maintaining the License to Produce and receipt by Experion of the License to Sell and its ability to keep its License to Produce and (if received) its License to Sell in good standing. Failure to comply with its requirements or any failure to maintain its ACMPR licenses would have a material adverse impact on the business, financial condition and operating results of Experion and the Resulting Issuer. Although Experion believes it will meet the requirements of the ACMPR for the receipt of the License to Sell, there can be no guarantee that Health Canada will grant, extend or renew the License to Produce. Should Health Canada not extend or renew the ACMPR licenses or should it renew the License to Produce or (if received) the License to Sell on different terms, the business, financial condition and results of the operations of Experion would be materially adversely affected. In addition, Experion will apply for, as the need arises, all necessary licenses to carry on the activities it expects to conduct in the future. This includes a license to sell medical cannabis to all eligible patients. The ability of Experion to obtain, sustain or renew any such licenses on acceptable terms is subject to changes in regulations and policies and to the discretion of the

applicable authorities. Any loss of interest in any such required license, or the failure of any governmental authority to issue or renew such licenses upon acceptable terms, would have a material adverse impact upon the Resulting Issuer.

License to Produce Renewal

The License to Produce expires on August 18, 2020. There is no assurance that the License to Produce will be renewed by Health Canada.

License to Sell

Experion's ability to obtain the License to Sell is subject numerous requirement under the ACMPR, including but not limited to, acceptable inspection of the Mission Site and the marijuana produced by Experion meeting ACMPR requirements as confirmed by testing. There is no assurance that the ACMPR requirements for the granting of the License to Sell will be met. There is no assurance that Experion will receive the License to Sell.

ACMPR

The ACMPR regulations are relatively new regulations and have been subject to change in the past. There is no assurance that the ACMPR regulations will not be changed in a way which negatively effects Experion or the Resulting Issuer.

Management Under the License to Produce

The Experion management consisting of Stephen Serenas and Kevin Morneau are the authorized management for the License to Produce. Although there does exist a procedure to change the designated management under the ACMPR, there is no assurance that any such will be acceptable to Health Canada.

Regulatory Risks

The activities of Experion are subject to governmental regulation, particularly by Health Canada and its Office of Medical Cannabis. Achievement of Experion's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of the products of the Langley Lab. Experion cannot predict the time required to secure all appropriate regulatory approvals (including the time to receive the License to Sell) for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of Experion. The ACMPR is a new regime established in August, 2016. As such, revisions to the regime could be implemented which could have an impact on the Resulting Issuer's operations. There may also be uncertainty regarding the interpretation of certain regulatory provisions by the regulator. Any such revisions or uncertainties could significantly reduce the addressable market for the Resulting Issuer's products and could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

Change in Laws, Regulations and Guidelines

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

Availability of the Recreational Market

On April 20, 2016, the Federal Government announced its intention to introduce legislation to legalize the recreational use of cannabis in Canada. On November 30, 2016 the Task Force on Cannabis Legalization and Regulation issued its final report: A Framework for the Legalization and Regulation of Cannabis in Canada, which provided details and guidance on the principal elements of the new legislation and decriminalized regulatory regime. However, at the date of this Filing Statement, it is uncertain when the proposed legislation will be introduced. In addition, the form and content of the proposed legislation is unknown. Consequently, it is uncertain as to how the recreational market will be regulated, whether the market will develop, or if the market will be successful. While the Federal Government has indicated that it intends to legalize

recreational use of cannabis, it cannot be guaranteed that such legislation will be introduced in Canada. If the recreational market is not made available, it may have a material and adverse impact on the Resulting Issuer's business, operations and financial condition.

Limited Operating History

Experion and Experion has received its License to Sell on August 18, 2017. Experion has not yet cultivated any marijuana pursuant the license to Produce. There is no assurance that the Mission site and the facility thereon will be capable of producing marijuana meeting ACMPR requirements or in such volumes which make operations economic.

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

Reliance on a Single Facility

The Experion License to Produce is for one location in Mission, B.C. Adverse changes or developments affecting the Mission Facility could have a material and adverse effect on Experion's business, financial condition and prospects.

Swap Agreement

The Swap Agreement enables the Resulting Issuer to own all of the Experion Securities. If the Swap Agreement is not concluded, the ownership of the Resulting Issuer may be approximately 81.25% and pursuant to the Experion Shareholders Agreement Experion would continue to have obligations to Northern Vine.

Northern Vine Dilution

In the event the Swap Agreement is not completed, Experion percentage share interest in Northern Vine has been diluted as a result of Northern Vine share issuances. Further dilution may occur in the future which may result in the Northern Vine shares owned by Experion being of limited value to Experion.

Reliance on Management

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

Attraction and Retention of Key Personnel Including Directors

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

Potential Conflicts of Interest

Some of the individuals who will be appointed as directors or officers of the Resulting Issuer are also directors and/or officers of other reporting and non-reporting issuers. Situations may arise where the directors and/or officers of the Resulting Issuer may be in competition with the Resulting Issuer. Any conflicts will be subject to and governed by the law applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of the Resulting Issuer's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Resulting Issuer are required to act honestly, in good faith and in the best interests of the Resulting Issuer.

Experion and Morro Bay Losses

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

Additional Financing

The continued operation of the Mission Facility and the execution of a growth strategy that is dependent in part on the expansion of operations through the acquisition and construction of additional specialized facilities are both capital intensive in nature. In order to execute its growth strategy, Experion may require additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to Experion when needed or on terms which are acceptable. Experion's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit Experion's growth and may have a material adverse effect upon future profitability. Experion may require additional financing to fund its operations to the point where it is generating positive cash flows. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those they possess prior to such issuances. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Experion to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Competition

The medical marijuana testing and production industries are competitive in all of their phases. The Resulting Issuer will face strong competition from other companies in connection with such matters. Many of these companies have greater financial resources, operational experience and technical capabilities than the Resulting Issuer. As a result of this competition, the Resulting Issuer may be unable to maintain its operations or develop them as currently proposed, on terms it considers acceptable or at all. Consequently, the revenues, operations and financial condition of the Resulting Issuer could be materially adversely affected. The government has only issued to date a small number of licenses under the ACMPR and predecessor regulations to produce and sell medical marihuana. There are, however, many applicants for licenses.

The number of licenses granted could have an impact on the operations of the Resulting Issuer, Experion will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources, testing, and manufacturing and marketing experience than Experion. Because of early stage of the industry in which Experion operates, the Resulting Issuer expects to face additional competition from new entrants. As the number of users of medical cannabis in Canada increases, the demand for products will increase and the Resulting Issuer expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, Experion will require a continued high level of investment in research and development, marketing, sales and client support. Experion and the Resulting Issuer may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of Experion and the Resulting Issuer.

Risks Inherent in an Agricultural Business

Experion's business involves the growing of medical cannabis, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although Experion intends to grow its products indoors under climate controlled conditions, carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Vulnerability to Rising Energy Costs

Experion's medical cannabis growing operations consume considerable energy, making Experion and the Resulting Issuer vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of Experion and its ability to operate profitably.

Transportation Disruptions

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

Unfavorable Publicity or Consumer Perception

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

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, Experion faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of Experion's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of Experion's products alone or in combination with other medications or substances could occur. Experion and the Resulting Issuer may be subject to various product liability claims, including, among others, that Experion's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against Experion could result in increased costs, could adversely affect Experion's and the Resulting Issuer reputation with its clients and consumers generally, and could have a material adverse effect results of operations and financial condition of Experion and the Resulting Issuer. There can be no assurances that Experion will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of Experion's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of Experion's products are recalled

due to an alleged product defect or for any other reason, Experion could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Experion may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although Experion has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. A recall for any of the foregoing reasons could lead to decreased demand for Experion's products and could have a material adverse effect on the results of operations and financial condition of Experion and the Resulting Issuer. Additionally, product recalls may lead to increased scrutiny of Experion's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Reliance on Key Inputs

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

Dependence on Suppliers and Skilled Labour

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

Difficulty to Forecast

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

Operating Risk and Insurance Coverage

Experion, and the Resulting Issuer require insurance to protect its assets, operations and employees. Insurance may be difficult to locate. As well, such insurance will be subject to coverage limits and exclusions and may not be available for the risks and hazards to which Experion, and the Resulting Issuer are exposed. In addition, no assurance can be given that such insurance will be adequate to cover Experion's and the Resulting Issuer's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If Experion or the Resulting Issuer were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if Experion or the Resulting Issuer were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Exchange Restrictions on Business

As part of its conditional approval, the Exchange requires that as a condition to listing the Resulting Issuer deliver an undertaking confirming that, while listed on the Exchange, the Resulting Issuer will only conduct the business of testing, production, acquisition, sale and distribution of medical cannabis in Canada as permitted under the applicable licenses. This undertaking could have an adverse effect on the Resulting Issuer's ability to export cannabis from Canada and on its ability

to expand its business into other areas including the provision of non-medical cannabis in the event that the laws were to change to permit such sales and the Resulting Issuer is still listed on the Exchange and still subject to such undertaking at the time. This undertaking may prevent the Resulting Issuer from expanding into new areas of business when the Resulting Issuer's competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition and results of operations of the Resulting Issuer.

Management of Growth

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

Conflicts of Interest

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

Litigation

Experion or the Resulting Issuer may become party to litigation from time to time in the ordinary course of business which could adversely affect their business. Should any material litigation arise and be determined against Experion, or the Resulting Issuer, it could adversely affect their ability to continue operating and the market price for the Resulting Issuer Shares. Even if Experion or the Resulting Issuer is involved in litigation and wins, litigation can require significant resources of the Resulting Issuer.

Volatile Stock Price

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

Limited Market for Securities

Upon completion of the Transaction, the Resulting Issuer's Shares will be listed on the Exchange, however, there can be no assurance that an active and liquid market for the Resulting Issuer Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Resulting Issuer.

Environmental and Employee Health and Safety Regulations

Experion's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and nonhazardous materials and wastes, and employee health and safety. Experion will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Experion's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Experion and the Resulting Issuer. In addition, the Resulting Issuer may also be subject to legacy risks relating to environmental matters in connection with the past mineral exploration activities of Morro Bay. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders

issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

Experion not a Wholly Owned Subsidiary

In the event that Northern Vine's Experion Common Shares are not acquired or otherwise returned to Experion (including pursuant to the Swap Agreement or the Drag Along Right), Experion will not be a wholly owned subsidiary of the Resulting Issuer. Pursuant to the Experion Shareholders Agreement Northern Vine will retain certain rights, including appointing a member to the board of directors of Experion. There is no assurance that business of Experion may not be negatively affected by the involvement of Northern Vine in the business of Experion.

Completion of the Transaction and Exchange Approval

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

Dividend Policy

No dividends on any of the Morro Bay Shares, the Northern Vine Shares, or Experion Shares have been paid to date. Payment of any future dividends by the Resulting Issuer, if any, will be at the discretion of the board of directors of the Resulting Issuer after taking into account many factors, including the Resulting Issuer's operating results, financial condition, and current and anticipated cash needs.

Dilution to Experion Shares and Resulting Issuer Shares

The increase in the number of Morro Bay Shares issued and outstanding pursuant to the Transaction, the Offering and the sales of such shares, may have a depressive effect on the price of the Resulting Issuer Shares. In addition, as a result of the issuance of such additional Morro Bay Shares, the voting power of the existing Morro Bay Shareholders will be substantially diluted. The Resulting Issuer may from time to time previously issued securities at an effective price per share which was lower than the market price of the Resulting Issuer Shares from time to time. Accordingly, certain shareholders of the Resulting Issuer may have an investment profit in the Resulting Issuer Shares that they may seek to liquidate from time to time. Furthermore, the issue of Resulting Issuer Shares upon the exercise of the options, RSUs and warrants will dilute the ownership interest of Resulting Issuer's shareholders. The Resulting Issuer may also issue additional options, RSUs, and warrants or additional Resulting Issuer Shares from time to time in the future. If it does so, the ownership interest of the Resulting Issuer's then current shareholders could also be diluted.

Market Price of Resulting Issuer Shares

It is anticipated that the Resulting Issuer Shares will be listed and posted for trading on the Exchange and the OTC Pink. Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Resulting Issuer Shares is also likely to be significantly affected by changes in applicable rules and regulations governing the medical and/or recreational marijuana industry, or in financial condition or results of operations of the Resulting Issuer and if the Transaction is completed, by changes in applicable rules and regulations governing the distribution and production of medical marijuana, or in financial condition or results of operations of the Companies. Other factors unrelated to the performance of the Resulting Issuer that may have an effect on the price of the Resulting Issuer Shares include the following: the extent of analytical coverage available to investors concerning the business of the Resulting Issuer may be limited if investment banks with research capabilities do not follow the Resulting Issuer's securities; lessening in trading volume and general market interest in the Resulting Issuer's securities may affect an investor's ability to trade significant numbers of Resulting Issuer Shares; the size of the Resulting Issuer's public float may limit the ability of some institutions to invest in the Resulting Issuer's securities; and a substantial decline in the price of the Resulting Issuer

Shares that persists for a significant period of time could cause the Resulting Issuer's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. As a result of any of these factors, the market price of the Resulting Issuer Shares at any given point in time may not accurately reflect the long-term value of the Resulting Issuer. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Resulting Issuer may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Current Global Financial Conditions

Current global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of the Resulting Issuer to obtain equity or debt financing in the future and, if obtained, on terms favourable to it. If these increased levels of volatility and market turmoil continue, the operations of the Resulting Issuer could be adversely impacted and the value and the price of the Resulting Issuer Shares and other securities could be adversely affected.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditors of the Resulting Issuer will be Collins Barrow Toronto LLP, Chartered Accountants, Licensed Public Accountants, 11 King St. W., Suite 700, Box 27, Toronto, Ontario, Canada, and M5H.

Computershare Trust Company of Canada, Computershare Investor Services, 8th Floor, and 100 University Avenue, Toronto, ON M5J 2Y1 will be the transfer agent and registrar for the Resulting Issuer.

GENERAL MATTERS

Sponsorship

Morro Bay and Experion have obtained an exemption from the sponsorship requirements of the Exchange.

Interests of Experts

Collins Barrow Toronto LLP, Chartered Accountants, Licensed Public Accountants, is the external auditor of Experion. Such firm is independent of Morro Bay and Experion within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Board Approval

Each of the board of directors of Morro Bay and Experion has approved this Filing Statement.

Other Material Facts

There are no other material facts relating to Morro Bay or Experion or to the Transaction or Offering that have not been disclosed elsewhere in this Filing Statement and that are necessary in order for the Filing Statement to contain full, true and plain disclosure of all material facts relating to Morro Bay and Experion, assuming completion of the Transaction and the Offering.

FINANCIAL STATEMENTS

Financial Statements of Morro Bay

See Appendix “A” for the audited Consolidated Statements of Financial Position as at September 30, 2016 and 2015 the Consolidated and Statements of Operations, and Comprehensive Loss, Changes in Equity and Cash Flows of Morro Bay for the years ended September 30, 2016 and 2015 and the unaudited Consolidated Interim Statement of Financial Position as at June 30, 2017, and the Consolidated Interim Statements of Operations, Comprehensive Income, Changes in Equity and Cash Flows for the three and nine month periods ended June 30, 2017.

Management’s Discussion & Analysis of Morro Bay

See Appendix “B” for Management’s Discussion & Analysis of Morro Bay for the years ended September 30, 2016 and 2015 and for the nine months ended June 30, 2017.

Financial Statements of Experion

See Appendix “C” for the audited Statements of Financial Position as at November 30, 2016, 2015 and 2014 and Statements of Income and Total Comprehensive Income of Experion for the years ended November 30, 2016, 2015 and 2014 and unaudited Statements of Financial Position as at May 31, 2017 and Statement of Income and Total Comprehensive Income for the six month period ended May 31, 2017.

Management’s Discussion & Analysis of Experion

See Appendix “D” for Management’s Discussion & Analysis of Experion for the three years ended November 30, 2016, 2015 and 2014 and for the six months ended May 31, 2017.

Financial Statements of Resulting Issuer

See Appendix “E” for the Pro Forma Consolidated Balance Sheet and Pro Forma Consolidated Statement of Operations of the Resulting Issuer dated as at May 31, 2017.

CERTIFICATE OF MORRO BAY RESOURCES LTD.

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

DATED this 25th day of September, 2017.

MORRO BAY RESOURCES LTD.

Per: (s) John C. Zang
Title: Chief Executive Officer

Per: (s) Denny Chow
Title: Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS OF MORRO BAY CORP.

Per: (s) Matt Zubot
Title: Director

Per: (s) Ken Younger
Title: Director

CERTIFICATE OF EXPERION BIOTECHNOLOGIES INC.

The foregoing, as it relates to Experion Biotechnologies Inc. constitutes full, true and plain disclosure of all material facts relating to the securities of Experion Biotechnologies Inc.

DATED this 25th day of September, 2017.

EXPERION BIOTECHNOLOGIES INC.

Per: (s) Stephen Serenas
Title: CEO

Per: (s) Robert Wilson
Title: Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS OF EXPERION INC.

Per: (s) Kevin Morneau
Title: Director

Per: (s) Stephen Serenas
Title: Director

Acknowledgement – Personal Information

“Personal Information” means any information about an identifiable individual, and includes information contained in any Items in the attached filing statement/information circular 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 Exchange Form 3D2, as applicable.

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

- (a) the disclosure of Personal Information by the undersigned to the Exchange (as defined in 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.

Per: (s) Stephen Serenas
Title: Director

APPENDIX "A"
FINANCIAL STATEMENTS OF MORRO BAY



Condensed Consolidated Interim Financial Statements of

MORRO BAY RESOURCES LTD.
(unaudited - prepared by management)

June 30, 2017

NOTICE OF NO AUDIT OF REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

MORRO BAY RESOURCES LTD.
(an exploration stage company)
Condensed Consolidated Statements of Financial Position
(Unaudited, prepared by management - stated in Canadian dollars)

As at	June 30, 2017	September 30, 2016
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	784	5,002
Accounts receivable	1,698	9,590
Prepays	5,876	3,881
	<u>8,358</u>	<u>18,473</u>
Total assets	<u>8,358</u>	<u>18,473</u>
LIABILITIES		
Current		
Accounts payable and accruals	124,946	513,590
SHAREHOLDERS' EQUITY		
Equity instruments (Note 7)	7,388,388	7,048,291
Share based payment reserve	315,614	313,294
Foreign currency translation reserve	(846,155)	(845,205)
Deficit	(6,974,435)	(7,011,497)
Total equity	<u>(116,588)</u>	<u>(495,117)</u>
Total liabilities and equity	<u>8,358</u>	<u>18,473</u>
Contingency (Note 11)		

Signed "Keith Erickson"
Keith Erickson, Director

Signed "John Zang"
John Zang, Director

MORRO BAY RESOURCES LTD.
(an exploration stage company)
Condensed Consolidated Statements of Operations
(Unaudited, prepared by management - stated in Canadian dollars)

	For the three months ended June 30, 2017 \$	For the three months ended June 30, 2016 \$	For the nine months ended June 30, 2017 \$	For the nine months ended June 30, 2016 \$
EXPENSES				
General and administrative (Note 10(b))	19,026	97,838	35,618	407,834
Depreciation	-	4,369	-	13,995
Impairment of exploration and evaluation expenditures	-	4,341,022	-	4,341,022
Stock-based compensation (Note 7)	-	(27,600)	2,320	10,163
	19,026	4,415,629	37,938	4,773,014
OTHER INCOME				
Forgiveness of debt	75,000	55,000	75,000	55,000
Interest income	-	-	-	583
	75,000	55,000	75,000	55,583
NET INCOME (LOSS) FOR THE PERIOD	55,974	(4,360,629)	37,062	(4,717,431)
DEFICIT, BEGINNING OF PERIOD	(7,030,409)	(2,539,214)	(7,011,497)	(2,182,412)
DEFICIT, END OF PERIOD	(6,974,435)	(6,899,843)	(6,974,435)	(6,899,843)
LOSS PER SHARE (Note 7)				
Basic and diluted	0.006	(0.048)	0.004	(0.004)

MORRO BAY RESOURCES LTD.**(an exploration stage company)****Condensed Consolidated Statements of Comprehensive Loss****(Unaudited, prepared by management - stated in Canadian dollars)**

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the nine months ended June 30, 2017	For the nine months ended June 30, 2016
	\$	\$	\$	\$
NET LOSS FOR THE PERIOD	55,974	(4,360,629)	37,062	(4,717,431)
Other comprehensive loss				
Foreign currency translation adjustment	(318)	(290,608)	(950)	(530,124)
COMPREHENSIVE LOSS FOR THE PERIOD	55,656	(4,651,237)	36,112	(5,247,555)

MORRO BAY RESOURCES LTD.
(an exploration stage company)
Condensed Consolidated Statements of Changes in Equity
(Unaudited, prepared by management - stated in Canadian dollars)

	Equity instruments \$	Share based payment reserve \$	Foreign currency translation reserve	Deficit \$	Total shareholders' equity \$
Balance at September 30, 2015	7,048,291	301,241	(187,412)	(2,182,412)	4,979,709
Total comprehensive loss for the period					
Net loss for the period	-	-	-	(4,717,431)	(4,717,431)
Foreign currency translation adjustment	-	-	(530,124)	-	(530,124)
Transactions recorded directly in equity					
Stock-based compensation	-	10,163	-	-	10,163
Balance at June 30, 2016	7,048,291	311,404	(717,536)	(6,899,843)	(257,683)
Total comprehensive loss for the period					
Net loss for the period	-	-	-	(111,654)	(111,654)
Foreign currency translation adjustment	-	-	(127,669)	-	(127,669)
Transactions recorded directly in equity					
Stock-based compensation	-	1,890	-	-	1,890
Balance at September 30, 2016	7,048,291	313,294	(845,205)	(7,011,497)	(495,116)
Total comprehensive loss for the period					
Net loss for the period	-	-	-	37,062	37,062
Foreign currency translation adjustment	-	-	(950)	-	(950)
Transactions recorded directly in equity					
Issuance of common shares for settlement of debt	340,097	-	-	-	340,097
Stock-based compensation	-	2,320	-	-	2,320
Balance at June 30, 2017	7,388,388	315,614	(846,155)	(6,974,435)	(116,588)

MORRO BAY RESOURCES LTD.
(an exploration stage company)
Condensed Consolidated Statements of Cash Flow
(Unaudited, prepared by management - stated in Canadian dollars)

	For the three months ended June 30, 2017 \$	For the three months ended June 30, 2016 \$	For the nine months ended June 30, 2017 \$	For the nine months ended June 30, 2016 \$
CASH FLOW RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Net loss for the period	55,974	(4,360,629)	37,062	(4,717,431)
Adjustment for:				
Depreciation	-	4,369	-	13,995
Impairment of exploration and evaluation expenditures	-	4,341,022	-	4,341,022
Forgiveness of debt	(75,000)	(55,000)	(75,000)	(55,000)
Stock-based compensation	-	(27,600)	2,320	10,163
	(19,026)	(97,838)	(35,618)	(407,251)
Changes in non-cash working capital:				
Accounts receivable and accruals	6,144	(4,382)	7,902	57,507
Prepaid expenses	(5,876)	31,105	(1,995)	117,730
Accounts payable and accruals	17,909	88,512	25,485	325,532
	(849)	17,397	(4,226)	93,518
INVESTING				
Exploration and evaluation expenditures	-	(15,771)	-	(84,322)
	-	(15,771)	-	(84,322)
Foreign exchange gain (loss) on cash held in foreign currency	(57)	(342)	8	(604)
INCREASE IN CASH AND CASH EQUIVALENTS	(906)	1,284	(4,218)	8,592
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,690	7,848	5,002	540
CASH AND CASH EQUIVALENTS, END OF PERIOD	784	9,132	784	9,132

MORRO BAY RESOURCES LTD.
Notes to the Condensed Consolidated Financial Statements
For period ended June 30, 2017
(Unaudited, prepared by management - stated in Canadian dollars)

1. GENERAL INFORMATION

Morro Bay Resources Ltd. ("the Company") was incorporated under the *Business Corporations Act* (Alberta) on August 21, 2012. The common shares of the Company trade on the TSX Venture Exchange (symbol MRB). On January 6, 2014, the Company completed its qualifying transaction (Note 6). The Company was previously focused on gold-silver exploration with mineral interests in Peñoles, Mexico. On June 21, 2016, the Company's interest in the Peñoles exploration project was terminated. The Company currently has no material business operations. The Company has entered into agreements to acquire the securities of Experion Biotechnologies Inc.

The address of the registered office of the Company is 2248 - 9th Avenue SE, Calgary, Alberta, T2G 5P7.

Going concern

The accompanying consolidated financial statements have been prepared assuming a continuation of the Company as a going concern. Based upon current and expected future spending, the Company will require additional funding to support ongoing operations and meet the Company's liabilities and commitments as they become payable. The Company will need additional capital to meet these commitments. Access to capital is subject to market conditions and other external factors which cannot be predicted at this time. These factors cause significant doubt on the Company's ability to meet its obligations as they come due and as such are threat to the Company's ability to continue as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Management believes that the Company will be able to renegotiate the terms of its existing agreements and raise sufficient capital to maintain its operations and activities for the next fiscal year.

The consolidated financial statements were authorized for issue by the Board of Directors on August 24, 2017.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Standards Board and the International Financial Reporting Interpretations Committee.

These unaudited interim condensed financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, International Accounting Standards 34 "Interim Financial Reporting". Accordingly, certain information normally in annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. The consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Basis of measurement

These consolidated financial statements are stated in Canadian dollars, which is the parent Company's functional currency, and were prepared on a going concern basis. The consolidated financial statements have, in management's opinion, been prepared within the framework of the significant accounting policies summarized below.

MORRO BAY RESOURCES LTD.
Notes to the Condensed Consolidated Financial Statements
For period ended June 30, 2017
(Unaudited, prepared by management - stated in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended September 30, 2016, prepared in accordance with IFRS applicable to these annual financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Stock based compensation

Compensation expense associated with stock options granted is based on various assumptions, using the Black-Scholes option-pricing model, to produce an estimate of compensation. This estimate may vary due to changes in the variables used in the model including interest rates, expected life, expected volatility, expected dividends, expected forfeitures and share prices. The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options which were fully transferable with no vesting restrictions. This option pricing model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Value added taxes

Provisions for value added taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the value added tax recorded in the period in which such determination is made.

Recoverable amounts of long lived assets

At each reporting period, management assesses whether there are indicators of impairment of the Company's long-lived assets. If an indication of impairment exists, long lived assets are tested for impairment. In order to determine if impairment exists and to measure the potential impairment charge, the carrying amounts of the Company's cash-generating units ("CGU") are compared to their recoverable amounts, which is the greater of fair value less cost of disposal and value in use ("VIU"). An impairment charge is recognized to the extent the carrying amount exceeds the recoverable amount. VIU is calculated as the present value of the expected future cash flows specific to each CGU. In calculating VIU, significant judgment is required in making assumptions with respect to discount rates, the market outlook and future net cash flows associated with the CGU. Any changes in these assumptions will have an impact on the measurement of the recoverable amount and could result in adjustments to impairment charges already recorded.

MORRO BAY RESOURCES LTD.
Notes to the Condensed Consolidated Financial Statements
For period ended June 30, 2017
(Unaudited, prepared by management - stated in Canadian dollars)

5. SEGMENT DISCLOSURES

Operating segments for consolidated financial statement purposes are reported on a geographic basis which is consistent with how operating segments are managed and how information is presented for internal reporting to the chief executive officer, who is responsible for the overall evaluation of segment performance and the allocation of resources. The costs for the non-current assets are related to the Peñoles project and the costs are presented where incurred. The Company operates in two geographic segments which are Canada and Mexico. The amounts relating to each segment are as follows:

For the Period Ended June 30, 2017

	Canada	Mexico	TOTAL
	\$	\$	\$
Current assets	8,160	198	8,358
Segment loss	38,305	(1,243)	37,062

Year Ended September 30, 2016

	Canada	Mexico	TOTAL
	\$	\$	\$
Current assets	17,159	1,314	18,473
Segment loss	(289,393)	(4,539,692)	(4,829,085)

6. EXPLORATION AND EVALUATION EXPENDITURES

Peñoles project

On June 21, 2016, the Company's interest in the Peñoles exploration project was terminated and was returned to Riverside Resources Inc. ("Riverside"). Riverside also transferred to associates of the Company 20,108,108 common shares of the Company owned by Riverside. The Company elected to have the shares conveyed by Riverside to three arm's length parties for no immediate consideration, but subject to certain terms and conditions. As such the Company has recorded a reduction of impairment for the market value of common shares, which is \$201,081. It also recorded a share based payment of \$201,081 related to the disposal of the shares. The Company has also returned the 0.75% net smelter returns royalty in the Peñoles Project (the "Royalty") in exchange for forgiveness of debt to Riverside in the amount of \$139,578.

As a result of the termination and return of the Peñoles exploration project to Riverside, the Company has recorded a \$4,230,021 impairment charge on its exploration and evaluation expenditures.

MORRO BAY RESOURCES LTD.
Notes to the Condensed Consolidated Financial Statements
For period ended June 30, 2017
(Unaudited, prepared by management - stated in Canadian dollars)

7. EQUITY INSTRUMENTS

Authorized

Unlimited number of common voting shares
Unlimited number of preferred shares, without nominal or par value

Issued

	Shares	Amount \$
Common shares		
Balance at September 30, 2015	91,800,885	6,755,668
Expiry of warrants	-	33,554
Balance at September 30, 2016	91,800,885	6,789,222
Expiry of warrants (pre-stock consolidation)	-	73,732
Stock consolidation 10:1	(82,620,789)	-
	9,180,096	6,862,954
Issuance of common shares to settle debt	3,023,082	340,097
Expiry of warrants (post-stock consolidation)	-	132,713
Balance at June 30, 2017	12,203,178	7,335,764
Agents' options and warrants		
Balance at September 30, 2015	14,297,652	292,623
Expiry of warrants	(633,000)	(33,554)
Balance at September 30, 2016	13,664,652	259,069
Expiry of warrants (pre-stock consolidation)	(3,889,000)	(73,732)
Stock consolidation 10:1	(8,798,087)	-
	977,565	185,337
Expiry of warrants (post-stock consolidation)	(700,000)	(132,713)
No transactions	-	-
Balance at June 30, 2017	277,565	52,624
Total equity instruments, June 30, 2017		7,388,388
Total equity instruments, September 30, 2016		7,048,291

Stock consolidation

On May 9, 2017, the Company performed a 10 to 1 stock consolidation.

Debt settlement

On June 28, 2017, the Company issued 3,023,082 common shares of the Company to settle \$340,087 of accounts payable and promissory note debt. Of these amounts, 1,591,590 was issued to officers and directors of the Company to settle amounts owing to them. In conjunction with the debt settlement, officers of the Company forgave \$75,000 of the amounts owing to them.

MORRO BAY RESOURCES LTD.**Notes to the Condensed Consolidated Financial Statements**

For period ended June 30, 2017

(Unaudited, prepared by management - stated in Canadian dollars)

7. EQUITY INSTRUMENTS (Continued)*Stock options*

The Company has established a stock option plan for its directors, officers, employees, consultants and other personnel. The total number of common shares issuable under the Plan may not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the plan to employees have a term of five years and vest 1/3 on the first anniversary from the date of grant and 1/3 each of the two anniversaries thereafter. The exercise price of each option equals or exceeds the market price of the Company's common shares on the date of grant. The terms on grants to consultants can vary.

An amount of \$2,320 was recorded during the period ended June 30, 2017 (June 30, 2016 – \$10,163) for amortization of the value of the options granted. The fair value of the options were estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield of \$nil, expected volatility of 100% - 113%, risk-free interest rate of 2.0%, forfeiture rate of 0% and weighted average life of 5 years.

The Company has granted stock options to various officers, directors, and employees of the Company as follows:

	Number of shares	Option price per share	Weighted average exercise price	Weighted average grant date fair value
		\$	\$	\$
Options outstanding, September 30, 2015	555,000	0.920	0.920	
Forfeited	(325,000)	1.000	1.000	
Options outstanding, September 30, 2016	230,000	1.070	1.070	
No transactions	-	-	-	
Options outstanding, June 30, 2017	230,000	1.070	1.070	

MORRO BAY RESOURCES LTD.
Notes to the Condensed Consolidated Financial Statements

For period ended June 30, 2017

(Unaudited, prepared by management - stated in Canadian dollars)

7. EQUITY INSTRUMENTS (Continued)

The following table summarizes information about the stock options outstanding as at June 30, 2017:

Options outstanding	Option price	Weighted average exercise price	Weighted average remaining contractual life	Number of options exercisable	Weighted average exercise price of options exercisable
	\$	\$			\$
50,000	1.00	1.00	0.72 years	50,000	1.00
90,000	1.00	1.00	1.56 years	90,000	1.00
60,000	1.50	1.50	2.73 years	60,000	1.50
30,000	0.50	0.50	1 years	30,000	0.50
230,000		1.07	1.61 years	230,000	1.07

The Company has granted agents' options as follows:

	Number of shares	Option price per share	Weighted average exercise price	Weighted average grant date fair value
		\$	\$	\$
Agent's options and warrants outstanding, outstanding September 30, 2015	1,429,765	0.50	0.50	
Expiry of warrants	(63,300)	1.00	1.00	-
Agent's options and warrants, outstanding September 30, 2016	1,366,465	0.50	0.50	
Expiry of warrants	(1,088,900)	0.50	0.50	-
Agent's options and warrants, outstanding June 30, 2017	277,565	0.50	0.50	-

MORRO BAY RESOURCES LTD.
Notes to the Condensed Consolidated Financial Statements
For period ended June 30, 2017
(Unaudited, prepared by management - stated in Canadian dollars)

7. EQUITY INSTRUMENTS (Continued)

The following table summarizes information about the agents' options outstanding at June 30, 2017:

Options outstanding	Option price (1)	Weighted average exercise price	Weighted average remaining contractual life	Number of options exercisable	Weighted average exercise price of options exercisable
	\$	\$			\$
277,565	1.00	1.00	0.10 years	277,565	1.00

- 1) The exercise price of 277,565 of the \$0.50 options have increased to \$1.00 per share after 12 months of issuance. The agents' options if unexercised will expire on dates ranging from July 30, 2017 to August 28, 2017. Subsequent to the period ended June 30, 2017, the remainder of these options have expired unexercised.

The weighted average number of shares used in calculating net loss per share is as follows.

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the nine months ended June 30, 2017	For the nine months ended June 30, 2016
Weighted average common shares outstanding				
- basic and diluted	9,246,530	9,180,089	9,202,236	9,180,089

As the Company is in a loss position, basic weighted average common shares outstanding equals diluted weighted average common shares outstanding. Diluted loss per share has not been disclosed as the effect would be anti-dilutive and as such, 230,000 options and 277,565 agents' options and warrants have been excluded from the diluted weighted average common shares.

8. CAPITAL MANAGEMENT

The Company's capital consists of shareholders' equity. The Company's objective for managing capital is to maintain sufficient capital to continue operations of the Company.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

MORRO BAY RESOURCES LTD.
Notes to the Condensed Consolidated Financial Statements
For period ended June 30, 2017
(Unaudited, prepared by management - stated in Canadian dollars)

8. CAPITAL MANAGEMENT (Continued)

The Company's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and
- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at the period end. The Company will require additional capital to meet these obligations as they come due (Note 1).

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The fair values of financial assets and financial liabilities approximate carrying value due to the short-term nature of these instruments.

Liquidity risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth;
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. As variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain other forms of financing. Management has assessed this risk as minimal.

The Company currently maintains ownership to no material business assets. To become profitable, the Company will need to acquire business assets.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of consolidated financial position date.

The majority of the Company's cash is held at one financial institution and as such, has a concentration of credit risk on its cash.

Foreign currency risk

The Company is exposed to foreign currency risk in regards to its Mexican operations and United States denominated option payment. The Company has incorporated a Mexican subsidiary with a Mexican bank account to mitigate any foreign currency risk.

MORRO BAY RESOURCES LTD.**Notes to the Condensed Consolidated Financial Statements**

For period ended June 30, 2017

(Unaudited, prepared by management - stated in Canadian dollars)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)*Fair values versus carrying amounts*

The carrying values of financial assets and liabilities approximate their fair value due to the short-term nature of these items.

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

The three levels of the fair value hierarchy are as follows:

- Level 1 - 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.
- Level 3 - Inputs that are not based on observable market data.

	Financial Assets at Fair Value			June 30, 2017
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Cash and cash equivalents	784	-	-	784
Accounts receivable	1,698	-	-	1,698
	2,482	-	-	2,482

	Financial Assets at Fair Value			September 30, 2016
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Cash and cash equivalents	5,002	-	-	5,002
Accounts receivable (1)	9,590	-	-	9,590
	14,592	-	-	14,592

(1) The Company has a bad debt provision of \$82,726.

MORRO BAY RESOURCES LTD.

Notes to the Condensed Consolidated Financial Statements

For period ended June 30, 2017

(Unaudited, prepared by management - stated in Canadian dollars)

10. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Except as disclosed elsewhere in these consolidated financial statements, the Company had the following related party transactions:

- a) As at June 30, 2017, an amount of \$nil (September 30, 2016 - \$244,346) remains payable to directors and officers of the Company for unpaid wages and expenses. As at June 30, 2017, the Company owed to its officers, employees, and internal consultants wages and fees in the amount of \$nil.
- b) For the period ended June 30, 2017, the Company provided management services to companies with common officers and directors and received total consideration of \$15,200 (September 30, 2016 - \$38,000) which has been recorded as recovery of overhead.

11. CONTINGENCY

The Company is involved in a legal claim and action arising in the course of the Company's operations. Although the outcome of these claims cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on the Company's financial position, cash flows, or results of operations. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on the Company's comprehensive loss in the period in which the outcome is determined. As at June 30, 2017 the Company has not recognized an accrual for litigation or claims as Management believes the claims are without merit.

12. TRANSACTION

The Company made an offer (the "Offer") to acquire all of the issued and outstanding shares of Experion Biotechnologies Inc. a private company operating in the Canadian Medical Marijuana industry sector ("Experion"). The Offer was made on May 15, 2017 and has been accepted over 81% of the Experion shareholders. The Company has also, subsequent to June 30, 2017 made an offer to acquire the issued Experion convertible debentures. In order to meet the terms of the Offer, at closing the Morro Bay common shares are anticipated to be consolidated on the basis of approximately 3,603,457 current Morro Bay common shares for one (1) post-consolidation Morro Bay common share (the "Resulting Issuer Shares"). After this consolidation Morro Bay will have 3,386,520 common shares issued and outstanding.

Pursuant to the Offer, Morro Bay, assuming acceptance by all Experion shareholders, was to deliver 41,767,086 Resulting Issuer Shares or, in effect, 3.1325315 Morro Bay shares for each Experion share. Holders of a total of 10,833,333 Experion shares (81% of the outstanding Experion shares) have accepted the Offer. As a result, upon closing of the acquisition arising from the Offer 33,935,757 Resulting Issuer Shares will be issued in exchange for 10,833,333 Experion shares. Upon closing of the Offer, the Offer will result in a reverse take-over of Morro Bay by Experion. The Offer is subject to the acceptance of the TSX Venture Exchange (the "Exchange") to list the shares of the resulting entity on the Exchange. Additional conditions must be met in order for the Offer to be completed. Upon closing of the Offer, the Company will cease to be a Mining Issuer and the Resulting Issuer will operate as a life sciences issuer continuing the business of Experion.

MORRO BAY RESOURCES LTD.

Notes to the Condensed Consolidated Financial Statements

For period ended June 30, 2017

(Unaudited, prepared by management - stated in Canadian dollars)

12. TRANSACTION (Continued)

In conjunction with the closing on the Offer, the Company intends to complete a private placement financing by way of brokered private placement and non-brokered private placement for aggregate proceeds between \$500,000 and \$3,000,000 (the "Financing"). Pursuant to the Financing, Morro Bay intends to issue up to a minimum of 833,333 Units and a maximum of 5,000,000 Units at a price of \$0.60 per Unit. The minimum investment by a subscriber to the Financing is \$3,000 (5,000 Units). Closing of the Financing will occur at the same time as the completion of the Reverse Take-over Transaction. As announced on June 7 and June 8, 2017 each Unit will consist of one Resulting Issuer Share and one-half of one Resulting Issuer Share purchase warrant (each whole common share purchase warrant hereinafter referred to as the "Financing Warrant"), with each Financing Warrant being exercisable to acquire one common share of the Company at a price of \$0.80 for a period of nine (9) months following the closing date. The Warrants will not be listed for trading.

13. SUBSEQUENT EVENTS

Experion has proceeded to enter into agreements to issue and sell \$1,056,000 aggregate principal amount of eight percent (8%) unsecured convertible debentures (the "Debentures"). Each Debenture is due and payable on or before July 31, 2019. The issuance date of the Debentures is August 1, 2017 (the "Issuance Date"). For each one-thousand dollars (\$1,000) owing on the Debentures, the Debentures are convertible into Experion Units (described below), at the option of the holder, at any time after the earlier of a change of control of Experion and September 30, 2017, and prior to eighteen (18) months from the Issuance Date. The Debentures may be converted at the option of Experion. The Experion Units consist of 533.333 Experion Shares and 533.333 Experion Share purchase warrants (the "Experion Units"). As a result, upon conversion of the Debentures a total of 1,056 Experion Units may be issued which Experion Units will result in the issuance of 563,200 Experion Shares and 563,200 Experion Share purchase warrants. The Experion Share purchase warrant (the "Experion Warrant") entitles the holders thereof to acquire one (1) Experion Common Share at a price of \$2.50 for a period expiring ten (10) months from the Issuance Date.

The Debentures were issued to the subscribers based upon agreements by them to sell the Debentures to the Company in exchange for the delivery by the Company of units consisting of one Resulting Issuer Share and one Resulting Issuer Share purchase warrant (the "Debenture Acquisition Warrants") for each \$0.60 owing pursuant to the Debentures (including principal and interest owing as of August 31, 2017). The Debenture Acquisition Warrants are exercisable to acquire one Resulting Issuer Share at a price of \$0.80 for a period of nine (9) months following the closing of the Reverse Take-over Transaction and the Financing (as described below). Formal Debenture sale agreements are anticipated to be obtained from the Experion debentureholders.

MORRO BAY



Consolidated Financial Statements of
MORRO BAY RESOURCES LTD.

As at and for the years ended September 30, 2016 and 2015



Tel: 403 266 5608
Fax: 403 233 7833
Toll-free: 888 444 4840
www.bdo.ca

BDO Canada LLP
620, 903 - 8 Avenue SW
Calgary, Alberta
T2P 0P7

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Morro Bay Resources Ltd.:

We have audited the accompanying consolidated financial statements of Morro Bay Resources Ltd., which comprise the consolidated statement of financial position as at September 30, 2016 and 2015, and the consolidated statement of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 we have obtained in our audit 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 consolidated financial position of Morro Bay Resources Ltd. as at September 30, 2016 and 2015, and its financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that Morro Bay Resources Ltd. incurred a net loss of \$4,829,085 during the year ended September 30, 2016. As the Company continues to incur losses coupled with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Morro Bay Resources Ltd.'s ability to continue as a going concern.

BDO Canada LLP

Chartered Professional Accountants
January 27, 2017
Calgary, Alberta

MORRO BAY RESOURCES LTD.
(an exploration stage company)
Consolidated Statements of Financial Position
(stated in Canadian dollars)

As at	September 30, 2016 \$	September 30, 2015 \$
ASSETS		
Current		
Cash and cash equivalents	5,002	540
Accounts receivable	9,590	165,052
Prepays	3,881	123,417
	<u>18,473</u>	<u>289,009</u>
Exploration and evaluation expenditures (Note 6)	-	4,917,085
Total assets	<u>18,473</u>	<u>5,206,094</u>
LIABILITIES		
Current		
Accounts payable and accruals	<u>513,590</u>	<u>226,385</u>
Commitments (Note 6)		
SHAREHOLDERS' EQUITY		
Equity instruments (Note 8)	7,048,291	7,048,291
Share based payment reserve	313,294	301,242
Foreign currency translation reserve	(845,205)	(187,412)
Deficit	(7,011,497)	(2,182,412)
Total equity	<u>(495,117)</u>	<u>4,979,709</u>
Total liabilities and equity	<u>18,473</u>	<u>5,206,094</u>
Contingency (Note 12)		
Subsequent event (Note 13)		

Signed "Keith Erickson"
Keith Erickson, Director

Signed "John Zang"
John Zang, Director

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

MORRO BAY RESOURCES LTD.
(an exploration stage company)
Consolidated Statements of Operations
(stated in Canadian dollars)

	For the year ended September 30, 2016 \$	For the year ended September 30, 2015 \$
EXPENSES		
General and administrative	425,098	811,987
Depreciation	18,268	20,193
Impairment of exploration and exploration expenditures (Note 6)	4,230,021	-
Share based payment (Note 6)	201,081	-
Stock-based compensation (Note 8)	12,052	156,307
Bad debt (Note 11)	82,726	-
	<u>4,969,246</u>	<u>988,487</u>
OTHER INCOME		
Forgiveness of debt (Note 6)	139,578	-
Interest income	583	1,740
	<u>140,161</u>	<u>1,740</u>
NET LOSS FOR THE YEAR	(4,829,085)	(986,747)
DEFICIT, BEGINNING OF YEAR	(2,182,412)	(1,195,665)
DEFICIT, END OF YEAR	<u>(7,011,497)</u>	<u>(2,182,412)</u>
LOSS PER SHARE (Note 8)		
Basic and diluted	<u>(0.053)</u>	<u>(0.013)</u>

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

MORRO BAY RESOURCES LTD.
(an exploration stage company)
Consolidated Statements of Comprehensive Loss
(stated in Canadian dollars)

	For the year ended September 30, 2016 \$	For the year ended September 30, 2015 \$
NET LOSS FOR THE YEAR	(4,829,085)	(986,747)
Other comprehensive loss		
Foreign currency translation adjustment	(657,793)	(162,154)
COMPREHENSIVE LOSS FOR THE YEAR	(5,486,878)	(1,148,901)

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

MORRO BAY RESOURCES LTD.
(an exploration stage company)
Consolidated Statements of Changes in Equity
(stated in Canadian dollars)

	Equity instruments \$	Share based payment reserve \$	Foreign currency translation reserve	Deficit \$	Total shareholders' equity \$
Balance at September 30, 2014	5,427,086	144,935	(25,258)	(1,195,665)	4,351,098
Total comprehensive loss for the year					
Net loss for the year	-	-	-	(986,747)	(986,747)
Foreign currency translation adjustment	-	-	(162,154)	-	(162,154)
Transactions with owners, recorded directly in equity					
Issuance of common shares, net of share issuance costs	1,362,151	-	-	-	1,362,151
Issuance of warrants	259,054				259,054
Stock-based compensation	-	156,307	-	-	156,307
Balance at September 30, 2015	7,048,291	301,242	(187,412)	(2,182,412)	4,979,709
Total comprehensive loss for the year					
Net loss for the year	-	-	-	(4,829,085)	(4,829,085)
Foreign currency translation adjustment	-	-	(657,793)	-	(657,793)
Transactions with owners, recorded directly in equity					
Stock-based compensation	-	12,052	-	-	12,052
Balance at September 30, 2016	7,048,291	313,294	(845,205)	(7,011,497)	(495,117)

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

MORRO BAY RESOURCES LTD.
(an exploration stage company)
Consolidated Statements of Cash Flow
(stated in Canadian dollars)

	For the year ended September 30, 2016 \$	For the year ended September 30, 2015 \$
CASH FLOW RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss for the year	(4,829,085)	(986,747)
Adjustment for:		
Depreciation	18,268	20,193
Impairment of exploration and exploration expenditures	4,230,021	-
Share based payment	201,081	-
Forgiveness of debt	(139,578)	-
Stock-based compensation	12,052	156,307
Provision for bad debt	82,726	-
	(424,515)	(810,247)
Changes in non-cash working capital:		
Accounts receivable and accruals	(29,067)	(11,357)
Prepaid expenses	119,536	52,333
Accounts payable and accruals	425,816	227,494
	91,770	(541,777)
INVESTING		
Exploration and evaluation expenditures	(87,178)	(445,158)
	(87,178)	(445,158)
FINANCING		
Issuance of equity instruments	-	475,903
Share issuance costs	-	(21,698)
	-	454,205
Foreign exchange loss on cash held in foreign currency	(130)	(478)
INCREASE IN CASH AND CASH EQUIVALENTS	4,462	(533,208)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	540	533,748
CASH AND CASH EQUIVALENTS, END OF YEAR	5,002	540

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

MORRO BAY RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015
(stated in Canadian dollars)

1. GENERAL INFORMATION

Morro Bay Resources Ltd. ("the Company") was incorporated under the *Business Corporations Act* (Alberta) on August 21, 2012. The common shares of the Company trade on the TSX Venture Exchange (symbol MRB). On January 6, 2014, the Company completed its qualifying transaction (Note 6). The Company was focused on gold-silver exploration with mineral interests in Peñoles, Mexico. On June 21, 2016, the Company's interest in the Peñoles exploration project was terminated.

The address of the registered office of the Company is 2248 - 9th Avenue SE, Calgary, Alberta, T2G 5P7.

Going concern

The accompanying consolidated financial statements have been prepared assuming a continuation of the Company as a going concern. Based upon current and expected future spending, the Company will require additional funding to support ongoing operations and meet the Company's liabilities and commitments as they become payable. The Company will need additional capital to meet these commitments. Access to capital is subject to market conditions and other external factors which cannot be predicted at this time. These factors cause significant doubt on the Company's ability to meet its obligations as they come due and as such are threat to the Company's ability to continue as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Management believes that the Company will be able to renegotiate the terms of its existing agreements and raise sufficient capital to maintain its operations and activities for the next fiscal year.

The consolidated financial statements were authorized for issue by the Board of Directors on January 27, 2017.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Basis of measurement

These consolidated financial statements are stated in Canadian dollars, which is the parent Company's functional currency, and were prepared on a going concern basis.

The consolidated financial statements have, in management's opinion, been prepared within the framework of the significant accounting policies summarized below.

MORRO BAY RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015
(stated in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, MB Resources SA de CV ("MB Resources"). All inter-company accounts and transactions have been eliminated.

Foreign Currency Translation

Functional Currency

The Company and its subsidiary determine the currency that is the most influential currency of the primary economic environment in which the entity operates ("Functional Currency"), and items included in the consolidated financial statements of the entity are measured using that Functional Currency. The Functional Currency of the Company is the Canadian Dollar. The Functional Currency for MB Resources is the Mexican Peso.

Transactions and Balances

Foreign currency transactions are initially translated to the Functional Currency using the foreign currency rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated to the Functional Currency at the foreign currency rate of exchange prevailing at the period end date. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end of monetary assets and liabilities not denominated in the Functional Currency are recognized in the consolidated statement of operations. Non-monetary items that originate in a currency other than the Functional Currency are translated at the foreign currency rate of exchange prevailing on the date of the initial transaction.

Translation of Foreign Operations

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operation is translated from its Functional Currency to Canadian dollars using the foreign currency rate of exchange prevailing at the period end date, and the results of operations are translated at the prevailing average monthly exchange rates. The resulting exchange differences are recognized initially in other comprehensive income and accumulated in the foreign currency translation reserve, a separate component of equity. On disposal or partial disposal of an entity with a Functional Currency other than Canadian dollars, any accumulated exchange differences in the foreign currency translation reserve are reclassified to the consolidated statement of operations. Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, form part of the net investment in the foreign operation and are recognized initially in other comprehensive income and reclassified from equity to net income on repayment of the monetary item.

Cash and cash equivalents

Cash and cash equivalents consist of short-term investments and funds on deposit having a maturity of three months or less with a Canadian Chartered bank.

MORRO BAY RESOURCES LTD.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2016 and September 30, 2015
(stated in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets are recognized initially at fair value plus, for instruments not measured at fair value through profit or loss, any directly attributable transaction costs. Financial asset classifications are fair value through profit or loss ("FVTPL"), available-for-sale, held-to-maturity or loans and receivables. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

The Company has classified all financial assets with the exception of accounts receivable, as FVTPL using Level 1 fair value hierarchy assessments. Financial assets at FVTPL include financial assets held for trading, derivatives of financial assets or are designated as FVTPL. Transaction costs directly attributable to the acquisition of a financial asset of FVTPL are expensed in the consolidated statement of operations.

Financial assets at FVTPL are subsequently measured at fair value, with any resultant gain or loss recognized in the statement of comprehensive loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Assets in this category include cash and cash equivalents.

Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. Financial liabilities are classified as either FVTPL or other financial liabilities.

Exploration and evaluation ("E&E") expenditures

E&E activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Pre-exploration costs are expensed as incurred. The Company records E&E assets once it has the right to explore for mineral deposits, at cost. The Company also records, at cost, deferred exploration costs incurred as E&E assets once it has obtained the right to explore. These costs consist of costs directly attributable to the exploration of these interests. All direct and indirect costs relating to the acquisition and exploration of these E&E asset interests are capitalized on the basis of specific claim blocks until the E&E asset interests to which they relate are placed into production, disposed of through sale, or where management has determined there to be an impairment. If an E&E asset interest is abandoned, the capitalized costs will be written off to operations in the period of abandonment.

On an on-going basis, the capitalized costs are reviewed on a property-by-property basis to consider if there is any impairment on the subject property. Management's determination for impairment is based on: 1) whether the Company's exploration programs have significantly changed, such that previously identified resource targets are no longer being pursued; 2) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future; or 3) whether remaining lease terms are insufficient to conduct necessary studies or exploration work.

MORRO BAY RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015

(stated in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The carrying amount of E&E assets will not reflect the recoverable value, as this will be dependent on future development programs, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

From time-to-time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. Mineral option interests are dropped when exploration results suggest that additional exploration is not warranted. As such options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as capitalized costs or recoveries when the payments are made or received.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Substantially all of the Company's equipment is used for its E&E activities.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of loss and comprehensive loss during the period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated on a straight-line basis to recognize the cost of assets over their estimated useful lives. The depreciation rate applicable to the drilling equipment is 10 years.

Impairment of long-lived assets

The carrying amount of the Company's assets is evaluated at each reporting date by management for indicators that carrying amount is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. In assessing value in use, the Company uses discounted cash flow techniques. The determination of discounted cash flows is dependent on a number of factors including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social, legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects.

MORRO BAY RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015

(stated in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Income taxes

Tax expense comprises current and deferred tax. Tax is recognized in the income statement except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Share based compensation plan

The Company operates an equity-settled compensation plan under which it receives services from employees, directors, officers, and consultants as consideration for equity instruments of the Company.

MORRO BAY RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015
(stated in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For equity-settled plans, expense is based on the fair value of the awards granted. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Company re-assesses the estimated number of awards that are expected to vest and recognizes the impact of the revisions in the statement of comprehensive income.

Recent accounting pronouncements

The International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committees ("IFRIC") have issued a number of new or revised standards or interpretations that will become effective for future periods and have a potential implication for the Company.

IFRS 9 - Financial Instruments

This standard was published in November 2009, as the first step in the project to replace IAS 39 - Financial Instruments: Recognition and Measurement. This standard introduces new requirements for classifying and measuring financial assets, and is effective for all financial assets in the scope of IAS 39.

Under the standard, on initial recognition, all financial assets will be measured at fair value. In subsequent periods, a debt instrument that meets the following two conditions is measured at amortized cost:

- The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Subsequent measuring of all other debt instruments and financial assets will be at fair value.

The standard is effective commencing from January 1, 2018. Early adoption is permitted. Initial adoption is retrospective, with restatement of comparative information subject to the exemptions in the standard. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied retrospectively and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently evaluating the impact of IFRS 15 on its financial statements.

MORRO BAY RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015

(stated in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16, which supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 contains a single lessee accounting model, which eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease, other than short term leases and leases of low value items for which a lessee has the option not to apply the measurement and presentation requirements of IFRS 16, will be recorded in the statement of financial position with a “right to use” asset and a corresponding liability. IFRS 16 has an effective date of January 1, 2019, with early application permitted only if IFRS 15 has also been adopted. The Company is currently evaluating the impact of IFRS 16 on its financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Stock based compensation

Compensation expense associated with stock options granted is based on various assumptions, using the Black-Scholes option-pricing model, to produce an estimate of compensation. This estimate may vary due to changes in the variables used in the model including interest rates, expected life, expected volatility, expected dividends, expected forfeitures and share prices. The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options which were fully transferable with no vesting restrictions. This option pricing model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company’s stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Value added taxes

Provisions for value added taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the value added tax recorded in the period in which such determination is made.

MORRO BAY RESOURCES LTD.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2016 and September 30, 2015
(stated in Canadian dollars)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(Continued)

Recoverable amounts of long lived assets

At each reporting period, management assesses whether there are indicators of impairment of the Company's long lived assets. If an indication of impairment exists, long lived assets are tested for impairment. In order to determine if impairment exists and to measure the potential impairment charge, the carrying amounts of the Company's cash-generating units ("CGU") are compared to their recoverable amounts, which is the greater of fair value less cost of disposal and value in use ("VIU"). An impairment charge is recognized to the extent the carrying amount exceeds the recoverable amount. VIU is calculated as the present value of the expected future cash flows specific to each CGU. In calculating VIU, significant judgment is required in making assumptions with respect to discount rates, the market outlook and future net cash flows associated with the CGU. Any changes in these assumptions will have an impact on the measurement of the recoverable amount and could result in adjustments to impairment charges already recorded.

Title

Although title reviews will be done according to industry standards to the purchase of properties, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of the Company in certain wells or lands which could result in a reduction of production and ultimately cash flows of the Company.

5. SEGMENT DISCLOSURES

Operating segments for consolidated financial statement purposes are reported on a geographic basis which is consistent with how operating segments are managed and how information is presented for internal reporting to the chief executive officer, who is responsible for the overall evaluation of segment performance and the allocation of resources. The costs for the non-current assets are related to the Peñoles project and the costs are presented where incurred. The Company operates in two geographic segments which are Canada and Mexico. The amounts relating to each segment are as follows:

Year Ended September 30, 2016

	Canada	Mexico	TOTAL
	\$	\$	\$
Current assets	17,159	1,314	18,473
Non-current assets	-	-	-
Segment loss	(289,393)	(4,539,692)	(4,829,085)

Year Ended September 30, 2015

	Canada	Mexico	TOTAL
	\$	\$	\$
Current assets	123,782	165,227	289,009
Non-current assets	219,858	4,697,227	4,917,085
Segment loss	(966,582)	(20,165)	(986,747)

MORRO BAY RESOURCES LTD.**Notes to the Consolidated Financial Statements**

For the years ended September 30, 2016 and September 30, 2015
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6. EXPLORATION AND EVALUATION EXPENDITURESPeñoles project

On June 21, 2016, the Company's interest in the Peñoles exploration project was terminated and was returned to Riverside Resources Inc. ("Riverside") as the Company was unable to incur Joint Venture Expenditures of \$750,000 as required under the Option Agreement. Riverside also transferred to associates of the Company 20,108,108 common shares of the Company owned by Riverside. The Company elected to have the shares conveyed by Riverside to three arm's length parties for no immediate consideration, but to certain terms and conditions. As such the Company has recorded a reduction of impairment for the market value of common shares, which is \$201,081. It also recorded a share based payment of \$201,081 related to the disposal of the shares. The Company has also returned the 0.75% net smelter returns royalty in the Peñoles Project (the "Royalty") in exchange for forgiveness of debt to Riverside in the amount of \$139,578.

	Exploration and evaluation assets
	\$
Cost	
As at September 30, 2014	3,683,570
Exercise of the Option	975,000
Exploration and evaluation expenses incurred	445,158
Effect of foreign exchange translation	(149,318)
As at September 30, 2015	4,954,410
Exploration and evaluation expenses incurred	171,756
Impairment of exploration and evaluation expenses	(4,486,695)
Effect of foreign exchange translation	(639,471)
As at September 30, 2016	-
Accumulated depreciation and impairment	
As at September 30, 2014	15,483
Accumulated depreciation	20,193
Effect of foreign exchange translation	1,649
As at September 30, 2015	37,325
Accumulated depreciation	18,268
Impairment of exploration and evaluation expenses	(55,593)
As at September 30, 2016	-
Net book value as at September 30, 2016	-
Net book value as at September 30, 2015	4,917,085

As a result of the termination and return of the Peñoles exploration project to Riverside, the Company has recorded a \$4,230,021 impairment charge on its exploration and evaluation expenditures.

MORRO BAY RESOURCES LTD.**Notes to the Consolidated Financial Statements**

For the years ended September 30, 2016 and September 30, 2015
(stated in Canadian dollars)

6. EXPLORATION AND EVALUATION EXPENDITURES (Continued)Historical information on Peñoles project

On January 22, 2014, the Company and Sierra Madre Developments Inc. ("Sierra Madre") closed an asset purchase agreement by which the Company acquired a drilling rig from Sierra Madre and an option under the option agreement dated February 14, 2012 (the "Option Agreement") between Sierra Madre and Riverside Resources Inc. ("Riverside") (collectively the "Assets"). This transaction has been accounted for as an asset acquisition. The Option Agreement included an option granted to Sierra Madre by Riverside wherein Sierra Madre could earn an initial 51% (and up to 65%) interest in the Peñoles project, which include concessions staked by Riverside located in the Peñoles Mining District in Durango, Mexico. The Company acquired all of the Assets in exchange for 16 million common shares of the Company at a deemed value of \$0.10 per common share and share purchase warrants entitling the holders thereof to acquire up to 8 million of the Company's common shares for the period expiring on January 22, 2015. The warrants were exercisable into common shares of the Company at \$0.15 per warrant prior to June 15, 2014 and \$0.25 per warrant after June 15, 2014. The warrants expired one year after issuance being January 22, 2015. Upon the completion of the acquisition of the Assets on January 22, 2014, the Company and Riverside entered into an Amended and Restated Option Agreement.

The Amended and Restated Option Agreement provided that in order for the Company to earn a 51% interest in the Peñoles project, the Company was required to spend \$750,000 of exploration expenditures and pay Riverside US\$1,250,000 and CDN\$100,000 cash and deliver to Riverside \$1,500,000 worth of common shares subject to certain conditions having been met (or cash at the Company's option) of the Company by June 30, 2014 (this deadline was initially extended to December 31, 2014). During the year ended September 30, 2014, the Company met the \$750,000 qualified exploration expenditures requirement.

	Purchase price allocation \$
Option agreement costs:	
Settled via shares	2,350,000
Settled via warrants	117,349
	<u>2,467,349</u>
Allocated to (1):	
Exploration and evaluation expenditures	2,260,910
Equipment	206,439
	<u>2,467,349</u>

- (1) The purchase price was allocated to the above assets based on the estimated fair value of the Equipment, with the remainder of the value allocated to the Exploration and evaluation expenditures.

MORRO BAY RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015

(stated in Canadian dollars)

6. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

The Company and Riverside further agreed to the Company proceeding with an additional \$500,000 exploration and development program at the Peñoles Project (the "Additional Work Program"). The Additional Work Program was concluded by October 31, 2014. The Company further agreed to deliver to Riverside one-half of the \$1,500,000 payment required to exercise the option (the "Advanced Payment"). The Advance Payment was paid to Riverside by delivery of 10,135,135 common shares of the Company at a deemed value of \$0.074 per share based on the volume weighted average price ("VWAP"). 70% of such shares of the Company delivered to Riverside were held in escrow until December 31, 2014. As a result of having made the Advance Payment, the consideration payable by the Company on exercise of the option was reduced by \$750,000 such that the Company's obligations on exercise of the option at October 31, 2014 were as follows:

- a) Pay to Riverside US\$1,250,000;
- b) Pay to Riverside \$100,000;
- c) Deliver to Riverside common shares of the Company having a value of \$750,000 or pay cash in lieu of all or a portion thereof; and
- d) Incur exploration expenditures totaling \$500,000 (which was concluded by October 31, 2014).

The Company fulfilled the expenditure requirement of \$500,000 for the Additional Work Program. The Company and Riverside extended the option exercise date for the Peñoles Project to be March 31, 2015. At the same time, the terms for the exercise of the option were further amended such that the cash payments of US\$1,250,000 and \$100,000 were removed but certain work commitments were added.

Acquisition of 51% Interest in the Peñoles Project

Pursuant to the Option Agreement between the Company and Riverside, on May 1, 2015 the Company exercised the Option Agreement such that the Company became an owner of 51% of the Peñoles Project.

As part of the exercise of the Option Agreement, the Company further agreed as follows:

- The Company shall incur Joint Venture Expenditures of \$750,000 for each of the first three years (any amounts expended over \$750,000 will be credited toward the following years expenditure requirements);
- Riverside shall have a credit of CAD\$100,000 and US\$1,250,000 against the first Joint Venture Expenditures incurred by the Joint Venture; and
- Should the Joint Venture fail to incur Joint Venture Expenditures of at least \$750,000 in each of the first three years of the Joint Venture, Riverside will have the right to acquire 100% of the Company's interest by returning to the Company 80% of the common shares issued by the Company to Riverside.

MORRO BAY RESOURCES LTD.
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7. INCOME TAXES

The effective rate of income tax varies from the statutory rate as follows:

	2016	2015
Tax rate	27.0%	25.0%
	\$	\$
Net loss for the year	(4,829,085)	(986,747)
Expected income tax recovery at statutory rates	(1,304,000)	(247,000)
Stock based compensation	3,000	39,000
Other	99,000	41,000
Net change in unrecognized deferred tax asset	1,202,000	167,000
Income tax expense recognized	-	-

The components of the Company's deferred income tax asset are a result of the origination and reversal of temporary differences and are comprised of the following:

	2016	2015
	\$	\$
Share issue costs	46,000	73,000
Exploration and evaluation expenditures	977,000	(95,000)
Unused tax losses carry forward	718,000	561,000
Unrecognized deferred tax asset	(1,741,000)	(539,000)
Deferred income tax asset	-	-

At September 30, 2016 and 2015, subject to assessment by income tax authorities, the Company has the following undeducted tax pools:

	2016	2015
	\$	\$
Undeducted share issuance costs	176,000	291,000
Resource pools	3,756,000	4,255,000
Non-capital losses carried forward for tax purposes with expiration dates between 2032 and 2034	2,763,000	2,246,000
	6,695,000	6,792,000

These pools are deductible from future income at rates prescribed by the Canadian Income Tax Act and Mexican Tax Authorities.

MORRO BAY RESOURCES LTD.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2016 and September 30, 2015
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8. EQUITY INSTRUMENTS

Authorized

Unlimited number of common voting shares
Unlimited number of preferred shares, without nominal or par value

Issued

	Shares	Amount \$
Common shares		
Balance at September 30, 2014	63,445,233	5,134,747
Issued to Riverside pursuant to exercise of the Option	15,000,000	975,000
Issued for cash pursuant to private placement	13,355,652	414,502
Expiry of warrants	-	258,770
Share issuance costs	-	(27,351)
Balance at September 30, 2015	91,800,885	6,755,668
Expiry of warrants	-	33,554
Balance at September 30, 2016	91,800,885	6,789,222
Agents' options and warrants		
Balance at September 30, 2014	11,300,847	292,339
Issued for cash pursuant to private placement	13,355,652	253,400
Issued agent warrants	309,000	5,654
Expiry of warrants	(10,667,847)	(258,770)
Balance at September 30, 2015	14,297,652	292,623
Expiry of warrants	(633,000)	(33,554)
Balance at September 30, 2016	13,664,652	259,069
Total equity instruments, September 30, 2016		7,048,291
Total equity instruments, September 30, 2015		7,048,291

Exercise of Peñoles Option

During the year ended September 30, 2015, the Company exercised the Option and as a result, issued to Riverside 15,000,000 common shares of the Company at \$0.065 per common share for consideration to Riverside of \$975,000.

MORRO BAY RESOURCES LTD.
Notes to the Consolidated Financial Statements
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8. EQUITY INSTRUMENTS (Continued)

Private placement

During the year ended September 30, 2015, the Company issued 13,355,652 Units at \$0.05 per Unit. Each Unit consists of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share of the Company at \$0.05 per share for the first 12 months after issuance and \$0.10 per share for the second 12 months. The common share purchase warrants will expire after 24 months after issue.

An amount of \$253,400 has been recorded for the value of the warrants. The fair value of the warrants were estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield of \$nil, expected volatility of 100% - 113%, risk free rate of 2%, forfeiture rate of 0%, and weighted average life of 2 years.

In conjunction with the 2015 private placement, the Company issued 309,000 Agent warrants to purchase 309,000 Common Shares. Each Agent Warrant is exercisable at a price of \$0.05 per Common Share one year after issuance and \$0.10 per share until year two. An amount of \$5,654 was recorded for the estimated fair value of the agents' warrants granted. The fair value of the agents' warrants were estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield of \$nil, expected volatility of 100%, risk-free interest rate of 2.0%, forfeiture rate of 0% and weighted average life of 2 years.

Stock options

The Company has established a stock option plan for its directors, officers, employees, consultants and other personnel. The total number of common shares issuable under the Plan may not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the plan to employees have a term of five years and vest 1/3 on the first anniversary from the date of grant and 1/3 each of the two anniversaries thereafter. The exercise price of each option equals or exceeds the market price of the Company's common shares on the date of grant. The terms on grants to consultants can vary.

An amount of \$12,052 was recorded during the year ended September 30, 2016 (2015 – \$156,307) for amortization of the value of the options granted. The fair value of the options were estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield of \$nil, expected volatility of 100% - 113%, risk-free interest rate of 2.0%, forfeiture rate of 0% and weighted average life of 5 years.

MORRO BAY RESOURCES LTD.
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8. EQUITY INSTRUMENTS (Continued)

The Company has granted stock options to various officers, directors, and employees of the Company as follows:

	Number of shares	Option price per share	Weighted average exercise price	Weighted average grant date fair value
		\$	\$	\$
Options outstanding, September 30, 2014	3,800,000	0.100	0.100	
Issued	1,450,000	0.050	0.050	0.031
Issued	600,000	0.150	0.150	0.066
Forfeited	(300,000)	0.100	0.100	
Options outstanding, September 30, 2015	5,550,000	0.092	0.092	
Forfeited	(3,250,000)	0.100	0.100	
Options outstanding, September 30, 2016	2,300,000	0.107	0.107	

The following table summarizes information about the stock options outstanding as at September 30, 2016:

Options outstanding	Option price	Weighted average exercise price	Weighted average remaining contractual life	Number of options exercisable	Weighted average exercise price of options exercisable
	\$	\$			\$
500,000	0.10	0.10	1.47 years	500,000	0.10
900,000	0.10	0.10	2.31 years	600,000	0.10
600,000	0.15	0.15	3.48 years	600,000	0.15
300,000	0.05	0.05	1.75 years	300,000	0.05
2,300,000		0.11	2.15 years	2,000,000	0.09

MORRO BAY RESOURCES LTD.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2016 and September 30, 2015
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8. EQUITY INSTRUMENTS (Continued)

The following table summarizes information about the stock options outstanding as at September 30, 2015:

Options outstanding	Option price	Weighted average exercise price	Weighted average remaining contractual life	Number of options exercisable	Weighted average exercise price of options exercisable
	\$	\$			\$
1,000,000	0.10	0.10	2.47 years	666,667	0.10
2,500,000	0.10	0.10	3.31 years	833,333	0.10
600,000	0.15	0.15	4.48 years	300,000	0.15
1,000,000	0.05	0.05	2.65 years	1,000,000	0.05
450,000	0.05	0.05	2.75 years	112,500	0.05
5,550,000		0.09	3.12 years	2,912,500	0.09

In conjunction with the private placement, the Company issued the Agent warrants ("Agent Warrants") to purchase 633,000 Common Shares. Each Agent Warrant was exercisable at a price of \$0.10 per Common Share until January 22, 2016. No warrants were exercised. An amount of \$33,554 was recorded for the estimated fair value of the Agents' Warrants granted. The fair value of the agents' warrants were estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield of \$nil, expected volatility of 100%, risk-free interest rate of 2.0%, forfeiture rate of 0% and weighted average life of 2 years.

MORRO BAY RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015
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8. EQUITY INSTRUMENTS (Continued)

The Company has granted agents' options as follows:

	Number of shares	Option price per share	Weighted average exercise price	Weighted average grant date fair value
		\$	\$	\$
Agent's options and warrants outstanding, outstanding September 30, 2014	11,300,847	0.14	0.135	
Expiry of warrants	(2,667,995)	0.10	0.10	
Expiry of warrants	(7,999,852)	0.15	0.15	
Issued, private placement	13,355,652	0.05	0.05	0.019
Issued, agent warrants	309,000	0.05	0.05	0.019
Agent's options and warrants, outstanding September 30, 2015	14,297,652	0.05	0.05	
Expiry of warrants	(633,000)	0.10	0.10	-
Agent's options and warrants, outstanding September 30, 2016	13,664,652	0.05	0.09	

The following table summarizes information about the agents' options outstanding at September 30, 2016:

Options outstanding	Option price (1)	Weighted average exercise price	Weighted average remaining contractual life	Number of options exercisable	Weighted average exercise price of options exercisable
	\$	\$			\$
10,889,000	0.10	0.10	0.92 years	10,889,000	0.10
2,775,652	0.05	0.05	1.09 years	2,775,652	0.05
13,664,652	0.05	0.09	0.96 years	13,664,652	0.09

- 1) The exercise price of 13,664,652 of the \$0.05 warrants will increase to \$0.10 per share after 12 months of issuance.

MORRO BAY RESOURCES LTD.
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(stated in Canadian dollars)

8. EQUITY INSTRUMENTS (Continued)

The following table summarizes information about the agents' options outstanding at September 30, 2015:

Options outstanding	Option price (1)	Weighted average exercise price	Weighted average remaining contractual life	Number of options exercisable	Weighted average exercise price of options exercisable
	\$	\$			\$
633,000	0.10	0.10	0.31 years	633,000	0.10
10,889,000	0.05	0.05	1.67 years	10,889,000	0.05
2,775,652	0.05	0.05	1.84 years	2,775,652	0.05
14,297,652	0.05	0.05	1.64 years	14,297,652	0.05

- 1) The exercise price of 13,664,652 of the \$0.05 warrants will increase to \$0.10 per share after 12 months of issuance.

The weighted average number of shares used in calculating net loss per share is as follows.

	For the year ended September 30, 2016	For the year ended September 30, 2015
Weighted average common shares outstanding - basic and diluted	91,800,885	73,513,963

As the Company is in a loss position, basic weighted average common shares outstanding equals diluted weighted average common shares outstanding. Diluted loss per share has not been disclosed as the effect would be anti-dilutive and as such, 2,300,000 options and 13,664,652 agents' options and warrants have been excluded from the diluted weighted average common shares.

9. CAPITAL MANAGEMENT

The Company's capital consists of shareholders' equity. The Company's objective for managing capital is to maintain sufficient capital to explore and evaluate the mineral property interests in Mexico it is entitled to acquire pursuant to the Amended and Restated Option Agreement.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

MORRO BAY RESOURCES LTD.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2016 and September 30, 2015
(stated in Canadian dollars)

9. CAPITAL MANAGEMENT (Continued)

The Company's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and
- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at the period end. The Company will require additional capital to meet these obligations as they come due (Note 1).

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The fair values of financial assets and financial liabilities approximate carrying value due to the short-term nature of these instruments.

Liquidity risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth;
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. As variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain other forms of financing. Management has assessed this risk as minimal.

The Company currently maintains ownership to no material business assets. To become profitable, the Company will need to acquire business assets.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of consolidated financial position date.

The majority of the Company's cash is held at one financial institution and as such, has a concentration of credit risk on its cash.

Foreign currency risk

The Company is exposed to foreign currency risk in regards to its Mexican operations and United States denominated option payment. The Company has incorporated a Mexican subsidiary with a Mexican bank account to mitigate any foreign currency risk.

MORRO BAY RESOURCES LTD.
Notes to the Consolidated Financial Statements
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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Fair values versus carrying amounts

The carrying values of financial assets and liabilities approximate their fair value due to the short-term nature of these items.

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

The three levels of the fair value hierarchy are as follows:

- Level 1 - 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.
- Level 3 - Inputs that are not based on observable market data.

	Financial Assets at Fair Value			September 30,
	Level 1	Level 2	Level 3	2016
	\$	\$	\$	\$
Cash and cash equivalents	5,002	-	-	5,002
Accounts receivable (1)	9,590	-	-	9,590
	14,592	-	-	14,592

(1) The Company has a bad debts provision of \$82,726 (2015 - \$nil).

	Financial Assets at Fair Value			September 30,
	Level 1	Level 2	Level 3	2015
	\$	\$	\$	\$
Cash and cash equivalents	540	-	-	540
Accounts receivable	165,052	-	-	165,052
	165,592	-	-	165,592

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11. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Except as disclosed elsewhere in these consolidated financial statements, the Company had the following related party transactions:

- a) As at September 30, 2016, an amount of \$244,346 (2015 - \$80,659) remains payable to officers of the Company.
- b) For the year ended September 30, 2016, the Company provided management services to companies with common officers and directors and received total consideration of \$38,000. Which has been recorded as recovery of overhead.
- c) For the year ended September 30, 2016, a former director of the Company was paid \$50,659 (September 30, 2015 - \$75,375) for geological consultant services.
- d) For the year ended September 30, 2016, a director of the Company was paid \$nil (September 30, 2014 - \$20,000) for geological consultant services relating to resource reporting.
- e) For the year ended September 30, 2015, directors and officers of the company subscribed for 3,050,000 Units of the company for total consideration of \$152,500.

Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors. Key management personnel compensation comprised:

	2016	2015
	\$	\$
Short-term employee benefits (paid and accrued)	160,000	240,000
	<u>160,000</u>	<u>240,000</u>

12. CONTINGENCY

The Company is involved in a legal claim and action arising in the course of the Company's operations. Although the outcome of these claims cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on the Company's financial position, cash flows, or results of operations. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on the Company's comprehensive loss in the period in which the outcome is determined. As at September 30, 2016 the Company has not recognized an accrual for litigation or claims as Management believes the claims are without merit.

13. SUBSEQUENT EVENT

On January 4, 2017, the Company issued promissory notes to Directors and Officers of the Company for total consideration of \$25,000 plus interest at 10% per annum.



Consolidated Financial Statements of
MORRO BAY RESOURCES LTD.

As at and for the years ended September 30, 2015 and 2014



Tel: 403 266 5608
Fax: 403 233 7833
Toll-Free: 888 444 4840
www.bdo.ca

BDO Canada LLP
903 - 8th Avenue SW, Suite 620
Calgary AB T2P 0P7 Canada

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Morro Bay Resources Ltd.:

We have audited the accompanying consolidated financial statements of Morro Bay Resources Ltd., which comprise the consolidated statement of financial position as at September 30, 2015, and the consolidated statement of operations and comprehensive loss, changes in equity and cash flows for the year 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 audit. We conducted our audit 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 we have obtained in our audit 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 consolidated financial position of Morro Bay Resources Ltd. as at September 30, 2015, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that Morro Bay Resources Ltd. incurred a net loss of \$986,747 during the year ended September 30, 2015. As the Company continues to incur losses coupled with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Morro Bay Resources Ltd.'s ability to continue as a going concern.

Other Matters

The financial statements of Morro Bay Resources Ltd. For the year ended September 30, 2014, were audited by another auditor who expressed an unmodified opinion on those statements on January 27, 2015.

BDO Canada LLP

Chartered Accountants
January 27, 2016
Calgary, Alberta

Consolidated Statements of Financial Position
(stated in Canadian dollars)

As at	September 30, 2015 \$	September 30, 2014 \$
ASSETS		
Current		
Cash and cash equivalents	540	533,748
Accounts receivable	165,052	161,005
Prepays	123,417	3,750
	<u>289,009</u>	<u>698,503</u>
Exploration and evaluation expenditures (Note 6)	4,917,085	3,668,087
Total assets	<u>5,206,094</u>	<u>4,366,590</u>
LIABILITIES		
Current		
Accounts payable and accruals	226,385	15,492
Commitments (Note 6 and 12)		
SHAREHOLDERS' EQUITY		
Equity instruments (Note 8)	7,048,291	5,427,086
Share based payment reserve	301,242	144,935
Foreign currency translation reserve	(187,412)	(25,258)
Deficit	(2,182,412)	(1,195,665)
Total equity	<u>4,979,709</u>	<u>4,351,098</u>
Total liabilities and equity	<u>5,206,094</u>	<u>4,366,590</u>

Signed "Keith Erickson"
Keith Erickson, Director

Signed "John Zang"
John Zang, Director

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

MORRO BAY RESOURCES LTD.
(an exploration stage company)
Consolidated Statements of Operations
(stated in Canadian dollars)

	For the year ended September 30, 2015 \$	For the year ended September 30, 2014 \$
EXPENSES		
General and administrative	811,987	571,126
Transaction costs	-	385,335
Depreciation	20,193	15,483
Stock-based compensation (Note 8)	156,307	120,844
	<u>988,487</u>	<u>1,092,788</u>
OTHER INCOME		
Interest income	1,740	13,018
	<u>1,740</u>	<u>13,018</u>
NET LOSS FOR THE YEAR	(986,747)	(1,079,770)
DEFICIT, BEGINNING OF YEAR	(1,195,665)	(115,895)
DEFICIT, END OF YEAR	<u>(2,182,412)</u>	<u>(1,195,665)</u>
LOSS PER SHARE (Note 8)		
Basic and diluted	<u>(0.013)</u>	<u>(0.022)</u>

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

MORRO BAY RESOURCES LTD.
(an exploration stage company)
Consolidated Statements of Comprehensive Loss
(stated in Canadian dollars)

	For the year ended September 30, 2015 \$	For the year ended September 30, 2014 \$
NET LOSS FOR THE YEAR	(986,747)	(1,079,770)
Other comprehensive loss		
Foreign currency translation adjustment	<u>(162,154)</u>	<u>(25,258)</u>
COMPREHENSIVE LOSS FOR THE YEAR	<u>(1,148,901)</u>	<u>(1,105,028)</u>

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

MORRO BAY RESOURCES LTD.
(an exploration stage company)
Consolidated Statements of Changes in Equity
(stated in Canadian dollars)

	Equity instruments \$	Share based payment reserve \$	Foreign currency translation reserve	Deficit \$	Total shareholders' equity \$
Balance at September 30, 2013	2,583,131	24,091	-	(115,895)	2,491,327
Total comprehensive loss for the year					
Net loss for the year	-	-	-	(1,079,770)	(1,079,770)
Foreign currency translation adjustment	-	-	(25,258)	-	(25,258)
Transactions with owners, recorded directly in equity					
Issuance of common shares, net of share issuance costs	2,693,035	-	-	-	2,693,035
Issuance of agents' options	150,920	-	-	-	150,920
Stock-based compensation	-	120,844	-	-	120,844
Balance at September 30, 2014	5,427,086	144,935	(25,258)	(1,195,665)	4,351,098
Total comprehensive loss for the year					
Net loss for the year	-	-	-	(986,747)	(986,747)
Foreign currency translation adjustment	-	-	(162,154)	-	(162,154)
Transactions with owners, recorded directly in equity					
Issuance of common shares, net of share issuance costs	1,362,151	-	-	-	1,362,151
Issuance of warrants	259,054	-	-	-	259,054
Stock-based compensation	-	156,307	-	-	156,307
Balance at September 30, 2015	7,048,291	301,242	(187,412)	(2,182,412)	4,979,709

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

MORRO BAY RESOURCES LTD.
(an exploration stage company)
Consolidated Statements of Cash Flow
(stated in Canadian dollars)

	For the year ended September 30, 2015 \$	For the year ended September 30, 2014 \$
CASH FLOW RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss for the year	(986,747)	(1,079,770)
Adjustment for:		
Depreciation	20,193	15,483
Stock-based compensation	156,307	120,844
	(810,247)	(943,443)
Changes in non-cash working capital		
Accounts receivable and accruals	(11,357)	(161,005)
Prepaid expenses	52,333	(3,750)
Accounts payable and accruals	227,494	(27,710)
	(541,777)	(1,135,908)
INVESTING		
Exploration and evaluation expenditures	(445,158)	(1,216,221)
	(445,158)	(1,216,221)
FINANCING		
Issuance of equity instruments	475,903	633,021
Share issuance costs	(21,698)	(256,415)
	454,205	376,606
Foreign exchange gain (loss) on cash held foreign currency	(478)	-
DECREASE IN CASH AND CASH EQUIVALENTS	(533,208)	(1,975,523)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	533,748	2,509,271
CASH AND CASH EQUIVALENTS, END OF YEAR	540	533,748

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

MORRO BAY RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2015 and September 30, 2014
(stated in Canadian dollars)

1. GENERAL INFORMATION

Morro Bay Resources Ltd. ("the Company") was incorporated under the Business Corporations Act (Alberta) on August 21, 2012. The common shares of the Company trade on the TSX Venture Exchange (symbol MRB). On January 6, 2014, the Company completed its qualifying transaction (Note 6). The Company is focused on gold-silver exploration with currently an option on mineral interests in Mexico. The Company has not yet been able to determine whether any of these properties contain resources that are economically recoverable.

The address of the registered office of the Company is 2248 - 9th Avenue SE, Calgary, Alberta, T2G 5P7.

Going concern

The accompanying consolidated financial statements have been prepared assuming a continuation of the Company as a going concern. Based upon current and expected future spending, the Company will require additional funding to support ongoing operations, meet the Company's liabilities and commitments as they become payable. The Company will need additional capital to meet these commitments. Access to capital is subject to market conditions and other external factors which cannot be predicted at this time. These factors cause significant doubt of the Company's ability to meet its obligations as they come due and as such are threat to the Company's ability to continue as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Management believes that the Company will be able to renegotiate the terms of its existing agreements and raise sufficient capital to maintain its operations and activities for the next fiscal year.

The consolidated financial statements were authorized for issue by the Board of Directors on January 27, 2016.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Basis of measurement

These consolidated financial statements are stated in Canadian dollars, which is the parent Company's functional currency, and were prepared on a going concern basis.

The consolidated financial statements have, in management's opinion, been prepared within the framework of the significant accounting policies summarized below.

MORRO BAY RESOURCES LTD.

Notes to the Consolidated Financial Statements

**For the years ended September 30, 2015 and September 30, 2014
(stated in Canadian dollars)**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, MB Resources SA de CV ("MB Resources"). All inter-company accounts and transactions have been eliminated.

Foreign Currency Translation

Functional Currency

The Company and its subsidiary determine the currency that is the most influential currency of the primary economic environment in which the entity operates ("Functional Currency"), and items included in the consolidated financial statements of the entity are measured using that Functional Currency. The Functional Currency of the Company is the Canadian Dollar. The functional currency for MB Resources is the Mexican Peso.

Transactions and Balances

Foreign currency transactions are initially translated to the Functional Currency using the foreign currency rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated to the Functional Currency at the foreign currency rate of exchange prevailing at the period end date. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end of monetary assets and liabilities not denominated in the Functional Currency are recognized in the consolidated statement of operations. Non-monetary items that originate in a currency other than the Functional Currency are translated at the foreign currency rate of exchange prevailing on the date of the initial transaction.

Translation of Foreign Operations

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operation is translated from its Functional Currency to Canadian dollars using the foreign currency rate of exchange prevailing at the period end date, and the results of operations are translated at the prevailing average monthly exchange rates. The resulting exchange differences are recognized initially in other comprehensive income and accumulated in the foreign currency translation reserve, a separate component of equity. On disposal or partial disposal of an entity with a functional currency other than Canadian dollars, any accumulated exchange differences in the foreign currency translation reserve are reclassified to the consolidated statement of operations. Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, form part of the net investment in the foreign operation and are recognized initially in other comprehensive income and reclassified from equity to net income on repayment of the monetary item.

Cash and cash equivalents

Cash and cash equivalents consist of short-term investments and funds on deposit having a maturity of three months or less with a Canadian Chartered bank.

Deferred financing fees

Deferred financing fees consist of expenses incurred in connection with the then planned public offering. These expenses were applied against the share capital upon the closing of the public offering.

MORRO BAY RESOURCES LTD.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2015 and September 30, 2014
(stated in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Financial asset classifications are fair value through profit or loss ("FVTPL"), available-for-sale, held-to-maturity or loans and receivables. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

The Company has classified all financial assets with the exception of accounts receivable, as FVTPL using Level 1 fair value hierarchy assessments. Financial assets at FVTPL include financial assets held for trading, derivatives of financial assets or are designated as FVTPL. Transaction costs directly attributable to the acquisition of a financial asset of FVTPL are expensed in the consolidated statement of operations.

Financial assets at FVTPL are subsequently measured at fair value, with any resultant gain or loss recognized in the statement of comprehensive loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Assets in this category include cash and cash equivalents.

Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. Financial liabilities are classified as either FVTPL or other financial liabilities.

Exploration and evaluation ("E&E") expenditures

E&E activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Pre-exploration costs are expensed as incurred. The Company records E&E assets once it has the right to explore for mineral deposits, at cost. The Company also records, at cost, deferred exploration costs incurred as E&E assets once it has obtained the right to explore. These costs consist of costs directly attributable to the exploration of these interests. All direct and indirect costs relating to the acquisition and exploration of these E&E asset interests are capitalized on the basis of specific claim blocks until the E&E asset interests to which they relate are placed into production, disposed of through sale, or where management has determined there to be an impairment. If an E&E asset interest is abandoned, the capitalized costs will be written off to operations in the period of abandonment.

On an on-going basis, the capitalized costs are reviewed on a property-by-property basis to consider if there is any impairment on the subject property. Management's determination for impairment is based on: 1) whether the Company's exploration programs have significantly changed, such that previously identified resource targets are no longer being pursued; 2) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future; or 3) whether remaining lease terms are insufficient to conduct necessary studies or exploration work.

MORRO BAY RESOURCES LTD.

Notes to the Consolidated Financial Statements

**For the years ended September 30, 2015 and September 30, 2014
(stated in Canadian dollars)**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The carrying amount of E&E assets will not reflect the recoverable value, as this will be dependent on future development programs, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

From time-to-time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. Mineral option interests are dropped when exploration results suggest that additional exploration is not warranted. As such options are exercisable entirely at the discretion of the optionee the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as capitalized costs or recoveries when the payments are made or received.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Substantially all of the Company's equipment is used for its E&E activities.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of loss and comprehensive loss during the period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated on a straight-line basis to recognize the cost of assets over their estimated useful lives. The depreciation rate applicable to the drilling equipment is 10 years.

Impairment of long-lived assets

The carrying amount of the Company's assets is evaluated at each reporting date by management for indicators that carrying amount is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. In assessing value in use, the Company uses discounted cash flow techniques. The determination of discounted cash flows is dependent on a number of factors including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects.

MORRO BAY RESOURCES LTD.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2015 and September 30, 2014
(stated in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Income taxes

Tax expense comprises current and deferred tax. Tax is recognized in the income statement except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Share based compensation plan

The Company operates an equity-settled compensation plan under which it receives services from employees, directors, officers, and consultants as consideration for equity instruments of the Company.

MORRO BAY RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2015 and September 30, 2014
(stated in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For equity-settled plans, expense is based on the fair value of the awards granted. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Company re-assesses the estimated number of awards that are expected to vest and recognizes the impact of the revisions in the statement of comprehensive income.

Recent accounting pronouncements

New standards effective beginning on or after October 1, 2014:

Effective October 1, 2014, the Company adopted the below standards and there was no material impact on these financial statements:

- i. Annual Improvements Project for 2010 – 2012, Amended standards include: IFRS 2 – Share based payment, IFRS 3 – Business combinations, IFRS 8 – Operating segments, IFRS 13 – Fair value measurement, IAS 16 – Property, plant and equipment, IAS 24 – Related party disclosures, and IAS 38 – Intangible assets. These amendments were effective for financial periods beginning on or after July 1, 2014.
- ii. Annual Improvements Project for 2011 – 2013, Amended standards include: IAS 32 – Offsetting financial assets and financial liabilities, IFRS 10, IFRS 12 and IAS 27 – Investment entities, IAS 39 – Novation of derivatives and continuation of hedge accounting, IAS 36 – Recoverable amount disclosures for non-financial assets. These amendments were effective for financial periods beginning on or after January 1, 2014.
- iii. In addition, the following amendments were effective for financial periods beginning on or after July 1, 2014: IFRS 1 – First time adoption of IFRS, IFRS 3 – Business combinations, IFRS 13 – Fair value measurement, IAS 40 – Investment property, and IAS 19 – Defined benefit plans: employee contributions.

New accounting standards and interpretations issued but not yet effective:

International Accounting Standard 1 Presentation of Financial Statements (“IAS 1”)

The International Accounting Standards Board issued narrow focus amendments to IAS 1 in December 2014 to clarify existing requirements related to materiality, order of notes in the financial statements, subtotals, accounting policies and disaggregation. IAS 1 is effective for years fiscal years beginning on or after January 1, 2016 with early application permitted.

International Financial Reporting Standard 9 Financial Instruments (“IFRS 9”)

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement. It is the final element of its comprehensive revision of reporting requirements for financial instruments. IFRS 9 includes a logical model for classification and measurement, a single, forward looking expected loss impairment model and a substantially reformed approach to hedge accounting. The effective date for IFRS 9 will be for annual periods beginning on or after January 1, 2018.

International Accounting Standard 16 Property, Plant and Equipment and International Accounting Standard 38 Intangibles (“IAS 16 and 38”)

In May 2014, the IASB issued amendments to IAS 16 and IAS 38, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively.

MORRO BAY RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2015 and September 30, 2014

(stated in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Annual Improvements Project for 2012 – 2014 (Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34)

Amendments on these four standards were issued by the IASB under its Annual Improvements Project. These amendments are effective for annual periods beginning on or after January 1, 2016.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Stock based compensation

Compensation expense associated with stock options granted is based on various assumptions, using the Black-Scholes option-pricing model, to produce an estimate of compensation. This estimate may vary due to changes in the variables used in the model including interest rates, expected life, expected volatility, expected dividends, expected forfeitures and share prices. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which were fully transferable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Value added taxes

Provisions for value added taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the value added tax recorded in the period in which such determination is made.

MORRO BAY RESOURCES LTD.**Notes to the Consolidated Financial Statements**

For the years ended September 30, 2015 and September 30, 2014

(stated in Canadian dollars)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)**Recoverable amounts of long lived assets**

At each reporting period, management assesses whether there are indicators of impairment of the Company's long lived assets. If an indication of impairment exists, long lived assets are tested for impairment. In order to determine if impairment exists and to measure the potential impairment charge, the carrying amounts of the Company's CGUs are compared to their recoverable amounts, which is the greater of fair value less cost of disposal and value in use ("VIU"). An impairment charge is recognized to the extent the carrying amount exceeds the recoverable amount. VIU is calculated as the present value of the expected future cash flows specific to each CGU. In calculating VIU, significant judgment is required in making assumptions with respect to discount rates, the market outlook and future net cash flows associated with the CGU. Any changes in these assumptions will have an impact on the measurement of the recoverable amount and could result in adjustments to impairment charges already recorded.

Title

Although title reviews will be done according to industry standards to the purchase of properties, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of the Company in certain wells or lands which could result in a reduction of production and ultimately cash flows of the Company.

5. SEGMENT DISCLOSURES

Operating segments for consolidated financial statement purposes are reported on a geographic basis which is consistent with how operating segments are managed and how information is presented for internal reporting to the chief executive officer, who is responsible for the overall evaluation of segment performance and the allocation of resources. The costs for the non-current assets relate to the Peñoles project and the costs are presented where incurred. The Company operates in two geographic segments which are Canada and Mexico. The amounts relating to each segment are as follows:

Year Ended September 30, 2015

	Canada	Mexico	TOTAL
	\$	\$	\$
Current assets	123,782	165,227	289,009
Non-current assets	219,858	4,697,227	4,917,085
Segment profit (loss)	(966,582)	(20,165)	(986,747)

Year Ended September 30, 2014

	Canada	Mexico	TOTAL
	\$	\$	\$
Current assets	549,143	149,360	698,503
Non-current assets	2,294,967	1,373,120	3,668,087
Segment profit (loss)	(1,079,250)	(520)	(1,079,770)

MORRO BAY RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2015 and September 30, 2014

(stated in Canadian dollars)

6. EXPLORATION AND EVALUATION EXPENDITURES

Peñoles project

On January 22, 2014, the Company and Sierra Madre Developments Inc. ("Sierra Madre") closed an asset purchase agreement by which the Company acquired a drilling rig from Sierra Madre and an option under the option agreement dated February 14, 2012 (the "Option Agreement") between Sierra Madre and Riverside Resources Inc. ("Riverside") (collectively the "Assets"). This transaction has been accounted for as an asset acquisition. The Option Agreement includes an option granted to Sierra Madre by Riverside wherein Sierra Madre could earn an initial 51% (and up to 65%) interest in the Peñoles project, which include concessions staked by Riverside located in the Peñoles Mining District in Durango Mexico. The Company acquired all of the Assets in exchange for 16 million common shares of the Company at a deemed value of \$0.10 per common share and share purchase warrants entitling the holders thereof to acquire up to 8 million of the Company's common shares for the period expiring on January 22, 2015. The warrants were exercisable into common shares of the Company at \$0.15 per warrant prior to June 15, 2014 and \$0.25 per warrant after June 15, 2014. The warrants expired one year after issuance being January 22, 2015.

The Amended and Restated Option Agreement entered into as of January 22, 2014 provided that in order for the Company to earn a 51% interest in the Peñoles project, the Company was required to spend \$750,000 of exploration expenditures and pay Riverside US\$1,250,000 and CDN\$100,000 cash and deliver to Riverside \$1,500,000 worth of common shares of the Company by June 30, 2014 (or cash at the Company's option). This time line of this option agreement was initially extended to December 31, 2014. Provided that if the market value of the Company's shares is less than \$0.05 based on a 30 day volume-weighted average price ("VWAP"), such payment must be made in cash. During the year ended September 30, 2014, the Company met the \$750,000 qualified exploration expenditures requirement.

	Purchase price allocation \$
Option agreement costs:	
Settled via shares	2,350,000
Settled via warrants	117,349
	<u>2,467,349</u>
Allocated to (1):	
Exploration and evaluation expenditures	2,260,910
Equipment	206,439
	<u>2,467,349</u>

- (1) The purchase price was allocated to the above assets based on the estimated fair value of the Equipment, with the remainder of the value allocated to the Exploration and evaluation expenditures.

MORRO BAY RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2015 and September 30, 2014

(stated in Canadian dollars)

6. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

The Company and Riverside had agreed to the Company proceeding with an additional \$500,000 exploration and development program at the Peñoles Project (the "Additional Work Program"). The Company was the operator of the Additional Work Program and retained Riverside to carry-out the program in Mexico. The Additional Work Program was concluded by October 31, 2014. The Company further agreed to deliver to Riverside one-half of the \$1,500,000 payment required to exercise the option (the "Advanced Payment"). The Advance Payment was paid to Riverside by delivery of 10,135,135 common shares of the Company at a deemed value of \$0.074 per share based on the VWAP. 70% of such shares of the Company delivered to Riverside were held in escrow until December 31, 2014. As a result of having made the Advance Payment, the consideration payable by the Company on exercise of the option was reduced by \$750,000 such that the Company's obligations on exercise of the option at October 31, 2014 were as follows:

- a) Pay to Riverside US\$1,250,000;
- b) Pay to Riverside \$100,000;
- c) Deliver to Riverside common shares of the Company having a value of \$750,000 or pay cash in lieu of all or a portion thereof; and
- d) Incur exploration expenditures totaling \$500,000 (which was concluded by October 31, 2014).

The Company fulfilled the expenditure requirement of \$500,000 for the Additional Work Program. The Company and Riverside extended the option exercise date for the Peñoles Project. The date for the exercise of the option by the Company was extended to be March 31, 2015. At the same time, the terms for the exercise of the option were further amended such that the cash payments of US\$1,250,000 and \$100,000 were removed but certain work commitments were added. The Company has the option to earn a 51% interest in the Peñoles Project with an additional option to earn up to a 65% interest.

Acquisition of 51% Interest in the Peñoles Project

Pursuant to the Option Agreement between the Company and Riverside, on May 1, 2015 the Company exercised the Option Agreement such that the Company became an owner of 51% of the Peñoles Project.

As part of the exercise of the Option Agreement, the Company further agreed as follows:

- The Company shall incur Joint Venture Expenditures of \$750,000 for each of the first three years (any amounts expended over \$750,000 will be credited toward the following years expenditure requirements);
- Riverside shall have a credit of CAD\$100,000 and US\$1,250,000 against the first Joint Venture Expenditures incurred by the Joint Venture; and
- Should the Joint Venture fail to incur Joint Venture Expenditures of at least \$750,000 in each of the first three years, Riverside will have the right to acquire 100% of the Company's Interest by returning to the Company 80% of the common shares issued by the Company to Riverside.

MORRO BAY RESOURCES LTD.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2015 and September 30, 2014
(stated in Canadian dollars)

6. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

	Exploration and evaluation assets
	\$
Cost	
As at September 30, 2013	-
Option acquired on transaction (1)	2,261,030
Equipment	206,439
Exploration and evaluation expenses incurred	1,216,101
As at September 30, 2014	3,683,570
Exercise of the Option	975,000
Exploration and evaluation expenses incurred	445,158
Effect of foreign exchange translation	(149,318)
As at September 30, 2015	4,954,410
Accumulated depreciation and impairment	
As at September 30, 2013	-
Accumulated depreciation	15,483
As at September 30, 2014	15,483
Accumulated depreciation	20,193
Effect of foreign exchange translation	1,649
As at September 30, 2015	37,325
Net book value as at September 30, 2015	4,917,085
Net book value as at September 30, 2014	3,668,087

The impairment assessment performed on tangible assets used in exploration and evaluation assets did not identify any indicators of impairment, and as a result the Company's properties were not tested for impairment at year end.

MORRO BAY RESOURCES LTD.**Notes to the Consolidated Financial Statements**

For the years ended September 30, 2015 and September 30, 2014

(stated in Canadian dollars)

7. INCOME TAXES

The effective rate of income tax varies from the statutory rate as follows:

	2015	2014
Tax rate	25.0%	25.0%
	\$	\$
Net loss for the year	(986,747)	(1,079,770)
Expected income tax recovery at statutory rates	(247,000)	(270,000)
Stock based compensation	39,000	30,000
Other	41,000	(6,000)
Net change in unrecognized deferred tax asset	167,000	246,000
Income tax expense recognized	-	-

The components of the Company's deferred income tax asset are a result of the origination and reversal of temporary differences and are comprised of the following:

	2015	2014
	\$	\$
Share issue costs	73,000	97,000
Exploration and evaluation expenditures	(95,000)	(93,000)
Unused tax losses carry forward	561,000	368,000
Unrecognized deferred tax asset	(539,000)	(372,000)
Deferred income tax asset	-	-

At September 30, 2015 and 2014, subject to assessment by income tax authorities, the Company has the following undeducted tax pools:

	2015	2014
	\$	\$
Undeducted share issue costs	291,000	385,000
Resource pools	4,255,000	3,297,000
Non-capital losses carried forward for tax purposes with expiration dates between 2032 and 2033	2,246,000	1,474,000
	6,792,000	5,156,000

These pools are deductible from future income at rates prescribed by the Canadian Income Tax Act and Mexican Tax Authorities.

MORRO BAY RESOURCES LTD.**Notes to the Consolidated Financial Statements**

For the years ended September 30, 2015 and September 30, 2014
(stated in Canadian dollars)

8. EQUITY INSTRUMENTS*Authorized*

Unlimited number of common voting shares

Unlimited number of preferred shares, without nominal or par value

Issued

	Shares	Amount \$
Common shares		
Balance at September 30, 2013	30,979,950	2,441,708
Issued in conjunction with purchase of assets (Note 6)	16,000,000	1,600,000
Issued for cash pursuant to private placement	6,330,000	633,000
Issued to Riverside pursuant to Advance Payment (Note 6)	10,135,135	750,000
Exercise of warrants	148	26
Share issuance costs	-	(289,987)
Balance at September 30, 2014	63,445,233	5,134,747
Issued to Riverside pursuant to exercise of the Option	15,000,000	975,000
Issued for cash pursuant to private placement	13,355,652	414,502
Expiry of warrants	-	258,770
Share issuance costs	-	(27,351)
Balance at September 30, 2015	91,800,885	6,755,668
Agents' options and warrants		
Balance at September 30, 2013	2,667,995	141,423
Issued in conjunction with purchase of assets (Note 6)	8,000,000	117,349
Issued for share issuance costs pursuant to private placement	633,000	33,571
Exercise of warrants	(148)	(4)
Balance at September 30, 2014	11,300,847	292,339
Issued for cash pursuant to private placement	13,355,652	253,400
Issued agent warrants	309,000	5,654
Expiry of warrants	(10,667,847)	(258,770)
Balance at September 30, 2015	14,297,652	292,623
Total equity instruments, September 30, 2015		7,048,291
Total equity instruments, September 30, 2014		5,427,086

Exercise of Peñoles Option

During the year ended September 30, 2015, the Company exercised the Option and as a result, issued to Riverside 15,000,000 common shares of the Company at \$0.065 per common share for consideration to Riverside of \$975,000.

MORRO BAY RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2015 and September 30, 2014

(stated in Canadian dollars)

8. EQUITY INSTRUMENTS (Continued)

Private placement

On January 22, 2014, the Company closed a private placement which raised gross proceeds of \$633,000 by issuing 6,330,000 Common Shares at a price of \$0.10 per Common Share. All of the Common Shares issued under the Private Placement are subject to a four month and one day hold period expiring on May 23, 2014. Four directors of the Company subscribed for 510,000 Common Shares under the Private Placement representing an aggregate amount of \$51,000.

Richardson GMP Limited (the "Agent") acted as agent for the Private Placement pursuant to an agency agreement between the Company and the Agent dated effective December 12, 2013 (the "Agency Agreement"). Pursuant to the Agency Agreement, the Company paid the Agent certain corporate finance fees and a commission of 10% of the gross proceeds raised under the Private Placement. As additional compensation, the Company issued the Agent warrants ("Agent Warrants") to purchase 633,000 Common Shares. Each Agent Warrant is exercisable at a price of \$0.10 per Common Share until January 22, 2016.

During the year ended September 30, 2015, the Company issued 13,355,652 Units at \$0.05 per Unit. Each Unit consists of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share of the Company at \$0.05 per share for the first 12 months after issuance and \$0.10 per share for the second 12 months. The common share purchase warrants will expire after 24 months after issue.

An amount of \$253,400 has been recorded for the value of the warrants. The fair value of the warrants were estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield of \$nil, expected volatility of 100% - 113%, risk free rate of 2%, forfeiture rate of 0%, and weighted average life of 2 years.

In conjunction with the 2015 private placement, the Company issued 309,000 Agent warrants to purchase 309,000 Common Shares. Each Agent Warrant is exercisable at a price of \$0.05 per Common Share one year after issuance and \$0.10 per share until year two. An amount of \$5,654 was recorded for the estimated fair value of the agents' warrants granted. The fair value of the agents' warrants were estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield of \$nil, expected volatility of 100%, risk-free interest rate of 2.0%, forfeiture rate of 0% and weighted average life of 2 years.

Stock options

The Company has established a stock option plan for its directors, officers, employees, consultants and other personnel. The total number of common shares issuable under the Plan may not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the plan to employees have a term of five years and vest 1/3 on the first anniversary from the date of grant and 1/3 each of the two anniversaries thereafter. The exercise price of each option equals or exceeds the market price of the Company's common shares on the date of grant. The terms on grants to consultants can vary.

An amount of \$156,307 was recorded during the year ended September 30, 2015 (2014 – \$120,844) for amortization of the value of the options granted. The fair value of the options were estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield of \$nil, expected volatility of 100% to 113%, risk-free interest rate of 2.0%, forfeiture rate of 0% and weighted average life of 5 years.

MORRO BAY RESOURCES LTD.**Notes to the Consolidated Financial Statements**

For the years ended September 30, 2015 and September 30, 2014

(stated in Canadian dollars)

8. EQUITY INSTRUMENTS (Continued)

The Company has granted stock options to various officers, directors, and employees of the Company as follows:

	Number of shares	Option price per share	Weighted average exercise price	Weighted average grant date fair value
		\$	\$	\$
Options outstanding, September 30, 2013	1,000,000	0.100	0.100	
Issued	2,800,000	0.100	0.100	0.075
Options outstanding, September 30, 2014	3,800,000	0.100	0.100	
Issued	1,450,000	0.050	0.050	0.031
Issued	600,000	0.150	0.150	0.066
Forfeited	(300,000)	0.100	0.100	
Options outstanding, September 30, 2015	5,550,000	0.092	0.092	

The following table summarizes information about the stock options outstanding as at September 30, 2015

Options outstanding	Option price	Weighted average exercise price	Weighted average remaining contractual life	Number of options exercisable	Weighted average exercise price of options exercisable
	\$	\$			\$
1,000,000	0.10	0.10	2.47 years	666,667	0.10
2,500,000	0.10	0.10	3.31 years	833,333	0.10
600,000	0.15	0.15	4.48 years	300,000	0.15
1,000,000	0.05	0.05	2.65 years	1,000,000	0.05
450,000	0.05	0.05	2.75 years	112,500	0.05
5,550,000		0.09	3.12 years	2,912,500	0.09

MORRO BAY RESOURCES LTD.**Notes to the Consolidated Financial Statements**

For the years ended September 30, 2015 and September 30, 2014
(stated in Canadian dollars)

8. EQUITY INSTRUMENTS (Continued)

The following table summarizes information about the stock options outstanding as at September 30, 2014

Options outstanding	Option price	Weighted average exercise price	Weighted average remaining contractual life	Number of options exercisable	Weighted average exercise price of options exercisable
	\$	\$			\$
1,000,000	0.10	0.10	3.48 years	333,333	0.10
2,800,000	0.10	0.10	4.31 years	-	-
3,800,000		0.10	4.10 years	333,333	0.10

Agents' options and warrants

In conjunction with the Company's initial public offering, the Company issued agents' options to purchase 2,667,995 common shares at an exercise price of \$0.10 per common share, exercisable for a period of 24 months from the date of listing of the common shares on TSX-V to the agent. An amount of \$141,423 was recorded for the estimated fair value of the agents' options granted. The fair value of the agents' options were estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield of \$nil, expected volatility of 100%, risk-free interest rate of 2.0%, forfeiture rate of 0% and weighted average life of 2 years.

In conjunction with the private placement, the Company issued the Agent warrants ("Agent Warrants") to purchase 633,000 Common Shares. Each Agent Warrant is exercisable at a price of \$0.10 per Common Share until January 22, 2016. An amount of \$33,571 was recorded for the estimated fair value of the agents' warrants granted. The fair value of the agents' warrants were estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield of \$nil, expected volatility of 100%, risk-free interest rate of 2.0%, forfeiture rate of 0% and weighted average life of 2 years.

In conjunction with the asset purchase agreement (Note 6), the Company issued share purchase warrants entitling the holders thereof to acquire up to 8 million common shares of the Company. The warrants are exercisable into common shares of the Company at \$0.15 per warrant prior to June 15, 2014 and \$0.25 per warrant after June 15, 2014. The warrants expired on January 22, 2015. An amount of \$117,349 was recorded for the estimated fair value of the warrants granted. The fair value of the warrants were estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield of \$nil, expected volatility of 100%, risk-free interest rate of 2.0%, forfeiture rate of 0% and weighted average life of 1 year.

MORRO BAY RESOURCES LTD.
Notes to the Consolidated Financial Statements

For the years ended September 30, 2015 and September 30, 2014
(stated in Canadian dollars)

The Company has granted agents' options as follows:

	Number of shares	Option price per share	Weighted average exercise price	Weighted average grant date fair value
		\$	\$	\$
Agent's options and warrants outstanding, September 30, 2013	2,667,995	0.10	0.100	
Issued in conjunction with the purchase of assets	8,000,000	0.15 - 0.25	0.15 - 0.25	0.015
Issued, private placement	633,000	0.10	0.10	0.053
Exercise of warrants	(148)	0.15		
Agent's options and warrants, outstanding September 30, 2014	11,300,847	0.14	0.14	
Expiry of warrants	(2,667,995)	0.10	0.10	
Expiry of warrants	(7,999,852)	0.15	0.15	
Issued, private placement	13,355,652	0.05	0.05	0.019
Issued, agent warrants	309,000	0.05	0.05	0.019
Agent's options and warrants, outstanding September 30, 2015	14,297,652	0.05	0.05	

The following table summarizes information about the agents' options outstanding at September 30, 2015:

Options outstanding	Option price (2)	Weighted average exercise price	Weighted average remaining contractual life (1)	Number of options exercisable	Weighted average exercise price of options exercisable
	\$	\$			\$
633,000	0.10	0.10	0.31 years	633,000	0.10
10,889,000	0.05	0.05	1.67 years	10,889,000	0.05
2,775,652	0.05	0.05	1.84 years	2,775,652	0.05
14,297,652	0.05	0.05	1.64 years	14,297,652	0.05

- Subsequent to the year ended September 30, 2015, 633,000 of the \$0.10 agents' options expired unexercised.
- The exercise price of 13,664,652 of the \$0.05 warrants will increase to \$0.10 per share after 12 months of issuance.

MORRO BAY RESOURCES LTD.**Notes to the Consolidated Financial Statements**

For the years ended September 30, 2015 and September 30, 2014
(stated in Canadian dollars)

8. EQUITY INSTRUMENTS (Continued)

The following table summarizes information about the agents' options outstanding at September 30, 2014:

Options outstanding	Option price	Weighted average exercise price	Weighted average remaining contractual life	Number of options exercisable	Weighted average exercise price of options exercisable
	\$	\$			\$
2,667,995	0.10	0.10	0.73 years	2,667,995	0.10
633,000	0.10	0.10	1.56 years	633,000	0.10
7,999,852	0.15 - 0.25	0.15 - 0.25	0.56 years	7,999,852	0.15 - 0.25
11,300,847	0.14	0.14	0.66 years	11,300,847	0.14

The weighted average number of shares used in calculating net loss per share is as follows.

	For the year ended September 30, 2015	For the year ended September 30, 2014
Weighted average common shares outstanding - basic and diluted	73,513,963	48,612,630

As the Company is in a loss position, basic weighted average common shares outstanding equals diluted weighted average common shares outstanding. Diluted loss per share has not been disclosed as the effect would be anti-dilutive and as such, 5,550,000 options and 14,297,652 agents' options and warrants have been excluded from the diluted weighted average common shares.

9. CAPITAL MANAGEMENT

The Company's capital consists of shareholders' equity. The Company's objective for managing capital is to maintain sufficient capital to explore and evaluate the mineral property interests in Mexico it is entitled to acquire pursuant to the Amended and Restated Option Agreement.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and
- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

MORRO BAY RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2015 and September 30, 2014
(stated in Canadian dollars)

9. CAPITAL MANAGEMENT (Continued)

The Company is not subject to any externally or internally imposed capital requirements at the period end. In order to exercise the option on the Peñoles Project, the Company is required to meet certain commitments as detailed in Note 6. The Company will require additional capital to meet these obligations as they come due (Note 1 – going concern).

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The fair values of financial assets and financial liabilities approximate carrying value due to the short-term nature of these instruments.

Liquidity risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth;
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. As variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain other forms of financing. Management has assessed this risk as minimal.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. The majority of the Company's cash is held at one financial institution and as such, has a concentration of credit risk on its cash.

Foreign currency risk

The Company is exposed to foreign currency risk in regards to its Mexican operations and United States denominated option payment. The Company has incorporated a Mexican subsidiary with a Mexican bank account to mitigate any foreign currency risk.

Fair values versus carrying amounts

The carrying values of financial assets and liabilities approximate their fair value due to the short-term nature of these items.

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

The three levels of the fair value hierarchy are as follows:

- Level 1 - 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.

MORRO BAY RESOURCES LTD.
Notes to the Consolidated Financial Statements
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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Level 3 - Inputs that are not based on observable market data.

	Financial Assets at Fair Value			September 30, 2015
	Level 1	Level 2	Level 3	
	\$	\$	\$	
Cash and cash equivalents	540	-	-	540
Accounts receivable	165,052	-	-	165,052
	165,592	-	-	165,592

	Financial Assets at Fair Value			September 30, 2014
	Level 1	Level 2	Level 3	
	\$	\$	\$	
Cash and cash equivalents	533,748	-	-	533,748
Accounts receivable	161,005	-	-	161,005
	694,753	-	-	694,753

11. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Except as disclosed elsewhere in these consolidated financial statements, the Company had the following related party transactions:

- For the year ended September 30, 2015, a director of the Company was paid \$75,375 (September 30, 2014 - \$30,000) for geological consultant services.
- For the year ended September 30, 2015, a director of the Company was paid \$23,280 (September 30, 2014 - \$20,000) for geological consultant services relating to resource reporting.
- For the year ended September 30, 2015, directors and officers of the company subscribed for 3,050,000 Units of the company for total consideration of \$152,500.
- As at September 30, 2015, an amount of \$80,659 remains payable to officers of the Company.

MORRO BAY RESOURCES LTD.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2015 and September 30, 2014
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11. RELATED PARTY TRANSACTION (Continued)

Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors. Key management personnel compensation comprised:

	2015	2014
	\$	\$
Short-term employee benefits (paid and accrued)	240,000	180,000
Long-term employee benefits	-	37,472
	<u>240,000</u>	<u>217,472</u>

12. COMMITMENT

The Company is committed to monthly payments on approximately \$2,425 per month for office premises until November 30, 2016.

13. SUBSEQUENT EVENT

Subsequent to the year ended September 30, 2015, the Company's common shares commenced trading on OTC Pink, the open marketplace of the U.S. Over-the-Counter ("OTC") markets, under the symbol MRRBF.

APPENDIX "B"
MANAGEMENT'S DISCUSSION AND ANALYSIS OF MORRO BAY



THE ATTACHED AUDITED FINANCIAL STATEMENTS FORM AN INTEGRAL PART OF THIS MANAGEMENT DISCUSSION AND ANALYSIS AND ARE HEREBY INCLUDED BY REFERENCE

Management Discussion and Analysis as of August 24, 2017

Certain statements in this report may constitute forward-looking statements that are subject to risks and uncertainties. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they were made. See notes to the financial statements regarding going concern, commitments, contingencies, legal matters, and other matters, which could materially affect the Company's future business, results of operations, financial position and liquidity.

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements for the year ended September 30, 2016 and the notes contained therein, of Morro Bay Resources Ltd. (the "Company"). This MD&A covers the nine months ended June 30, 2017 and the subsequent period up to the date of filing.

The audited financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise noted. Readers are encouraged to read the Company's public information filings on SEDAR at www.sedar.com.

Corporate Overview

Morro Bay Resources Ltd. ("the Company") was incorporated under the *Business Corporations Act* (Alberta) on August 21, 2012. The common shares of the Company trade on the TSX Venture Exchange (symbol MRB). On January 6, 2014, the Company completed its qualifying transaction. The Company was focused on gold-silver exploration with mineral interests in Peñoles, Mexico. On June 21, 2016, the Company's interest in the Peñoles exploration project was terminated. The head office of the Company is located at 1150, 707 7th Avenue SW, Calgary, AB. T2P 3H6 and the registered office of the Company is located at 2248 -9th Avenue SE, Calgary, Alberta T2G 5P7.

Overall Performance

On June 21, 2016, the Company was unable to incur Joint Venture Expenditures of \$750,000, as required under the Option Agreement with Riverside Resources Inc. ("Riverside"). As a result, the Company's interest in the Peñoles exploration project was terminated and was returned to Riverside. As part of that transaction, Riverside also transferred to associates of the Company 20,108,108 common shares of the Company owned by Riverside. The Company elected to have the shares conveyed by Riverside to three arm's length parties for no immediate consideration, but subject to certain terms and conditions. As such the Company has recorded a reduction of impairment for the market value of common shares, which is \$201,081. It also recorded a share based payment of \$201,081 related to the disposal of the shares. The Company has also returned the 0.75% net smelter returns royalty in the Peñoles Project (the "Royalty") in exchange for forgiveness of debt to Riverside in the amount of \$139,578.

The Company made an offer (the "Offer") to acquire all of the issued and outstanding shares of Experion Biotechnologies Inc. a private company operating in the Canadian Medical Marijuana industry sector ("Experion"). The Offer was made on May 15, 2017 and has been accepted over 81% of the Experion shareholders. The Company has also, subsequent to June 30, 2017 made an offer to acquire the issued Experion convertible debentures. In order to meet the terms of the Offer, at closing the Morro Bay common shares are anticipated to be consolidated on the basis of approximately 3.603457 current Morro Bay common shares for one (1) post-consolidation Morro Bay common share (the "Resulting Issuer Shares"). After this consolidation Morro Bay will have 3,386,520 common shares issued and outstanding.

Pursuant to the Offer, Morro Bay, assuming acceptance by all Experion shareholders, was to deliver 41,767,086 Resulting Issuer Shares or, in effect, 3.1325315 Morro Bay shares for each Experion share. Holders of a total of 10,833,333 Experion shares (81% of the outstanding Experion shares) have accepted the Offer. As a result, upon closing of the acquisition arising from the Offer 33,935,757 Resulting Issuer Shares will be issued in exchange for 10,833,333 Experion shares. Upon closing of the Offer, the Offer will result in a reverse take-over of Morro Bay by Experion. The Offer is subject to the acceptance of the TSX Venture Exchange (the "Exchange") to list the shares of the resulting entity on the Exchange. Additional conditions must be met in order for the Offer to be completed. Upon closing of the Offer, the Company will cease to be a Mining Issuer and the Resulting Issuer will operate as a life sciences issuer continuing the business of Experion.

In conjunction with the closing on the Offer, the Company intends to complete a private placement financing by way of brokered private placement and non-brokered private placement for aggregate proceeds between \$500,000 and \$3,000,000 (the "Financing"). Pursuant to the Financing, Morro Bay intends to issue up to a minimum of 833,333 Units and a maximum of 5,000,000 Units at a price of \$0.60 per Unit. The minimum investment by a subscriber to the Financing is \$3,000 (5,000 Units). Closing of the Financing will occur at the same time as the completion of the Reverse Take-over Transaction. As announced on June 7 and June 8, 2017 each Unit will consist of one Resulting Issuer Share and one-half of one Resulting Issuer Share purchase warrant (each whole common share purchase warrant hereinafter referred to as the "Financing Warrant"), with each Financing Warrant being exercisable to acquire one common share of the Company at a price of \$0.80 for a period of nine (9) months following the closing date. The Warrants will not be listed for trading.

Experion has proceeded to enter into agreements to issue and sell \$1,056,000 aggregate principal amount of eight percent (8%) unsecured convertible debentures (the "Debentures"). Each Debenture is due and payable on or before July 31, 2019. The issuance date of the Debentures is August 1, 2017 (the "Issuance Date"). For each one-thousand dollars (\$1,000) owing on the Debentures, the Debentures are convertible into Experion Units (described below), at the option of the holder, at any time after the earlier of a change of control of Experion and September 30, 2017, and prior to eighteen (18) months from the Issuance Date. The Debentures may be converted at the option of Experion. The Experion Units consist of 533,333 Experion Shares and 533,333 Experion Share purchase warrants (the "Experion Units"). As a result, upon conversion of the Debentures a total of 1,056 Experion Units may be issued which Experion Units will result in the issuance of 563,200 Experion Shares and 563,200 Experion Share purchase warrants. The Experion Share purchase warrant (the "Experion Warrant") entitles the holders thereof to acquire one (1) Experion Common Share at a price of \$2.50 for a period expiring ten (10) months from the Issuance Date.

The Debentures were issued to the subscribers based upon agreements by them to sell the Debentures to the Company in exchange for the delivery by the Company of units consisting of one Resulting Issuer Share and one Resulting Issuer Share purchase warrant (the "Debenture Acquisition Warrants") for each \$0.60 owing pursuant to the Debentures (including principal and interest owing as of August 31, 2017). The Debenture Acquisition Warrants are exercisable to acquire one Resulting Issuer Share at a price of \$0.80 for a period of nine (9) months following the closing of the Reverse Take-over Transaction and the Offering (as described below). Formal Debenture sale agreements are anticipated to be obtained from the Experion debentureholders.

Trend Analysis

The Company's ability to continue operations is uncertain and is dependent upon the ability of the Company to locate another business opportunity and obtain necessary financing to support operations, meet the Company's liabilities and commitments as they become payable, and the ability to generate future revenue. Financial resources available are its current cash position and raising funds through new equity or debt funding. The outcome of these matters cannot be predicted at this time. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Management believes that the Company will be able to raise sufficient capital to maintain its operations and activities for the next fiscal year.

Selected Financial Data

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the nine months ended June 30, 2017	For the nine months ended June 30, 2016
Net loss	\$ 55,974	\$ (4,360,629)	\$ 37,062	\$ (4,717,431)
Total assets	\$ 8,358	\$ 238,154	\$ 8,358	\$ 238,154
Common shares issued	12,203,178	9,180,089	12,203,178	9,180,089
Weighted average shares outstanding				
Basic	9,246,530	9,180,089	9,202,236	9,180,089
Diluted	9,246,530	9,180,089	9,202,236	9,180,089

Fluctuations in Results

Nine months ended June 30, 2017 vs. Nine months ended June 30, 2016

For the nine months ended June 30, 2017, the Company expended \$35,618 on general and administrative costs, compared to \$407,834 for the comparative nine months ended June 30, 2016. The majority of the decrease was related to cost cutting measures and cost sharing with other companies to recover costs.

Liquidity and Capital Resources

As at June 30, 2017, the Company had a deficit of \$6,974,435 (September 30, 2016 - \$7,011,497). The Company had working capital deficit of \$116,588 at June 30, 2017 (September 30, 2016 deficit - \$495,117). The continuation of the Company is dependent upon the continued financial support of shareholders, its ability to raise capital through the issuance of its securities, as well as obtaining long-term financing. As at June 30, 2017 the Company had cash of \$784 (September 30, 2016 - \$5,002).

Quarterly Summary

	Apr. to Jun. 2017	Jan. to Mar. 2017	Oct. to Dec. 2016	Jul. to Sep. 2016
	\$	\$	\$	\$
Net loss for period	55,974	(15,702)	(3,211)	(111,654)
Basic loss per share	0.006	(0.002)	(0.000)	(0.012)
Diluted income (loss) per share	N/A	N/A	N/A	N/A
Weighted average number of shares outstanding	91,800,885	9,180,089	9,180,089	9,180,089

	Apr. to Jun. 2016	Jan. to Mar. 2016	Jan. to Mar. 2016	Jul. to Sep. 2015
	\$	\$	\$	\$
Net loss for period	(4,360,629)	(183,095)	(173,707)	(285,267)
Basic loss per share	(0.478)	(0.020)	(0.019)	(0.003)
Diluted income (loss) per share	N/A	N/A	N/A	N/A
Weighted average number of shares outstanding	9,180,089	9,180,089	9,180,089	9,065,128

Related Party Transactions

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Except as disclosed elsewhere in these consolidated financial statements, the Company had the following related party transactions:

- As at June 30, 2017, an amount of \$nil (September 30, 2016 - \$244,346) remains payable to officers of the Company for unpaid wages and expenses. As at June 30, 2017, the Company owed to its officers, employees, and internal consultants wages and fees in the amount of \$nil.
- For the period ended June 30, 2017, the Company provided management services to companies with common officers and directors and received total consideration of \$15,200 (September 30, 2016 - \$38,000) which has been recorded as recovery of overhead.
- On June 28, 2017, the Company issued 1,591,590 common shares to officers and directors of the Company to settle amounts owing to them. In conjunction with the debt settlement, officers of the Company forgave \$75,000 of the amounts owing to them.

The Company has no revenue producing activities.

The Company currently does not have any on-going business operations.

There is no assurance that the Company can access additional capital and other sources of financing.

Certain of the Company's directors and officers serve as directors and/or officers of other public and private companies and devote a portion of their time to manage other business interests. This may result in certain conflicts of interest.

The Company has a history of operating losses and may have continuing operating losses and a negative cash flow in the future.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Controls and Procedures

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and that (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR), as defined in NI52-109. In particular, the certifying officers filing Venture Issuer Basic Certificate are not making any representations relating to the establishment and maintenance of controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's general accepted accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support their presentations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of the Company to design and implement on a cost effective basis DC&P and ICFR as defined in NI52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Share Capital Data

The following table sets forth the Company's share capital data as at June 30, 2017.

Common shares, issued and outstanding ⁽¹⁾	12,203,178
Stock options outstanding ⁽²⁾	230,000
Warrants outstanding ⁽³⁾	277,565

- 1) On May 9, 2017 the common shares were consolidated on a 10 for one basis resulting in the Company having 9,180,096 common shares outstanding.
- 2) Consists of 170,000 options exercisable at \$1.00/share expiring between March 22, 2018 to March 23, 2020, 30,000 options exercisable at \$1.50/share expiring on March 23, 2020 and 30,000 options exercisable at \$0.05/share expiring between up to June 30, 2018
- 3) Consists of 277,565 warrants exercisable at \$0.50/share expiring between July 30, 2017 to August 28, 2017.

The outstanding stock options are as follows (as indicated a portion of these options have been agreed to be cancelled upon closing of the Experion transaction):

Outstanding Options			Options Agreed to be Cancelled at Completion
Expiry Date	Number of Options	Current Exercise Price	
March 22, 2018	50,000	\$ 1.00	(50,000)
January 22, 2019	90,000	\$ 1.00	(90,000)
June 30, 2018	30,000	\$ 0.50	
March 23, 2020	30,000	\$ 1.00	
March 23, 2020	30,000	\$ 2.00	
Total	230,000		(140,000)

The outstanding warrants as of June 30, 2017 are as follows:

Morro Bay Outstanding Warrants

Expiry Date	Number of Warrants	Exercise Price
July 30, 2017	200,000	\$0.50
August 28, 2017	77,565	\$0.50
Total	277,565	

Risks and Uncertainties

An insurance program is maintained to mitigate risks and to protect against significant losses, while maintaining levels of risk within the Company, which management believes to be acceptable. While the Company believes that its liability, property and business interruption insurance is adequate and consistent with industry participants of the Company's size, the Company is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims.

The Company's operations are highly dependent on its executive officers and key personnel. The loss of the services of any of these people could have an adverse effect on the Company.

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth;
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. As variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain other forms of financing. Management has assessed this risk as minimal.

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. The majority of the Company's cash is held at one financial institution and as such, has a concentration of credit risk on its cash.

The Company is exposed to interest rates with respect to its investment certificates. Management believes the risk related to these certificates to be minor as these carry fixed rates of interest and have maturity of three months or less.

The Company currently has no assets which form a business or are likely to create revenue.

The Company is relying on its ability to complete the Experion transaction and the Financing related thereto.

Further Information

Additional information about the Company is available at the Canadian disclosure website www.sedar.com.



THE ATTACHED AUDITED FINANCIAL STATEMENTS FORM AN INTEGRAL PART OF THIS MANAGEMENT DISCUSSION AND ANALYSIS AND ARE HEREBY INCLUDED BY REFERENCE

Management Discussion and Analysis as of January 27, 2016

Certain statements in this report may constitute forward-looking statements that are subject to risks and uncertainties. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they were made. See notes to the financial statements regarding going concern, commitments, contingencies, legal matters, and other matters, which could materially affect the Company's future business, results of operations, financial position and liquidity.

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements for the year ended September 30, 2016 and the notes contained therein, of Morro Bay Resources Ltd. (the "Company"). This MD&A covers the year ended September 30, 2016 and the subsequent period up to the date of filing.

The audited financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise noted. Readers are encouraged to read the Company's public information filings on SEDAR at www.sedar.com.

Corporate Overview

Morro Bay Resources Ltd. ("the Company") was incorporated under the *Business Corporations Act* (Alberta) on August 21, 2012. The common shares of the Company trade on the TSX Venture Exchange (symbol MRB). On January 6, 2014, the Company completed its qualifying transaction. The Company was focused on gold-silver exploration with mineral interests in Peñoles, Mexico. On June 21, 2016, the Company's interest in the Peñoles exploration project was terminated. The head office of the Company is located at 1300, 734 7th Avenue SW, Calgary, AB. T2P 3P8 and the registered office of the Company is located at 2248 -9th Avenue SE, Calgary, Alberta T2G 5P7.

Overall Performance

On June 21, 2016, the Company was unable to incur Joint Venture Expenditures of \$750,000, as required under the Option Agreement with Riverside Resources Inc. ("Riverside"). As a result, the Company's interest in the Peñoles exploration project was terminated and was returned to Riverside as part of that transaction. Riverside also transferred to associates of the Company 20,108,108 common shares of the Company owned by Riverside. The Company elected to have the shares conveyed by Riverside to three arm's length parties for no immediate consideration, but to certain terms and conditions. As such the Company has recorded a reduction of impairment for the market value of common shares, which is \$201,081. It also recorded a share based payment of \$201,081 related to the disposal of the shares. The Company has also returned the 0.75% net smelter returns royalty in the Peñoles Project (the "Royalty") in exchange for forgiveness of debt to Riverside in the amount of \$139,578.

Trend Analysis

The Company's ability to continue operations is uncertain and is dependent upon the ability of the Company to locate another business opportunity and obtain necessary financing to support operations, meet the Company's liabilities and commitments as they become payable, and the ability to generate future revenue. Financial resources available are its current cash position and raising funds through new equity or debt funding. The outcome of these matters cannot be predicted at this time. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Management believes that the Company will be able to raise sufficient capital to maintain its operations and activities for the next fiscal year.

Selected Financial Data

	For the three months ended September 30, 2016	For the three months ended September 30, 2015	For the twelve months ended September 30, 2016	For the twelve months ended September 30, 2015
Net loss	\$ (468,456)	\$ (285,267)	\$ (4,829,085)	\$ (986,747)
Total assets	\$ 18,473	\$ 5,206,094	\$ 18,473	\$ 5,206,094
Common shares issued	91,800,885	91,800,885	91,800,885	91,800,885
Weighted average shares outstanding				
Basic	91,800,885	91,651,282	91,800,885	73,513,963
Diluted	91,800,885	91,651,282	91,800,885	73,513,963

Fluctuations in Results

Year ended September 30, 2016 vs. year ended September 30, 2015

For the three and twelve months ended September 30, 2016, the Company expended \$425,098 on general and administrative costs, compared to \$811,987 for the comparative year ended September 30, 2015. The majority of the decrease was related to cost cutting measures and cost sharing with other companies to recover costs.

Exploration and evaluation expenditures

During the year ended September 30, 2016, the Company spent \$171,756 on exploration and evaluation expenditures for the Peñoles Project, in Durango, Mexico. As a result of the termination and return of the Peñoles exploration project to Riverside, the Company has recorded a \$4,230,021 impairment charge on its exploration and evaluation expenditures. As the Company no longer retains an interest in the Peñoles project, these expenditures will not occur in the future.

Penoles Project	For the 12 months	12 months ended	Incurred to date
	ended September	September 30,	as at September
	30, 2016	2015	30, 2016
	\$	\$	\$
Acquisition Costs	-	975,000	3,235,910
	-	975,000	3,235,910
Exploration and evaluation expenditures			
Equipment	-	237	206,676
Concession fees and taxes	-	109,754	220,727
Licencing and liason	-	-	33,208
Legal consultants	-	-	2,500
Drilling	25,510	139,862	962,992
Geological consultants	126,654	95,117	386,213
Resource report	-	70,840	100,160
Equipment rentals	1,089	237	24,821
Fuel and chemicals	-	-	417
Office and administrative	18,503	31,111	75,429
Community reations & water use	-	-	26,431
Total additions	171,756	1,422,158	5,275,484
Impairment of exploration and evaluation expenses	(4,486,695)	-	(4,486,695)
Effect of exchange rate differences	(639,471)	(149,318)	(788,789)
TOTAL	(4,954,410)	1,272,840	0

Liquidity and Capital Resources

As at September 30, 2016, the Company had a deficit of \$7,011,497 (September 30, 2015 - \$2,182,412). The Company had working capital deficit of \$495,117 at September 30, 2016 (September 30, 2015 surplus - \$62,624). The continuation of the Company is dependent upon the continued financial support of shareholders, its ability to raise capital through the issuance of its securities, as well as obtaining long-term financing. As at September 30, 2016 the Company had cash of \$5,002 (September 30, 2015 - \$540).

Quarterly Summary

	Jul. to Sep. 2016	Apr. to Jun. 2016	Jan. to Mar. 2016	Oct. to Dec. 2015
Net loss for period	\$ (111,654)	\$ (4,360,629)	\$ (183,095)	\$ (173,707)
Basic loss per share	(0.001)	(0.048)	(0.002)	(0.002)
Diluted income (loss) per share	N/A	N/A	N/A	N/A
Weighted average number of shares outstanding	91,800,885	91,800,885	91,800,885	91,800,885

	Jul. to Sep. 2015	Apr. to Jun. 2015	Jan. to Mar. 2015	Oct. to Dec. 2014
Net loss for period	\$ (285,267)	\$ (317,730)	\$ (208,973)	\$ (174,777)
Basic loss per share	(0.003)	(0.004)	(0.003)	(0.003)
Diluted income (loss) per share	N/A	N/A	N/A	N/A
Weighted average number of shares outstanding	90,651,282	76,625,782	62,445,233	62,445,233

Related Party Transactions

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Except as disclosed elsewhere in these consolidated financial statements, the Company had the following related party transactions:

- As at September 30, 2016, an amount of \$244,346 (2015 - \$80,659) remains payable to officers of the Company.
- For the year ended September 30, 2016, the Company provided management services to companies with common officers and directors and received total consideration of \$38,000 which has been recorded as recovery of overhead.
- For the year ended September 30, 2016, a former director of the Company was paid \$50,659 (September 30, 2015 - \$75,375) for geological consultant services.
- For the year ended September 30, 2016, a director of the Company was paid \$nil (September 30, 2014 - \$20,000) for geological consultant services relating to resource reporting.
- For the year ended September 30, 2015, directors and officers of the company subscribed for 3,050,000 Units of the company for total consideration of \$152,500.

The Company has no revenue producing activities.

The Company currently does not have any on-going business operations.

There is no assurance that the Company can access additional capital and other sources of financing.

Certain of the Company's directors and officers serve as directors and/or officers of other public and private companies and devote a portion of their time to manage other business interests. This may result in certain conflicts of interest.

The Company has a history of operating losses and may have continuing operating losses and a negative cash flow in the future.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Critical Accounting Estimates

Stock based compensation

Compensation expense associated with stock options granted is based on various assumptions, using the Black-Scholes option-pricing model, to produce an estimate of compensation. This estimate may vary due to changes in the variables used in the model including interest rates, expected life, expected volatility, expected dividends, expected forfeitures and share prices. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which were fully transferable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Taxes

Provisions for value added taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the value added tax recorded in the period in which such determination is made.

Recoverable amounts of long lived assets

At each reporting period, management assesses whether there are indicators of impairment of the Company's long lived assets. If an indication of impairment exists, long lived assets are tested for impairment. In order to determine if impairment exists and to measure the potential impairment charge, the carrying amounts of the Company's CGUs are compared to their recoverable amounts, which is the greater of fair value less costs to sell and value in use ("VIU"). An impairment charge is recognized to the extent the carrying amount exceeds the recoverable amount. VIU is calculated as the present value of the expected future cash flows specific to each CGU. In calculating VIU, significant judgment is required in making assumptions with respect to discount rates, the market outlook and future net cash flows associated with the CGU. Any changes in these assumptions will have an impact on the measurement of the recoverable amount and could result in adjustments to impairment charges already recorded.

Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, MB Resources SA de CV ("MB Resources"). All inter-company accounts and transactions have been eliminated.

Foreign Currency Translation

Functional Currency

The Company and its subsidiary determine the currency that is the most influential currency of the primary economic environment in which the entity operates ("Functional Currency"), and items included in the consolidated financial statements of the entity are measured using that Functional Currency. The Functional Currency of the Company is the Canadian Dollar. The Functional Currency for MB Resources is the Mexican Peso.

Transactions and Balances

Foreign currency transactions are initially translated to the Functional Currency using the foreign currency rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated to the Functional Currency at the foreign currency rate of exchange prevailing at the period end date. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end of monetary assets and liabilities not denominated in the Functional Currency are recognized in the consolidated statement of operations. Non-monetary items that originate in a currency other than the Functional Currency are translated at the foreign currency rate of exchange prevailing on the date of the initial transaction.

Translation of Foreign Operations

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operation is translated from its Functional Currency to Canadian dollars using the foreign currency rate of exchange prevailing at the period end date, and the results of operations are translated at the prevailing average monthly exchange rates. The resulting exchange differences are recognized initially in other comprehensive income and accumulated in the foreign currency translation reserve, a separate component of equity. On disposal or partial disposal of an entity with a Functional Currency other than Canadian dollars, any accumulated exchange differences in the foreign currency translation reserve are reclassified to the consolidated statement of operations. Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, form part of the net investment in the foreign operation and are recognized initially in other comprehensive income and reclassified from equity to net income on repayment of the monetary item.

Cash and cash equivalents

Cash and cash equivalents consist of short-term investments and funds on deposit having a maturity of three months or less with a Canadian Chartered bank.

Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets are recognized initially at fair value plus, for instruments not measured at fair value through profit or loss, any directly attributable transaction costs. Financial asset classifications are fair value through profit or loss ("FVTPL"), available-for-sale, held-to-maturity or loans and receivables. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

The Company has classified all financial assets with the exception of accounts receivable, as FVTPL using Level 1 fair value hierarchy assessments. Financial assets at FVTPL include financial assets held for trading, derivatives of financial assets or are designated as FVTPL. Transaction costs directly attributable to the acquisition of a financial asset of FVTPL are expensed in the consolidated statement of operations.

Financial assets at FVTPL are subsequently measured at fair value, with any resultant gain or loss recognized in the statement of comprehensive loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Assets in this category include cash and cash equivalents.

Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. Financial liabilities are classified as either FVTPL or other financial liabilities.

Exploration and evaluation ("E&E") expenditures

E&E activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Pre-exploration costs are expensed as incurred. The Company records E&E assets once it has the right to explore for mineral deposits, at cost. The Company also records, at cost, deferred exploration costs incurred as E&E assets once it has obtained the right to explore. These costs consist of costs directly attributable to the exploration of these interests. All direct and indirect costs relating to the acquisition and exploration of these E&E asset interests are capitalized on the basis of specific claim blocks until the E&E asset interests to which they relate are placed into production, disposed of through sale, or where management has determined there to be an impairment. If an E&E asset interest is abandoned, the capitalized costs will be written off to operations in the period of abandonment.

On an on-going basis, the capitalized costs are reviewed on a property-by-property basis to consider if there is any impairment on the subject property. Management's determination for impairment is based on: 1) whether the Company's exploration programs have significantly changed, such that previously identified resource targets are no longer being pursued; 2) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future; or 3) whether remaining lease terms are insufficient to conduct necessary studies or exploration work.

The carrying amount of E&E assets will not reflect the recoverable value, as this will be dependent on future development programs, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

From time-to-time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. Mineral option interests are dropped when exploration results suggest that additional exploration is not warranted. As such options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as capitalized costs or recoveries when the payments are made or received.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Substantially all of the Company's equipment is used for its E&E activities.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of loss and comprehensive loss during the period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated on a straight-line basis to recognize the cost of assets over their estimated useful lives. The depreciation rate applicable to the drilling equipment is 10 years.

Impairment of long-lived assets

The carrying amount of the Company's assets is evaluated at each reporting date by management for indicators that carrying amount is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. In assessing value in use, the Company uses discounted cash flow techniques. The determination of discounted cash flows is dependent on a number of factors including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social, legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects.

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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Income taxes

Tax expense comprises current and deferred tax. Tax is recognized in the income statement except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Share based compensation plan

The Company operates an equity-settled compensation plan under which it receives services from employees, directors, officers, and consultants as consideration for equity instruments of the Company.

For equity-settled plans, expense is based on the fair value of the awards granted. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Company re-assesses the estimated number of awards that are expected to vest and recognizes the impact of the revisions in the statement of comprehensive income.

Recent accounting pronouncements

The International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committees ("IFRIC") have issued a number of new or revised standards or interpretations that will become effective for future periods and have a potential implication for the Company.

IFRS 9 - Financial Instruments

This standard was published in November 2009, as the first step in the project to replace IAS 39 - Financial Instruments: Recognition and Measurement. This standard introduces new requirements for classifying and measuring financial assets, and is effective for all financial assets in the scope of IAS 39.

Under the standard, on initial recognition, all financial assets will be measured at fair value. In subsequent periods, a debt instrument that meets the following two conditions is measured at amortized cost:

- The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Subsequent measuring of all other debt instruments and financial assets will be at fair value.

The standard is effective commencing from January 1, 2018. Early adoption is permitted. Initial adoption is retrospective, with restatement of comparative information subject to the exemptions in the standard. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied retrospectively and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently evaluating the impact of IFRS 15 on its financial statements.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16, which supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 contains a single lessee accounting model, which eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease, other than short term leases and leases of low value items for which a lessee has the option not to apply the measurement and presentation requirements of IFRS 16, will be recorded in the statement of financial position with a "right to use" asset and a corresponding liability. IFRS 16 has an effective date of January 1, 2019, with early application permitted only if IFRS 15 has also been adopted. The Company is currently evaluating the impact of IFRS 16 on its financial statements.

Controls and Procedures

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and that (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

In contrast to the certificate required under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI52-109. In particular, the certifying officers filing Venture Issuer Basic Certificate are not making any representations relating to the establishment and maintenance of controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's general accepted accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support their presentations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of the Company to design and implement on a cost effective basis DC&P and ICFR as defined in NI52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Share Capital Data

The following table sets forth the Company's share capital data as at January 27, 2017.

Common shares, issued and outstanding ⁽¹⁾	91,800,885
Stock options outstanding ⁽²⁾	2,300,000
Warrants outstanding ⁽³⁾	13,664,652

- 1) Riverside has transferred back to the Company to its assigns, 20,108,108 common shares of the Company owned by Riverside in the event that certain conditions are not met these shares are required to be returned to the Company.
- 2) Consists of 1,700,000 options exercisable at \$0.10/share expiring between March 22, 2018 to March 23, 2020, 300,000 options exercisable at \$0.20/share expiring on March 23, 2020 and 300,000 options exercisable at \$0.05/share expiring between January 1, 2017 to June 30, 2018
- 3) Consists of 13,664,652 warrants exercisable at \$0.05/share expiring between May 4, 2017 to August 28, 2017.

Risks and Uncertainties

An insurance program is maintained to mitigate risks and to protect against significant losses, while maintaining levels of risk within the Company, which management believes to be acceptable. While the Company believes that its liability, property and business interruption insurance is adequate and consistent with industry participants of the Company's size, the Company is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims.

The Company's operations are highly dependent on its executive officers and key personnel. The loss of the services of any of these people could have an adverse effect on the Company.

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth;
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. As variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain other forms of financing. Management has assessed this risk as minimal.

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. The majority of the Company's cash is held at one financial institution and as such, has a concentration of credit risk on its cash.

The Company is exposed to interest rates with respect to its investment certificates. Management believes the risk related to these certificates to be minor as these carry fixed rates of interest and have maturity of three months or less.

The Company currently has no assets which form a business or are likely to create revenue. The Company is continuing to locate assets which it may wish to acquire.

The Company continues to be owed some funds from Mexico, as a result the Company is exposed to foreign currency risk. The Company has incorporated a Mexican subsidiary with a Mexican bank account mitigate any foreign currency risk.

Further Information

Additional information about the Company is available at the Canadian disclosure website www.sedar.com.



THE ATTACHED AUDITED FINANCIAL STATEMENTS FORM AN INTEGRAL PART OF THIS MANAGEMENT DISCUSSION AND ANALYSIS AND ARE HEREBY INCLUDED BY REFERENCE

Management Discussion and Analysis as of January 27, 2016

Certain statements in this report may constitute forward-looking statements that are subject to risks and uncertainties. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they were made. See notes to the financial statements regarding going concern, commitments, contingencies, legal matters, and other matters, which could materially affect the Company's future business, results of operations, financial position and liquidity.

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements for the year ended September 30, 2015 and the notes contained therein, of Morro Bay Resource Ltd. (the "Company"). This MD&A covers the 12 months ended September 30, 2015 and the subsequent period up to the date of filing.

The audited financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise noted. Readers are encouraged to read the Company's public information filings on SEDAR at www.sedar.com.

Corporate Overview

Morro Bay Resources Ltd. ("the Company") was incorporated under the Business Corporations Act (Alberta) on August 21, 2012. The common shares of the Company trade on the TSX Venture Exchange (symbol MRB). On January 6, 2014, the Company completed its qualifying transaction. The Company is focused on gold-silver exploration with currently an option on mineral interests in Mexico (the "Peñoles Project"). The operations of the Company in Mexico are carried out by its wholly owned Mexican subsidiary MB Resources C.V. The Company has not yet been able to determine whether any of these properties contain resources that are economically recoverable. The head office of the Company is located at 1300, 734 7th Avenue SW, Calgary, AB. T2P 3P8 and the registered office of the Company is located at 2248 -9th Avenue SE, Calgary, Alberta T2G 5P7.

Overall Performance

On January 22, 2014, the Company and Sierra Madre Developments Inc. ("Sierra Madre") closed an asset purchase agreement by which the Company acquired a drilling rig from Sierra Madre and an option under the option agreement dated February 14, 2012 (the "Option Agreement") between Sierra Madre and Riverside Resources Inc. ("Riverside") (collectively the "Assets"). This transaction has been accounted for as an asset acquisition. The Option Agreement includes an option granted to Sierra Madre by Riverside wherein Sierra Madre could earn an initial 51% (and up to 65%) interest in the Peñoles project, which include concessions staked by Riverside located in the Peñoles Mining District in Durango Mexico. The Company acquired all of the Assets in exchange for 16 million common shares of the Company at a deemed value of \$0.10 per common share and share purchase warrants entitling the holders thereof to acquire up to 8 million of the Company's common shares for the period expiring on January 22, 2015. The warrants were exercisable into common shares of the Company at \$0.15 per warrant prior to June 15, 2014 and \$0.25 per warrant after June 15, 2014. The warrants expired one year after issuance being January 22, 2015.

The Amended and Restated Option Agreement entered into as of January 22, 2014 provided that in order for the Company to earn a 51% interest in the Peñoles project, the Company was required to spend \$750,000 of exploration expenditures and pay Riverside US\$1,250,000 and CDN\$100,000 cash and deliver to Riverside \$1,500,000 worth of common shares of the Company by June 30, 2014 (or cash at the Company's option). This time line of this option agreement was initially extended to December 31, 2014. Provided that if the market value of the Company's shares is less than \$0.05 based on a 30 day volume-weighted average price ("VWAP"), such payment must be made in cash. During the year ended September 30, 2014, the Company met the \$750,000 qualified exploration expenditures requirement.

The Company and Riverside had agreed to the Company proceeding with an additional \$500,000 exploration and development program at the Peñoles Project (the "Additional Work Program"). The Company was the operator of the Additional Work Program and retained Riverside to carry-out the program in Mexico. The Additional Work Program was concluded by October 31, 2014. The Company further agreed to deliver to Riverside one-half of the \$1,500,000 payment required to exercise the option (the "Advanced Payment"). The Advance Payment was paid to Riverside by delivery of 10,135,135 common shares of the Company at a deemed value of \$0.074 per share based on the VWAP. 70% of such shares of the Company delivered to Riverside were held in escrow until December 31, 2014. As a result of having made the Advance Payment, the consideration payable by the Company on exercise of the option was reduced by \$750,000 such that the Company's obligations on exercise of the option at October 31, 2014 were as follows:

- a) Pay to Riverside US\$1,250,000;
- b) Pay to Riverside \$100,000;
- c) Deliver to Riverside common shares of the Company having a value of \$750,000 or pay cash in lieu of all or a portion thereof; and
- d) Incur exploration expenditures totaling \$500,000 (which was concluded by October 31, 2014).

The Company fulfilled the expenditure requirement of \$500,000 for the Additional Work Program. The Company and Riverside extended the option exercise date for the Peñoles Project. The date for the exercise of the option by the Company was extended to be March 31, 2015. At the same time, the terms for the exercise of the option were further amended such that the cash payments of US\$1,250,000 and \$100,000 were removed but certain work commitments were added. The Company has the option to earn a 51% interest in the Peñoles Project with an additional option to earn up to a 65% interest.

Acquisition of 51% Interest in the Peñoles Project

Pursuant to the Option Agreement between the Company and Riverside, on May 1, 2015 the Company exercised the Option Agreement such that the Company became an owner of 51% of the Peñoles Project.

As part of the exercise of the Option Agreement, the Company further agreed as follows:

- The Company shall incur Joint Venture Expenditures of \$750,000 for each of the first three years (any amounts expended over \$750,000 will be credited toward the following years expenditure requirements);
- Riverside shall have a credit of CAD\$100,000 and US\$1,250,000 against the first Joint Venture Expenditures incurred by the Joint Venture; and
- Should the Joint Venture fail to incur Joint Venture Expenditures of at least \$750,000 in each of the first three years, Riverside will have the right to acquire 100% of the Company's Interest by returning to the Company 80% of the common shares issued by the Company to Riverside.

Trend Analysis

The Company's ability to continue operations is uncertain and is dependent upon the ability of the Company to obtain necessary financing to support ongoing operations, meet the Company's liabilities and commitments as they become payable, and the ability to generate future profitable production or operations or sufficient proceeds from the disposition thereof. Financial resources available are its current cash position and raising funds through new equity or debt funding. The outcome of these matters cannot be predicted at this time. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Management believes that the Company will be able to renegotiate the terms of its existing agreements and raise sufficient capital to maintain its operations and activities for the next fiscal year.

Selected Financial Data

	For the 3 months ended		For the 12 months ended	
	September 30, 2015	For the 3 months ended September 30, 2014	September 30, 2015	For the 12 months ended September 30, 2014
Net loss	\$ (285,267)	\$ (187,168)	\$ (986,747)	\$ (1,079,770)
Total assets	\$ 5,206,094	\$ 4,366,590	\$ 5,206,094	\$ 4,366,590
Common shares issued	91,800,885	63,445,233	91,800,885	63,445,233
Weighted average shares outstanding				
Basic	90,651,282	62,343,588	73,513,963	48,612,630
Diluted	90,651,282	62,343,588	73,513,963	48,612,630

Fluctuations in Results

Year ended September 30, 2015 vs. year ended September 30, 2014

For the year ended September 30, 2015, the Company expended \$811,987 on general and administrative costs, compared to \$571,126 for the comparative year ended 2014. The majority of the increase was related to investor relations fees paid during the 2015 to assist in raising funds for the drilling program.

During the year ended September 30, 2014, the Company also expended \$385,335 in transaction costs, related to the closing of its qualifying transaction of which \$nil was expended in 2015.

Exploration and evaluation expenditures

During the year ended September 30, 2015, the Company spent \$1,418,669 on exploration and evaluation expenditures, which includes the consideration of \$975,000 paid for the exercise of the Option for the Peñoles Project, in Durango, Mexico.

Penoles Project	For the 12 months ended September 30, 2015	12 months ended September 30, 2014	Incurred to date of September 30, 2015
	\$	\$	\$
Acquisition Costs	975,000	2,260,910	3,235,910
	975,000	2,260,910	3,235,910
Exploration and evaluation expenditures			
Equipment	237	206,439	206,676
Concession fees and taxes	109,754	110,973	220,727
Licencing and liason	-	33,208	33,208
Legal consultants	-	2,500	2,500
Drilling	139,862	797,620	937,482
Geological consultants	95,117	164,442	259,559
Resource report	70,840	29,320	100,160
Equipment rentals	237	23,495	23,732
Fuel and chemicals	-	417	417
Office and administrative	31,111	27,815	58,926
Community reations & water use	-	26,431	26,431
Total additions	1,422,158	3,683,570	5,105,728
Effect of exchange rate differences	(149,318)	-	(149,318)
TOTAL	1,272,840	3,683,570	4,956,410

Liquidity and Capital Resources

As at September 30, 2015, the Company had a deficit of \$2,182,412 (September 30, 2014 - \$1,195,665). The Company had working capital surplus of \$62,624 at September 30, 2015 (September 30, 2014 - \$683,011). The continuation of the Company is dependent upon the continued financial support of shareholders, its ability to raise capital through the issuance of its securities, as well as obtaining long-term financing. As at September 30, 2015, the Company had cash of \$540 (September 30, 2014 - \$533,748).

Quarterly Summary

	Jul. to Sep. 2015	Apr. to Jun. 2015	Jan. to Mar. 2015	Oct. to Dec. 2014
	\$	\$	\$	\$
Net loss for period	(285,267)	(317,730)	(208,973)	(174,777)
Basic loss per share	(0.003)	(0.004)	(0.003)	(0.003)
Diluted income (loss) per share	N/A	N/A	N/A	N/A
Weighted average number of shares outstanding	90,651,282	76,625,782	62,445,233	62,445,233

	Jul. to Sep. 2014	Apr. to Jun. 2014	Jan. to Mar 2014	Oct. to Dec 2013
	\$	\$	\$	\$
Net loss for period	(187,168)	(244,577)	(619,465)	(28,560)
Basic loss per share	(0.003)	(0.005)	(0.013)	(0.001)
Diluted income (loss) per share	N/A	N/A	N/A	N/A
Weighted average number of shares outstanding	62,343,588	53,309,950	47,484,733	30,979,950

Subsequent Event

Subsequent to the year ended September 30, 2015, the Company's common shares commenced trading on OTC Pink, the open marketplace of the U.S. Over-the-Counter ("OTC") markets, under the symbol MRRBF

Related Party Transactions

For the year ended September 30, 2015, a director of the Company was paid \$75,375 (September 30, 2014 - \$30,000) for geological consultant services.

For the year ended September 30, 2015, a director of the Company was paid \$23,280 (September 30, 2014 - \$20,000) for geological consultant services relating to resource reporting.

For the year ended September 30, 2015, director and officers of the company subscribed for 3,050,000 units of the company for total consideration of \$152,500.

As at September 30, 2015, an amount of \$80,659 remains payable to an officer of the Company.

On January 22, 2014, directors of the Company subscribed for 510,000 Common Shares for total consideration of \$51,000.

The Company has no revenue producing activities. The Company has limited funds available to fund continuing drilling activities and exercising the Option Agreement.

There is no assurance that the Company can access additional capital and other sources of financing.

Certain of the Company's directors and officers serve as directors and/or officers of other public and private companies and devote a portion of their time to manage other business interests. This may result in certain conflicts of interest.

The Company has a history of operating losses and may have continuing operating losses and a negative cash flow in the future.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Critical Accounting Estimates

Stock based compensation

Compensation expense associated with stock options granted is based on various assumptions, using the Black-Scholes option-pricing model, to produce an estimate of compensation. This estimate may vary due to changes in the variables used in the model including interest rates, expected life, expected volatility, expected dividends, expected forfeitures and share prices. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which were fully transferable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Taxes

Provisions for value added taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the value added tax recorded in the period in which such determination is made.

Recoverable amounts of long lived assets

At each reporting period, management assesses whether there are indicators of impairment of the Company's long lived assets. If an indication of impairment exists, long lived assets are tested for impairment. In order to determine if impairment exists and to measure the potential impairment charge, the carrying amounts of the Company's CGUs are compared to their recoverable amounts, which is the greater of fair value less costs to sell and value in use ("VIU"). An impairment charge is recognized to the extent the carrying amount exceeds the recoverable amount. VIU is calculated as the present value of the expected future cash flows specific to each CGU. In calculating VIU, significant judgment is required in making assumptions with respect to discount rates, the market outlook and future net cash flows associated with the CGU. Any changes in these assumptions will have an impact on the measurement of the recoverable amount and could result in adjustments to impairment charges already recorded.

Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, MB Resources SA de CV ("MB Resources"). All inter-company accounts and transactions have been eliminated.

Foreign Currency Translation

Functional Currency

The Company and its subsidiary determine the currency that is the most influential currency of the primary economic environment in which the entity operates ("Functional Currency"), and items included in the consolidated financial statements of the entity are measured using that Functional Currency. The Functional Currency of the Company is the Canadian Dollar. The functional currency for MB Resources is the Mexican Peso.

Transactions and Balances

Foreign currency transactions are initially translated to the Functional Currency using the foreign currency rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated to the Functional Currency at the foreign currency rate of exchange prevailing at the period end date. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end of monetary assets and liabilities not denominated in the Functional Currency are recognized in the consolidated statement of operations. Non-monetary items that originate in a currency other than the Functional Currency are translated at the foreign currency rate of exchange prevailing on the date of the initial transaction.

Translation of Foreign Operations

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operation is translated from its Functional Currency to Canadian dollars using the foreign currency rate of exchange prevailing at the period end date, and the results of operations are translated at the prevailing average monthly exchange rates. The resulting exchange differences are recognized initially in other comprehensive income and accumulated in the foreign currency translation reserve, a separate component of equity. On disposal or partial disposal of an entity with a functional currency other than Canadian dollars, any accumulated exchange differences in the foreign currency translation reserve are reclassified to the consolidated statement of operations. Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, form part of the net investment in the foreign operation and are recognized initially in other comprehensive income and reclassified from equity to net income on repayment of the monetary item.

Cash and cash equivalents

Cash and cash equivalents consist of short-term investments and funds on deposit having a maturity of three months or less with a Canadian Chartered bank.

Deferred financing fees

Deferred financing fees consist of expenses incurred in connection with the then planned public offering. These expenses were applied against the share capital upon the closing of the public offering.

Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Financial asset classifications are fair value through profit or loss ("FVTPL"), available-for-sale, held-to-maturity or loans and receivables. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

The Company has classified all financial assets with the exception of accounts receivable, as FVTPL using Level 1 fair value hierarchy assessments. Financial assets at FVTPL include financial assets held for trading, derivatives of financial assets or are designated as FVTPL. Transaction costs directly attributable to the acquisition of a financial asset of FVTPL are expensed in the consolidated statement of operations.

Financial assets at FVTPL are subsequently measured at fair value, with any resultant gain or loss recognized in the statement of comprehensive loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Assets in this category include cash and cash equivalents.

Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. Financial liabilities are classified as either FVTPL or other financial liabilities.

Exploration and evaluation ("E&E") expenditures

E&E activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Pre-exploration costs are expensed as incurred. The Company records E&E assets once it has the right to explore for mineral deposits, at cost. The Company also records, at cost, deferred exploration costs incurred as E&E assets once it has obtained the right to explore. These costs consist of costs directly attributable to the exploration of these interests. All direct and indirect costs relating to the acquisition and exploration of these E&E asset interests are capitalized on the basis of specific claim blocks until the E&E asset interests to which they relate are placed into production, disposed of through sale, or where management has determined there to be an impairment. If an E&E asset interest is abandoned, the capitalized costs will be written off to operations in the period of abandonment.

On an on-going basis, the capitalized costs are reviewed on a property-by-property basis to consider if there is any impairment on the subject property. Management's determination for impairment is based on: 1) whether the Company's exploration programs have significantly changed, such that previously identified resource targets are no longer being pursued; 2) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future; or 3) whether remaining lease terms are insufficient to conduct necessary studies or exploration work.

The carrying amount of E&E assets will not reflect the recoverable value, as this will be dependent on future development programs, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

From time-to-time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. Mineral option interests are dropped when exploration results suggest that additional exploration is not warranted. As such options are exercisable entirely at the discretion of the optionee the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as capitalized costs or recoveries when the payments are made or received.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Substantially all of the Company's equipment is used for its E&E activities.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of loss and comprehensive loss during the period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated on a straight-line basis to recognize the cost of assets over their estimated useful lives. The depreciation rate applicable to the drilling equipment is 10 years.

Impairment of long-lived assets

The carrying amount of the Company's assets is evaluated at each reporting date by management for indicators that carrying amount is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. In assessing value in use, the Company uses discounted cash flow techniques. The determination of discounted cash flows is dependent on a number of factors including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects.

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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Income taxes

Tax expense comprises current and deferred tax. Tax is recognized in the income statement except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Share based compensation plan

The Company operates an equity-settled compensation plan under which it receives services from employees, directors, officers, and consultants as consideration for equity instruments of the Company.

For equity-settled plans, expense is based on the fair value of the awards granted. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Company re-assesses the estimated number of awards that are expected to vest and recognizes the impact of the revisions in the statement of comprehensive income.

New standards and interpretations not yet adopted

New standards effective beginning on or after October 1, 2014:

Effective October 1, 2014, the Company adopted the below standards and there was no material impact on these financial statements:

- i. Annual Improvements Project for 2010 – 2012, Amended standards include: IFRS 2 – Share based payment, IFRS 3 – Business combinations, IFRS 8 – Operating segments, IFRS 13 – Fair value measurement, IAS 16 – Property, plant and equipment, IAS 24 – Related party disclosures, and IAS 38 – Intangible assets. These amendments were effective for financial periods beginning on or after July 1, 2014.
- ii. Annual Improvements Project for 2011 – 2013, Amended standards include: IAS 32 – Offsetting financial assets and financial liabilities, IFRS 10, IFRS 12 and IAS 27 – Investment entities, IAS 39 – Novation of derivatives and continuation of hedge accounting, IAS 36 – Recoverable amount disclosures for non-financial assets. These amendments were effective for financial periods beginning on or after January 1, 2014.
- iii. In addition, the following amendments were effective for financial periods beginning on or after July 1, 2014: IFRS 1 – First time adoption of IFRS, IFRS 3 – Business combinations, IFRS 13 – Fair value measurement, IAS 40 – Investment property, and IAS 19 – Defined benefit plans: employee contributions.

New accounting standards and interpretations issued but not yet effective:

International Accounting Standard 1 Presentation of Financial Statements ("IAS 1")

The International Accounting Standards Board issued narrow focus amendments to IAS 1 in December 2014 to clarify existing requirements related to materiality, order of notes in the financial statements, subtotals, accounting policies and disaggregation. IAS 1 is effective for years fiscal years beginning on or after January 1, 2016 with early application permitted.

International Financial Reporting Standard 9 Financial Instruments ("IFRS 9")

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions; however, for a limited period, previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial application is before February 1, 2015.

IFRS 9 does not replace the requirement for portfolio fair value hedge accounting for interest risk since this phase of the project was separated from the IFRS 9 project due to the longer term nature of the macro hedging project which is currently at the discussion paper phase of the due process. Consequently, the exception in IAS 39 for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply.

The effective date for IFRS 9 will be for annual periods beginning on or after January 1, 2018.

International Accounting Standard 16 Property, Plant and Equipment and International Accounting Standard 38 Intangibles ("IAS 16 and 38")

In May 2014, the IASB issued amendments to IAS 16 and IAS 38, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively.

Annual Improvements Project for 2012 – 2014 (Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34)

Amendments on these four standards were issued by the IASB under its Annual Improvements Project. These amendments are effective for annual periods beginning on or after January 1, 2016.

Controls and Procedures

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and that (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing Venture Issuer Basic Certificate are not making any representations relating to the establishment and maintenance of controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual

filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's general accepted accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of the Company to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Share Capital Data

The following table sets forth the Company's share capital data as at January 27, 2016.

Common shares, issued and outstanding	91,800,885
Stock options outstanding ⁽¹⁾	5,550,000
Warrants outstanding ⁽²⁾	13,664,652

- 1) Consists of 3,800,000 options exercisable at \$0.10/share expiring between March 22, 2018 to March 23, 2020, 300,000 options exercisable at \$0.20/share expiring on March 23, 2020 and 1,450,000 options exercisable at \$0.05/share expiring between January 1, 2017 to June 30, 2018.
- 2) Consists of 13,664,652 warrants exercisable at \$0.05/share expiring between May 4, 2017 to August 28, 2017.

Risks and Uncertainties

An insurance program is maintained to mitigate risks and to protect against significant losses, while maintaining levels of risk within the Company, which management believes to be acceptable. While the Company believes that its liability, property and business interruption insurance is adequate and consistent with industry participants of the Company's size, the Company is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims.

The Company's operations may be adversely affected by changes in governmental policies, regulations or taxation concerning the Mexican mining industry. Changes in any of these areas may significantly increase the Company's costs or adversely affect its ability to conduct business.

The Company's operations are highly dependent on its executive officers and key personnel. The loss of the services of any of these people could have an adverse effect on the Company.

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth;
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. As variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain other forms of financing. Management has assessed this risk as minimal.

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. The majority of the Company's cash is held at one financial institution and as such, has a concentration of credit risk on its cash.

The Company is exposed to interest rates with respect to its investment certificates. Management believes the risk related to these certificates to be minor as these carry fixed rates of interest and have maturity of three months or less.

The Company is exposed to foreign currency risk in regards to its Mexican operations and United States denominated option payment. The Company has incorporated a Mexican subsidiary with a Mexican bank account and also invested in a United States dollar GIC to mitigate any foreign currency risk.

Further Information

Additional information about the Company is available at the Canadian disclosure website www.sedar.com.

APPENDIX "C"
FINANCIAL STATEMENTS OF EXPERION

Experion Biotechnologies Inc.

Interim Financial Statements

(in Canadian dollars)

(unaudited)

**For the Three and Six Month Periods Ended May 31, 2017 and
2016**

Experion Biotechnologies Inc.
Interim Balance Sheets
(in Canadian dollars)
(unaudited)
As at

	May 31, 2017	November 30 2016 (audited)
Assets		
Current		
Cash and cash equivalents	\$ 1,270,567	\$ 907,408
Subscription receivable (Note 8)	-	100,000
GST receivable	50,350	12,456
Prepaid expenses	8,261	8,261
	1,329,178	1,028,125
Leasehold improvements (Note 5)	1,026,787	251,765
	\$ 2,355,965	\$ 1,279,890

Liabilities

Current		
Accounts payable and accrued liabilities	\$ 72,519	\$ 245,189
Due to shareholders (Note 7)	21,705	17,485
	94,224	262,674

Shareholders' Equity

Share capital (Note 8)	2,510,000	1,110,000
Deficit	(248,259)	(92,784)
	2,261,741	1,017,216
	\$ 2,355,965	\$ 1,279,890

Nature of Operations and Going Concern (Note 1)

Commitments (Note 11)

Subsequent Events (Note 12)

Approved by the Board _____
Director Director

Experion Biotechnologies Inc.
Interim Statements of Loss and Comprehensive Loss
Three and Six Month Periods Ended May 31, 2017 and 2016
(in Canadian dollars)
(unaudited)

	Three months ended May 31, 2017	Three months ended May 31, 2016	Six months ended May 31, 2017	Six months ended May 31, 2016
Expenses				
Consulting fees	\$ 44,700	\$ -	\$ 44,700	\$ -
Office and general expenses	2,385	-	10,525	-
Professional fees	27,706	3,000	53,980	6,000
Rent expense	18,386	1,725	30,331	3,450
Travel expenses	8,677	-	8,677	-
Utilities	6,961	-	7,262	-
Net loss and comprehensive loss	\$ (108,815)	\$ (4,725)	\$ (155,475)	\$ (9,450)

Loss per share

Basic and diluted	\$ (0.008)	\$ -	\$ (0.013)	\$ (0.001)
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Weighted average number of common shares outstanding

Basic and diluted	13,333,333	10,000,000	12,410,256	10,000,000
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Experion Biotechnologies Inc.
Interim Statements of Changes in Equity
Three and Six Month Periods ended May 31, 2017 and 2016
(in Canadian dollars)
(unaudited)

	Share Capital	Deficit	Total
Balance at November 30, 2015 (audited)	\$ 10,000	\$ (60,156)	\$ (50,156)
Net loss for the period	-	(9,450)	(9,450)
Balance at May 31, 2016	\$ 10,000	\$ (69,606)	\$ (59,606)
 Balance at November 30, 2016 (audited)	 \$ 1,110,000	 \$ (92,784)	 \$ 1,017,216
Issuance of shares (Note 8)	1,400,000	-	1,400,000
Net loss for the period	-	(155,475)	(155,475)
Balance at May 31, 2017	\$ 2,510,000	\$ (248,259)	\$ 2,261,741

Experion Biotechnologies Inc.
Interim Statements of Cash Flows
Six Month Period ended May 31, 2017 and 2016
(in Canadian dollars)
(unaudited)

	2017	2016
Cash provided by (used in)		
Operations		
Net loss	\$ (155,475)	\$ (9,450)
Net changes in working capital:		
GST receivable	(37,894)	-
Accounts payables and accrued liabilities	(172,670)	6,000
	(366,039)	(3,450)
Investing		
Purchase of property, plant and equipment	(775,022)	-
Financing		
Issuance of common shares	1,400,000	-
Due to shareholders	4,220	3,450
Share subscription receivables	100,000	-
	1,504,220	3,450
Cash and cash equivalents, end of period	\$ 1,270,567	\$ -

Components of cash and cash equivalents

Cash	\$ 745,567	\$ -
Cashable term deposit	\$ 525,000	\$ -

Experion Biotechnologies Inc.
Notes to the Interim Financial Statements
For the Three and Six Month Periods Ended May 31, 2017 and 2016
(in Canadian dollars)
(unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Experion Biotechnologies Inc. ("Experion" or the "Company") is a Canadian company incorporated in the province of British Columbia on September 26, 2013 for the sole purpose of applying for a license to produce marihuana for medical purposes according to the regulations as set out in the Marihuana for Medical Purposes Regulations ("MMPR") and the Controlled Drugs and Substances Act and its Regulations.

The registered head office of the Company is 33425 MacLure Road, Unit 105, Abbotsford, British Columbia, V2S 0C4.

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

During six month period ended May 31, 2017, the Company did not generate any revenue and incurred a net loss and comprehensive loss of \$155,475 (2016 - \$9,450) and cash flows used in operating activities of \$366,039 (2016 - \$3,450). The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing, as the Company has not yet generated any revenue or received a license to produce marihuana as set out in the MMPR. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. Further, there are no assurances that the Company will be successful in obtaining its license to produce marihuana. As is common with development stage companies in the medical marihuana industry, these conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the expenses and the balance sheet classifications used. Such adjustments, if required, could be material.

2. BASIS OF PRESENTATION

Statement of Compliance

These unaudited interim financial statements were prepared using the same accounting policies and methods as those used in the Company's audited financial statements for the year ended November 30, 2016. These unaudited interim financial statements are in compliance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), have been omitted. The preparation of these unaudited condensed interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

Experion Biotechnologies Inc.
Notes to the Interim Financial Statements
For the Three and Six Month Periods Ended May 31, 2017 and 2016
(in Canadian dollars)
(unaudited)

2. BASIS OF PRESENTATION (Cont'd)

Statement of Compliance (Cont'd)

These statements should be read in conjunction with the audited financial statements for the year ended November 30, 2016. These statements were approved by the Board of Directors on August 31, 2017.

The functional currency of the Company is the Canadian dollar which is also the Company's presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents includes cash on deposit at banking institutions and term deposit which are readily convertible into a known amount of cash.

Leasehold Improvements

Leasehold improvements are related to the construction of a building on their leased property and are measured at historical cost less accumulated depreciation and impairment losses if applicable.

There has been no depreciation taken during the three and six month periods ended May 31, 2017 as the asset under construction is not available for use as intended by management.

Impairment of Long-lived Assets

Leasehold improvements are reviewed for impairment at the end of each reporting period and tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of property and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized through profit or loss.

Impairment losses may be reversed in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized. A reversal of impairment loss is recognized through profit and loss.

Investment in Associate

Experion Biotechnologies Inc.
Notes to the Interim Financial Statements
For the Three and Six Month Periods Ended May 31, 2017 and 2016
(in Canadian dollars)
(unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The Company's investment in Northern Vine Canada Inc. ("Northern Vine"), has been accounted for using the equity method. An associate is an entity in which the Company has significant influence. Under the equity method, the investment in the associate is carried on the balance sheet at cost plus post acquisition changes in the Company's share of profit or loss of the associate. The statement of loss and comprehensive loss reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes. If an entity's share of losses of an associate equals or exceeds its interest in the associate, the entity discontinues recognizing its share of further losses. The interest in an associate is the carrying amount of the investment in the associate determined using the equity method together with any long term interest that, in substance, form part of the entity's net investment in the associate. After the entity's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the associate.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investment in its associates. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the statement of operations and comprehensive loss. Upon loss of significant influence over the associate, the Company measures and recognizes the remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognized in the statement of loss and comprehensive loss.

Leases

Leases are classified as an operating lease whenever the terms of the lease do not transfer substantially all of the risks and rewards of ownership to the lessee. Lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of issue costs.

Experion Biotechnologies Inc.
Notes to the Interim Financial Statements
For the Three and Six Month Periods Ended May 31, 2017 and 2016
(in Canadian dollars)
(unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income Taxes

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the financial statement carrying value and tax basis of assets and liabilities and the benefit of tax losses available to be carried forward for tax purposes.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets are recorded in the consolidated financial statements if realization is considered probable. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that the rate changes.

Loss Per Share

The Company presents basic and diluted earnings per share for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all diluted potential common shares.

Financial Instruments

Financial Assets

All financial assets are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company classifies its financial assets as fair value through profit or loss ("FVTPL"), loans and receivables, held to maturity or available for sale. A financial asset is classified at FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets classified as FVTPL are measured at fair value with any resultant gain or loss recognized in profit or loss. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Experion Biotechnologies Inc.
Notes to the Interim Financial Statements
For the Three and Six Month Periods Ended May 31, 2017 and 2016
(in Canadian dollars)
(unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

Financial Liabilities

All financial liabilities are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expires.

The Company classifies its financial liabilities as either FVTPL or other financial liabilities. Financial liabilities classified as FVTPL are measured at fair value with any resultant gain or loss recognized in profit or loss. Transaction costs associated with FVTPL financial liabilities are expensed as incurred. Financial liabilities classified as other financial liabilities are initially measured at fair value less directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash and cash equivalents	Loans and receivables
Subscription receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Due to shareholders	Other financial liabilities

The Company's does not have any financial instruments measured at fair value.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are measured at the amounts agreed to by the parties.

Experion Biotechnologies Inc.
Notes to the Interim Financial Statements
For the Three and Six Month Periods Ended May 31, 2017 and 2016
(in Canadian dollars)
(unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant Accounting Estimates and Judgments

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from those estimates. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant judgments include the following:

- (i) Realization of certain income tax losses carried forward are not probable and has not recorded a deferred income tax asset relating to those losses; and
- (ii) Assessment of impairment indicators for long-lived assets.

4. RECENT ACCOUNTING PRONOUNCEMENTS

As at June 1, 2017, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

- (a) IFRS 9 'Financial Instruments: Classification and Measurement', introduces new requirements for the classification and measurement of financial instruments, a single forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management has not yet considered the potential impact of the adoption of IFRS 9.
- (b) IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB in June 2014. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. IFRS 15 will be effective for the Company on January 1, 2018, with early adoption permitted. Management has not yet considered the potential impact of the adoption of IFRS 15.
- (c) IFRS 16 'Leases', was issued by the IASB in January 2016 and will replace *IAS 17 Leases*. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. IFRS 16 will be effective for the Company on January 1, 2019, with early adoption permitted. Management has not yet considered the potential impact of the adoption of IFRS 16.

Experion Biotechnologies Inc.
Notes to the Interim Financial Statements
For the Three and Six Month Periods Ended May 31, 2017 and 2016
(in Canadian dollars)
(unaudited)

5. LEASEHOLD IMPROVEMENTS

As of May 31, 2017, the Company is in the process of constructing a building in order to facilitate the production and cultivation of marihuana for medical purposes. The building is expected to be completed in fiscal 2017. Given the fact that the building is not ready for its intended use, no depreciation has been taken to date. The Company has an option to purchase the land that the building is being constructed on for a purchase price of \$1,000,000, which expires on November 4, 2018, 24 months after the start of the property lease.

6. INVESTMENT IN ASSOCIATE

	Northern Vine Canada Inc.
Initial investment^(a)	\$ 2,500
Net loss for the year ended November 30, 2014	(2,500)
Balance at November 30, 2016 and May 31, 2017	\$ -

- (a) On April 10, 2014, the Company entered into a share exchange agreement with Northern Vine, a company incorporated under the laws of British Columbia, Canada. Pursuant to the terms of the agreement, the Company and Northern Vine have exchanged 25% of each parties' issued and outstanding common shares. The Company received 6,275 common shares of Northern Vine and issued 2,500,000 shares to Northern Vine. The value of the investment was determined to have a value of \$2,500. During the years ended November 30, 2016 and 2015 and for the three and six month periods ended May 31, 2017, Northern Vine has not generated any net income.

7. DUE TO SHAREHOLDERS

All amounts due to shareholders are non-interest bearing, unsecured and due on demand.

Experion Biotechnologies Inc.
Notes to the Interim Financial Statements
For the Three and Six Month Periods Ended May 31, 2017 and 2016
(in Canadian dollars)
(unaudited)

8. SHARE CAPITAL

Authorized

unlimited	Class "A" Voting Common Shares
unlimited	Class "B" Non-Voting Common Shares, class suspended
unlimited	Class "C" Non-Voting Common Shares, none issued
unlimited	Class "D" Non-Voting Common Shares, none issued
unlimited	Class "E" Non-Voting Common Shares, none issued
unlimited	Class "F" Non-Voting Preferred Shares, none issued
unlimited	Class "G" Non-Voting Preferred Shares, none issued
unlimited	Class "H" Non-Voting Preferred Shares, none issued
unlimited	Class "I" Non-Voting Preferred Shares, none issued

Issued

	Number of Shares ^(a)	Amount
Balance at November 30, 2015	10,000,000	\$ 10,000
Shares issued ^(b)	1,466,667	1,100,000
Balance at November 30, 2016	11,466,667	\$ 1,110,000
Shares issued ^(c)	1,866,666	1,400,000
Balance at May 31, 2017	13,333,333	\$ 2,510,000

- (a) In November 2016, the Company received approval from the Board of Directors to complete the following restructuring; Class B Non-Voting Common Shares without par value will be altered to Class A Voting Common Shares without par value and to subsequently subdivide each issued or allotted Class A Voting Common Share into 1,000 Class A Voting Common Shares. This has been reflected retrospectively in the comparative years.
- (b) In November 2016, the Company completed the first tranche of a private placement by issuing 1,466,667 Class A Voting Common Shares at a price of \$0.75 for gross proceeds of \$1,100,000.
- (c) In February 2017, the Company completed the second tranche of a private placement by issuing 1,866,666 at a price of \$0.75 for gross proceeds of \$1,400,000.

9. RELATED PARTY TRANSACTIONS

Key Management Compensation

The compensation of the directors and other key management of the Company totaled \$30,000 (2016 - \$NIL). There were no stock options or bonuses issued to key management. Key management includes those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company.

Other Related Party Transactions

Experion Biotechnologies Inc.
Notes to the Interim Financial Statements
For the Three and Six Month Periods Ended May 31, 2017 and 2016
(in Canadian dollars)
(unaudited)

9. RELATED PARTY TRANSACTIONS (Cont'd)

During the six month period ended May 31, 2017, the Company incurred \$3,450 (2016 - \$3,450) of rent expense paid to a shareholder of the Company.

10. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

Credit Risk

The Company's cash and cash equivalents are held in large Canadian financial institutions. The Company has not experienced any significant credit losses and believes it is not exposed to significant credit risk.

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 foreign exchange risk.

Interest Rate Risk

Interest rate risk is the risk 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 Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

Liquidity Risk

The Company's ability to continue as a going concern is dependent on management's ability to raise additional funding through future equity issuances and through short-term borrowing. The

Experion Biotechnologies Inc.
Notes to the Interim Financial Statements
For the Three and Six Month Periods Ended May 31, 2017 and 2016
(in Canadian dollars)
(unaudited)

10. FINANCIAL INSTRUMENTS (Cont'd)

Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company does not believe it is currently subject to significant liquidity risk.

Fair Value

The carrying value of the cash and cash equivalents, due to shareholders, and accounts payable and accrued liabilities approximates their fair value, due to the short-term maturities of these instruments.

Capital Risk Management

The Company defines its capital as shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to explore all strategic options and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. 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, acquire or dispose of assets or adjust the amount of cash. The Company expects its capital resources will be sufficient to carry its operations through the operating period of the next 12 months. The Company is not subject to externally imposed capital requirements.

11. COMMITMENTS

Lease Commitments

The Company has entered into a property lease agreement and an office sublease. The property lease agreement has a 3 year term commencing November 4, 2016, with two options to renew for an additional 3 years each. The purchase option to acquire the land that the building is being constructed on will expire on November 4, 2018. The combined future minimum payments are as follows:

Less than 1 year	\$	57,450
1-3 years		78,000
		<hr/>
		\$ 135,450

Experion Biotechnologies Inc.
Notes to the Interim Financial Statements
For the Three and Six Month Periods Ended May 31, 2017 and 2016
(in Canadian dollars)
(unaudited)

12. SUBSEQUENT EVENTS

- (a) On June 29, 2017, the Company had substantially completed construction of the building facilitate the production and cultivation of marihuana.
- (b) On July 24, 2017, the Company's board of directors authorized management to undertake a private placement of eight percent (8%) debentures convertible to units. The private placement is for the aggregate principal amount of \$1,056,000. The private placement closed on July 31, 2017, each debenture is due and payable on or before July 31, 2019. The issuance date of the debentures is August 1, 2017. For each one-thousand dollars (\$1,000) owing on the debentures, the debentures are convertible into Experion debenture units, which comprise of 540 Experion common shares and 540 common share purchase warrant. The debenture is convertible at any time after the earlier of a change of control of Experion and September 30, 2017, and prior to eighteen (18) months from the issuance date. As a result, upon conversion of the debentures a total of 1,056 Experion debenture units may be issued which Experion debenture units will result in the issuance of 563,200 Experion Shares and 563,200 Experion Share purchase warrants. The Experion share purchase warrant entitles the holders thereof to acquire one (1) Experion common share at a price of \$2.50 for a period expiring ten (10) months from the issuance date.
- (c) On August 18, 2017, the Company received its license to produce marihuana for medical purposes from the Access to Cannabis for Medical Purposes Regulations ("ACMPR").

Experion Biotechnologies Inc.

Financial Statements

(in Canadian dollars)

For the years ended November 30, 2016, 2015 and 2014



Collins Barrow Toronto
Collins Barrow Place
11 King Street West
Suite 700, PO BOX 27
Toronto, Ontario M5H 4C7
Canada
T: 416.480.0160
F: 416.480.2646

toronto.collinsbarrow.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Experion Biotechnologies Inc.

We have audited the accompanying financial statements of Experion Biotechnologies Inc. which comprise the balance sheets as at November 30, 2016, November 30, 2015, November 30, 2014 and December 1, 2013 and the statements of loss and comprehensive loss and changes in equity and cash flows for the years ended November 30, 2016, November 30, 2015 and November 30, 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained 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 Experion Biotechnologies Inc. as at November 30, 2016, November 30, 2015, November 30, 2014 and December 1, 2013, and its financial performance and its cash flows for the years ended November 30, 2016, November 30, 2015 and November 30, 2014 in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
June 14, 2017
Toronto, Ontario

Experion Biotechnologies Inc.
Balance Sheets
(in Canadian dollars)
As at

	November 30, 2016	November 30, 2015	November 30, 2014	December 1, 2013
Assets				
Current				
Cash and cash equivalents	\$ 907,408	\$ -	\$ -	\$ -
GST receivable	12,456	-	-	-
Subscription receivable (Note 8)	100,000	-	-	-
Prepaid expenses	8,261	-	-	-
	1,028,125	-	-	-
Leasehold improvements (Note 5)	251,765	-	-	-
	\$ 1,279,890	\$ -	\$ -	\$ -

Liabilities

Current				
Accounts payable and accrued liabilities	\$ 245,189	\$ 24,000	\$ 12,000	\$ -
Due to shareholders (Note 7)	17,485	26,156	12,172	1,249
	262,674	50,156	24,172	1,249

Shareholders' Equity

Share capital (Note 8)	1,110,000	10,000	10,000	1
Deficit	(92,784)	(60,156)	(34,172)	(1,250)
	1,017,216	(50,156)	(24,172)	(1,249)
	\$ 1,279,890	\$ -	\$ -	\$ -

Nature of Operations and Going Concern (Note 1)

Commitments (Note 12)

Subsequent Events (Note 13)

Approved by the Board

"Kevin Morneau"
Director (Signed)

"Steve Serenas"
Director (Signed)

Experion Biotechnologies Inc.
Statements of Loss and Comprehensive Loss
(in Canadian dollars)
For the years ended November 30,

	2016	2015	2014
Expenses			
Equity loss on investment	\$ -	\$ -	\$ 2,500
Office and general expenses	203	605	370
Professional fees	17,000	12,000	21,057
Rent expense (Note 10)	11,496	6,900	6,900
Travel expenses	1,785	4,347	-
Utilities	2,144	2,132	2,095
Net loss and comprehensive loss	\$ (32,628)	\$ (25,984)	\$ (32,922)

Loss per share

Basic and diluted	\$ (0.003)	\$ (0.003)	\$ (0.004)
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Weighted average number of common shares outstanding

Basic and diluted	10,112,511	10,000,000	8,232,989
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Experion Biotechnologies Inc.**Statements of Changes in Equity**

(in Canadian dollars)

Years ended November 30, 2016, November 30, 2015 and November 30, 2014

	Share Capital	Deficit	Total
Balance at December 1, 2013	\$ 1	\$ (1,250)	\$ (1,249)
Issuance of shares (Note 8)	9,999	-	9,999
Net loss for the year	-	(32,922)	(32,922)
Balance at November 30, 2014	\$ 10,000	\$ (34,172)	\$ (24,172)
Net loss for the year	-	(25,984)	(25,984)
Balance at November 30, 2015	\$ 10,000	\$ (60,156)	\$ (50,156)
Issuance of shares (Note 8)	1,100,000	-	1,100,000
Net loss for the year	-	(32,628)	(32,628)
Balance at November 30, 2016	\$ 1,110,000	\$ (92,784)	\$ 1,017,216

Experion Biotechnologies Inc.
Statements of Cash Flows
(in Canadian dollars)
For the years ended November 30,

	2016	2015	2014
Cash provided by (used in)			
Operations			
Net loss	\$ (32,628)	\$ (25,984)	\$ (32,922)
	(32,628)	(25,984)	(32,922)
Net changes in working capital:			
Accounts payable and accrued liabilities	19,607	12,000	12,000
Prepaid expenses	(8,261)	-	-
GST receivable	(12,456)	-	-
	(33,738)	(13,984)	(20,922)
Investing			
Purchase of property, plant and equipment	(50,183)	-	-
	(50,183)	-	-
Financing			
Issuance of common shares	1,000,000	-	-
Due to shareholders	(8,671)	13,984	20,922
	991,329	13,984	20,922
Cash and cash equivalents, end of year	\$ 907,408	\$ -	\$ -
Components of cash and cash equivalents			
Cash	\$ 37,408	\$ -	\$ -
Cashable term deposit	\$ 870,000	\$ -	\$ -
Supplementary Disclosure			
Shares issued for investment in associate	\$ -	\$ -	\$ 2,500

1. NATURE OF OPERATIONS AND GOING CONCERN

Experion Biotechnologies Inc. ("Experion" or the "Company") is a Canadian company incorporated in the province of British Columbia on September 26, 2013 for the sole purpose of applying for a license to produce marihuana for medical purposes according to the regulations as set out in the Marihuana for Medical Purposes Regulations ("MMPR") and the Controlled Drugs and Substances Act and its Regulations.

The registered head office of the Company is 33425 MacLure Road, Unit 105, Abbotsford, British Columbia, V2S 0C4.

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

During the year ended November 30, 2016, the Company did not generate any revenue and incurred a net loss and comprehensive loss of \$32,628 (2015 - \$25,984; 2014 - \$32,922) and cash flows used in operating activities of \$33,738 (2015 - \$13,984; 2014 - \$20,922). The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing, as the Company has not yet generated any revenue or received a license to produce marihuana as set out in the MMPR. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. Further, there are no assurances that the Company will be successful in obtaining its license to produce marihuana. As is common with development stage companies in the medical marihuana industry, these conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the expenses and the balance sheet classifications used. Such adjustments, if required, could be material.

2. BASIS OF PRESENTATION

Statement of Compliance and First Time Adoption of IFRS

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee ("IFRIC"). These are the Company's first annual financial statements prepared in accordance with IFRS and IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1").

2. BASIS OF PRESENTATION (Cont'd)

IFRS 1 requires that an entity's accounting policies used in its opening statement of financial position and throughout all periods presented in its first IFRS financial statements comply with IFRS effective at the end of its first IFRS reporting period. Accordingly, the Company's financial statements for the year ended November 30, 2016 are the first annual financial statements prepared in accordance with IFRS. IFRS 1, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was December 1, 2013 (the "Transition Date").

The Company previously did not prepare financial statements in accordance with a generally accepted accounting principal framework, as a result no IFRS 1 reconciliation is disclosed.

The functional currency of the Company is the Canadian dollar which is also the Company's presentation currency.

These financial statements were authorized for issue by the Board of Directors on June 14, 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents includes cash on deposit at banking institutions and term deposit which are readily convertible into a known amount of cash.

Leasehold Improvements

Leasehold improvements are related to the construction of a building on their leased property and are measured at historical cost less accumulated depreciation and impairment losses if applicable.

There has been no depreciation taken during the year ended November 30, 2016 as the asset under construction is not available for use as intended by management.

Impairment of Long-lived Assets

Leasehold improvements are reviewed for impairment at the end of each reporting period and tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of property and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment losses may be reversed in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized. A reversal of impairment loss is recognized through profit and loss.

Investment in Associate

The Company's investment in Northern Vine Canada Inc. ("Northern Vine"), has been accounted for using the equity method. An associate is an entity in which the Company has significant influence. Under the equity method, the investment in the associate is carried on the balance sheet at cost plus post acquisition changes in the Company's share of profit or loss of the associate. The statement of loss and comprehensive loss reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes. If an entity's share of losses of an associate equals or exceeds its interest in the associate, the entity discontinues recognizing its share of further losses. The interest in an associate is the carrying amount of the investment in the associate determined using the equity method together with any long term interest that, in substance, form part of the entity's net investment in the associate. After the entity's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the associate.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investment in its associates. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the statement of operations and comprehensive loss. Upon loss of significant influence over the associate, the Company measures and recognizes the remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognized in the statement of loss and comprehensive loss.

Leases

Leases are classified as an operating lease whenever the terms of the lease do not transfer substantially all of the risks and rewards of ownership to the lessee. Lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of issue costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income Taxes

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the financial statement carrying value and tax basis of assets and liabilities and the benefit of tax losses available to be carried forward for tax purposes.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets are recorded in the consolidated financial statements if realization is considered probable. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that the rate changes.

Loss Per Share

The Company presents basic and diluted earnings per share for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all diluted potential common shares.

Financial Instruments

Financial Assets

All financial assets are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company classifies its financial assets as fair value through profit or loss ("FVTPL"), loans and receivables, held to maturity or available for sale. A financial asset is classified at FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets classified as FVTPL are measured at fair value with any resultant gain or loss recognized in profit or loss. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses. As at November 30, 2016, November 30, 2015 and November 30, 2014, the Company has not classified any financial assets as FVPTL, held to maturity or available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

Financial Liabilities

All financial liabilities are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expires.

The Company classifies its financial liabilities as either FVTPL or other financial liabilities. Financial liabilities classified as FVTPL are measured at fair value with any resultant gain or loss recognized in profit or loss. Transaction costs associated with FVTPL financial liabilities are expensed as incurred. Financial liabilities classified as other financial liabilities are initially measured at fair value less directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash and cash equivalents	Loans and receivables
Subscription receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Due to shareholders	Other financial liabilities

The Company's does not have any financial instruments measured at fair value.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are measured at the amounts agreed to by the parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant Accounting Estimates and Judgments

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from those estimates. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant judgments include the following:

- (i) Realization of certain income tax losses carried forward are not probable and has not recorded a deferred income tax asset relating to those losses; and
- (ii) Assessment of impairment indicators for long-lived assets.

4. RECENT ACCOUNTING PRONOUNCEMENTS

As at December 1, 2016, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

- (a) IFRS 9 'Financial Instruments: Classification and Measurement', introduces new requirements for the classification and measurement of financial instruments, a single forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management has not yet considered the potential impact of the adoption of IFRS 9.
- (b) IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB in June 2014. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. IFRS 15 will be effective for the Company on January 1, 2018, with early adoption permitted. Management has not yet considered the potential impact of the adoption of IFRS 15.
- (c) IFRS 16 'Leases', was issued by the IASB in January 2016 and will replace *IAS 17 Leases*. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. IFRS 16 will be effective for the Company on January 1, 2019, with early adoption permitted. Management has not yet considered the potential impact of the adoption of IFRS 16.

5. LEASEHOLD IMPROVEMENTS

As of November 30, 2016, the Company is in the process of constructing a building in order to facilitate the production and cultivation of marihuana for medical purposes. The building is expected to be completed in fiscal 2017. Given the fact that the building is not ready for its intended use, no depreciation has been taken to date. The Company has an option to purchase the land that the building is being constructed on for a purchase price of \$1,000,000, which expires on November 4, 2018, 24 months after the start of the property lease.

6. INVESTMENT IN ASSOCIATE

	Northern Vine Canada Inc.
Initial investment^(a)	\$ 2,500
Net loss for the year ended November 30, 2014	(2,500)
Balance at November 30, 2014, 2015 and 2016	\$ -

- (a) On April 10, 2014, the Company entered into a share exchange agreement with Northern Vine, a company incorporated under the laws of British Columbia, Canada. Pursuant to the terms of the agreement, the Company and Northern Vine have exchanged 25% of each parties' issued and outstanding common shares. The Company received 6,275 common shares of Northern Vine and issued 2,500,000 shares to Northern Vine. The value of the investment was determined to have a value of \$2,500. During the years ended November 30, 2016 and 2015, Northern Vine has not generated any net income.

7. DUE TO SHAREHOLDERS

All amounts due to shareholders are non-interest bearing, unsecured and due on demand.

Experion Biotechnologies Inc.
Notes to Financial Statements
(in Canadian dollars)
November 30, 2016

8. SHARE CAPITAL

Authorized

unlimited Class "A" Voting Common Shares
unlimited Class "B" Non-Voting Common Shares, class suspended
unlimited Class "C" Non-Voting Common Shares, none issued
unlimited Class "D" Non-Voting Common Shares, none issued
unlimited Class "E" Non-Voting Common Shares, none issued
unlimited Class "F" Non-Voting Preferred Shares, none issued
unlimited Class "G" Non-Voting Preferred Shares, none issued
unlimited Class "H" Non-Voting Preferred Shares, none issued
unlimited Class "I" Non-Voting Preferred Shares, none issued

Issued

	Number of Shares ^(b)	Amount
Balance at December 1, 2013	1,000	\$ 1
Shares issued ^(a)	9,999,000	9,999
Balance at November 30, 2014 and 2015	10,000,000	\$ 10,000
Shares issued ^(c)	1,466,667	1,100,000
Balance at November 30, 2016	11,466,667	\$ 1,110,000

- (a) In January 2014, 375,000 Class A Voting Common Shares and 7,125,000 Class B Non-Voting Common Shares were issued at a price of \$1.00 for gross proceeds of \$7,499. In April 2014, 125,000 Class A Voting Common Shares and 2,375,000 Class B Non-Voting Common Shares were issued in exchange for the shares in Northern Vine (Note 6) at a value of \$1.00 for a total value of \$2,500.
- (b) In November 2016, the Company received approval from the Board of Directors to complete the following restructuring; Class B Non-Voting Common Shares without par value will be altered to Class A Voting Common Shares without par value and to subsequently subdivide each issued or allotted Class A Voting Common Share into 1,000 Class A Voting Common Shares. This has been reflected retrospectively in the comparative years.
- (c) In November 2016, the Company completed the first tranche of a private placement by issuing 1,466,667 Class A Voting Common Shares at a price of \$0.75 for gross proceeds of \$1,100,000. As at November 30, 2016, \$100,000 is recorded as a subscription receivable. The second tranche of this private placement was completed in February 2017 (Note 13).

Experion Biotechnologies Inc.
Notes to Financial Statements
(in Canadian dollars)
November 30, 2016

9. INCOME TAXES

(a) Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal/provincial tax rates with the income tax expense in the financial statements:

	2016	2015	2014
Loss before income taxes	\$ (32,628)	\$ (25,984)	\$ (32,922)
Statutory rate	26.9 %	26.9 %	26.9 %
Expected income tax recovery	\$ (8,777)	\$ (6,990)	\$ (8,856)
Change in valuation allowance	8,777	6,990	8,856
Income tax expense	\$ -	\$ -	\$ -

(b) Deferred Income Taxes

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

	2016	2015	2014
Amounts related to tax loss carry forwards	\$ 24,959	\$ 16,182	\$ 9,192
Net deferred tax asset	24,959	16,182	9,192
Less: Deferred tax asset not recognized	(24,959)	(16,182)	(9,192)
	\$ -	\$ -	\$ -

(c) Loss and Tax Credit Carryforwards

As at November 30, 2016, the Company has non-capital losses of \$92,784 expiring as follows:

2033	\$ 1,250
2034	32,922
2035	25,984
2036	32,628
	\$ 92,784

The potential tax benefit relating to the non-capital losses and tax credit carryforwards has not been reflected in these financial statements.

10. RELATED PARTY TRANSACTIONS

Key Management Compensation

The compensation of the directors and other key management of the Company totaled \$NIL (2015 - \$NIL; 2014 - \$NIL). There were no stock options or bonuses issued to key management. Key management includes those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company.

Other Related Party Transactions

During the year ended November 30, 2016, the Company incurred \$6,900 (2015 - \$6,900; 2014 - \$6,900) of rent expense paid to a shareholder of the Company.

11. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

Credit Risk

The Company's cash and cash equivalents are held in large Canadian financial institutions. The Company has not experienced any significant credit losses and believes it is not exposed to significant credit risk.

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 foreign exchange risk.

11. FINANCIAL INSTRUMENTS (Cont'd)

Interest Rate Risk

Interest rate risk is the risk 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 Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

Liquidity Risk

The Company's ability to continue as a going concern is dependent on management's ability to raise additional funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company does not believe it is currently subject to significant liquidity risk.

Fair Value

The carrying value of the cash and cash equivalents, due to shareholders, and accounts payable and accrued liabilities approximates their fair value, due to the short-term maturities of these instruments.

Capital Risk Management

The Company defines its capital as shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to explore all strategic options and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. 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, acquire or dispose of assets or adjust the amount of cash. The Company expects its capital resources will be sufficient to carry its operations through the operating period of the next 12 months. The Company is not subject to externally imposed capital requirements.

12. COMMITMENTS

Lease Commitments

The Company has entered into a property lease agreement and an office sublease. The property lease agreement has a 3 year term commencing November 4, 2016, with two options to renew for an additional 3 years each. The purchase option to acquire the land that the building is being constructed on will expire on November 4, 2018. The combined future minimum payments are as follows:

Less than 1 year	\$ 60,900
1-3 years	105,000
	<hr/>
	\$ 165,900

13. SUBSEQUENT EVENTS

Subsequent to the year ended November 30, 2016, the Company completed the second tranche of a private placement by issuing 1,866,666 at a price of \$0.75 for gross proceeds of \$1,400,000. The aggregate number of shares outstanding is 13,333,333. On December 7, 2017, the Company received the payment for the subscription receipt outstanding as at November 30, 2017.

APPENDIX "D"
MANAGEMENT'S DISCUSSION AND ANALYSIS OF EXPERION

Experion Biotechnologies Inc.

EXPERION BIOTECHNOLOGIES INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS
OF OPERATIONS ("MD&A")**

For the Six Month Period Ended May 31, 2017

Dated Effective August 30, 2017

Experion Biotechnologies Inc.
Experion Biotechnologies Inc.
Management Discussion & Analysis

For the six month period ended May 31, 2017

This management discussion and analysis (the “MD&A”) of the financial condition and results of operations of Experion Biotechnologies Inc. (the “Company” or “Experion”) is for the fiscal quarter ended May 31, 2017. The Company’s financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts presented herein are stated in Canadian dollars, unless otherwise indicated. This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 “Continuous Disclosure Obligations” (“NI 51-102”) of the Canadian Securities Administrators. The information contained herein, together with any amendments or supplements and any other information that may be furnished by the Company, includes forward looking information. Such information is based on assumptions as to future events that are inherently uncertain and assumptions, including the completion of a financing or as to whether future results will occur as projected. It must be recognized that the projections of the Company’s future performance are necessarily subject to a high degree of uncertainty that actual results can be expected to vary from the results projected and that such variances may be material and adverse. Prospective investors are expected to conduct their own investigation with regards to the Company and its prospects. This presentation does not constitute an offer to sell or a solicitation of an offer to buy any security. This MD&A is prepared as of August 30, 2017.

The effective date of this MD&A is August 30, 2017.

Forward Looking Statements

This MD&A includes forward-looking statements that are based upon current expectations, which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical fact may be deemed to be forward looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts, but reflect management’s expectations regarding future events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations.

Company Overview

Experion was incorporated under the *Business Corporations Act* (British Columbia) on September 26, 2013. The Company was formed with the strategic purpose of acquiring a license to produce and to distribute cannabis products.

Legislating and ancillary regulations permitting access to cannabis for medical purposes through producers licensed by Health Canada was enacted on October 1, 2013 through Health Canada’s Marijuana for Medical Purposes Regulations (“MMPR”). The Company originally applied to obtain its license produced to the MMPR. On August 24, 2016, the Government of Canada introduced new regulations governing the use of marijuana for medical purposes known as the Access to Cannabis for Medical Purposes Regulations (“ACMPR”). The ACMPR remain largely consistent with the former MMPR, but restore the ability of patients to grow their own marijuana at home, including the ability to designate a third-party grower through regulations akin to the former Medical Marijuana Access Regulations (“MMAR”). The license application was converted to be an application pursuant to the ACMPR. Experion has obtained its “license to produce” pursuant to the ACMPR.

Experion Biotechnologies Inc.

The following are the Company's operational and financial milestones which have occurred since its inception in 2013:

On January 15, 2014, Experion received a letter from the Fraser Valley Regional District ("FVRD") confirming that the FVRD Board endorsed a motion to permit the production of medical cannabis within the Electoral Areas of the FVRD at a property located in close proximity to Mission, BC (the "Mission Site")¹.

On or about April 14, 2014, the Company entered into an agreement with Northern Vine Canada Inc. ("NVC") whereby each party agreed to exchange its shares for shares issued by the other party (herein the "Share Exchange Agreement" or "SEA")². NVC was at this time applying for a controlled substance license ("CSL") from Health Canada for purposes of operating a controlled substance laboratory located in Langley, BC (the "Langley Lab").

Pursuant to the Share Exchange Agreement³, Experion delivered to NVC the following: (i) a certificate representing 125 Class "A" voting common shares of Experion issued in the name of NVC; and (ii) a certificate representing 2,375 Class "B" non-voting common shares of Experion issued in the name of NVC. NVC delivered to Experion the following: a certificate representing 6,275 NVC Shares issued in the name of Experion. The Company's resulting ownership stake in NVC was 25%; and NVC's resulting ownership stake in Experion was 25%. NVC and the company also entered into Shareholders Agreements governing the shares obtained by them. Pursuant to the Shareholders Agreement with NVC, Experion is entitled to maintain a 25% interest in NVC.

During the fiscal years ended November 30, 2016, 2015 and 2014, the Company supported its application for license under the then MMPR and completed the SEA with NVC incurring operating losses of \$32,628, \$25,984 and \$32,922⁴ respectively for each period.

During 2015 and early 2016 the Company proceeded with the filing of its necessary documents pursuant to the MMPR and the ACMPR process.

On June 7, 2016, the Company received formal confirmation of "readiness for inspection" from Health Canada (the "Confirmation of Readiness Letter") under the ACMPR. The Mission Site as prescribed by the regulations was therefore required to undergo such improvements and additions to allow full production and sale of marijuana in compliance with the ACMPR. Prior to pre-license inspection being scheduled, Health Canada requires confirmation that the Mission Site's storage security measures are in place, functional and comply with Division 3 of the ACMPR and associated Security Directive.

The Company's Security Plan as dated December 2015, and subsequently reviewed in June 2016 adhered to Division 3 of the ACMPR and associated Security Directive.

In August 2016, Experion management began preparations for a planned private placement equity financing in order to fund the construction of the Company's scalable production, processing, storage and fulfillment center to be located at the Mission Site.

The Company formally registered its option dated September 21, 2016, to purchase fee title to the Mission Site property.

On September 22, 2016, NVC received its license (no. 2016/6838) pursuant to the *Controlled Drugs and Substances Act* (Canada) to operate a laboratory facility located at 104-9295 198th Street, Langley, BC. The

¹ See Note 5 of Company's audited financial statements

² See Note 6 of Company's audited financial statements

³ See Note 8 (a) of Company's audited financial statements

⁴ Includes equity loss on NVC investment of \$2,500

Experion Biotechnologies Inc.

license specifically permits possession and production of controlled substances under the applicable Regulations.

Experion committed resources towards completion of the re-fitting of the Langley Lab⁵, as well as business development efforts to sign-up customers⁶ for the launch phase of laboratory operations scheduled for July 2017.

In October 2016, the Company's board of directors authorized a private placement equity financing of up to \$2.5 million (the "Financing").

On November 28, 2016, the Experion board of directors authorized the following restructuring: Class "B" non-voting common shares without par value were exchanged for Class "A" voting common shares without par value and subsequently subdivided each issued or allotted Class "A" voting common share into 1,000 Class A voting common shares⁷ (the "Share Restructuring").

In November 2016, the Company completed the first tranche of a private placement by issuing 1,466,667 Class A Voting Common Shares at a price of \$0.75 for gross proceeds of \$1,100,000. As at November 30, 2016, \$100,000 was recorded as a subscription receivable. On December 7, 2016, the Company received the payment for the subscription receipt outstanding as at November 30, 2016.

On February 28, 2017, the Company completed the second tranche of a private placement by issuing 1,866,666 at a price of \$0.75 for gross proceeds of \$1,400,000. The aggregate number of shares outstanding is 13,333,333.

By the end of the first fiscal quarter ending February 28, 2017, the Company completed substantially all of the site preparation work at the Mission Site.

In April 2017, the Company commenced construction of its 8,300 ft² production, processing and storage facility at the Mission Site. Construction work advanced rapidly throughout May 2017; and subsequent to quarter end, the Company had substantially completed construction of the facility on or about June 29, 2017. Experion management concurrently began working with officials from Health Canada to establish the Company's readiness to commence production at its new facility. Management expects to be able to be fully compliant and meet Health Canada requirements to commence production by July 31, 2017; and the Company received its license to produce from Health Canada on August 18, 2017.

On July 24, 2017, the Company's board of directors authorized management to undertake a private placement of eight percent (8%) debentures convertible to units. The private placement is for the aggregate principal amount of \$1,056,000. The private placement closed on July 31, 2017, each debenture is due and payable on or before July 31, 2019. The issuance date of the debentures is August 1, 2017. For each one-thousand dollars (\$1,000) owing on the debentures, the debentures are convertible into Experion debenture units, which comprise of 540 Experion common shares and 540 common share purchase warrant. The debenture is convertible at any time after the earlier of a change of control of Experion and September 30, 2017, and prior to eighteen (18) months from the issuance date. As a result, upon conversion of the debentures a total of 1,056 Experion debenture units may be issued which Experion debenture units will result in the issuance of 563,200 Experion Shares and 563,200 Experion Share purchase warrants. The Experion share purchase warrant entitles the holders thereof to acquire one (1) Experion common share at a price of \$2.50 for a period expiring ten (10) months from the issuance date.

⁵ The Langley facility includes a pre-existing laboratory set-up with some complements to the specifications required for cannabis work

⁶ Experion has to date signed letters of intent with two (2) customer groups seeking testing and analytical services

⁷ See Note 8 (b) of Company's audited financial statements

Experion Biotechnologies Inc.

The financing activities of Experion from inception to date are summarized as follows:

Date	Class of Shares	Number of Shares	Cost Per Share	Gross Proceeds
September 26, 2013	Experion Class "A" Common Shares (Class "A")	1	\$1.00	\$1.00
January 10, 2014	Experion Class "A" and Class "B" Non-voting Common Shares ("Class "B")	374 Class A 7,125 Class B	\$1.00	\$7,499
April 14, 2014	Class "A" Shares and Class "B" Shares	125 Class "A" 2,375 Class "B"	N/A	Share Swap (value \$2,500)
November 6, 2016	Share Restructuring—Class "B" converted to Class "A" shares and Class "A" Shares subdivided one for 1,000 Resulting in 10,000,000 Class "A" Shares issued and outstanding..			
November 8, 2016	Class "A" Shares	1,466,667	\$0.75	\$1,100,000
February 28, 2017	Class "A" Shares	1,866,666	\$0.75	\$1,400,000
TOTAL	<i>Experion Class "A" Shares</i>	13,333,333		\$2,510,000

Notes:

- (1) See Share Engage Agreement discussion under "Company Overview" in this MD&A.
- (2) See Share Restructuring discussion under "Company Overview" in this MD&A.

Experion Biotechnologies Inc.
Results of Operations Licensing and Setup

Interim Statements of Cash Flows
Six Month Period ended May 31, 2017 and 2016
(in Canadian dollars)
(unaudited)

	2017	2016
Cash provided by (used in)		
Operations		
Net loss	\$ (155,475)	\$ (9,450)
Net changes in working capital:		
GST receivable	(37,894)	-
Accounts payables and accrued liabilities	(172,670)	6,000
	(366,039)	(3,450)
Investing		
Purchase of property, plant and equipment	(775,022)	-
Financing		
Issuance of common shares	1,400,000	-
Due to shareholders	4,220	3,450
Share subscription receivables	100,000	-
	1,504,220	3,450
Cash and cash equivalents, end of period	\$ 1,270,567	\$ -

Components of cash and cash equivalents

Cash	\$ 745,567	\$ -
Cashable term deposit	\$ 525,000	\$ -

Experion Biotechnologies Inc.

Summary of Results for Six Month Period Ended May 31, 2017

Experion management remains focused on the advancement of the Company's license application under the ACMPR. Management continues to invest considerable time in preparation of license application materials, responding to Health Canada inquiries, business planning and budgeting, and corporate financing and corporate development activities.

Management invested considerable resources to assist NVCI with completion of the re-fitting of the Langley Lab, and continues to do so with business development in furtherance of customer acquisition.

The following table sets forth the Statements of Loss and Comprehensive Loss for the three and six month periods ended May 31, 2017.

Three and Six Month Periods Ended May 31, 2017 and 2016

(in Canadian dollars)

(unaudited)

	Three months ended	Three months ended	Six months ended	Six months
ended	May 31, 2017	May 31, 2016	May 31, 2017	May 31, 2016
Expenses				
Consulting fees	\$ 44,700	\$ -	\$ 44,700	\$ -
Office and general expenses	2,385	-	10,525	-
Professional fees	27,706	3,000	53,980	6,000
Rent expense	18,386	1,725	30,331	3,450
Travel expenses	8,677	-	8,677	-
Utilities	6,961	-	7,262	-
Net loss and comprehensive loss	\$ (108,815)	\$ (4,725)	\$ (155,475)	\$ (9,450)

Experion did not have any material purchases or expenses that required conversion of foreign currency denominated transactions during these periods.

Revenues

The Company had no revenue to report as it is not yet earning revenues from its principal operations. The Company continues to expect to generate revenue commencing in its fourth fiscal quarter of 2017 and will incur losses until revenues reach a level where operations become profitable.

Operating Expenses and Net Losses

During the three-month period ending May 31, 2017, the Company supported its application for license under the then ACMPR incurring an operating loss of \$108,815 (2016 – \$4,725) and an operating loss of \$155,475 for six months ended May 31, 2017 (2016 - \$9,450).

Operating expenses are anticipated to increase as the Company continues with construction of its Mission Site facility.

Contracts and Salaries amounting to \$44,700 were made during the three-month period ending May 31, 2017. In anticipation of the granting of the ACMPR license becoming a reporting issuer (see "Subsequent Events"), several professional and operational employees will need to be engaged on a full-time basis. As a result, the Company currently foresees salaries and compensation increasing to over \$400,000 per annum.

Experion Biotechnologies Inc.

Utilities costs, which will be a major cost in the production process going forward, amounted to \$7,262 during the six-month period ended May 31, 2017. These costs increased quarter over quarter in line with the construction budget for the Mission Site facility. These costs are expected however to increase significantly upon completion of the facility at the Mission Site as preparations are made in advance of the commencement of production.

Professional fees relating mostly to audit and accounting costs and legal fees amounted to \$26,000 and \$27,980 respectively, representing the cost of undertaking the licensing process and the accrual of the upcoming 2017 audit.

Rent of the office premises and lease payments for the Mission Site amounted to \$30,331 during the six-month period ended May 31, 2017. Property lease payments were paid pursuant to the lease agreement with the owner of the Mission Site property, and includes base rent and taxes, maintenance and insurance costs.

There was no income tax expense during the period.

With the Langley lab having recently commenced operations, the Company remains focused on the completion of construction of the facility located at the Mission Site; and Experion management expects to be cultivating cannabis by the beginning of the fourth fiscal quarter of 2017. Consequently, management expects materially higher operational expenses prior to the end of the fiscal year.

Loss Per Common Share

The table below set forth the basic net losses per common share, and weighted average number of common shares outstanding for the period ended May 31, 2017.

Periods Ended May 31, 2017 and 2016

(in Canadian dollars)

(unaudited)

	Three months ended May 31, 2017	Three months ended May 31, 2016	Six months ended May 31, 2017	Six months ended May 31, 2016
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Loss per share

Basic and diluted	\$ (0.008)	\$ -	\$ (0.013)	\$ (0.001)
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Weighted average number of common shares outstanding

Basic and diluted	13,333,333	10,000,000	12,410,256	10,000,000
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On November 2, 2016, Experion exchanged Class B Non-voting Common Shares ("Class "B" Shares) for Class "A" Common Shares ("Class "A" Shares) and subdivided each issued or allotted Class "A" Share into 1,000 Class A Shares (the "Split"). This resulted in an increase of 13,320,000 bringing the balance outstanding to 13,333,333. As a result, all shares and loss per share have been retrospectively restated to reflect the Split.

Liquidity and Capital Resources

The Company's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund operating and organic growth requirements. Experion secured the first tranche of new equity investment during fiscal 2016, as well as the second tranche during the three-month period ending February 28, 2017. The use of proceeds of the Financing were allocated to the development and construction of the Company's facility located at the Mission Site, as well as general working capital purposes. Construction at the Mission Site has advanced rapidly during the current quarter.

As at May 31, 2017, the Company had cash available of \$1,270,657. The Company has incurred losses to date. The Company continues to expect to generate revenue commencing in its fourth fiscal quarter of 2017, but will incur losses until revenues reach a level where operations become profitable. The Company's ability to achieve first revenue is dependent on successful attainment of its license to produce under the ACMPR, and to reach profitability is dependent on successful execution of its business plan. While management is highly confident in its ability to execute the business plan successfully, there can be no assurance that Experion will acquire its medical cannabis license under the ACMPR, achieve market acceptance for its medical cannabis products, or generate sufficient margins to achieve profitability.

Cash from Financing Activities

During the six-month period ended May 31, 2017, the Company received \$1,400,000 in gross cash proceeds from a private placement. In addition, the Company collected \$100,000 from shareholders on amounts receivable from the first tranche of the private placement that closed in November 2016. Finally, the Company received \$4,220 in advances from shareholders.

Cash from Investing Activities

The Company recorded investing activities which amounted to a cash outlay of \$775,022 during the six-month period ended May 31, 2017, having significantly accelerated the construction of its Mission Site facility and investing in the purchase of property, plant and equipment at this location.

Capital Resources

To date and for the foreseeable future, the Company expects to finance its operations through the issuance of common shares⁸ until the point at which its operations are profitable and self-funding. The Company periodically evaluates the opportunity to raise additional funds through either the public or private placement of equity capital to strengthen its financial position and to provide sufficient cash reserves for growth and development of the business. The Company has an unlimited number of common shares authorized for issuance of which 13,333,333 common shares are issued and outstanding as at the date hereof. The Company's board of directors has authorized the issuance of debentures convertible to units. The face value of each debenture will be \$1,000 and be convertible at the option of the holder to one unit consisting of 540 common shares and 540 common share purchase warrants. It is expected that the offering of debentures will be completed on or by July 31, 2017. Management currently expects to receive subscriptions for debentures valued at \$1.0 million. The proceeds from the sale of the debentures will be

⁸ This includes the issuance of debentures convertible to common shares of the Company.

used as a deposit towards the expansion of production its Mission Site facilities. No other shares are issued and outstanding.

Off Balance Sheet Arrangements and Contractual Obligations

The Company has no off-balance sheet arrangements.

Outlook

The Company received its license to commence the production of cannabis on August 18, 2017, and anticipates receiving all licenses to produce and to sell cannabis products by January 31, 2018.

Experion anticipates that the majority of the existing Licensed Producers and upcoming Licensed Producers will be given a free market participation in due course; however, a number of new competitors will emerge and will launch; all vying for market share. Although the Company anticipates a range of competitors, it believes that its management team, alongside with its industry partners will enable the Company to establish and to retain a leadership position in terms of both cost and product quality in the market. As purveyors of a commodity product, there is initially little to differentiate the Company's products in terms of unique features or benefits. However, Experion expects to differentiate itself as a low-cost, high-quality producer, and to differentiate further over time through investment in tissue culturing and strain research and development by way of industry partnerships, universities and third-party research facilities. This strategy is expected to position Experion as a trusted brand within the industry when it comes to price, quality, care, and advocacy for safe and responsible consumption of medicinal cannabis.

Transactions with Related Parties

The Company transacts with related parties in the normal course of business. These transactions are measured at their exchange amounts.

Key Management Compensation

The compensation of the directors and other key management of the Company totaled \$30,000 (2016 \$NIL). There were no stock options or bonuses issued to key management. Key management includes those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company.

Other Related Party Transactions

During the six-month period ended May 31, 2017, the Company incurred \$3,450 (2016 \$3,450) of rent expense paid to a shareholder of the Company.

Risks and Uncertainties

The Company operates in a dynamic, rapidly changing environment that involves risks and uncertainties and as a result management expectations may not be realized for a number of reasons.

1. Cannabis is Not an Approved Drug or Medicine

Dried cannabis is not an approved drug or medicine in Canada. The Government of Canada does not endorse the use of cannabis, but the courts have required reasonable access to a legal source of cannabis when authorized by a healthcare practitioner.

2. Experion is Not a Licensed Producer Under the ACMPR

Experion has applied to Health Canada to become a Licensed Producer under ACMPR (which has replaced the MMPR) that would enable Experion first to cultivate and eventually to sell medical marijuana to patients across Canada. The Company has not yet received a License and as such is not a Licensed Producer. However, Experion has received an affirmation email from Health Canada notifying it that upon Experion's confirmation that its proposed site and storage securities measures are in place, functional and comply with the requirements of the ACMPR and the Security Directive. Experion's ability to cultivate, to store and to sell medical marijuana in Canada is dependent on obtaining a license from Health Canada and there can be no assurance that Experion will obtain such a license.

Experion's success to date includes:

- Company has advanced to the review stage of the licensing process;
- Key personnel have passed through the security clearance stage of the licensing process;
- Subsequent to the three-month period ended February 28, 2017, Company successfully completed construction and build out of its Mission Site facility in June 2017; and
- Obtaining its license to produce pursuant to the ACMPR.

The Company is subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the license or any failure to maintain the license could have a material adverse impact on the business, financial condition and operating results of the Company. Furthermore, the license will have an expiry date of approximately one year from the date it is granted. Upon expiration of the license, the Company will be required to submit an application for renewal to Health Canada containing information prescribed under the ACMPR and renewal cannot be assured.

3. Licensing Requirements Under the ACMPR

The market for cannabis (including medical marijuana) in Canada is regulated by the CDSA, the ACMPR, the Narcotic Control Regulations, and other applicable law. Health Canada is the primary regulator of the industry as a whole. The ACMPR aims to treat cannabis like any other narcotic used for medical purposes by creating conditions for a new commercial industry that is responsible for its production and distribution. Any applicant seeking to become a Licensed Producer under the ACMPR is subject to stringent Health Canada licensing requirements.

4. Change in Laws, Regulations, and Guidelines.

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

As of August 24, 2016, Health Canada began accepting applications from individuals who wish to register to produce a limited amount of cannabis for their own medical purposes or to designate someone to produce cannabis for them. Individuals who were previously authorized to possess and produce marijuana under the MMAR remain authorized to do so by virtue of a Federal Court injunction order.

Under the ACMPR, Health Canada will continue to accept and to process applications to become a Licensed Producer that were submitted under the former MMPR. Further, all licenses and security clearances granted under the MMPR will continue under the ACMPR, which means that Licensed Producers can continue to register and supply clients with cannabis for medical purposes. New applicants can continue to apply for licenses to produce medical cannabis under the ACMPR.

The risks to the business of Experion represented by this or similar actions are that they might lead to court rulings or legislative changes that allow those with existing licenses to possess and/or grow medical cannabis, perhaps allow others to opt out of the regulated supply system implemented through the ACMPR by growing their own medical cannabis, or potentially even legitimize illegal areas surrounding cannabis dispensaries. This could significantly reduce the addressable market for Experion's proposed flower products and could materially and adversely affect the business, financial condition and results of operations for the Company.

While the impact of any of such changes are uncertain and are highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on Experion's operations that is materially different than the effect on similar-sized companies in the same business as Experion.

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

5. Factors related to the Facility which may Prevent Realization of Business Objectives

As of the date of this MD&A, Experion's initial production facility is substantially complete. The Mission Site facility will require an inspection by Health Canada prior the granting of a full license under the MMPR/ACMPR. Adverse changes or developments affecting construction of planned expansion capacity,

as well as commencement of future production could have a material and adverse effect on the Company's business, financial condition and prospects. There is a risk that these changes or developments could cause future expansion capacity to not be completed on time, on budget, or at all, as it can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- (a) delays in obtaining, or conditions imposed by, regulatory approvals;
- (b) plant design errors;
- (c) environmental pollution;
- (d) non-performance by third party contractors;
- (e) increases in materials or labour costs;
- (f) construction performance falling below expected levels of output or efficiency;
- (g) breakdown, aging or failure of equipment or processes;
- (h) contractor or operator errors;
- (i) labour disputes, disruptions or declines in productivity;
- (j) inability to attract sufficient numbers of qualified workers;
- (k) disruption in the supply of energy and utilities; or
- (l) major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

It is also possible that the final costs of constructing the expansion capacity and commencing production may be significantly greater than anticipated by management, and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing its business plans. This could have an adverse effect on the financial results of the Company.

6. Timeframes and Cost to Obtain a License Under the MMPR/ACMPR

The timeframes and costs required for Experion or any applicant for a license under the MMPR/ACMPR to build the infrastructure required, to apply for, and to receive, a license can be significant. Estimates of the timeframe and costs cannot be reliably determined at this time given that Experion is at the review stage in the licensing process. The current backlog of applications from other licensees with Health Canada and the anticipated timeframe for processing and approval of any application cannot be reliably determined at this time. Ultimately, in the process of meeting all licensing requirements, a facility meeting the rigorous requirements of Health Canada must be available for inspection by Health Canada before any license can be granted.

7. Regulatory Risks

Experion operates in a new industry which is highly regulated and is in a market which is very competitive and evolving rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. Experion's ability to grow, store and sell medical cannabis in Canada is dependent on the License from Health Canada and the need to maintain the License in good standing. Failure to comply with the requirements of the License or any failure to maintain this License would have a material adverse impact on the business, financial condition and operating results of Experion.

Experion will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Experion's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

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

Experion's business as a prospective Licensed Producer under the ACMPR represents a new industry and new market resulting from the ACMPR and its regulated regime. In addition to being subject to general business risks and to risks inherent in the nature of an early stage business, a business involving an agricultural product and a regulated consumer product, Experion will need to continue to build brand awareness in the industry and market through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations. These activities may not promote the Experion brand and products as effectively as intended. This new market and industry into which management is entering will have competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets.

8. Governmental Regulations and Risks

In the event that Experion obtains the license for the production of cannabis as currently proposed, its operations will be subject to environmental regulation in the jurisdiction in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Experion's operations.

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

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

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

9. Limited Operating History

While FAM was incorporated and began carrying on business in 2013, and became a wholly owned subsidiary of Experion on December 22, 2015, it is yet to generate any revenue. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

10. History of Losses

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

11. Risks Inherent in an Agricultural Business

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

12. Energy Costs

The Company's prospective cannabis growing operations will consume considerable energy, which will make it vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business of the Company and its ability to operate profitably. Management however remains confident that its energy costs by virtue of being located in the Province of British Columbia will provide a competitive advantage relative to producers operating in other provinces – especially those located in the Province of Ontario.

13. Reliance on Management

Another risk associated with the production and sale of cannabis is the loss of important staff members. The Company is currently in good standing with all high-level employees and believes that with well managed practices will remain in good standing. The success of the Company will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

14. Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Company maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks

at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

15. The Company Will Be an Entrant Engaging in a New Industry

The cannabis industry is fairly new. There can be no assurance that an active and liquid market for shares of the Company will develop and shareholders may find it difficult to resell their shares. Accordingly, no assurance can be given that the Company will be successful in the long term.

16. Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company shares.

17. Litigation

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

18. Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

19. Unfavourable Publicity or Consumer Perception

Management of Experion believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market

or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Company's proposed products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

20. Product Liability

If licensed as a distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

21. Product Recalls

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

Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

22. Competition

If the Company is successful in becoming a Licensed Producer, there is potential that the Company will face intense competition from other companies, some of which have operating histories, more financial resources, and more industry, manufacturing and marketing experience than the Company. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of Experion.

Critical Accounting Assumptions

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The critical accounting policies followed by the Company are as follows:

Accounting estimates and judgments: The preparation of the Company's financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying-amount of assets and liabilities within the next financial year. There have been no significant judgements made by management in the application of IFRS that have a significant effect of these financial statements.

Subsequent Events

In May 2017, Morro Bay Resources Ltd. ("Morro Bay") offered to the company shareholders to acquire the Experion common shares in exchange for Morro Bay common shares (the "Offer"). Holders of over 81% of the Experion common shares accepted the Offer prior to its expiry and have executed a definitive Share Purchase and Sale Agreement (the "Share Purchase and Sale Agreement") with Morro Bay. As a result, after a Morro Bay consolidation on a 3.603457 for one basis the Experion shareholders who accepted the Offer will be entitled to a total of 33,935,757 Morro Bay common shares (86% of the then outstanding Morro Bay common shares). Coincident with the closing of the Share Purchase Agreement Morro Bay intends to proceed with a private placement offering resulting in the issuance of up to 5,500,000 Morro Bay common shares and Morro Bay common share purchase warrants entitling the holders to acquire up to 2,750,000 common shares. Additional shares and warrants will also be delivered to the agent retained by Morro Bay to assist in the financing (the "Financing").

On June 29, 2017, the Company had substantially completed construction of the building facilitate the production and cultivation of marihuana.

On July 24, 2017, the Company's board of directors authorized management to undertake a private placement of eight percent (8%) debentures convertible to units. The private placement is for the aggregate principal amount of \$1,056,000. The private placement closed on July 31, 2017, each debenture is due and payable on or before July 31, 2019. The issuance date of the debentures is August 1, 2017. For each one thousand dollars (\$1,000) owing on the debentures, the debentures are convertible into Experion debenture units, which comprise of 533.333 Experion common shares and 533.333 common share purchase warrant. The debenture is convertible at any time after the earlier of a change of control of Experion and September 30, 2017, and prior to eighteen (18) months from the issuance date. As a result, upon conversion of the debentures a total of 1,056 Experion debenture units may be issued which Experion debenture units will result in the issuance of 563,200 Experion Shares and 563,200 Experion Share purchase warrants. The Experion share purchase warrant entitles the holders thereof to acquire one (1) Experion common share at a price of \$2.50 for a period expiring ten (10) months from the issuance date. The holders of the debentures agreed, as of August 10, 2017, to convey the debentures to Morro Bay in exchange 1,771,958 Morro Bay common shares and 1,771,958 Morro Bay purchase warrants (the "Debenture Sale Agreement"). The Morro Bay warrants entitle the holders thereof to convert the warrants to Morro Bay common shares at a price of \$0.80 per common share.

The closing of the Share Purchase Agreement, the Financing, and the Debenture Sale Agreement is conditional on each being closed and is conditional on TSX Venture Exchange approval, amongst other conditions.

On August 18, 2017, the Company received its license to produce marihuana for medical purposes from the Access to Cannabis for Medical Purposes Regulations ("ACMPR").

EXPERION BIOTECHNOLOGIES INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS
OF OPERATIONS ("MD&A") For the Year's Ended November 30, 2016, 2015, 2014**

Dated Effective June 15, 2017

Experion Biotechnologies Inc.

Management Discussion & Analysis

For the fiscal years ending November 30, 2016, 2015 and 2014

This management discussion and analysis (the “MD&A”) of the financial condition and results of operations of Experion Biotechnologies Inc. (the “Company” or “Experion”) is for the fiscal years ending November 30, 2014, 2015 and 2016. The Company’s financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts presented herein are stated in Canadian dollars, unless otherwise indicated. This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 “Continuous Disclosure Obligations” (“NI 51-102”) of the Canadian Securities Administrators. The information contained herein, together with any amendments or supplements and any other information that may be furnished by the Company, includes forward looking information. Such information is based on assumptions as to future events that are inherently uncertain and assumptions, including the completion of a financing or as to whether future results will occur as projected. It must be recognized that the projections of the Company’s future performance are necessarily subject to a high degree of uncertainty that actual results can be expected to vary from the results projected and that such variances may be material and adverse. Prospective investors are expected to conduct their own investigation with regards to the Company and its prospects. This presentation does not constitute an offer to sell or a solicitation of an offer to buy any security. This MD&A is prepared as of June 15, 2017.

The effective date of this MD&A is June 15, 2017.

Forward Looking Statements

This MD&A include contain forward-looking statements that are based upon current expectations, which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical fact may be deemed to be forward looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts, but reflect management’s expectations regarding future events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations.

Company Overview

Experion was incorporated under the *Business Corporations Act* (British Columbia) on September 26, 2013. The Company was formed with the strategic purpose of acquiring a license to produce and to distribute cannabis products.

Legislating and ancillary regulations permitting access to cannabis for medical purposes through producers licensed by Health Canada was enacted on October 1, 2013 through Health Canada’s Marijuana for Medical Purposes Regulations (“MMPR”). The Company originally applied to obtain its license produced to the MMPR. On August 24, 2016, the Government of Canada introduced new regulations governing the use of marijuana for medical purposes known as the Access to Cannabis for Medical Purposes Regulations (“ACMPR”). The ACMPR remain largely consistent with the former MMPR, but restore the ability of patients to grow their own marijuana at home, including the ability to designate a third-party grower through regulations akin to the former Medical Marijuana Access Regulations (“MMAR”). The license application was converted to be an application pursuant to the ACMPR. Experion is currently a late-stage applicant under the ACMPR.

The following are the Company's operational and financial milestones which have occurred since its inception in 2013:

On January 15, 2014, Experion received a letter from the Fraser Valley Regional District ("FVRD") confirming that the FVRD Board endorsed a motion to permit the production of medical cannabis within the Electoral Areas of the FVRD at a property located in close proximity to Mission, BC (the "Mission Site")¹.

On or about April 14, 2014, the Company entered into an agreement with Northern Vine Canada Inc. ("NVC") whereby each party agreed to exchange its shares for shares issued by the other party (herein the "Share Exchange Agreement" or "SEA")². NVC was at this time applying for a controlled substance license ("CSL") from Health Canada for purposes of operating a controlled substance laboratory located in Langley, BC (the "Langley Lab").

Pursuant to the Share Exchange Agreement³, Experion delivered to NVC the following: (i) a certificate representing 125 Class "A" voting common shares of Experion issued in the name of NVC; and (ii) a certificate representing 2,375 Class "B" non-voting common shares of Experion issued in the name of NVC. NVC delivered to Experion the following: a certificate representing 6,275 NVC Shares issued in the name of Experion. The Company's resulting ownership stake in NVC was 25%; and NVC's resulting ownership stake in Experion was 25%. NVC and the company also entered into Shareholders Agreements governing the shares obtained by them. Pursuant to the Shareholders Agreement with NVC, Experion is entitled to maintain a 25% interest in NVC.

During the fiscal periods ending November 30, 2016, 2015 and 2014, the Company supported its application for license under the then MMPR and completed the SEA with NVC incurring operating losses of \$32,628, \$25,984 and \$32,922⁴ respectively for each period.

During 2015 and early 2016 the Company proceeded with the filing of its necessary documents pursuant to the MMPR and the ACMPR process.

On June 7, 2016, the Company received formal confirmation of "readiness for inspection" from Health Canada (the "Confirmation of Readiness Letter") under the ACMPR. The Mission Site as prescribed by the regulations was therefore required to undergo such improvements and additions to allow full production and sale of marijuana in compliance with the ACMPR. Prior to pre-license inspection being scheduled, Health Canada requires confirmation that the Mission Site's storage security measures are in place, functional and comply with Division 3 of the ACMPR and associated Security Directive.

The Company's Security Plan as dated December 2015, and subsequently reviewed in June 2016 adhered to Division 3 of the ACMPR and associated Security Directive.

In August 2016, Experion management began preparations for a planned private placement equity financing in order to fund the construction of the Company's scalable production, processing, storage and fulfillment center to be located at the Mission Site.

The Company formally registered its option dated September 21, 2016, to purchase fee title to the Mission Site property.

On September 22, 2016, NVC received its license (no. 2016/6838) pursuant to the *Controlled Drugs and Substances Act* (Canada) to operate a laboratory facility located at 104-9295 198th Street, Langley, BC. The

¹ See Note 5 of Company's audited financial statements

² See Note 6 of Company's audited financial statements

³ See Note 8 (a) of Company's audited financial statements

⁴ Includes equity loss on NVC investment of \$2,500

license specifically permits possession and production of controlled substances under the applicable Regulations.

Experion committed resources towards completion of the re-fitting of the Langley Lab⁵, as well as business development efforts to sign-up customers⁶ for the launch phase of laboratory operations scheduled for July 2017.

On November 28, 2016, the Experion board of directors authorized the following restructuring: Class “B” non-voting common shares without par value were exchanged for Class “A” voting common shares without par value and subsequently subdivided each issued or allotted Class “A” voting common share into 1,000 Class A voting common shares⁷ (the “Share Restructuring”).

In November 2016, Experion also completed the first tranche of the Financing by issuing 1,486,667 Class “A” voting common shares at a price of \$0.75 for gross proceeds of \$1,100,000. As at November 30, 2016, \$100,000 was recorded as a subscription receivable and subsequently received in early fiscal 2017⁸.

The financing activities of Experion from inception to date are summarized as follows:

Date	Class of Shares	Number of Shares	Cost Per Share	Gross Proceeds
September 26, 2013	Experion Class “A” Common Shares (Class “A”)	1	\$1.00	\$1.00
January 10, 2014	Experion Class “A” and Class “B” Non-voting Common Shares (“Class “B”)	374 Class A 7,125 Class B	\$1.00	\$7,499
April 14, 2014	Class “A” Shares and Class “B” Shares	125 Class “A” 2,375 Class “B”	N/A	Share Swap (value \$2,500)
November 6, 2016	Share Restructuring—Class “B” converted to Class “A” shares and Class “A” Shares subdivided one for 1,000 Resulting in 10,000,000 Class “A” Shares issued and outstanding..			
November 8, 2016	Class “A” Shares	1,466,667	\$0.75	\$1,100,000
February 28, 2017	Class “A” Shares	1,866,666	\$0.75	\$1,400,000
TOTAL	<i>Experion Class “A” Shares</i>	13,333,333		\$2,510,000

Notes:

- (1) See Share Engage Agreement discussion under “Company Overview” in this MD&A.
- (2) See Share Restructuring discussion under “Company Overview” in this MD&A.

Results of Operations Licensing and Setup

Summary of Cash Flows for periods ending November 30, 2016, 2015 and 2014.

For the years ended November 30	2016	2015	2014
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Cash provided by (used in)

Operations

⁵ The Langley facility includes a pre-existing laboratory set-up with some complements to the specifications required for cannabis work

⁶ Experion has to date signed letters of intent with two (2) customer groups seeking testing and analytical services

⁷ See Note 8 (b) of Company’s audited financial statements

⁸ See Note 8 (c) of Company’s audited financial statements

Net loss	\$ (32,628)	\$ (25,984)	\$ (32,922)
	(32,628)	(25,984)	(32,922)
Net changes in working capital:			
Accounts payable and accrued liabilities	19,607	12,000	12,000
Prepaid expenses	(8,261)	-	-
GST receivable	(12,456)	-	-
	(33,738)	(13,984)	(20,922)
Investing			
Purchase of property, plant and equipment	(50,183)	-	-
	(50,183)	-	-
Financing			
Issuance of common shares	1,000,000	-	-
Due to shareholders	(8,671)	13,984	20,922
	991,329	13,984	20,922
Cash and cash equivalents, end of year	\$ 907,408	\$ -	\$ -

Components of cash and cash equivalents

Cash	\$ 37,408	\$ -	\$ -
Cashable term deposit	\$ 870,000	\$ -	\$ -

Summary of Results for Periods Ending November 30, 2016, 2015 and 2014

As previously noted, management has been focused on the advancement of the Company's license application under the ACMPR. As such, management has invested considerable time in preparation of license application materials, responding to Health Canada inquiries, business planning and budgeting, and corporate financing activities.

Management has also invested considerable resources to assist NVCI with completion of the re-fitting of the Langley Lab, and with business development in furtherance of customer acquisition.

The following table sets forth the Statements of Loss and Comprehensive Loss for periods ending November 30, 2016, 2015 and 2014.

For years ended November 30	2016	2015	2014
Expenses			
Equity loss on investment	\$ -	\$ -	\$ 2,500
Office and general expenses	203	605	370
Professional fees	17,000	12,000	21,057
Rent expense (Note 10)	11,496	6,900	6,900
Travel expenses	1,785	4,347	-
Utilities	2,144	2,132	2,095
Net loss and comprehensive loss	\$ (32,628)	\$ (25,984)	\$ (32,922)

Experion did not have any material purchases or expenses that required conversion of foreign currency denominated transactions during these periods.

Revenues

The Company had no revenue to report as it is not yet earning revenues from its principal operations. The Company expects to generate revenue commencing in its fourth fiscal quarter of 2017 and will incur losses until revenues reach a level where operations become profitable.

Operating Expenses and Net Losses

During the fiscal periods ending November 30, 2016, 2015 and 2014, the Company supported its application for license under the then ACMPR and completed the SEA with NVCI incurring operating losses of \$32,628, \$25,984 and \$32,922⁹ respectively for each period.

Operating expenses are anticipated to increase as the Company has since the November 30, 2016 fiscal year end commenced construction of its mission Site facility and is near completion of the Langley Lab.

Utilities, which will be a major cost in the production process going forward, Utilities costs amounted to \$2,144 (2015 - \$2,132, 2014 - \$2,095). These costs are consistent with anticipated “keeping the lights on” while the construction and ACMPR application process was in progress. These costs are expected to increase significantly upon completion of the facility at the Mission Site.

Professional fees relating mostly to legal costs amount to \$17,000 (2015 - \$12,000, 2014 - \$21,057) and represent the cost of entering finance agreements, capital raising transactions and corporate advice and activities.

Rent of the office premises amounts to \$6,900 in 2016 (2015 - \$6,900, 2014 - \$6,900) and is paid pursuant to a lease agreement with the owners of the property and includes base rent and taxes, maintenance and insurance cost. Rent of the Mission Site premises amounted to \$4,596 in 2016 (2015 - \$Nil, 2014 - \$Nil).

There was no income tax expense during the period.

As the Langley lab has commenced operations, the Company has undertaken construction of the facility on the Mission Site, and expects to be cultivating cannabis prior the end of calendar 2017, the Company operational expenses are anticipated to increase significantly.

Loss Per Common Share

The table below set forth the basic net losses per common share, and weighted average number of common shares outstanding for the periods ending November 30, 2016, 2015 and 2014.

	2016	2015	2014
Loss per share			
Basic and diluted	\$ (0.003)	\$ (0.003)	\$ (0.004)
Weighted average number of common shares outstanding			
Basic and diluted	10,112,511	10,000,000	8,232,989

⁹ Includes equity loss on NVCI investment of \$2,500

On November 2, 2016, Experion exchanged Class B Non-voting Common Shares ("Class "B" Shares) for Class "A" Common Shares ("Class "A" Shares) and subdivided each issued or allotted Class "A" Share into 1,000 Class A Shares (the "Split"). This resulted in an increase of 13,320,000 bringing the balance outstanding to 13,333,333. As a result, all shares and loss per share have been retrospectively restated to reflect the Split.

Liquidity and Capital Resources

The Company's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund the operating and organic growth requirements. Experion secured the first tranche of new equity investment during fiscal 2016, as well as second tranche subsequent to the 2016 year end (see "Subsequent Events" below¹⁰). The use of proceeds of the Financing are allocated to the development and construction of the Company's state of the art production facility located at the Mission Site, as well as general working capital purposes.

The table below sets forth the Company's cash, short-term debt and working capital as at November 30, 2016, 2015 and 2014.

	2016	2015	2014
Cash	\$37,408	-	-
Cashable term deposits	\$870,000	-	-
Prepaid expenses	\$8261	-	-
GST receivable	\$12,458	-	-
Subscription receivable	\$100,000		
Accounts payable	\$245,189	\$24,000	\$12,000
Working capital	\$782,938	(\$24,000)	(\$12,000)

As at November 30, 2016, the Company had cash available of \$782,938. See Subsequent Events for additional financing completed as at February 28, 2017. The Company has incurred losses to date. The Company expects to generate revenue commencing in its fourth fiscal quarter of 2017 and will incur losses until revenues reach a level where operations become profitable. The Company's ability to achieve first revenue is dependent on successful attainment of its license to cultivate under the ACMPR, and to reach profitability is dependent on successful execution of its business plan. While management is highly confident in its ability to execute the business plan successfully, there can be no assurance that Experion will acquire its medical cannabis license under the ACMPR, achieve market acceptance for its medical cannabis products, or generate sufficient margins to achieve profitability.

Cash from Financing Activities

As previously noted, the Company successfully completed the first tranche of a private placement financing on November 28, 2016 generating gross proceeds of \$1,100,000 of which \$100,000 was a subscription receivable. Subsequent to fiscal year end 2016, the second tranche of the Financing was completed generating gross proceeds of \$1,400,000 with aggregate cash proceeds of \$2.5 million received by February 28, 2017.

¹⁰ See also Note 13 of audited financial statements

Cash from Investing Activities

The Company had no investing activities during the period ending November 30, 2016; however, subsequent to fiscal year end 2016, the Company commenced development and construction of its Mission Site facility.

Capital Resources

To date and for the foreseeable future, the Company expects to finance its operations through the issuance of common shares until the point at which its operations are profitable and self-funding. The Company periodically evaluates the opportunity to raise additional funds through either the public or private placement of equity capital to strengthen its financial position and to provide sufficient cash reserves for growth and development of the business. The Company has an unlimited number of common shares authorized for issuance of which 13,333,333 common shares are issued and outstanding as at the date hereof. No other shares are issued and outstanding.

Off Balance Sheet Arrangements and Contractual Obligations

The Company has no off-balance sheet arrangements.

Outlook

The Company expects to be receive all required licenses to commence the production and sale of cannabis by December 31, 2017. .

Experion anticipates that the majority of the existing Licensed Producers and upcoming Licensed Producers will be given a free market participation in due course; however, a number of new competitors will emerge and will launch; all vying for market share. Although the Company anticipates a range of competitors, it believes that its management team, alongside with its industry partners will enable the Company to establish and to retain a leadership position in the market. As purveyors of a commodity product, there is initially little to differentiate the Company's products in terms of unique features or benefits. Experion expects to differentiate its brand initially as a low-cost, high-quality producer and over time through investment in product research and strain development through industry partnerships, universities and research facilities. This strategy will position Experion as a trusted brand within the industry when it comes to price, quality, care, and advocacy for safe and responsible consumption of medicinal cannabis.

Transactions with Related Parties

The Company transacts with related parties in the normal course of business. These transactions are measured at their exchange amounts.

Key Management Compensation

There was no compensation paid to the directors and other key management of the Company for periods ending November 30, 2016, 2015 and 2014.

Other Related Party Transactions

The Company incurred rent expense paid to a shareholder of the Company as set forth in the table below.

	2016	2015	2014
Rent expense paid	\$6,900	\$6,900	\$6,900

Risks and Uncertainties

The Company operates in a dynamic, rapidly changing environment that involves risks and uncertainties and as a result management expectations may not be realized for a number of reasons.

1. Cannabis is Not an Approved Drug or Medicine

Dried cannabis is not an approved drug or medicine in Canada. The Government of Canada does not endorse the use of cannabis, but the courts have required reasonable access to a legal source of cannabis when authorized by a healthcare practitioner.

2. Experion is Not a Licensed Producer Under the ACMPR

Experion has applied to Health Canada to become a Licensed Producer under ACMPR (which has replaced the MMPR) that would enable Experion first to cultivate and eventually to sell medical marijuana to patients across Canada. The Company has not yet received a License and as such is not a Licensed Producer. However, Experion has received an affirmation email from Health Canada notifying it that upon Experion's confirmation that its proposed site and storage securities measures are in place, functional and comply with the requirements of the ACMPR, and the Security Directive, Health Canada will prepare to request a Pre-Licence Inspection (a "PLI Notice"). Experion's ability to cultivate, to store and to sell medical marijuana in Canada is dependent on obtaining a license from Health Canada and there can be no assurance that Experion will obtain such a license.

Experion's success to date includes:

- Company has advanced to the review stage of the licensing process;
- Key personnel have passed through the security clearance stage of the licensing process;
- Company expects to complete the build out of its proposed facility by end of June 2017; and
- Company is preparing for its Pre-Licence Inspection.

Even if Experion is successful in obtaining a license, such license will subject the Company to ongoing compliance and reporting requirements. Failure to comply with the requirements of the license or any failure to maintain the license could have a material adverse impact on the business, financial condition and operating results of the Company. Furthermore, the license will have an expiry date of approximately one year from the date it is granted. Upon expiration of the license, the Company will be required to submit an application for renewal to Health Canada containing information prescribed under the ACMPR and renewal cannot be assured.

3. Licensing Requirements Under the ACMPR

The market for cannabis (including medical marijuana) in Canada is regulated by the CDSA, the ACMPR, the Narcotic Control Regulations, and other applicable law. Health Canada is the primary regulator of the industry as a whole. The ACMPR aims to treat cannabis like any other narcotic used for medical purposes by creating conditions for a new commercial industry that is responsible for its production and distribution. Any applicant seeking to become a Licensed Producer under the ACMPR is subject to stringent Health Canada licensing requirements.

4. Change in Laws, Regulations, and Guidelines.

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

As of August 24, 2016, Health Canada began accepting applications from individuals who wish to register to produce a limited amount of cannabis for their own medical purposes or to designate someone to produce cannabis for them. Individuals who were previously authorized to possess and produce marijuana under the MMAR remain authorized to do so by virtue of a Federal Court injunction order.

Under the ACMPR, Health Canada will continue to accept and to process applications to become a Licensed Producer that were submitted under the former MMPR. Further, all licenses and security clearances granted under the MMPR will continue under the ACMPR, which means that Licensed Producers can continue to register and supply clients with cannabis for medical purposes. New applicants can continue to apply for licenses to produce medical cannabis under the ACMPR.

The risks to the business of Experion represented by this or similar actions are that they might lead to court rulings or legislative changes that allow those with existing licenses to possess and/or grow medical cannabis, perhaps allow others to opt out of the regulated supply system implemented through the ACMPR by growing their own medical cannabis, or potentially even legitimize illegal areas surrounding cannabis dispensaries. This could significantly reduce the addressable market for Experion's proposed flower products and could materially and adversely affect the business, financial condition and results of operations for the Company.

While the impact of any of such changes are uncertain and are highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on Experion's operations that is materially different than the effect on similar-sized companies in the same business as Experion.

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

5. Factors related to the Facility which may Prevent Realization of Business Objectives

As of the date of this MD&A, Experion's initial production facility is substantially complete. The Mission Site facility will require an inspection by Health Canada prior the granting of a full license under the MMPR/ACMPR. Adverse changes or developments affecting construction of planned expansion capacity, as well as commencement of future production could have a material and adverse effect on the Company's business, financial condition and prospects. There is a risk that these changes or developments could cause future expansion capacity to not be completed on time, on budget, or at all, as it can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- (a) delays in obtaining, or conditions imposed by, regulatory approvals;
- (b) plant design errors;
- (c) environmental pollution;

- (d) non-performance by third party contractors;
- (e) increases in materials or labour costs;
- (f) construction performance falling below expected levels of output or efficiency;
- (g) breakdown, aging or failure of equipment or processes;
- (h) contractor or operator errors;
- (i) labour disputes, disruptions or declines in productivity;
- (j) inability to attract sufficient numbers of qualified workers;
- (k) disruption in the supply of energy and utilities; or
- (l) major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

It is also possible that the final costs of constructing the expansion capacity and commencing production may be significantly greater than anticipated by management, and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing its business plans. This could have an adverse effect on the financial results of the Company.

6. Timeframes and Cost to Obtain a License Under the MMPR/ACMPR

The timeframes and costs required for Experion or any applicant for a license under the MMPR/ACMPR to build the infrastructure required, to apply for, and to receive, a license can be significant. Estimates of the timeframe and costs cannot be reliably determined at this time given that Experion is at the review stage in the licensing process. The current backlog of applications from other licensees with Health Canada and the anticipated timeframe for processing and approval of any application cannot be reliably determined at this time. Ultimately, in the process of meeting all licensing requirements, a facility meeting the rigorous requirements of Health Canada must be available for inspection by Health Canada before any license can be granted.

7. Regulatory Risks

Experion operates in a new industry which is highly regulated and is in a market which is very competitive and evolving rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. Experion's ability to grow, store and sell medical cannabis in Canada is dependent on the License from Health Canada and the need to maintain the License in good standing. Failure to comply with the requirements of the License or any failure to maintain this License would have a material adverse impact on the business, financial condition and operating results of Experion.

Experion will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Experion's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

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

Experion's business as a prospective Licensed Producer under the ACMPR represents a new industry and new market resulting from the ACMPR and its regulated regime. In addition to being subject to general business risks and to risks inherent in the nature of an early stage business, a business involving an agricultural product and a regulated consumer product, Experion will need to continue to build brand awareness in the industry and market through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations. These activities may not promote the Experion brand and products as effectively as intended. This new market and industry into which management is entering will have competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets.

8. Governmental Regulations and Risks

In the event that Experion obtains the license for the production of cannabis as currently proposed, its operations will be subject to environmental regulation in the jurisdiction in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Experion's operations.

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

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

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

9. Limited Operating History

While FAM was incorporated and began carrying on business in 2013, and became a wholly owned subsidiary of Experion on December 22, 2015, it is yet to generate any revenue. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

10. History of Losses

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

11. Risks Inherent in an Agricultural Business

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

12. Energy Costs

The Company's prospective cannabis growing operations will consume considerable energy, which will make it vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business of the Company and its ability to operate profitably. Management however remains confident that its energy costs by virtue of being located in the Province of British Columbia will provide a competitive advantage relative to producers operating in other provinces – especially those located in the Province of Ontario.

13. Reliance on Management

Another risk associated with the production and sale of cannabis is the loss of important staff members. The Company is currently in good standing with all high-level employees and believes that with well managed practices will remain in good standing. The success of the Company will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

14. Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Company maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other

reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

15. The Company Will Be an Entrant Engaging in a New Industry

The cannabis industry is fairly new. There can be no assurance that an active and liquid market for shares of the Company will develop and shareholders may find it difficult to resell their shares. Accordingly, no assurance can be given that the Company will be successful in the long term.

16. Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company shares.

17. Litigation

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

18. Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

19. Unfavourable Publicity or Consumer Perception

Management of Experion believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse

scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Company's proposed products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

20. Product Liability

If licensed as a distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

21. Product Recalls

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

22. Competition

If the Company is successful in becoming a Licensed Producer, there is potential that the Company will face intense competition from other companies, some of which have operating histories, more financial

resources, and more industry, manufacturing and marketing experience than the Company. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of Experion.

Critical Accounting Assumptions

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The critical accounting policies followed by the Company are as follows:

Accounting estimates and judgments The preparation of the Company's financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying-amount of assets and liabilities within the next financial year. There have been no significant judgements made by management in the application of IFRS that have a significant effect of these financial statements.

Financial instruments: Financial Assets Financial Assets are classified into one of four categories: 1) Fair Value through profit or loss; 2) Held-to-Maturity; 3) Loans and receivables; and 4) Available for sale. Financial assets at fair value through profit or loss ("FVTPL") A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes, are recognized in profit or loss. Cash and cash equivalents are classified as FVTPL.

Held to Maturity ("HTM"): Financial assets that have a fixed maturity date and which the Company has positive intention and the ability to hold to maturity are classified as HTM and are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method. Transaction costs incurred to acquire HTM financial instruments are included in the underlying balance. No financial assets were classified as HTM.

Loans and receivables: Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method. Transaction costs incurred to acquire loans and receivables financial instruments are included in the underlying balance. No financial liabilities are classified as loans and receivable.

Available for sale ("AFS"): Available-for-sale assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Financial assets classified as AFS are carried at fair value with the changes in fair value recorded in other comprehensive income, except for

investments in equity instruments that do not have a quoted market price in an active market which should be measured at cost. Transaction costs incurred to acquire AFS financial instruments are included in the underlying balance. When there is objective evidence of impairment, the cumulative loss included in accumulated other comprehensive income is removed and recognized in net income. Gains and losses realized on disposal of available-for-sale securities are recognized in net income. No financial assets were classified as available-for-sale.

Financial Liabilities: Financial Liabilities are classified into one of two categories: 1) Fair Value through profit or loss; and 2) Other financial liabilities.

Financial liabilities at fair value through profit or loss: This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with the changes in fair value recognized in the statement of operations and comprehensive loss. No financial liabilities were classified at fair value through the profit or loss.

Other financial liabilities: This category includes accounts payable and accrued liabilities, all of which are recognized at amortized cost. The Company classified its financial liabilities which consisted of accounts payable and accrued liabilities as other financial liabilities.

Share-based compensation: The Company uses the fair value method of accounting for options granted under its share purchase option plan. Options granted to directors, officers and employees are measured at fair value, which is charged to operations over the applicable vesting period, with an offsetting credit to share option reserves. Options granted to non-employees are measured at fair value of goods and services received, which is charged to operations at the date the options are fully vested, with an offsetting credit to share option reserves. The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. Cash received on the exercise of share options is recorded in share capital and the related compensation included in share option reserves is transferred to share capital to recognize the total consideration for the shares issued.

Loss per share: The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Contingently issuable shares are not considered outstanding common shares and consequently not included in loss per share calculation. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

APPENDIX “E”

PRO FORMA CONSOLIDATED BALANCE SHEET OF THE RESULTING ISSUER

EXPERION BIOTECHNOLOGIES INC.
Pro Forma Consolidated Statement of Financial Position
(Unaudited – expressed in Canadian dollars)

As at June 30, 2017

	(6/30/2017) Morro Bay \$	(5/31/2017) Experion \$	Pro Forma Adjustments \$	Note	(6/30/2017) Post- Transaction Pro Forma \$
Assets					
Current assets					
Cash and cash equivalents	784	1,270,567	2,790,000 1,056,000 (454,630)	2(c) 2(d) 2(h)	4,662,721
Account receivable	989	50,350	35,648	2(h)	86,987
Prepaid expenses	4,359	8,261			12,620
	6,132	1,329,178			4,762,328
Non-current assets					
Property and equipment	-	1,026,787	506,986	2(h)	1,533,773
	6,132	2,355,965			6,296,101
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	160,916	72,519	150,000 287,841	2(e) 2(h)	671,276
Non-current liabilities					
Shareholders loans	-	21,705			21,705
	160,916	94,224			692,981
Shareholders' equity					
Common stock (Note 3)	7,501,754	2,510,000	(7,501,754) 1,105,068 1,863,943 2,790,000	2(a) 2(d)(f) 3 2(c)	8,269,011
Share based payment reserve	315,614	-	(315,614)	2(a)	-
Foreign currency translation reserve	(846,155)	-	846,155	2(a)	-
Retained earnings (deficit)	(7,125,997)	(248,259)	(2,442,803) 7,125,997 (49,068) (150,000) (199,837)	2(b) 2(a) 2(f) 2(e) 2(h)	(3,089,967)
Non-controlling interest	-	-	424,076	2(b)	424,076
	(154,784)	2,261,741			5,603,120
	6,132	2,355,965			6,296,101

EXPERION BIOTECHNOLOGIES INC.
Pro Forma Consolidated Statement of Operations
(Unaudited – expressed in Canadian dollars)

For the period ended June 30, 2017

	Morro Bay	Experion	Pro Forma	Note	Post
	\$	\$	Adjustments		Transaction
			\$		Pro Forma
					\$
Expenses					
General and administrative	72,685	349,696	(881)	2(g)	421,500
Interest expense	-	-	49,068	2(f)	49,068
Stock based compensation	2,320	-	(1,259)	2(g)	1,061
Transaction costs	-	-	150,000	2(e)	
			2,442,803	2(b)	2,592,803
	75,005	349,696			3,064,432
Other income					
Loss on settlement / forgiveness of debt	(39,495)	-			(39,495)
Interest income	-	89			89
	(39,495)	89			(39,406)
Comprehensive loss for the period	(114,500)	(349,607)			(3,103,838)
Loss per share	(0.01)	(0.03)			(0.07)

EXPERION BIOTECHNOLOGIES INC.
Notes to Pro Forma Consolidated Financial Statement
(Unaudited – expressed in Canadian dollars)

June 30, 2017

1. Basis of Presentation

The accompanying unaudited pro forma consolidated statement of financial position and statement of operations of Experion Biotechnologies Inc. as detailed in the Filing Statement (the "Filing Statement") herein referred to as Experion Biotechnologies Inc. ("Experion") as at June 30, 2017 ("pro forma financial statements") have been prepared by the management of Morro Bay Resources Ltd. ("Morro Bay") and Experion based on historical financial statement prepared in accordance with International Financial Reporting Standards ("IFRS") for inclusion in the Filing Statement for the proposed Transaction detailed below (Note 2).

In the opinion of management, these pro forma financial statements include all adjustments necessary for fair presentation in accordance with IFRS. The pro forma financial statements have been adjusted to give effect to pro forma events that are directly attributable to the proposed transaction. In preparing these pro forma financial statements, no adjustments have been made to reflect the operating and administrative benefits that could result from the combination of the two companies. The accounting policies used for the preparation of the pro forma financial statements are consistent with those disclosed in the unaudited financial statements of Experion as at May 31, 2017.

Management has reclassified certain line items from Experion's financial statements in an attempt to conform to the presentation of Morro Bay's financial statements.

The unaudited pro forma consolidated statement of financial position of Experion as at June 30, 2017 and unaudited pro forma consolidated statement of operations for the period ended June 30, 2017 is based on the unaudited interim financial statements of Experion as at May 31, 2017, and the unaudited interim financial statements of Morro Bay Resources Ltd. ("Morro Bay") as at June 30, 2017.

These pro forma financial statements should be read in conjunction with the unaudited financial statements for the six month period ended May 31, 2017 for Experion included in the Filing Statement and the unaudited financial statements for the nine month period ended June 30, 2017 for Morro Bay included in the Filing Statement.

2. Pro Forma Transactions and Assumptions

Experion has proceeded to enter into agreements to issue and sell \$1,056,000 aggregate principal amount of eight percent (8%) unsecured convertible debentures (the "Debentures"). Each Debenture is due and payable on or before July 31, 2019. The issuance date of the Debentures is August 1, 2017 (the "Issuance Date"). For each one-thousand dollars (\$1,000) owing on the Debentures, the Debentures are convertible into Experion Units (described below), at the option of the holder, at any time after the earlier of a change of control of Experion and September 30, 2017, and prior to eighteen (18) months from the Issuance Date. The Debentures may be converted at the option of Experion. The Experion Units consist of 533.333 Experion Shares and 533.333 Experion Share purchase warrants (the "Experion Units"). As a result, upon conversion of the Debentures a total of 1,056 Experion Units may be issued which Experion Units will result in the issuance of 563,200 Experion Shares and 563,200 Experion Share purchase warrants. The Experion Share purchase warrant (the "Experion Warrant") entitles the holders thereof to acquire one (1) Experion Common Share at a price of \$2.50 for a period expiring ten (10) months from the Issuance Date.

EXPERION BIOTECHNOLOGIES INC.
Notes to Pro Forma Consolidated Financial Statement
(Unaudited – expressed in Canadian dollars)

June 30, 2017

2. Pro Forma Transactions and Assumptions - Continued

Various Experion shareholders and debentureholders have entered into a share purchase agreement dated May 15, 2017 and a debenture purchase and sale agreement dated August 10, 2017 (the "Purchase Agreements") with Morro Bay. In accordance with the terms of the Purchase Agreements, 81% of the shareholders of Experion and all of the holders of the Debentures (as defined below) of Experion will convey to Morro Bay the shares and/or Debentures of Experion held by them in exchange for common shares of Morro Bay and, in the case of the holders of the Debentures, common share purchase warrants of Morro Bay (the "Transaction"). The Experion shareholders will receive 33,935,757 common shares of Morro Bay and the Experion debentureholders will receive 1,771,958 Morro Bay common shares and 1,771,958 common share purchase warrants for a total of 35,707,715 which will result in the former Experion shareholders owning (prior to any share offering) 87% of the Morro Bay common shares and the former Experion debentureholders will own 4.5% of the Morro Bay common shares and 1,771,958 common share purchase warrants.

Morro Bay will also, on a best efforts basis, raise a minimum of \$500,000 to \$3,000,000 through a common share private placement offering at a price of \$0.60 per subscription receipt in conjunction with the Transaction (the "Offering"). Each subscription receipt will consist of:

- One common share of Morro Bay
- One common share purchase warrant of Morro Bay at an exercise price of \$0.80 per common share.

The pro forma statement of financial position gives effect to the transactions as if they occurred on June 15, 2017 and the pro forma consolidated statements of operations give effect to the transactions as if they occurred on December 1, 2016. The pro forma financial statements do not reflect any transactions that have occurred subsequent to June 30, 2017, except as disclose above.

These pro forma consolidated financial statements gives effect to the following transactions, assumptions and adjustments:

Adjustments to Statement of Financial Position as at June 30, 2017:

- (a) The legal acquisition of Experion by Morro Bay constitutes a reverse asset acquisition for accounting purposes as Experion is identified as the acquirer and Morro Bay does not meet the definition of a business, as defined in IFRS 3, *Business Combinations*. Accordingly, as a result of the Transaction, the pro forma consolidated statement of financial position has been adjusted for the elimination of Morro Bay shareholders' equity
- (b) As a result of this reverse asset acquisition, a listing expense of \$2,442,803 has been recorded. In accordance with reverse acquisition accounting:
 - i. The assets and liabilities of Experion are included in the pro forma consolidated statement of financial position at their carrying values;
 - ii. The net liabilities of Morro Bay are included at their fair value of \$154,784 (equal to the carrying value of these liabilities);

EXPERION BIOTECHNOLOGIES INC.
Notes to Pro Forma Consolidated Financial Statement
(Unaudited – expressed in Canadian dollars)

June 30, 2017

2. Pro Forma Transactions and Assumptions - Continued

iii. The net liabilities have been allocated as follows:

	\$
Cash and cash equivalents	784
Other current assets	5,348
Accounts payable and accrued liabilities	(160,916)
Net liabilities assumed	(154,784)

iv. The listing expense of \$2,442,803 was determined as follows:

- Number of Experion common shares outstanding prior to the Qualifying Transaction is estimated to be 35,707,715 (33,935,757 and 1,771,958) or 91.3% of the combined corporation;
- Estimated fair value of Experion is \$21,424,629 based on the number of outstanding shares prior to the Transaction at a value of \$0.60 per share;
- Number of outstanding shares of Morro Bay prior to the Public Offering determined on a net exercise basis of 3,386,520 or 8.7% of the combined corporation;
- The portion of Experion's fair value attributed to Morro Bay is \$1,863,943 calculated as 8.7% of Experion's fair value;
- The non-controlling interest is in relation to the Non-accepting Shareholder, which accounts for 18.75% and is calculated as the proportionate interest in the pre-combination carrying amount of Experion's net asset, which is:

	\$
Cash and cash equivalents	1,270,567
Other current assets	58,611
Non-current assets	1,026,787
Accounts payable and accrued liabilities	(72,519)
Non-current liabilities	(21,705)
Net assets	2,261,741
Non-controlling interest at 18.75%	424,076

- As a result of this reverse asset acquisition, a listing expense of \$2,442,803 has been recorded. This reflects the difference between the estimated fair value of the Experion shares to the Morro Bay shareholders of \$1,863,943 less the net fair value of the net liabilities of Morro Bay assumed of \$154,784 offset by the non-controlling interest in Experion of \$424,076.
- (c) To record an estimate raise of \$3,000,000 from the private placement offering by Morro Bay (the "Offering"), net of finance costs of \$210,000.
- (d) To record the Debenture financing of \$1,056,000.
- (e) Transaction costs are estimated to be approximately \$150,000.

EXPERION BIOTECHNOLOGIES INC.
Notes to Pro Forma Consolidated Financial Statement
(Unaudited – expressed in Canadian dollars)

June 30, 2017

2. Pro Forma Transactions and Assumptions - Continued

Adjustments to Statement of Operations for the seven month period ended June 30, 2017:

- (f) To record interest on the Debentures of \$49,068 for the seven month period ended June 30, 2017 on the Statement of Operations, and to record accrued interest on Debentures of \$42,124 as at May 31, 2017 on the Statement of Financial Position.
- (g) To reverse Morro Bay's October 1, 2016 to November 30, 2016 statement of operations. An amount of \$888 is related to general and administrative expenses and \$1,259 is related to stock-based compensation expense.
- (h) To record changes in the Statement of Financial Position of Experion occurring between May 31, 2017 and June 30, 2017, as follows:

	\$
Cash and cash equivalents	(454,630)
Accounts receivable	35,648
Fixed assets	506,986
Accounts payable and accrued liabilities	287,841
Retained earnings (deficit)	(199,837)

3. Common Stock

The pro forma share capital of the Experion post transaction after incorporation of the above transactions as at June 30, 2017 is as follows:

	# of shares	\$ amount
Common shares		
Shares held by shareholders of Morro Bay	3,386,520	7,501,754
Shares held by shareholders of the Experion	13,333,333	2,510,000
To effect reverse takeover transaction	20,602,424	-
Conversion of Experion Debentures to common shares	1,771,958	1,105,068
Eliminate share capital of Morro Bay		(7,501,754)
Fair value of common shares issued to acquire Morro Bay		1,863,943
	39,094,235	5,479,011
Issued in conjunction with the Transaction	5,000,000	3,000,000
Share issue costs	-	(210,000)
Pro forma shares outstanding at June 30, 2017	44,094,235	8,269,011