



Ubika Marijuana 20 Index

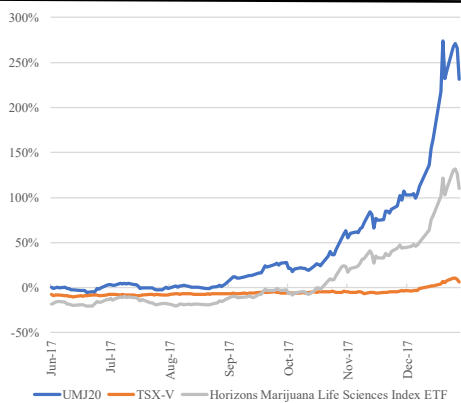
January 15, 2018



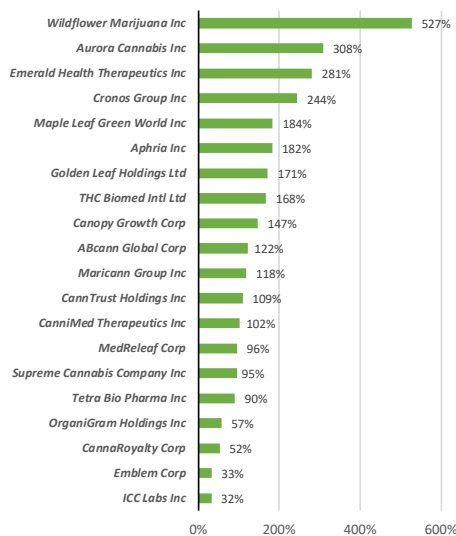
Ubika Marijuana 20 Index October 30, 2017 - January 11, 2018

UMJ20:	166.8% (263.7% Y/Y)
TSX-V:	12.1% (11.3% Y/Y)
HMMJ:	116.2% (N/A)

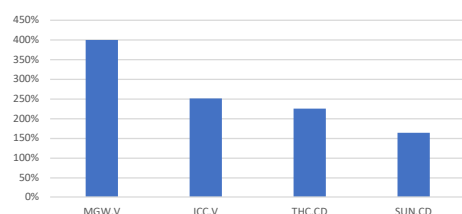
Dollar amounts in CAD unless otherwise stated.



UMJ20: Performance Distribution



Top Volume Gainers (m/m)



Note: All figures use price close on January 11

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Canada's Marijuana Stocks Smok'n Hot as Legalization Approaches

The Ubika Marijuana 20 Index has risen sharply since our last report dated October 30, 2017, returning 161%, outperforming the TSXV Index and the Horizons Marijuana Life Sciences Index over the same period, which returned 16%, and 137%, respectively. Every component of our index has gained after a sudden spike in marijuana stocks post Christmas. Notable performers in this report include:

1. MedReleaf Corp. (TSX:LEAF), which jumped 86% after the Company announced a deal to supply medical cannabis to Shoppers Drug Mart
2. Emerald Health Therapeutics Inc. (TSXV:EMH), which rose 27% after the Company announced a \$15 Million prospectus sale.
3. Aurora Cannabis Inc. (TSX:ACB), which increased 18% as California opened their state markets, and jumped another 27% after the Company announced it sold \$3.1 Million in marijuana.

Industry Highlights

- **Bill C-45 has passed the House of Commons.** After a few small amendments, the Bill that will formally legalize marijuana was passed with 200 votes for and 82 against. The Bill will now be reviewed by the Senate. Full legalization is expected to occur on July 1, 2018. The Bill leaves the details of legalization, such as the legal age of consumption and the manner of distribution, up to the provinces. All provinces have revealed their plans, the latest being Saskatchewan on January 8, 2018. Most provinces, with the notable exception of Ontario, are opting for a mix of public and private retailing, with regulation conducted by the same organization responsible for alcohol oversight. A full list is here.
- **Jeff Sessions has rescinded the Obama-administration memorandum on federal prosecution.** The Obama memo instructed federal prosecutors not to pursue criminal charges for possession in states that had legalized possession of marijuana. This move follows shortly after California opened its state markets. It is yet unclear as to what extent federal prosecutors will choose to pursue charges. The Canadian Securities Exchange (CSE) repeated its request to marijuana companies to disclose risks from US operations "in light of [Jeff Session's] announcement."

A number of high-profile public offerings have been announced.

- The Hydropothecary Corporation announced a \$100 Million public offering. The Company plans to rapidly expand its production, adding 1.3 Million sq. ft. of



production space, producing 108,000 KG of dried cannabis per year.

- Organigram Holdings Inc. (TSXV:OGI) has announced a \$100 Million bought-deal financing, at a share of \$5.42/share. The funds are to be used for its international expansion plans.
- Harvest One Cannabis Inc. (TSXV:HVST) has announced a \$35 Million prospectus offering at \$1.82/unit. The funds are to be used for expansion and development.

Upcoming Conferences:

CannaEast Compliance Summit – Lake Buena Vista, Florida, January 17-19. Participants showcase their products to retailers and industry experts, and discuss regulatory and compliance challenges.

International Cannabis Business Conference – San Francisco, California, February 1-2. State regulators and industry experts network and connect with partners.

Notable Performers

MedReleaf Corporation (TSX:LEAF)

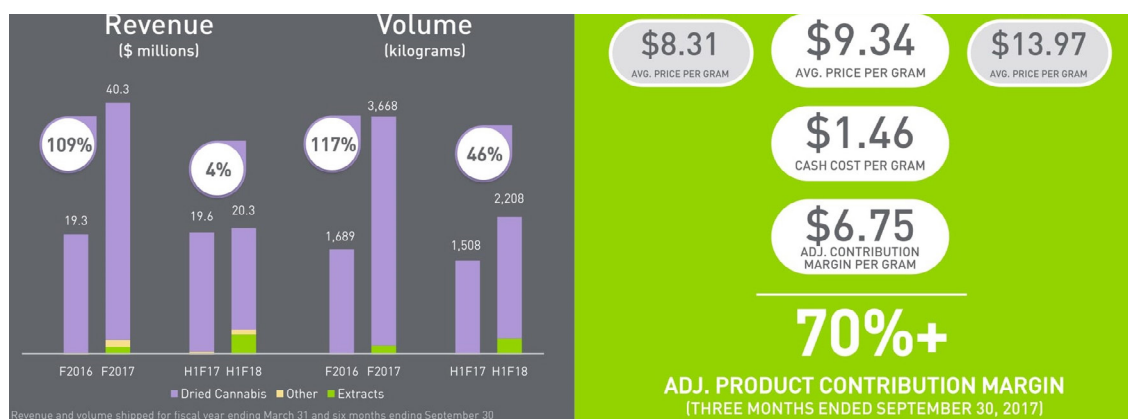
MedReleaf is a licensed marijuana producer under the ACMPR. The Company went public on the TSX on June 7, 2017. LEAF has risen 170% since our last report date, driven by a deal to supply marijuana to Shoppers Drug Mart and a general rise in cannabis stocks.

MedReleaf currently produces 7,000 KG/year out of a 55,000-sq. ft. facility in Markham. The Company started to produce 5,600 KG/year out of a 210,000-sq. ft. facility in Bradford in October. LEAF plans to expand its Bradford facility to reach 28,000 KG/year by August 2018. The \$40 Million expansion was fully funded by September 30, 2017.

On December 21, the Company announced it had entered into an agreement to become a supplier of medical cannabis to Shoppers Drug Mart. MedReleaf also launched two bought-deal financings, one in November for \$100 Million at \$16.50 a unit, and a \$132.5 Million financing at \$26.50 a unit. These financings are to be used for further expansion.

The diagram illustrates most of the relevant metrics. LEAF's cannabis has an average cost/gram of \$1.46 and an average sale price of \$9.34.

Figure 1: MedReleaf Production Statistics



Source: Company Investor Presentation

LEAF has an average price target of \$22.50, representing a 7.7% downside.

Emerald Health Therapeutics (TSXV:EMH)

Emerald Health Therapeutics is a licensed producer of medical marijuana under the Access to Cannabis for Medical Purposes Regulations (ACMPR). Since October 30, 2017, the stock has risen 420%. This increase is one of the greatest of all marijuana companies listed in Canada, after a \$15 Million-dollar prospectus sale and general anticipation of legalization.

Emerald Health Therapeutics currently produces dried medical marijuana (60%) and oils (40%) in Canada. The Company currently produces in one facility in Victoria, with two more in various stages of production. All of the new facilities have received positive reviews from Health Canada. Pure Sunfarms, a joint venture with Village Farms International formed in June 2017, will retrofit an existing greenhouse in a 50-acre parcel and is expected to produce over 75,000 KG of dried cannabis annually upon completion. The first 250,000 sq. ft. of retrofits and submission of further documents is expected to be completed by February 2018.

Figure 2: Emerald Health Expansion Plans

Pure Sunfarms Partnership: Unmatched Expansion Potential



Facility Capability	Market Need	Transformational Opportunity
1.1M sf with optional 3.7M sf; annual yield ~75,000 kg, optional ~225,000 kg	~600,000 kg by 2021 ¹	Large low-cost, high tech greenhouse growing expertise
50/50 profit sharing	C\$4.9B-\$8.7B market	Meet substantial portion of Canadian market demand

Source: Company Presentation

The Company leased 32 acres of land in Metro Vancouver from its Executive Chairman. Construction is in progress and is expected to be completed in 2018. EMH is also preparing a 75,000-sq. ft. greenhouse module, to be harvested beginning in Q3 2018, with further expansion to 500,000 sq. ft. planned.

On October 26, EMH acquired control of Northern Vine. Northern Vine's licensed dealer status allows the Company to carry out a wider range of R&D, as well as import/export cannabis oils. On November 29, the Company acquired 6.5% of Vanc Pharmaceuticals for investment purposes. On January 3, the Company announced a \$15 Million prospectus sale to fund R&D and production expansion. The stock increased 27% after the announcement.

The stock has risen 420% over the past three months. EMH has a price target of \$2.00, representing a 64.7% downside.

Aurora Cannabis Inc. (TSX:ACB)

Aurora Cannabis Inc. is a licensed producer of marijuana under the ACMPR. The stock was listed on the TSX on October 5, 2016. ACB has risen 350% since our last report date. This rise is driven by a general rise in cannabis stocks.

The Company currently produces out of its Cremonia facility, a 55,000 sq. ft. facility producing 4,000 KG annually and its Peloton facility, which is 40,000 sq. ft. ACB is currently constructing the 800,000 sq. ft. Aurora Sky facility near the Edmonton airport. It is planned to produce over 100,000 KG per year.

On November 24, Aurora attempted a hostile takeover over of CanniMed Therapeutics Inc. (TSX:CMED), conditional on CanniMed dropping a potential takeover of Newstrike Resources (TSXV:HIP). On the next day, CanniMed adopted a shareholder rights plan. To follow, on December 4, Aurora made a complaint to regulatory authorities, and CanniMed commenced legal action against Aurora a week later. On December 20, the Ontario Securities Commission ordered Aurora to disclose information regarding CanniMed and blocked CanniMed's plan. Aurora currently owns 2.7% of CanniMed.

Aurora has also bought a 17.6% share in Green Organic Dutchman Holdings, an organic marijuana grower, for \$55 Million. The Company has also completed a private placement with Hempco Food and Fiber (TSXV:HEMP) for \$3.2 Million, giving ACB 33.6% of Hempco and an option to increase its stake to over 50%. The Company has also signed a Memorandum of Understanding with Radiant Technologies (TSXV:RTI) to evaluate a partnership for the Canadian cannabis market.

Figure 3: Aurora Financial Highlights

Financial and Operational Highlights

	Q4 2017	Q3 2017	Q2 2017	Q1 2017
	#	#	#	#
Active registered patients ⁽¹⁾	16,400	13,110	12,200	8,200
Grams sold	755,059	653,008	538,045	435,720
Grams produced	1,164,683	846,849	670,322	354,975
<i>(In CDN \$000's unless otherwise noted)</i>	\$	\$	\$	\$
Revenues	5,936	5,175	3,885	3,071
Average selling price per gram	7.45	6.64	5.96	6.32
Cash cost of sales per gram ⁽²⁾	2.09	2.31	2.56	3.89
Cash cost to produce per gram ⁽²⁾	1.91	1.91	2.13	3.89
Cash and cash equivalents	159,796	111,116	55,846	23,194
Working capital	170,142	126,530	60,060	23,213
Investment in capital assets	19,985	10,464	4,158	645

Source: Company Annual Information Form

As of September 31, 2017, ACB has an average cost per gram of \$1.91 and an average sale price of \$7.45. As shown below, the Company doubled its active patient base from 8,200 to 16,400 between October 2016 and July 2017, and revenues nearly doubled in the same period.

ACB has an average price target of \$6.61 representing a 46.0% downside.

Upcoming Catalysts:

Bill C-45, the Bill legalizes marijuana federally, is expected to reach the Senate soon. Those provinces that have not yet passed their legislation, such as British Columbia and Saskatchewan, are expected to also pass them soon as well.

In the US, federal prosecutors may soon press charges on marijuana companies in states that have legalized marijuana. Depending on the number and severity of said charges, this could create a chilling effect on the industry.

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