



Canadian Market Overview

The Canadian cannabis sector continues to be blazing hot over the last year, especially in the last 2 months. The following chart shows the performance of the Canadian marijuana sector in general, [the Marijuana Index Canada](#) contains a list of 10 publicly traded Canadian companies in the space, their stock prices and market caps. Just looking at this chart, there has been a parabolic rise in share price since May of this year. Most parabolic rises like this are usually followed by a correction and then a basing period before any further advances can be made. The chart does show a clear break out and passed overhead resistance, this means we are in a new bull market for cannabis stocks in Canada. We will provide an update on the American cannabis sector shortly.

Currently licensed producers can only sell medical cannabis to registered patients of which there is about 82,000 of them. That may seem like a small number of patient for 35 licensed producers to sell to, however the Canadian marijuana landscape is about to change in 2017. Canada's government is in the process of allowing recreational marijuana across the country next year, so the number of customers these licensed producers can sell to should increase significantly by multiple folds in 2017 and 2018. The recent rise in share prices of the publically traded companies in Canada is a result of anticipation for the recreational market opening up and their sales to increase over the next few years.

The stock prices of these companies may continue to rise in the short term, however any correction into the fall and in December should be bought as we are very bullish on the MJ sector for the remainder of this year and over the next 2 – 5 years, this is just the beginning of the next major advance that the sector and stocks will make.

Companies like [Organigram](#) had a \$143M market cap in Aug when it traded up to \$1.85, their stock price recently reach all-time highs on October 10 with a share price of \$2.53 giving it a market cap of about \$201M. [Canopy Growth Corp. \(Tweed\)](#) with a market cap that reached \$440M during August 2016 has seen their share price rise significantly over the last few months and is trading at all-time highs at \$5.58 with a market cap over \$645M. You can see real price charts like the ones below on many of the companies in the [cannabis industry which are growers from the directory listing](#).



As of October 17, 2016 here are the companies in Canada listed in the MJ index, their current share price and market cap.

Name	Symbol	Price	Market Cap
Aphria Inc	APH:CA	3.630	345.43m
Aurora Cannabis Inc.	ACB:CNX	1.62	
Canopy Growth Corporation	CGC:CA	5.840	675.37m
Golden Leaf Holdings Ltd.	GLH:CNX	0.690	65.80m
Maple Leaf Green World Inc	MGW:CA	0.810	94.35m
Mettrum Health Corp	MT:CA	3.750	175.74
OrganiGram Holdings Inc	OGI:CA	2.480	210.29m
PharmaCan Capital Corp	MJN:CA	1.180	142.28m
Supreme Pharmaceuticals Inc.	SL:CNX	1.290	199.61m
THC Biomed Intl Ltd	THC:CNX	1.280	128.97m

I suspect their share price could come down over the next few months and probably into tax selling season in December. If you have made any good profits in the last year with any of the publicly traded cannabis companies in Canada, you may want to take some money off the table and look to buy back into the sector after a correction and pullback if you are looking to trade them. If you are a long time investor, buy them on any dips and hold them for the next few years.

There is a chance some of the stock prices may continue to rise if the market is adding expectation about the recreational market opening up in 2017; however that expectation and rise should come after a much needed correction and base building. But given the excitement around the sectors, investors are still buying so there could very well be no correction or just shallow ones. Once the correction is over, I am expecting a significant rise in 2017 for Canadian licensed producers as it looks like Canada will be opening up the recreational market next year. If this happens, we can expect significant sales increases for these LP and with that a surge in share price.

[Watch our recent interview](#) with Peter Clough from EarlyInvesting.com, we discuss the outlook for the cannabis industry with a focus on the Canadian market and opportunities. To learn more about investing in the marijuana industry, please visit our site and sign up for our newsletter.



**PETER CLOUGH FROM
EARLYINVESTING.COM**



**INTERVIEW WITH
VIN MARU FROM
INVEST IN MJ**

Finding Value In A Canadian Licensed Producer – Emblem Opportunity

While many of the publicly traded companies in Canada have seen their stock price rise significantly in the last few months, we question how much value is left for an investor. At Invest In MJ, we look for companies which have tremendous value and upside. One of the companies we have written about in the past is Emblem Corp. They are a private company that will be going public next month, so you may want to look at their shares (TSXV: EMC) once they start trading (expected date is November 14th).

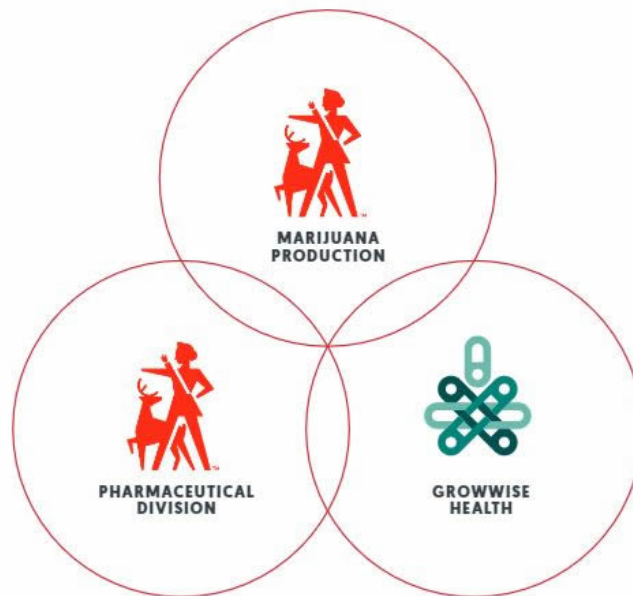


For Better Living

This private company is a leading marijuana producer, which has the potential to generate over \$100 million in revenue and is led by a team of Health Care & Pharma Executives who have built & run multi-billion dollar companies.

Emblem has a clear strategy across three verticals of marijuana production, patient education and pharmaceutical production, they are uniquely positioned within Canada's large and growing medical and recreational marijuana industry.

Emblem Corp. has built three unique verticals



- 1 EMBLEM CANNABIS: THE PRODUCTION**
 - 1 State-of-the-art 23,500 Sq Ft Facility
 - 2 Licenses - Cultivation: August, 2015 | Sales: July, 2016
 - 3 Harvesting began March 2016
 - 4 Planned expansion to 11,600KG by Q3, 2017
 - 5 Potential capacity on all lands of up to 21,000KG
- 2 EMBLEM PHARMACEUTICAL**
 - 1 Lead by renowned pharma exec, **John H. Stewart**
 - 2 Developing new pharmaceutical dosage forms of cannabinoid medication
 - 3 Gel caps, sprays, trans-dermal patches, & pills
 - 4 Revolutionizing the way patients consume their cannabis
- 3 GROWWISE HEALTH: CANNABIS EDUCATION**
 - 1 Marijuana education for patients & physicians in Canada
 - 2 GrowWise operates in medical clinics, currently averaging 50+ patient orders per week
 - 3 Eight education centres operational this year
 - 4 95% of patients register on site with a preferred LP
 - 5 Expected to be a major source of referrals for Emblem

The company's Pharmaceutical Division is led by John Stewart, ex CEO at Purdue Pharma, the largest private pharmaceutical company in the world. Under his leadership he developed and launched to market OxyContin, a \$2 billion a year drug. His focus will be replacing chemically based opioids with natural based Medicinal cannabis.

GrowWise Health is a marijuana education company, operated as a joint venture between Emblem and White Cedar Pharmacy. GrowWise provides a healthcare solution for physicians and patients currently lacking in the Canadian medical marijuana industry.

GrowWise Education Centres - "Filling the role of the Pharmacist"

- GrowWise operates in medical clinics in which doctors are prescribing marijuana
- Patients are referred to GrowWise once a prescription has been issued
- Nurses counsel patients on safety, strain selection, and assist patients with registering, and placing orders with a licensed producer
- 95% of patients register on site with a licensed producer
- GrowWise has partnered with several preferred LP's to expedite the patients ordering process and variety of strains to patients
- GrowWise will be a reliable and consistent source of patients for Emblem

GrowWise operates two platforms

Education centres within incumbent medical clinics

- Currently operating in 4 chronic pain clinics & one rehabilitation centre
- Three additional education centres to be added 2016

Stand-alone medical cannabis clinics

- Partnered in opening our first referral-based cannabis clinic in November, 2015
- Received referrals from over 50 doctors to date
- Two additional clinics opening in 2016

GrowWise has partnered with several preferred LP's to expedite the patient ordering process. It is estimated that 95% of patients register on site with a licensed producer. Having these clinics and network will surely benefit Emblem in terms of patient education and customer acquisition.

The last step for any LP to start generating revenues is to receive the sales license from Health Canada. The company received this on July 22nd, 2016. The facility currently has 700KG operating capacity, a 300 sq. ft. vault that allows 600KG of storage and they are harvesting 48.5g per plant per harvest. Having received their cultivation license in August 2015, they have already been growing for some time and have 100kg ready for sale. The company is now generating revenues and is looking to expand over the next two years.

The Facility and Property

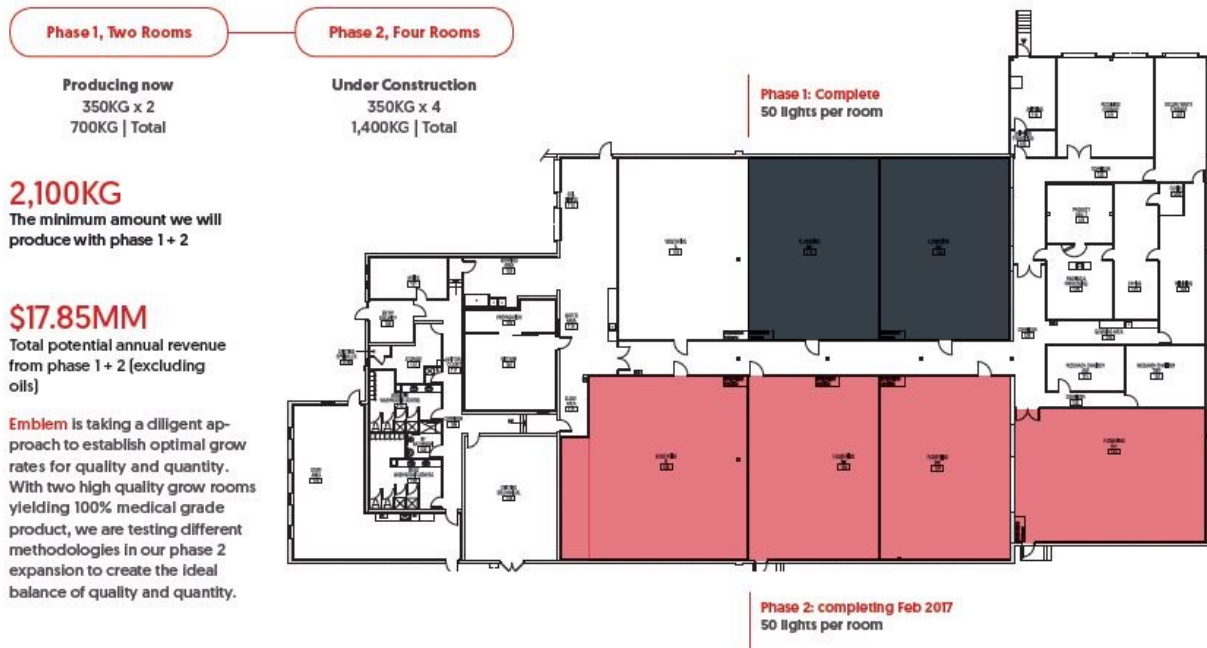
With a state-of-the-art production facility in Paris, Ontario up and running, Emblem has generated its first sale in August and plans to sell to the public by October.

The fully owned property has two buildings and is situated on 4.1 acres of land. The production facility is an enclosed building with hospital grade environmental controls, custom HVAC units to keep ideal temperature, humidity and climate control. Each room is outfitted with dedicated CO₂, humidification, & HVAC.

Facility breakdown

- 1 mother room, 1 vegetation room
- 10,000 sq. ft. for 6 flowering rooms
- 1,200 sq. ft of bench space per room
- 14,500 sq. ft of total cultivation space
- License covers entire property which is owned by the company

Production | Emblem The Facility



The company has plans for expansion in the current building and on the property. Phase 2 will include building out four more rooms; each room will grow 350KG for a total of 1,400KG additional production. That would bring the total to 2,100KG of production in 2017 and a total of \$17.85MM in potential revenues. Phase 3 expansions to the building would add another 9500KG or \$17MM and is expected to

be done in 2017 and with the existing building only comprising approximately 13% of Emblems land, a 2018 expansion would allow up to an additional 9,500kg. After phase 4 expansion they will have the capacity to grow 21,000KG with potential revenue of \$179.3M. Emblem is also in the process of buying the lands to the South, West, and East, which could truly make this opportunity limitless.

Production | Emblem Expansion - Phase 4

Phase 4, Remaining Land

Completing for
Recreational Market
9,500KG

- Phase 1-3 takes up approx. 50% of our 4.1 acre property
- **Phase 4** has potential to produce an additional 9,500KG
- Modular approach to building and grow room fabrication allows rapid expansion of capacity
- Emblem is focused on being the **highest** quality, **lowest** cost Indoor producer in Canada
- By taking a diligent approach with our growing procedures, we can optimize **quality, cost, and profit**



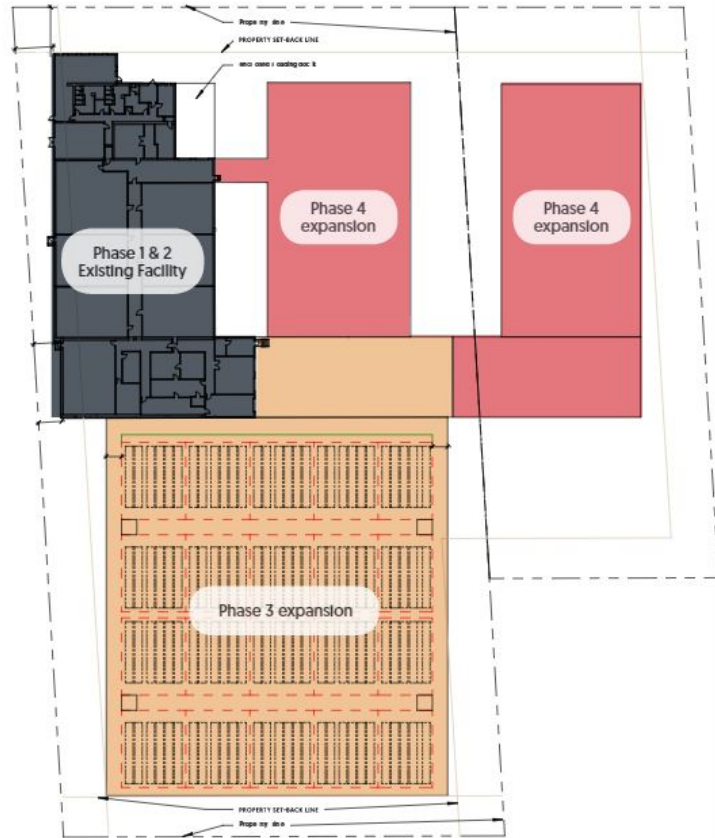
+/-9,500KG
The amount we can produce from phase 4



\$80.75 million
The annual revenue we can generate with phase 4

21,100KG
Potential capacity
(Phase 1-4)

\$179.3MM
Potential revenue
(Phase 1-4)



The revenues are based on full production and selling price of \$8.50g. After the phase 3 expansion, they can expect 11,600kg or \$98.6MM in revenues, most likely in 2018. The company cash cost to produce a gram is \$1.52 and the all-in cost is \$2.08, so with an average selling price of \$8.50 we can expect the company to make 71% margins at full phase 2 production.

Health Canada recently allowed the licensed producers to make and sell oils, a high margin product made from the entire cannabis plant. The company has already purchased oil extraction equipment in July with a capital investment of \$1MM. This will allow them to produce oil products and new dosage forms that require specialized pharmaceutical industry experience. They expect \$2.9MM in oil revenues in the first 12 months with a 90% projected operating margin.

Emblem has achieved a number of important business milestones during Q3, and continuing into Q4, including: Receipt of our distribution license from Health Canada allowing Emblem to sell cannabis products to the public; Developing a number of premium strains of cannabis that will allow Emblem to offer a wide range of high quality choices to patients as Emblem ramps up its production capacity; Establishing a development plan for Emblem's entire campus in Paris, Ontario based upon pre-engineered buildings and pre-fabricated growing rooms (in clean room format) that will allow very rapid expansion of production capacity to meet increasing demand from both the medical market and the anticipated recreational market; and Launching Emblem's first major expansion of its production facility to over 9,500kgs for phase 3, bringing its total production capacity to 11,600kg. In addition to Phase 3, Emblem has plans for phase 4 which will bring its total production capacity to over 21,100kgs.

Summary

After reviewing many marijuana producers, Emblem has one of the best management teams, a state of the art facility which I recently visited and a strategy which surely will make them a leading medical cannabis company. The company has the most blue sky potential with respect to production capacity, pharmaceutical capabilities, and is one of the lowest cost indoor producers I have seen in the sector.

Emblem has a high quality, experienced management team who has aligned interests with shareholders by investing \$6M and has a track record of building successful multi-billion dollar healthcare companies.

The company provided the following comparable:

Comparables

ORGANIGRAM

	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Grams Sold	31,890	86,932	142,790	169,215	213,270
Revenue	\$230,053	\$675,530	\$1,029,376	\$1,425,466	\$1,806,849
Net Profit	-\$1,333,780	\$629,473	-\$201,211	\$55,267	\$367,720
					*Sedar

APHRIA

	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Grams Sold	66,357	115,000	256,300	322,400	340,422
Revenue	\$499,890	\$950,740	\$2,026,975	\$2,679,898	\$2,776,316
Net Profit	-\$481,380	-\$476,825	-\$431,098	\$3,720	\$88,543
					*Sedar

Emblem Corp

	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Est. Grams Sold	40,139	151,164	171,091	374,638	513,081
Revenue	\$163,570	\$877,562	\$1,416,873	\$2,876,975	\$4,372,123
Net Profit	-\$865,864	-\$591,769	-\$609,619	\$235,592	\$875,378
					*Based on projections

\$143M

Organigram's market cap as of Aug, 2016 based on 95.4M S/O FD

4Q's

Projected time it will take Emblem Corp. to hit profitability

\$278M

Aphria's market cap as of Aug, 2016 based on 111M S/O FD

The company is planning on going public this Nov and they currently have a very reasonable valuation compared to the other publicly traded companies in Canada. The company is currently looking to raise \$23.5MM before the public listing and accredited investor have an opportunity to participate in the upside and own shares at reasonable valuations.

Organigram, a top producer which became public 2 years ago is trading with a mkt cap around \$200M. Canopy Growth Corp (Tweed) has a market cap of over \$600M. Aphria has a market cap of about \$332M and Mettrum is about \$175M. These valuations are provided as of Oct 16, 2016.

Emblem Corp currently has a \$37M pre-money valuation. Fully diluted with warrants, options and broker warrants the valuation is \$72M with 63M shares at a \$1.15 price and \$5m in the treasury. Fully diluted post money there is 78.7M shares @ \$1.15, so a \$90M market cap with \$23M in the treasury. As you can see, the company is still undervalued compared to its peers by 3 to 5 times.

There is the potential for the share price to rise significantly over the next year and get a similar market cap as its peers. If Canada allows for recreation marijuana in 2017, I expect the market cap and share price for all licensed producers to rise significantly. If you participate in this financing now, you will get

the upside from Emblem to have a similar market cap as its peers, which could mean an easy double or triple if not more. If Canada does allow sales to the recreational market, then I expect all the licensed producers to have their share price double or triple.

As for downside risk, there probably is not much at this point unless they lose their license, but the chance of that happening is very slim to none. The current shares out are very tightly held by management and insiders, they have a hold on them so not many shares will be in the public float at the time of listing. With such a tightly held share structure, whatever free trading shares become available should command a much higher price than this offering. The shares from this offering should become free trading in the spring of 2017, which is the expected time frame when Canada should have a guideline for the recreational market.

If you participate now, you are getting shares at a reasonable valuation and the timing to sell your shares should be right around the time that the recreation market opens and when a flurry of activity and buying will occur. You may want to sell some shares into that euphoria of buying and take the proceeds to get additional shares for free from the warrants.

Terms of the Non-Brokered Offering:

\$1.15 Unit - share and ½ warrant @ \$1.75 good for 3 years and transferrable.

Deal Size: \$23.5M (\$8M brokered, \$8M non-brokered, \$2M by SFOD, \$5.5M Debt at 8%)

Hold Period: 4 months from trade date.

Closing Date: October 31

IPO Target Date: November 14 2016

The company also announced a brokered offering of units for gross proceeds of up to \$2,000,000 by way of a TSX Venture Exchange ("TSX-V") Short Form Offering Document (the "SFOD"). The terms of the SFOD will be determined in the context of the market and will be announced in due course.

All of the proceeds from the Financings will be released to the Company at closing of the Qualifying Transaction which is anticipated to occur in November 2016. The net proceeds from the Financings will be used as working capital and to execute Emblem's Phase 3, 9,500kg facility expansion.

If you would like more [details on Emblem](#) and the financing, please give myself or Danny Brody from Emblem investor relations a call or email (647-255-8106, dannybrody@emblemcorp.com). If there is an expression of interest (EOI) and you want to know more about the Company, we will forward you the Investor Deck upon request. This opportunity to get invested early with Emblem is open to accredited investors in Canada, United States and some European countries.

[Read the full press release on the offering by Saber and Emblem.](#)

Regards,

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