# DANBEL VENTURES INC.

## Condensed Interim Consolidated Financial Statements
## [unaudited]

**For the three months ended March 31, 2017 and 2016**
[Expressed in Canadian Dollars]

## Notice to Reader

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

The management of Danbel Ventures Inc. is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The condensed interim consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of condensed interim consolidated financial statements and are in accordance with IAS 34 – *Interim Financial Reporting*.

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

# CONTENTS

# Danbel Ventures Inc.

**Condensed interim consolidated statements of financial position**
[Expressed in Canadian dollars]
[unaudited]

| As at | March 31, 2017 | December 31, 2016 |
|---|---|---|
| | **$** | $ |
| **ASSETS** | | |
| Current Assets | | |
| Cash | **7,379** | 4,628 |
| Professional fees and expenses recoverable | **117,830** | 29,130 |
| | **125,209** | 33,758 |
| **LIABILITIES** | | |
| Current Liabilities | | |
| Trade and other payables (note 4) | **140,373** | 134,428 |
| Loan payable (note 5) | **-** | 250,000 |
| Shareholder Loan (note 6) | **-** | 189,110 |
| | **140,373** | 573,538 |
| **Shareholders’ Deficiency** | | |
| Capital stock (note 7) | **5,532,429** | 3,832,342 |
| Deficit | **(5,547,593)** | (4,372,122) |
| | **(15,164)** | (539,780) |
| **LIABILITIES AND SHAREHOLDERS’ DEFICIENCY** | **125,209** | 33,758 |

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

Approved on behalf of the Board:

*(signed) Neil Tabatznik*
Director

*(signed) Ben Ward*
Director

# Danbel Ventures Inc.

**Condensed interim consolidated statements of loss and comprehensive loss**

[Expressed in Canadian Dollars]
[unaudited]

| For the three months ended | March 31, 2017 $ | March 31, 2016 $ |
|---|---|---|
| **Revenue** | **-** | - |
| **Expenses** | | |
| General and administrative | **22,971** | 20,605 |
| Interest expense | **7,671** | 11,090 |
| **Net Loss and comprehensive loss** | **(30,642)** | (31,695) |
| **Net loss per share** | | |
| Basic and diluted | **(0.036)** | (0.052) |
| **Weighted average number of shares outstanding** | | |
| Basic and diluted | **841,427** | 614,712 |

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

# Danbel Ventures Inc.

**Condensed interim consolidated statements of changes in shareholders' deficiency**

[Expressed in Canadian Dollars]
[unaudited]

| For the three months ended | Capital Stock $ | Deficit $ | Total Shareholders' Deficiency $ |
|---|---|---|---|
| Balance, December 31, 2015 | 3,814,342 | (4,281,166) | (466,824) |
| Net loss and comprehensive loss | - | (31,695) | (31,695) |
| Balance, March 31, 2016 | **3,814,342** | **(4,312,861)** | **(498,519)** |
| | | | |
| Balance, December 31, 2016 | **3,832,342** | **(4,372,122)** | **(539,780)** |
| Net loss and comprehensive loss | - | (30,642) | (30,642) |
| Settlement of loan payable and shareholder loan (notes 5 and 6) | | (1,144,829) | (1,144,829) |
| Common shares issued (notes 6 and 7) | 1,700,087 | - | 1,700,087 |
| Balance, March 31, 2017 | **5,532,429** | **(5,547,593)** | **(15,164)** |

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

# Danbel Ventures Inc.

**Condensed interim consolidated statements of cash flows**
[Expressed in Canadian Dollars]
[unaudited]

| For the three months ended | March 31, 2017 $ | March 31, 2016 $ |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net loss for the period | **(30,642)** | (31,695) |
| Add items not involving cash | | |
| Non-cash interest | **7,671** | 11,090 |
| | **(22,971)** | (20,605) |
| Changes in non-cash working capital items | | |
| Trade and other payables | **(16,015)** | 19,152 |
| **Cash used in operating activities** | **(38,986)** | (1,453) |
| **FINANCING ACTIVITIES** | | |
| Advances from shareholder | **41,737** | 1,423 |
| **Cash generated from financing activities** | **41,737** | 1,423 |
| **NET CHANGE IN CASH** | **2,751** | (30) |
| **Cash, beginning of the period** | **4,628** | 519 |
| **Cash, end of the period** | **7,379** | 489 |

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

## 1. Nature of Business

Danbel Ventures Inc. (the "Company") is incorporated under the laws of the province of Alberta and filed articles of continuance in Ontario. The Company's activities include the identification and evaluation of assets or businesses with a view to completing a potential acquisition.

The registered office of the Company is located at 845 Harrington Court, Burlington, Ontario, L7N 3P3.

Subsequent to the period end, on April 13, 2017, the Directors of the Company authorized the consolidation of the Company's share capital on the basis of one (1) post-consolidation common share for every nine and twenty-two hundredths (9.22) pre-consolidation common shares to take effect immediately prior to closing the Transaction which occurred on April 20, 2017. All share, option and earnings per share information have been retroactively adjusted to reflect the increase in the number of common shares and options from the stock consolidation.

## 2. Basis of Presentation

These condensed interim consolidated financial statements ["financial statements"] have been prepared in accordance with generally accepted accounting principles in Canada for publicly accountable enterprises, as set out in the CPA Canada Handbook – Accounting, which incorporates International Financial Reporting Standards as issued by the International Accounting Standards Board, using IAS 34 - *Interim Financial Reporting* ["IAS 34"].

These financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2016.

These financial statements are presented in Canadian dollars, which is the Company's functional currency, and were approved and authorized for issuance by the Board of Directors on May 30, 2017.

### Use of judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. 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 future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- The use of the going concern basis of preparation of the financial statements. At each reporting period, management assesses the basis of preparation of the financial statements. These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In arriving at this determination, the Company considered various factors including the following:

- The Company entered into a definitive merger agreement dated March 3, 2017 (the "Definitive Agreement") with Maricann Group Inc. ("Maricann") in respect of a proposed transaction whereby the Company will acquire all of the issued and outstanding shares of Maricann by way of a reverse three-cornered amalgamation under the Business Corporations Act (Ontario), pursuant to which a wholly owned subsidiary of the Company will merge with and into Maricann and the resulting entity will become a wholly-owned subsidiary of the Company.

- On April 20, 2017, Maricann Group Inc., and the Company completed the amalgamation under the amalgamation agreement under the Ontario Business Corporations Act and as a result, Maricann Group Inc., will be the surviving wholly-owned subsidiary of the Company. It will continue to exist as the same legal entity as existed before and will carry on business as a medically integrated producer and distributor of marijuana for medical purposes.

- On March 3, 2017, the Company also entered into a debt settlement agreement with a company controlled by the controlling shareholder of the Company (the "Secured Creditor"), to pay a nominal amount in full satisfaction of the principal amount of the loan payable owing to the Secured Creditor by the Company in the amount of $250,000. The Company also agreed to settle all accrued interest owing on the loan payable and all dollar amounts owing on the secured shareholder loan inclusive of all interest owing to the Secured Creditor by the issuance of 596,522 of its common shares at a deemed price of $0.0555 per common share to the Secured Shareholder, in full satisfaction of any and all principal and interest payable on the shareholder loan and interest owing on the loan payable to the Secured Creditor.

After considering its plans to mitigate the going concern risk, management has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Company's conclusion that there is no material uncertainty surrounding its ability to continue as a going concern is predicated on the completion of the transaction with Maricann Group Inc. and that the majority of outstanding debt was settled during the period. The estimates and judgment made by management in reaching this conclusion are based on information available as at the date these financial statements were authorized for issuance. Accordingly, actual circumstances may differ from those estimates and the variation may be material.

## 3. Accounting Standards Update

### New standards, interpretations and amendments

The following new accounting standards applied or adopted during the three months ended March 31, 2017 had no material impact on the financial statements:

*IAS 7 – Statement of cash flows ["IAS 7"]*

IAS 7 has been revised to incorporate amendments issued by the IASB in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. The Company did not require any additional disclosures of its liabilities as a result of IAS 7 during the period.

*IAS 12 – Income Taxes ["IAS 12"]*

IAS 12 has been revised to incorporate amendments issued by the IASB in January 2016. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017. The adoption of this standard did not have a significant impact on the Company's disclosures as it does not have any debt instruments that are measured at fair value.

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

*IFRS 9 – Financial Instruments ["IFRS 9"]*

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. The Company is in the process of evaluating the impact of IFRS 9 on the Company's financial statements.

*IFRS 15 – Revenue from Contracts with Customers ["IFRS 15"]*

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses from sale of non-financial assets. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Company is evaluating the effect that IFRS 15 will have on its financial statements, and related disclosures, as well as the transition method to apply the new standard.

*IFRS 16 – Leases ["IFRS 16"]*

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

[Unaudited, expressed in Canadian dollars unless otherwise noted]

*IFRS 2 – Share based payments [“IFRS 2”]*

IFRS 2 has been amended to address [i] certain issues related to the accounting for cash settled awards, and [ii] the accounting for equity settled awards that include a “net settlement” feature in respect of employee withholding taxes. IFRS 2 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the amendments to IFRS 2 on the Company’s financial statements.

## 4. Trade and other payables

| | **Mar 31, 2017** | Dec 31, 2016 |
|---|---|---|
| | **$** | $ |
| Trade payables & accrued liabilities | **17,394** | 41,188 |
| Accrued interest | **-** | 66,740 |
| Accrued professional fees | **122,979** | 26,500 |
| | **140,373** | 134,428 |

As at period end March 31, 2017, the total accrued professional fees recoverable was 117,830. (December 31, 2016 - $29,130)

## 5. Loan Payable

On March 3, 2017, the Company entered into a debt settlement agreement with a company controlled by the controlling shareholder of the Company (the “Secured Creditor”), to pay a nominal amount in full satisfaction of the principal amount of the loan payable of $250,000. The settlement of the loan payable was recorded as a credit to deficit in the amount of $250,000.

Included in trade and other payables is interest owing on this loan of $nil (December 31, 2016 - $66,740) which was settled as part of the shareholder loan settlement discussed in Note 6.

## 6. Shareholder Loans

During the three months ended March 31, 2017, the Company received $41,737 of additional shareholder loans on the same terms and conditions as the original shareholder loans.

As part of the March 3, 2017 debt settlement agreement, the Company settled all accrued interest owing on the loan payable (Note 5) in the amount of $74,411 and all amounts owing on the shareholder loans of $230,848 by the issuance of 596,522 common shares.

As common shares of the Company were issued to extinguish the financial liability owing of $305,259, the Company measured the common shares at their fair value which was estimated to be $1,700,087 based on the available evidence that on March 3, 2017 in conjunction with the reverse take-over transaction, Maricann Group Inc. completed a raise at a share price of $2.85 per share and the 596,522 common shares issued by Danbel to settle the outstanding liabilities. The resulting difference between the carrying amount of the financial liability and the fair value of the common shares issued was recorded as a debit to deficit in the amount of $1,394,829.

[Unaudited, expressed in Canadian dollars unless otherwise noted]

## 7. Capital Stock

### Authorized

Unlimited common shares
Unlimited preferred shares, rights to be determined upon issuance

### Issued and outstanding

On April 13, 2017, the Directors of the Company authorized a (1) post-consolidation common share for every nine and twenty-two hundredths (9.22) pre-consolidation common shares stock consolidation of its common shares. All share, option and loss per share information have been retroactively adjusted to reflect the increase in the number of common shares and options from the stock consolidation.

| | **March 31, 2017** | **March 31, 2016** |
|---|---|---|
| 1,250,279 (Dec 31, 2016 – 616,745) common shares | $5,532,429 | $3,832,342 |

See Note 6 which describes the issuance of 596,522 common shares during the three months ended March 31, 2017 to settle outstanding shareholder loans and interest on loan payable at an estimated fair value of $1,700,087.

## 8. Stock Option Plan

In 1998, the Company established a stock option plan [the “Plan”], as amended in 1999, to encourage common share ownership in the Company by directors, officers, employees and consultants of the Company and its subsidiaries or affiliates. The maximum number of common shares that may be set aside for issue under the Plan is 2,000,000, provided that the Board of Directors has the right, from time to time, to increase such number subject to the approval of the shareholders of the Company. The maximum number of common shares that may be reserved for issuance to any one person under the Plan is 5% of the common shares outstanding at the time of the grant [calculated on a non-diluted basis] less the number of shares reserved for issuance to such person under any option to purchase common shares as a compensation or incentive mechanism. Any shares subject to an option which for any reason are cancelled or terminated prior to exercise will be available for a subsequent grant under the Plan. The option price for any common shares cannot be less than the price permitted by any stock exchange on which the common shares are then listed or other regulating body having jurisdiction. Options granted are subject to cancellation upon the termination of an optionee’s employment, upon the optionee ceasing to be an employee, senior officer, director or consultant of the Company or any of its subsidiaries. The options are non-transferable. The Plan contains provisions for adjustment in the number of shares issuable thereunder in the event of a subdivision, consolidation, reclassification or change in the common shares, a merger or other relevant changes in the Company’s capitalization. The Board of Directors may from time to time amend or revise the terms of the Plan or may terminate the Plan at any time.

On December 12, 2016, the balance of the stock options of 39,045 options were exercised by four directors resulting in the issue of 39,045 common shares of the Company for aggregate gross proceeds of $18,000. There are no stock options outstanding as at March 31, 2017 (December 31, 2016 - nil).

## 9. Related Party Transactions

Related parties include the Board of Directors, close family members and entities which are controlled by these individuals as well as certain persons performing similar functions. The shareholder described in notes 5 and 6 to these financial statements is a related party as this individual is the controlling shareholder of the Company.

Related party transactions conducted in the normal course of operations are measured at the exchange value [the amount established and agreed to by the related parties].

Included in trade and other payables is:

[i] fees and reimbursable expenses of $3,750 (December 31, 2016 - $nil) and consulting fees of $nil (December 31, 2016 - $28,250) accrued to a company controlled by the controlling shareholder of the Company.

[ii] interest payable of $nil (December 31, 2016 - $66,740) accrued to a corporation controlled by the controlling shareholder of the Company. This shareholder also controlled the entity holding the debt (notes 5 and 6) and has advanced funds personally which were all extinguished during the period.

## 10. Subsequent Events

On April 20, 2017, the Company completed the amalgamation with Maricann Group Inc. ("Maricann") pursuant to the definitive agreement signed with Maricann on March 3, 2017. The Company acquired all of the issued and outstanding shares of Maricann by way of a reverse three-cornered amalgamation ("RTO") under the Business Corporations Act (Ontario), pursuant to which a wholly owned subsidiary of the Company merged with and into Maricann and the resulting entity became a wholly-owned subsidiary of the Company. On completion of the transaction, Maricann, as the resulting issuer, the surviving wholly-owned subsidiary of the Company, continues to exist as the same legal entity as existed before and will carry on business as a medically integrated producer and distributor of marijuana for medical purposes.

Professional fees and expenses incurred by the Company amounting to $117,830 (December 31, 2016 - $29,130) with respect to the Transaction is recoverable from Maricann.

Prior to the closing of the RTO:

i) The Company consolidated its share capital on a 9.22-to-1 basis. The total number of shares outstanding of the Company were 11,527,716 pre-consolidation. Post consolidation, total number of shares outstanding of the Company were 1,250,279.

Pursuant to the closing of the RTO:

i) The amalgamated company issued 71,266,984 Post-Consolidated common shares of the Resulting Issuer to Maricann shareholders exchanged on a one (1) for one (1) basis;
ii) The amalgamated company further issued 11,250,000 warrants, 4,819,036 stock options and other rights to acquire securities, 900,000 compensation options (convertible on exercise to 900,000 common shares, and 900,000 of warrants), and 130,380 compensation options (convertible on exercise into 130,380 common shares) in the capital of the resulting issuer to holders of warrants, stock options and other rights to acquire securities and compensation options of Maricann on a one (1) for one (1) basis with economically equivalent terms.