Maricann Group Inc.

Management's Discussion and Analysis of
Financial Condition and Results of Operations

For the Three Months Ended March 31, 2018 and 2017

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The following is the Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Maricann Group Inc. ("Maricann" or the "Company") for the three months ended March 31, 2018. Throughout this MD&A, unless otherwise specified, "Maricann", "the Company", "we", "us" or "our" refer to Maricann Group Inc. The Company is a publicly traded company listed on the Canadian Securities Exchange ("CSE") under the symbol "MARI" and on the OTCMKTS under the symbol "MRRCF" and was continued under the Business Corporations Act (Ontario) and is domiciled in Canada. The Company's head office, registered and records office address is located at 3 – 845 Harrington Court, Burlington, Ontario, L7N 3P3. The Company's operating production address is 150 8th Concession Road, Langton, Ontario, N0E 1G0.

The Company is the resulting entity following a reverse take-over transaction (the "RTO") between Maricann Inc. and Danbel Ventures Inc. ("Danbel") whereby Maricann Inc. was amalgamated with a wholly-owned subsidiary of Danbel, all the shares of Maricann Inc. were exchanged for shares of Danbel and Danbel was renamed Maricann Group Inc. The transaction was accounted for as a purchase of assets with Maricann Inc. as the acquirer and Danbel as the acquired.

The effective date of the MD&A is May 29, 2018. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company and notes thereto for the three months ended March 31, 2018 and 2017, and related notes thereto ("Interim Financial Statements") and the audited financial statements of the Company and notes, and MD&A related thereto for the year ended December 31, 2017.

The Company's financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada ("GAAP"), as set out in the Chartered Professional Accountant of Canada Handbook - Accounting ("CPA Handbook") which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), using International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the amount of revenue and expenses incurred during the reporting period. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

The consolidated financial statements include the accounts of the Company and its subsidiaries, Maricann Inc ("MI"), Nanoleaf Technologies Inc. ("Nanoleaf"), Maricann B.V. ("MBV"), Mariplant GmbH ("Mariplant") and Maricann GmbH ("MGMBH"). All significant intercompany balances and transactions were eliminated on consolidation.

All amounts in the MD&A are expressed in Canadian dollars, unless otherwise noted.

The Company's continuous disclosure documents are available on SEDAR at www.sedar.com.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may contain "forward-looking information," within the meaning of applicable securities laws, including the "safe harbour provisions" of the Securities Act (Ontario) with respect to Maricann. Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our expectation with respect to our expansion project, including the expected increases in production capacity, timing of completion of our Phase 1 expansion and commencement and completion of our Phase 2 expansion and beyond, expectations with respect to expanding activities in Germany and elsewhere, expectations outlined under the section called "Company Outlook", future growth plans, including, but not limited to, plans for European expansion, anticipated timing for receiving certain licenses and certifications, including with respect to exportation/importation to and in Germany and wholesale activities in Germany and Switzerland, expectations with respect to the renewal of licenses, expectations with respect to increased production capacity and timing and quantum of distribution activities; our production cost objectives; medical benefits, viability, safety, efficacy, and social acceptance of cannabis, expectations in respect to anticipated trends and challenges in the Company's industry, its business and the markets in which it operates, commentaries related to legalization of marijuana and time related thereto, and our other plans and objectives, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect", or "anticipate", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward looking statements contained in this MD&A, the Company has made assumptions and applied certain factors regarding, among other things: future cannabis pricing; cannabis production yields; costs of inputs; its ability to market products successfully to its anticipated clients; reliance on key personnel; the regulatory requirements; the application of federal and provincial environmental laws; and the impact of increasing competition. In particular, expected future production capacity and increased production capacity discussed herein are based on the current production data at the Company's existing operating facility, assuming the new facility will perform similarly, adjusted to reflect the designed capacity increase of the larger facility factoring in plant designs and other factors. The anticipated design capacity takes into consideration the Company's historical experience and takes into consideration the current plans. However, as the Company's historical experience evolves and obtains greater experience, if any changes are made to the design of the building and related infrastructure, it may impact the capacity of these new facilities.

These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risks Factors" section and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Company which are available at www.sedar.com. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from the conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties, and assumptions, the reader should not place undue reliance on these forward-looking statements. The Company's forward-looking statements are made only as of the date of this MD&A, and except as required by applicable law, Maricann undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

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. Additional information regarding Maricann Group Inc. is available on our website at www.maricann.com or through the SEDAR website at www.sedar.com. The Company's website is not incorporated by reference herein.

OVERVIEW OF THE COMPANY

Company Background

Maricann Group Inc. is a publicly traded company listed on the Canadian Securities Exchange under the symbol "MARI" and on the OTCMKTS under the symbol "MRRCF" and was continued under the laws of the Province of Ontario, Canada.

The Company through its wholly owned subsidiary, Maricann Inc. is licensed to produce and sell medicinal cannabis under the Access to Cannabis for Medical Purposes Regulation (the "ACMPR"). Maricann received its first license from Health Canada under the Marijuana for Medical Purposes Regulations ("MMPR") on March 27, 2014 (the "License") and began production and commenced sales of medical cannabis in December 2014 and cannabis oil production and sales in May of 2016 and October of 2016, respectively. The Company received an updated license under the ACMPR in October 2017 which expires on October 9, 2020. In September 2017, Maricann received a second site license for its Burlington location which expires in September 2020. In November 2017, Maricann received an updated license for the production of encapsulated cannabis oil. In April 2018, Maricann received a third site license for its facility located at 138 8th Concession Road, Langton, Ontario, the property adjacent to its current main facility. The new license expires on April 20, 2021. The three licenses referenced herein are collectively referred to as the "Licenses".

As of the date hereof, the Licenses are three of 104 licenses issued by Health Canada under the ACMPR for all of Canada, and three of 57 licenses issued for Ontario. Of the 104 licenses issued for all of Canada, the License is one of 44 licenses permitted to produce and sell marijuana, one of 22 licenses permitted to produce and sell cannabis oil, and two of 11 licenses to produce and sell cannabis starting materials, including seeds and clones.

Since commencing operations at its main facility located at 150 8th Concession Road, Langton, Ontario in April 2013, the Company has continued to expand production of the main facility. In early 2016, the Company acquired 97.5 acres of property adjacent to the main facility to strategically support further expansion. Construction efforts on phase one of a three phase overall 940,000 sq. ft. (76,180 sq. m) expansion began in November 2016. Phase I, a 217,000 sq. ft. (20,160 sq. m) expansion is expected to be fully completed in Q4 of 2018. Phase 2 is expected to start in Q2 of 2018.

Pursuant to the Licenses, the Company is permitted to possess, produce, sell, ship, transport, deliver and destroy dried medical marijuana, marijuana plants (including plants and seeds), cannabis resin and cannabis oil.

In April 2017, the Company obtained 95% controlling interest in MGMBH through its wholly owned subsidiary MBV as part of the Company's continued expansion effort into the German market. The Company together with its joint venture partner, has further submitted applications to the German government authority, in conjunction with its medical plant partner, and further submitted applications for wholesale narcotics licenses for the purpose of import and distribution of dried medicinal cannabis under the authority of the Free State of Saxony (Sachsen) and the Federal Institute for Drugs and Medical Devices (BfArM).

Company Products

The Company currently offers three main types of products: dried marijuana, cannabis oil and cannabis starting materials (seeds and clones). All of the Company's products are independently lab tested and certified before being packaged and labelled with detailed information about the levels of Tetrahydrocannabinol ("THC") and Cannabidol ("CBD") within each product.

THC is one of the cannabinoids found in the cannabis plant and is responsible for the majority of the plant's psychoactive properties. THC is the most desirable element of the plant by the majority of consumers. Studies have demonstrated that THC may have medical benefits, including analgesic properties and its tendency to increase appetite. CBD is gaining popularity as a therapeutic cannabinoid for a variety of diseases, such as autism, epilepsy, and other nerve related conditions and potential anti-inflammatory properties.

Nearly all modern cannabis strains are hybridized in some form or another, traditionally cannabis has been separated into Sativa and Indica or the in-between ("hybrid") options.

The following tables set forth the current products offered by the Company:
For additional information on product offerings please visit the Company's website at www.maricann.com.

Company Developments

(i) Retail Network

On November 6, 2017, the Company entered into a Collaboration Agreement with a pharmacy group with over 2,000 retail stores network with regards to the development of patient and healthcare education programs for the sale and distribution of medicinal cannabis as well as the development of product accessibility initiatives to facilitate the sale and distribution of the Company's products. The Company has committed a funding of $100,000 for the purposes of this initiative. On December 11, 2017 the Company entered into a Definitive Agreement with Lovell Drugs Limited to be the exclusive provider of medical cannabis products to its patients through a two-part initiative, consisting of education and product accessibility.

(ii) License Renewal and activity

Effective November 8, 2017, Health Canada granted the Company the New Langton License that removes annual production limits on approved medical cannabis products in the Company's current Langton, Ontario facility. This new license increases allowable capacity to 6,250,000 grams on site at any one time. This is an increase from the Company's previous annual license that limited production to a total of 1,282,000 grams (930kg of dried marihuana and 352 kg of cannabis oil) per year. This new license represents an increase of over 480% of production capacity and is valid until October 9, 2020.

On April 16, 2018 the Company announced that it had received an export permit from Health Canada that would allow the shipment of packaged dry cannabis flowers to Germany.

On April 20, 2018, Maricann Inc. received its third site license for its 138 8th Concession Road, Langton, Ontario location.

(iii) Products

On November 30, 2017, Maricann began production of four types of all-natural cannabis oil capsules with a target date for order fulfillment in Q2 2018. The benefit of Maricann Capsules is the ability to deliver medication to patients in the consistent dosages and easy-to-use format consistent with other pharmaceutical products. The vegan capsules are produced in 15 mg and 25 mg cannabidiol (CBD)and 5 mg and 10 mg THC capsules for optimal patient control and compliance.

(iv) Mariplant GmbH

On April 18, 2018 the Company announced that the first seeds were planted on the contract farmed 405 acre agricultural land in Saxony, Germany through Mariplant GmbH, which will be focused on nutraceutical non-THC cannabis.

(v) Finance raising

In January 2018, the Company closed a private placement offering (the "SW Offering") of special warrants (the "Special Warrants") for aggregate gross proceeds of $40,250,000. The aggregate gross proceeds of the SW Offering include the full exercise of the over-allotment option granted to the agents in connection with the SW Offering. Pursuant to the SW Offering, the Company issued 20,125,000 Special Warrants, at a price of $2.00 per Special Warrant. Each Special Warrant was automatically exercisable, for no additional consideration, into units of the Company (the "Units") on the earlier of: (i) the date that is three business days following the date on which the Company obtained receipt from the applicable securities regulatory authorities (the "Securities Commissions") for a (final) prospectus (the "Qualifying Prospectus") qualifying distribution of the Units issuable upon exercise of the Special Warrants; and (ii) May 10, 2018. Each Special Warrant, originally entitled the holder thereof to one Unit consisting of one common share of the Company (each, a "Common Share") and one-half of one Common Share purchase warrant of the Company (each full Common Share purchase warrant, a "Warrant"). Each Warrant is exercisable to acquire one Common Share at a price of $2.35 per Common Share until January 9, 2021, subject to adjustment in certain events. Pursuant to the terms of the SW Offering, the Company agreed to use its commercially reasonable efforts to obtain a receipt from the Securities Commissions for the Qualifying Prospectus before February 27, 2018, which receipt was obtained on March 29, 2018. As the Company did not receive a receipt from the Securities Commissions for the Qualifying Prospectus before February 27, 2018, each unexercised Special Warrant entitled the holder to receive, upon the automatic exercise thereof, for no additional consideration, 1.05 Units (instead of one (1) Unit). Insiders of the Company or their associates participated in the SW Offering for an aggregate amount of $929,500. In connection with the SW Offering, the agents received a cash commission and 970,950 compensation warrants. Each compensation warrant entitles the holder thereof to acquire one Unit at a price of $2.00 per Unit until January 9, 2020, subject to adjustment in certain events.

(vi) Operations

On March 8, 2017, a windstorm with gale forces up to 115 kph hit the peninsula on the shores of Lake Erie near the Company's Langton, Ontario site. An unusual event, the storm resulted in sand and foreign materials from nearby fields being blown into two of the Company's five main flowering greenhouses. In Canada, under Access to Cannabis for Medical Purposes Regulations (ACMPR), all aspects of cultivation must be controlled, and no outside matter is permitted to enter the greenhouse unless introduced intentionally and through an approved process. With the environment no longer sealed and thus compromised following the storm, Maricann made the decision to destroy all of the plants in the two affected greenhouses which reduced its available inventory. Following the storm, the affected greenhouses were steam cleaned, pressurized and inspected by Maricann's Quality Assurance (QA) team. The Company had to seal the HVAC system and install additional perimeter safeguards to ensure the greenhouses are not penetrated in the future. Maricann has commenced regular production, achieving exceptional yields of dry flower up to 79 grams per plant, per cycle. The Company is properly insured to cover the losses in inventory. This natural weather event nevertheless had an effect on its short-term revenue stream. The total loss to be borne by the Company as a result of the incident is not yet determined; as it will be reduced by the not yet determined amount of the insurance recovery.

(vii) Acquisition Haxxon AG

On May 10, 2018, the Company completed the acquisition of all the issued and outstanding common shares of Haxxon AG ("Haxxon"), for an aggregate purchase price of CHF 8,000,000, of which CHF 2,000,000 (~$2,580,000) will be payable in cash and CHF 6,000,000 was paid in Common Shares at a deemed issue price of $1.98 per share (the "Haxxon Transaction") At closing this resulted in the issuance of 3,808,505 of the Company's Common Shares and will possibly lead to the issuance of an additional 132,707 of Common Shares on the second anniversary of the closing date of the Haxxon Transaction provided certain representations and warranties of Haxxon AG remain in good standing. Haxxon is based in Regensdorf, Switzerland and operates a 60,000 sq. ft. facility where it cultivates feminized cannabis plants with a content of less than 1% THC ("Low THC Strains"). The Haxxon Transaction will allow the Company to produce Low THC Strains in Switzerland, which would then be manufactured into finished products.

(viii) Proposed acquisition of Malta

On May 16, 2018, the Company announced that it has entered into a non-binding letter of intent to acquire 100% of the issued and outstanding shares of Medican Holdings Ltd ("Medican") of the Republic of Malta. Medican Research Group, a subsidiary of Medican, is one of six companies approved to receive a license in Malta. This license will give Maricann the ability to import, extract, manufacture finished dose products, and distribute cannabis for medical purposes within Malta and the European Union. Pursuant to the terms of the letter of intent, if the transaction is completed, Maricann will pay USD$10.1 million comprised of USD$7.6 million in Common Shares with a deemed price of not less than $2.35 per share, and USD$2.5 million in cash. Completion of the acquisition remains subject to completion of due diligence, obtaining applicable regulatory approvals and negotiation of the definitive agreements. If completed, the acquisition of Medican is expected to advance the Company's efforts in the import of raw materials and whole plant extracts from Canada to Malta for advanced post processing to create pure cannabis distillates, allowing for true pharmaceutical manufacturing. Commercial production of distillates (THC, CBD, CBG and conversion for CBN) in Malta, which Maricann will then manufacture into finished dose products using its proprietary VesiSorb drug delivery technology, is a key development for the Company as it advances the timeline for delivery of its full suite of products to the European market (where legal).

(ix) GMP certification

On April 30, 2018, the Company announced that it is now part of an exclusive group of Canadian Licensed Producers to be Good Manufacturing Practice (GMP) certified in accordance with the European Medicines Agency's GMP standards. GMP standards are regarded as the highest assurance of quality and safety a pharmaceutical manufacturer can receive. It is a rigorous process that Maricann initiated in Q4 of 2017 when German health inspectors visited its current 150 8th Concession, Langton, Ontario facility for a thorough review of the operations. Maricann becomes only the 6th Canadian producer of medical cannabis to be awarded this distinction. This certification allows the Company to export dried cannabis flower into the rapidly growing medical cannabis markets of the European Union. While governments decide how to license and regulate production within their own jurisdictions on European soil, companies with the ability to export are at a distinct advantage to capitalize in these markets where a significant shortage of product exists.

Company Outlook and Strategy

Taking Medical Marijuana to the World of Pharmaceutical Cannabis and Beyond

Our focus is to bring proven globally patented technology from the pharmaceutical sector and apply it to create quality differentiated products to the cannabis sector.

Technology:
VesiSorb is a technology in the delivery of lipophilic (fatsoluble) drugs, used by leading global pharma majors. Cannabinoids, are lipophilic drugs and require a unique delivery system to be absorbed in the aqueous environment of the stomach and intestines to create predictable concentrations within the blood stream. The cannabis market has grown rapidly, with the largest growth segment being edibles, functional beverages, and capsules, all of which are ingested, and require a unique delivery system to avoid hepatic first pass in the liver. Maricann has exclusive rights to the globally patented VesiSorb technology. By possessing the exclusive rights to VesiSorb, Maricann has engaged with world leading pharmacy companies to distribute its products in primary and exclusive relationships.

Scale:
The Company's cultivation operations are expanding. The Company is currently building a new facility at 138, 8th Concession Road, Langton, Ontario ("Site 138"). Phase one of a three phase overall 940,000 sq. ft. (87,329 sq. m) expansion began in November 2016. Phase I, a 217,000 sq. ft. (20,160 sq. m) expansion is expected to be fully completed in Q4 of 2018, with an anticipated design capacity of 22,245 kg of annual production. As of May 2018, we have completed 150,000 sq ft of erected shell with 70% of the floors poured. The remaining 67,000 sq ft including flowering rooms, packaging, oil extraction and laboratory area is expected to be completed by Q4 of 2018. Phase 2 is expected to start in Q2 of 2018 with a targeted additional design capacity of 71,000 kg of annual production. Combined with current capacity of 2,000 kg per year, based on assumed full design capacity, Maricann expects to grow 95,245 kg of dry cannabis flower per year. When extracted trim of 25% is added, that equates to an expected 119,056 kg of raw cannabis inputs per year based on assumed full design capacity. The anticipated design capacity takes into consideration the Company's historical experience and takes into consideration the current plans. However, as the Company's historical experience evolves and obtains greater experience, if any changes are made to the design of the building and related infrastructure, it may impact the capacity of these new facilities.

From the Company's founding location in Langton, Ontario ("Site 150"), medicinal cannabis is cultivated to the highest quality standards and in strict compliance with Good Agricultural and Collection Practices and Good Manufacturing Process guidelines. The Company possesses the requisite expertise and experience to cultivate on a mass scale, with facilities specifically engineered for cannabis production. The Company's central focus on costs of raw inputs to our finished dose products, is evidenced by partnerships with world leading suppliers of industrial automation and building controls.

Trusted Distribution:
The Company's key management-maintained relationships over the last thirty years in the pharmaceutical sector, including raw input and API suppliers, manufacturers, and distributors, through export and pharmacy. These relationships have led to agreements with pharmacy groups to distribute product, with pharmacists as their champions. This demand will dictate further expansion, and timing of deliverables of products. The Company is not just building capacity because management believes the market will be large but on realistic and achievable professional pharmacy forecasts.

The Company's German and Swiss expansion described elsewhere is one of the strategic keys to the Company's future, with a narcotics import and distribution license applied for in Germany, key management with requisite skills and ability, to execute our plan. Expansion in Germany will be through three distinct methods: 1. Import of GMP approved cannabis from Canada for distribution, 2. Participation and cultivation in Germany through the tender process and our joint venture partner, and 3. CBD cultivation on a mass scale through industrial hemp.

Growing Green with Green

Energy efficiency is at the core of the Company's value structure. From producing on-site, natural gas co-generation electricity to gathering rainwater from our roofs, the Company drives energy efficiencies throughout it's production processes to save time and money.

Growing cannabis plants under glass, through high-efficiency windows, means the Company's facilities will harness solar energy through the full colour spectrum of the sun. This lowers the Company's carbon footprint, while increasing it's yield. The Company will also use CO_2 to heat our water and floors, and pump CO_2 back into the greenhouses where it acts as a natural booster to the growth cycle. The Company will grow cleaner and larger plants though this method.

Being so energy efficient allows the Company to be a low-cost, high-quality producer in a market that rarely sees that combination, with an energy efficiency rating of 92.5% in a R-38 building envelope.

Overall Financial Performance

	For the three months ended March 31,			
	2018	2017	**Change**	**Change**
	$	$	**$**	**%**
Revenue	**600,591**	1,143,167	**(542,576)**	**-47%**
Gross profit	**(2,266,686)**	(295,027)	**(1,971,659)**	**668%**
Expenses	**9,163,331**	6,304,505	**(2,858,826)**	**-45%**
Non cash fair value change in convertible debenture related to changes in value of common shares	**-**	60,290,740	**60,290,740**	**-100%**
Net loss	**(11,430,017)**	(66,890,272)	**55,460,255**	**83%**
Net loss per share, basic and diluted	**(0.11)**	(1.53)	**(1.42)**	**92%**
Weighted average number of outstanding shares, basic and diluted	**108,078,972**	43,650,007	**(64,428,965)**	**-148%**

	As at			
	March 31, 2018	December 31, 2017	**Change**	**Change**
	$	$	$	%
Total Assets	**128,471,625**	93,332,797	**35,138,828**	**38%**
Total Liabilities	**27,680,755**	31,810,788	**(4,130,033)**	**-13%**

Maricann Inc. was incorporated in 2013, commenced commercial operations in mid-2014 and began generating revenue from sale of medical cannabis in late December 2014. Production and operations had been consistently growing in both sales and capacity since inception, prior to the Q2-2017 see *Company Developments – Operations* section above. The company has maintained its focus on providing quality products produced in a cost-effective manner. Net losses for the three-month periods ended March 31, 2018 and 2017 reflect the steady increase in operational and other working capital uses consistent with a company on a steep growth curve. Revenue for the three-month period ended March 31, 2018 has decreased 47% when compared to 2017. From an expense perspective the increases in cultivation related costs, the hiring and contracting of more experts and experienced personnel, increases in business development activities and increased corporate activity have driven a 45% increase year over year. Net loss was offset by the fair value adjustment on growth of biological assets which were $300,228 and $99,351, for the three-month periods ended March 31, 2018 and 2017, respectively. The decrease in net loss is mainly due to the fact that during the three-month period ended March 31, 2017, the Company recorded a non-cash loss in convertible debenture related to changes in value of common Shares of $60,290,740, and a listing expense of $514,386.

During the three months ended March 31, 2018, the Company focused its efforts and operational spending on the following:

- Hiring of senior financial, growing, and management resources;
- Optimizing and increasing production to meet the anticipated increase in product demand;
- Continued expansion of production facilities; and
- Product formulations;
- Financing the Company;
- Growing increased market awareness of the Company and its products and approach; and
- Corporate activities associated with investor relations and public relations.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information from continuing operations for the most recent eight quarters:

	FY 2018	FY 2017				FY 2016		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	$	$	$	$	$	$	$	$
Revenue	600,591	696,942	721,035	661,602	1,143,167	1,304,031	892,081	906,246
Net Loss	(11,430,017)	(9,447,378)	(5,379,931)	14,704,707	(66,890,272)	(5,517,816)	(1,119,537)	(774,397)
Income (loss) per share - basic	(0.11)	(0.10)	(0.08)	0.22	(1.53)	(0.15)	(0.03)	(0.02)
Loss per share - diluted	(0.11)	(0.10)	(0.08)	(0.11)	(1.53)	(0.15)	(0.03)	(0.02)

The net loss for the quarter ended March 31, 2018 was primarily attributable to increased general and administrative expenses and share-based compensation.

The net loss for the quarter ended December 31, 2017 was primarily attributable to share-based payments, acquisition and project evaluation costs, and increased expenditures due to scaling up operations.

The net loss for the quarter ended September 30, 2017 was primarily attributable to acquisition and project evaluation costs, and increased expenditures due to scaling up operations.

The net income for the quarter ended June 30, 2017 was primarily due to a decrease in the non-cash fair value in convertible debenture and warrants liability related to changes in value of Common Shares which was offset by an increase in expenditures due to increased corporate activities related to scaling up of its operations and listing expenses.

The net loss for the quarter ended March 31, 2017 was primarily attributable to the non-cash fair value in convertible debenture and warrants liability related to changes in value of Common Shares.

The net losses for the quarters ended December 31, 2016, September 30, 2016, and June 30, 2016 were primarily related to increased corporate activities related to scaling up of its operations.

Review of Operations for the three-month periods ended March 31, 2018 and 2017

Revenues

Revenues for the three-month periods ended March 31, 2018 were $600,591 as compared to $1,143,167 during the same period in 2017, a decrease of $542,576 or 47%. The decrease in revenue is primarily related to a combination of a decline in patient registration/re-order, supply interruption due to March 8, 2017 windstorm, limited strain selection and no production of decarboxylated oil. The decline in revenue can be explained by the timing of a large bulk transaction that subsequently closed in the second quarter of 2018. The Company began sales of medical cannabis oil in October 2016, which totaled 28% of total revenue during the three-month period ended March 31, 2018 (2017 – 23%). Total products sold for the three-month period ended March 31, 2018 was 61 kilograms at an average selling price of $7.34 per gram for dry medical cannabis and $18.35 per gram for oil, down from 112.875 kilograms sold during the same period in 2017 at an average selling price of $10.12 per gram.

The Company's dry medical cannabis strains were priced between $5.00 and $10 per gram, excluding any discounts, and medical cannabis oil were priced at $20.00 to $24.00 per 40~50 ml bottle, $20.00 per equivalent gram OR $100.00 per 40~50 ml bottle, excluding any discounts for the period ended March 31, 2018, up from between $16.00 and $24.00 per gram per 40~50 ml bottle for the period ended March 31, 2017, with compassionate pricing set at a 20% discount off of the listed price (2017 - 20%).

Net cost of sales

The Company's cost of sales is comprised of the following:

- Production costs – represents current period costs that are directly attributable to the cannabis growing and harvesting process
- Fair value adjustment on sale of inventory – relates to the previously fair value increase associated with biological assets that were transferred to inventory upon harvest.
- Fair value adjustment on growth of biological assets – represents the estimated fair value less cost to sell of biological assets as at the reporting date.

Three months ended March 31, 2018 and 2017

	2018	2017
	$	$
Revenue	**600,591**	1,143,167
Cost of sales - production costs	**2,629,619**	879,876
Gross profit before fair value adjustments	**(2,029,028)**	263,291
Fair value adjustment on sale of inventory	**(537,886)**	(657,669)
Fair value adjustment on growth of biological assets	**300,228**	99,351
Gross profit	**(2,266,686)**	(295,027)

Included in net cost of sales are the net change in fair value of biological assets, inventory expensed and production costs. Cost of sales – production costs include payroll costs for personnel involved in growing plants, direct materials and utilities associated with the cannabis growing process and allocation of indirect costs such as overhead, rent, facility and equipment maintenance. All costs related to the Company's production process is included within cost of sales – production costs on the Company's statement of operations. Biological assets consist of cannabis plants at various pre-harvest stages of growth which are recorded at fair value less costs to sell at the point of harvest. Cost to sell include shipping, processing and sales related costs. At harvest, the biological assets are transferred to inventory at their fair value which becomes the deemed cost for inventory. Inventory is later expensed to cost of sales when sold. Direct production costs are expensed through cost of sales. We expect net cost of sales to vary from year to year based on the number of pre-harvest plants, the strains being grown, and where the pre-harvest plants are in the grow cycle at the end of the year.

Biological assets

Biological assets are measured at fair value less costs to sell until harvest. All production costs related to biological assets are expensed as incurred. The fair value was determined using an expected cash flow model which assumes the biological assets at the balance sheet date will grow to maturity, be harvested and converted into finished goods inventory and sold in the retail medical cannabis market. This model utilizes the following significant assumptions:

	Assumption	**March 31, 2018**	**December 31, 2017**
[i]	Weighted average of expected loss of plants until harvest	8% - 23%	8% - 31%
[ii]	Expected yields for cannabis plants (average grams per plant per strain)	30 grams per plant	10 – 34.3 grams per plant
[iii]	Expected number of growing weeks	15 - 26 weeks	12 - 26 weeks
[iv]	Weighted average number of growing weeks completed as a percentage of total growing weeks as at December 31	38%	44%
[v]	Estimated selling price (per gram by strain)	$8.64 - $10	$6 - $15
[vi]	After harvest cost to complete and sell, incorporating a reasonable margin (per gram)	$5.25 - $6.38	$5.27 - $6.38

These estimates are subject to volatility in market prices and a number of uncontrollable factors, which could significantly affect the fair value of biological assets in future periods. A 10% positive change in each of the significant assumptions would result in an aggregate increase of $82,629 in the biological assets balance at March 31, 2018 [December 31, 2017 - $263,050]. A 10% negative change in each of the significant assumptions would result in an aggregate decrease of $62,410 in the biological assets balance at March 31, 2018 [December 31, 2017 - $174,938].

The Company estimates the harvest yields for medical cannabis at various stages of growth. As of March 31, 2018, it is expected that the Company's biological assets will yield approximately 194,650 grams [December 31, 2017 – 437,499 grams] of medical cannabis when harvested.

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

Gross profit

Gross profit was negative $2,266,686 for the three-month period ended March 31, 2018 and $295,027 for the three-month period ended March 31, 2017. The overall decrease was primarily due to the Company's increase in production costs due to expansion efforts as the Company focused its efforts on increasing production staff and quality control.

Expenses

General and administrative

General and administrative expenses were $6,667,373 and $1,702,998 for the three-month period ended March 31 2018 and 2017 respectively, representing an increase of $4,964,375 or 292%. The increase year over year represents the Company's efforts to bring more labour and talent into the Company, increased travel, increased corporate activity, investor relations and maintenance costs as well as other overhead associated with the growth including contactors, professional fees and increased site security.

Sales and marketing

Sales and marketing expenses decreased to a recovery of $387,142 for the three-month periods ended March 31, 2018 from $2,314,365 during the comparative quarter, representing a decrease of $2,701,507 or 117%. The decrease is due to a recovery of stock-based compensation due to a forfeiture of stock options of $639,853 and a decrease in the fair value of cash settled options of $227,203 compared to stock based compensation expense of $1,939,782 during the three-month period ended March 31, 2017.

Share-based compensation

Share based compensation of $1,336,170 (2017: $1,521,183) relates to stock options issued to employees under the Company's share option plan, representing a decrease of $185,013 or 12%. The decrease is mainly due to the vesting conditions of stock options granted in prior periods and a decrease in the amount of stock options issued during the period ended March 31, 2018.

Depreciation

Depreciation expense was $1,536,337 for the three-month period ended March 31, 2018 compared to $209,476 during the same period in 2017, representing an increase of $1,326,861 or 633%. The increase was the result of the addition of new greenhouse space, increased capacity in the processing facility and amortization of the intangible assets.

Listing Expense

Listing expense was $514,386 for the three-month period ended March 31, 2017. The costs incurred relate to the costs associated with the RTO in April 2017.

Non-Cash fair value change in convertible debenture and warrants related to changes in values of Common Shares

During the three-month period ended March 31, 2017, the fair value of the Convertible Debenture was revalued based on the equity raise on March 3, 2017 at $2.85 per share. The fair value of the Debenture instrument based on $2.85 per share for 22,500,000 shares was $64,125,000. The fair value of the warrants was $18,665,740 determined based on the Black-Scholes option pricing model. It is noted that the increase in the fair value of the debenture instrument and the warrants were as a result of an increase in the value of share price of the Company. As a result, the Company recorded a non-cash fair value loss on convertible debt related to share issuance of $60,290,740 during the three-month period ended March 31, 2018.

Net Loss and comprehensive loss

Given that we are a start-up company in a growth phase, it was expected that the Company would not generate net income in its early years. The need to invest in both human capital as well as having higher operations costs in keeping pace with the quickly growing revenues has been essential to ensure that the current and, potentially more importantly, future market opportunity can be capitalized upon. Net loss for the three-month period ended March 31, 2018 and 2017 was $11,430,017 and $66,890,272, respectively. The decrease in net loss is mainly a result of a non-cash fair value loss on convertible debt and warrants related to share issuance of $60,290,740, go public listing expenses incurred of $514,386 during the period ended March 31, 2017 and offset by a general and administrative expenses increase of $4,964,375.

Loss per Share

Basic and diluted loss per share is calculated by dividing the net loss attributable to Common Shareholders of the Company by the weighted average number of Common Shares outstanding during the period. Diluted loss per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other potentially dilutive securities. The weighted average number of Common Shares used as the denominator in calculating diluted loss per share excludes un-issued common Shares related to stock options and other rights to shares, warrants, compensation options and convertible debentures as they are anti-dilutive. Basic and diluted loss per share for the three-month period ended March 31, 2018 was $0.11 per share as compared to $1.53 per share for the three-month period ended March 31, 2017.

Total Assets

Total assets increased to $128,471,625 as at March 31, 2018 from $93,332,797 as at December 31, 2017. The increase is the result of a number of elements including property, plant and equipment which increased 53% from $28,438,345 to $43,590,981. The majority of this increase related to upgrades/expansion to the growing and processing facilities. Current and non-current other assets increased 83% to $7,957,941 from $4,348,773, as the Company made deposits for construction materials and equipment for the purposes of the Langton facility expansion as well as for the purpose of the expected German expansion. Cash increased to $42,159,757 from $24,572,873 due to the SW Offering financing of $40,250,000 in gross proceeds completed in January 2018.

Total Liabilities

Total liabilities as at March 31, 2018 were $27,680,755 as compared to $31,810,788 as at December 31, 2017. The main decrease is due in large part to conversion of $8,190,000 of the convertible debenture to Common Shares. The decrease overall is then offset by an increase in accounts payable attributable to the substantial operational and capital costs associated with growing the Company's capacity and operational workforce.

Liquidity and Capital Resources

For the three-month period ended March 31, 2018, the Company generated revenues of $600,591 from operations and has financed its operations and met its capital requirements primarily through a SW Offering, stock option and warrant exercises. The Company's objectives when managing its liquidity and capital resources are to generate sufficient cash to fund the Company's operating and working capital requirements. During the period ended March 31, 2018, the Company completed a SW Offering of $40,250,000 in gross proceeds, received proceeds from exercise of stock options and warrants of $1,850,529, repaid $4,100 in lease obligations to meet its current and anticipated future obligations.

As at March 31, 2018, the Company had working capital of $36,369,186 compared to $22,223,435 at December 31, 2017. The increase in working capital of $14,145,751 was mostly related to the special warrant financing as discussed above and was offset by increased spending on expansion efforts and increased requirements in meeting operational needs.

The condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Operating Activities
For the three-month period ended March 31, 2018, cash flow used in operating activities was $7,085,947 compared to $3,021,661 for the three months period ended March 31, 2017. The increase in cash flow used in operations is $4,064,286 or 135%. The increase in cash flow used in operations is due to higher net losses of the period net of the non-cash fair value change in convertible debenture and warrant liability related to changes in the value of Common Shares.

Investing Activities
For the three-month period ended March 31, 2018, the Company had used cash of $14,020,372 related to investing activities as compared to $3,110,759 for the three-month period ended March 31, 2017. Investing activities during the period relate to building and other facility upgrades and the purchase of production equipment, computers and furniture as well as advancements towards investments of the German subsidiary.

Financing Activities
Cash flows provided by financing activities for the three-month period ended March 31, 2018 were $38,656,853 compared to $6,435,846 for the three-month period ended March 31, 2017, an increase of $32,221,007 or 501%. The increase in cash provided by financing activities is primarily due to an issuance of Special Warrants, net of issuance costs, of $37,794,130, proceeds received on exercise of stock options and warrants of $1,850,529 and offset by interest payment of $983,706 on the convertible debentures and capital leases of $4,100.

Share Capital
The authorized share capital of the Company is an unlimited number of Common Shares and an unlimited number of preferred shares. All issued shares, consisting only of Common Shares, are fully paid.

Outstanding Share Data

As of the date of this MD&A, the Company's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of preferred shares. The Company has the following securities outstanding as at the date of this MD&A:

	Number outstanding
Common shares	137,301,907
Stock options	4,853,111
Warrants	21,836,637
Dilutive effect of convertible debentures	13,951,429
Dilutive effect of share rights	1,240,231
Dilutive effect of compensation options	1,901,130
Fully diluted	177,235,940

Capital Expenditures

The Company has been taking a phased approach to capital expansion since January 2015. Expenditures have been managed based on the available cash resources. During 2015, two new greenhouses were built along with critical and efficiency-based upgrades to the existing growing and processing facilities. Additional upgrades were also completed during Q3 & Q4 2016. The Company embarked on its most substantial facility expansion to date in December 2016. With an expected completion date in Q4 2018, an additional approximately 217,000 square feet of growing and processing space will complement the current footprint. This facility is expected to have a design capacity of 22,245 kg of annual production when complete and fully operational, subject to obtaining regulatory licensing approval. During the three-month period ended March 31, 2018, the Company spent an additional $13,989,273 primarily on facility expansions.

Commitments and Contingent Liabilities

Contingent Liabilities

The Company recognizes loss contingency provisions for probable losses when management is able to reasonably estimate the loss. When the estimated loss lies within a range, the Company records a loss contingency provision based on its best estimate of the probable loss. If no particular amount within that range is a better estimate than any other amount, the minimum amount is recorded. As information becomes known a loss contingency provision is recorded when a reasonable estimate can be made. The estimates are reviewed at each reporting date and the estimates are changed when expectations are revised. An outcome that deviates from the Company's estimate may result in an additional expense or release in a future accounting period.

As at March 31, 2018, December 31, 2017 and March 31, 2017, the Company has not recognized any contingent liabilities.

In the ordinary course of business, from time to time the Company is involved in various claims related to operations, rights, commercial, employment or other claims. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to these claims to be material to these condensed interim consolidated financial statements.

Commitments

The Company has committed to construction contracts associated with the expansion of its production facilities for a total of $27,537,933 expected to be incurred within the next 12 months.

The Company's production facility at 150 8th Concession, Langton, Ontario under an operating lease arrangement expires on October 31, 2018 and the Company has administrative offices under operating lease arrangements until 2022. The Company has the right under a production facilities lease arrangement to extend the leases by another five years. The following table presents the minimum payments due over the next five years and thereafter until the termination of the leasing arrangement.

	$
2018	219,373
2019	42,420
2020	43,803
2021	44,264
2022 and beyond	18,443
	368,303

Off-Balance Sheet Arrangements

Maricann has no off-balance sheet arrangements except for the commitments shown above.

Transactions and balances with related parties

The Company had the following transactions with related parties as defined in IAS 24 – *Related Party Disclosures,* except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship arrangements and transactions with the Company's shareholders in the form of various financings as further discussed in notes 11 and 12 to the condensed interim consolidated financial statements for the period ended March 31, 2018.

[i] During the year ended December 31, 2017, the Company incorporated Maricann GmbH and Mariplant GmbH, limited liability entities in Germany. The Company through its wholly owned subsidiary Maricann B.V. owns 95% of the issued and outstanding shares of the entities, while the remaining 5% non-controlling interest is retained by a key management employee of the newly incorporated subsidiaries. This 5% non-controlling interest can be put to the Company for redemption at €5,000 in certain circumstances and therefore has been classified as a liability. In addition, the key management employee is entitled to a profit share of 5% subject to certain adjustments provided the individual continues to provide employee services to the Company. Maricann GmbH and Mariplant GmbH serves to allow the Company to expand in to the German market.

[ii] During January 2017, the Company entered into an agreement with an operator of a clinical network, who is a shareholder of the Company, to provide assessment and education with respect to medical cannabis for the Company. As at December 31, 2017, the amount provided to this related party was $125,000. The loan bears interest at 6% per annum and is due in January 2018. The balance was collected in January 2018.

[iii] During the year ended December 31, 2017, the Company entered into a reservation agreement to acquire for €3,000,000 [$4,762,140] an entity in Germany. Such entity holds a property in Naunhof, Germany that the Company intends to utilize in the event of obtaining required licenses in Germany to cultivate and distribute cannabis for medical purposes. An entity jointly owned by the CEO of the Company and a key management employee of the Company's German subsidiaries held preemptive rights over this property. In entering into a reservation agreement, the Company paid another entity affiliated with the Company's CEO €410,000 ($767,944) to acquire these preemptive rights. Such amount is included in Other assets.

Management compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly including the Chief Executive Officer, Chief Financial Officer and equivalent, and Directors.

Compensation expense for the Company's key management personnel for the three-month periods ended March 31, 2018 and 2017 is as follows:

	March 31, 2018 $	March 31, 2017 $
Salaries and other benefits	**793,562**	149,525
Share-based compensation	**793,637**	1,509,325
	1,587,199	1,658,850

Risk Factors

The Company has implemented Risk Management Governance Processes that are led by the Board of Directors, with the active participation of management, and updates its assessment of its business risks on an annual basis. Notwithstanding, it is possible that the Company may not be able to foresee all of the risks that it may have to face. The market in which Maricann currently competes is complex, 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 forward looking statements. Readers of this MD&A should not rely upon forward looking statements as a prediction of future results.

The following are certain of the risk factors that have been identified by management. The readers should also refer to the risk factors identified in our latest annual information form and our other continuous disclosure documents filed on SEDAR at www.sedar.com:

Financial Risk Factors

The Company is exposed to credit risk through its cash. The Company is exposed to liquidity risk in meeting its contractual obligations associated with financial liabilities as they become due.

Other Risk Factors

- *Regulatory Regime*
- *Changes in Laws, Regulations and Guidelines*
- *Reliance on Licenses and Renewals*
- *Limited Operating History*
- *Volatility of Industry Conditions*
- *Access to Additional Financing*
- *Dependence on Senior Management and Key Personnel*
- *Competition*
- *Risks Inherent in the Agricultural Business*
- *Vulnerability to Rising Energy Costs*
- *Risks of Foreign Operations*
- *Expansion of Facilities*
- *Environmental Regulations and Risks*
- *Constraints on Marketing Products*
- *Agreements and Contracts*
- *Operating Risks and Insurance*

- *Uninsured or Uninsurable Risk*
- *Unfavourable Publicity or Consumer Perception*
- *Regulatory Scrutiny of Company’s Interests in the United States*
- *Reliance on Key Business Inputs*
- *Sufficiency of Insurance*
- *Product Liability*
- *Intellectual Property*
- *Application of VESIsorb® Technology*
- *Vesifact Patent Licenses*
- *Potential General Litigation*
- *Product recalls*
- *Fraudulent or Illegal activity by its Employees, Contractors and Consultants*
- *Reliance on the Main Facility*
- *Management of Growth*
- *Acquisition and Development Risks*
- *Issuance of Debt*
- *Dilution*
- *Sources, Pricing and Availability of Equipment and Equipment Parts*
- *Price Volatility of Securities*
- *Reputational Risk to Third Parties*
- *Conflicts of Interest*
- *Dividends*
- *Breaches of Security at its facilities, or in Respect of Electronic Documents and Data Storage and May Face Risks Related to Breaches of Applicable Privacy Laws*
- *History of Losses*
- *Adverse Media Coverage*

A more detailed description of the various risks associated with the Company can be found under the heading “Risk Factors” in our latest AIF and the Management Discussion and Analysis for the year ended December 31, 2017.

Company Outlook

The Company continues to expand both revenue and production, increasing capacity to supply the growing medical market in Canada. Additionally, with the advent of recreational cannabis in Canada, as promised by the current Liberal government, the outlook for the Company is expected to be advantageous, as one of few federally licensed producers with the capability to expand significantly on its 100-acre Langton, Ontario land package. The Company expects that its new lines of products, along with expanded marketing efforts will result in significant year on year growth in 2018. As part of the Company’s international expansion strategy, the Company has submitted license applications, and has been diligently working with the German government authority in order to become licensed in the German market. The Company expects that the added production facility from the proposed facility will further expand its revenue generation and production capabilities.

Critical Accounting Estimates

The Company's significant accounting policies under IFRS are contained in the Statements (refer to Note 4 to the unaudited condensed interim consolidated financial statements and the Audited Annual Consolidated Financial

Statements for the year ended December 31, 2017). Certain of these policies involve critical accounting estimates as they require management to make particularly subjective or complex judgments, estimates and assumptions about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

New standards, interpretations and amendments adopted by the Company

The following new accounting standards applied or adopted during the period ended March 31, 2018 had no material impact on the condensed interim consolidated financial statements:

IFRS 9 Financial Instruments [“IFRS 9”]

IFRS 9, Financial Instruments (“IFRS 9”), introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity’s own credit risk for liabilities elected to be measured at fair value.

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 of non-financial assets. The standard permits the use of either full or modified retrospective application.

Amendments to IFRS 2 Share-based Payment

Amendments to IFRS 2, *Share-based Payment* were issued in June 2016 and are effective for annual periods beginning on or after January 1, 2018, to be applied prospectively. The amendments clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; provide guidance on the classification of share-based payment transactions with net settlement features for withholding tax obligations; and clarify accounting for modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

IFRS Interpretation Committee (“IFRIC”) Interpretation 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (“IFRIC 22”) was issued in December 2016 and is effective for annual periods beginning on or after January 1, 2018 and may be applied retrospectively or prospectively. IFRIC 22 addresses which foreign exchange rate to use to measure a foreign currency transaction when advance payments are made, or received and non-monetary assets or liabilities are recognized prior to recognition of the underlying transaction. IFRIC 22 does not relate to goods or services accounted for at fair value or at the fair value of consideration paid or received at a date other than the date of initial recognition of the non-monetary asset or liability, or to income taxes, insurance contracts or reinsurance contracts. The foreign exchange rate on the day of the advance payment is used to measure the foreign currency transaction. If multiple advance payments are made or received, each payment is measured separately.

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

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 its condensed interim consolidated financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23"), to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12, *Income Taxes* when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019. The Company is currently assessing the impact of IFRIC 23 on its condensed interim consolidated financial statements.

Subsequent Events

- Subsequent to March 31, 2018, 126,250 Common Shares were issued upon the conversion of $202,000 of the convertible debentures.
- Subsequent to March 31, 2018, the Company completed the acquisition of all outstanding shares of Haxxon AG ("Haxxon"). Haxxon operates within a 6,000 sq. m. (approximately 64,500 sq. ft.) indoor facility in Regensdorf, Switzerland; an industrial suburb of Zurich. The transaction closed on May 10th, 2018. Haxxon is being acquired for CHF 2,000,000 ($2,700,760) in cash and CHF 6,000,000 ($8,102,280) in Common Shares at the 20-day volume weighted average price ending two trading days before signing, subject however that the Common Shares shall not be issued at a price that is less than the closing price of the Common Shares of the Company on the CSE on the last trading day prior to closing date of the acquisition after factoring in the maximum allowable discount under the rules of the CSE, unless otherwise approved by the CSE. At closing this resulted in the issuance of 3,808,505 of the Company's common shares and will possibly lead to the issuance of an additional 132,707 of Common Shares on the second anniversary of the transaction close date provided certain representations and warranties of Haxxon AG remain in good standing. The actual deemed issue price was $1.98.

Limitations of Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's management, including the CEO and CFO, believe that due to inherent limitations, any disclosure controls and procedures or internal control over financial reporting, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that any design will not succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Additionally, management is required to use judgment in evaluating controls and procedures.