Maricann Group Inc.

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

For the Three and Nine Months Ended September 30, 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 and nine months ended September 30, 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 "WAYL" 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 effective date of the MD&A is November 28, 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 and nine months ended September 30, 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. This MD&A was prepared with reference to National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators.

The Interim Financial Statements and this MD&A have been reviewed by the Company's Audit Committee and were approved by the Company's Board of Directors on November 27, 2018.

The Company's condensed interim consolidated financial statements have been prepared by management 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 ["IFRS"] as issued by the International Accounting Standards Board ["IASB"] using International Accounting Standard 34, Interim Financial Reporting ["IAS 34"]. The policies set out below have been consistently applied to all periods presented unless otherwise noted.

The Company's condensed interim consolidated 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 as at and for the year ended December 31, 2017.

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"), Maricann GmbH ("MGMBH"), Haxxon AG ("Haxxon") and Proimaging AG ("Proimaging"). All significant intercompany balances and transactions were eliminated on consolidation.

Maricann does not engage in any unlawful U.S. marijuana-related activities as defined in Canadian Securities Administrators Staff Notice 51-352. While the Company has a number of partnerships with U.S.-based companies that may themselves participate in the U.S. cannabis market, these relationships are licensing relationships that see intellectual property developed in the United States brought into Canada, and in no manner involves Maricann in any unlawful US activities respecting cannabis. **(See Corporate Position on Conducting Business in the United States)**

All amounts in the MD&A are expressed in Canadian dollars, except share and per share amounts, or as otherwise noted.

Additional information including this MD&A, the Interim Financial Statements, and press releases have been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and also on the Company's website at www.maricann.com.

CAUTIONARY NOTE REGARDING 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.

OVERVIEW OF THE COMPANY

Company Background

Maricann Group Inc. is a publicly traded company listed on the Canadian Securities Exchange under the symbol "WAYL" 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 Cannabis Act (Canada). 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 Access to Cannabis for Medical Purposes Regulation (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. In July 2018, Maricann received an updated license for the sale of encapsulated cannabis oil. The three licenses referenced herein are collectively referred to as the "Licenses".

As of the date hereof, the Licenses are three of 132 licenses issued by Health Canada under the Cannabis Act for all of Canada, and three of 60 licenses issued for Ontario. Of the 132 licenses issued for all of Canada, the License is one of 67 licenses permitted to produce and sell marijuana, one of 29 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 multi-phase expansion began in November 2016.

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, cannabis oil and cannabis capsules.

In April 2017, the Company obtained a 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 submitted applications to the German government authority, in conjunction with its medical plant partner, and 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). In March 2018, all tenders were revoked by the BfArM, including the Company's tender. The Company plans to participate in a new tender process with a submission deadline of December 11, 2018.

Maricann is a multi-brand cannabis company that believes its strong focus on and investment in brand, market and product differentiation, increased cannabis supply through Company and partner cannabis production platforms, and education, to help citizens safely, effectively and responsibly use cannabis, will create a dominant global business with the potential to generate a significant and sustained return on invested capital over the long term.

The Company's diverse platform of brands allows the Company to effectively deploy brands that are targeted towards specific customer demographics, use occasions and product form factors.

Brand Portfolio

The Company has taken a purposeful and consumer-centric approach to each of its brands/offerings, each validated and optimized with local consumer research. Strains within each portfolio will match brand positioning and satisfy target consumer needs and benefits.

SOLARA C:
Designed for the modern, active consumer who is looking to find solutions to help them live healthier/better without using stronger pharmaceutical alternatives. This brand will be CBD-only and create a wide range of products from beverages to topical creams with the expressed purpose of promoting a healthy, balanced lifestyle.

KIWI**:**
Designed for light users who are new to the category and looking to better understand Cannabis and its effects. The brand will exist to simplify and make the cannabis experience more welcoming and approachable to the masses.

NORTHERN HARVEST:
Designed for light / medium users who enjoy Cannabis as part of their active and social lives. The brand will exist to promote a more natural and balanced approach to Cannabis with a focus on providing a fun and lighthearted experience.

HIGH TIDE**:**
Designed for medium to heavy users who enjoy the cerebral effects of Cannabis. This brand will produce high quality, high THC cannabis with the expressed purpose of pushing the limits of the THC experience.

LOST AT SEED**:**
Designed for medium to heavy users who want only the best Cannabis money can buy. This brand will provide highly desirable and impossible to find strains only available on a limited assortment basis.

RARE DANKNESS**:**
This partner brand will be for experienced Cannabis users who are knowledgeable about strains, potencies and profiles. It will offer a wide selection of premium award-winning strains that users won't be able to find anywhere else.

Corporate Strategy

Maricann is a multi-brand cannabis company, that will create a competitive global business with the potential to generate and sustain significant return on invested capital over the long-term with its strong focus on brand, market and product differentiation, securing additional channels to market, increase in supply and education to help citizens use cannabis safely, effectively and responsibly.

This strategy will be achieved by continuing to make strategic investments, including acquisition and entering into strategic partnerships to:

- Build and differentiate the Company's multiple brands globally;
- Build awareness as to the potential applications of medical cannabis within the healthcare community;

- Drive growth in international markets in which cannabis is or is expected to become legal/permissible;
- Increase the efficiency and effectiveness of the engagement with the customers;
- Expand internal production capacity to increase the diversity, quality and inventory of products, across value and premium cannabis market segments;
- Implement information technology systems including Enterprise Resource Planning system;
- Drive the automation of packaging and shipping to improve supply and distribution capabilities;
- Increase production and yield and focus on cost reduction;
- Increase the capacity and efficiency of the Company's post-harvest processing capabilities including trimming, drying and oil extraction;
- Implement a responsible and effective retail sales strategy to help drive the growth of the Canadian Regulated Recreational, or Adult Use market;
- Expand the Company's business into the research and development of value-added cannabis-based consumer products and medical treatments and the marketing, production and sale of these value-added products as permitted by regulations; and
- Foster a positive, and rewarding work environment for the Company's most valuable asset, its employees.

Financial resources will be deployed towards the Company's core strategic objectives of (i) intellectual property development, and (ii) replicating the Company's Canadian platform for success across a large number of international markets.

The management determined that securing channels to market was equally important as licensed cultivation capacity. To strengthen the Company's ability to secure and deepen these channels, the Company has invested significant resources to:

- Seek, establish and strengthen relationships with the provincial and territorial agencies;
- Increase production capacity, inventory and product variety;
- Develop automated packaging and distribution capabilities;
- Develop and implement retail sales training and education programs; and
- Implement information technology systems.

The investments highlighted above have helped the Company secure supply related agreements with the three Canadian provinces that have announced supply agreements to date (Manitoba, Alberta and British Columbia), for a total annualized commitment of over 10,900kg/year. In addition, the Company has secured 37 product SKUs with the Ontario Cannabis Store.

BUSINESS TRANSITION

From inception of the Company's business to the end of September 30, 2018, the Company has been in control of every aspect of the sales process to the Company's Canadian end customers, from product selection, to inventory management and logistics, to the operation of the Company's online medical cannabis sales portal.

In addition to operating in the existing medical cannabis market, the Company has been expanding its Canadian business model from business to consumer ("B2C") transactions to a hybrid-business model dominated by business to business ("B2B") transactions through provincial on-line and brick and mortar stores. With the legalization of recreational cannabis in Canada, the Company's business will transition largely to a B2B model.

In transitioning to a largely B2B model in Canada, the Company will wholesale large quantities of cannabis as requested by provincial/territorial agencies for distribution to new brick & mortar and online retail stores. In this model, sales of the Company's products will likely be impacted by many factors that are beyond the Company's control including the profile of cannabis products (type/strain) being purchased by provincial/territorial agencies, the size and frequency of wholesale cannabis orders received from provincial/territorial agencies, the effectiveness of inventory and distribution management systems operated by provincial/territorial agencies, the size of brick & mortar retail networks and the quality of the shopping experience delivered by online and brick and mortar retail stores.

Controlled or jointly controlled subsidiaries

Legal entity	Defined as	% Ownership	Accounting method
Maricann Inc.	MI	100	Consolidation
Nanoleaf Technologies Inc.	Nanoleaf	100	Consolidation
Maricann B.V.	MBV	100	Consolidation
Mariplant GmbH	Mariplant	95	Consolidation
Maricann GmbH	Maricann	95	Consolidation
Haxxon AG	Haxxon	100	Consolidation
Proimaging AG	Proimaging	100	Consolidation

Company Products

The Company currently offers four main types of products: dried marijuana, cannabis oil, capsules 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.

For additional information on product offerings please visit the Company's website at www.maricann.com.

DESCRIPTION OF THE BUSINESS

Developing a diversified global sales and distribution network

Canadian adult-use recreational market

On October 17, 2018, Canada became the second country in the world and the only G7 country to legalize cannabis sales to adults for recreational use. The Company is aggressively participating and expanding into this market and is currently selling dried cannabis to the cannabis control authorities in Ontario, British Columbia, Alberta and Manitoba, which collectively represent over 65% of the Canadian population. The Company is in the process of expanding its production capacity and as more production capacity comes online, the Company expects to secure additional provincial listings allowing the Company to adequately service all provincial markets.

Industry and Market Trends and Regulatory Developments

Our business and activities are heavily regulated in all jurisdictions where we carry on business. Our Annual Information Form ("AIF") contains a description of the regulatory framework applicable to our business as of the date of the AIF. The following provides a description of certain applicable regulatory developments since the date of our AIF.

Legalization of Regulated Recreational Cannabis in Canada

The Cannabis Act and Cannabis Regulations came into force on October 17, 2018.

The recreational regulatory framework for cannabis production, distribution and sale is a significant new market for the Company's products. However, it is still uncertain how these developments may impact the medical cannabis market. The impacts may also be negative for the Company and could result in increased levels of competition in the existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

Transition of Licenses under the Cannabis Act

As of October 17, 2018, license holders are primarily regulated under the Cannabis Act. The Cannabis Act generally provides that licenses issued under the ACMPR that were in force immediately before the commencement date of the Cannabis Act are deemed to be licenses issued under the corresponding provisions of the Cannabis Act and any such licenses will continue in force until they are revoked or expire. In particular, a license for production and sale of dried cannabis flower, cannabis resin, cannabis seeds, cannabis plants and cannabis oil under the ACMPR are deemed to be, as applicable, licenses for cultivation, processing and sale for medical purposes under the Cannabis Act, provided that the license holder met certain requirements. The licenses under the ACMPR were subject to these transition provisions and the Company's licenses were continued as licenses to cultivate, licenses for processing and licenses for sale for medical purposes under the Cannabis Act. The Company has also received the necessary excise duty license from the Canada Revenue Agency.

Similarly, the Cannabis Act generally provides that licenses issued under the Narcotic Control Regulations ("NCR") that were in force immediately before the commencement date of the Cannabis Act were deemed to be licenses issued under the corresponding provisions of the Cannabis Act and any such licenses continue in force until they are revoked or expire. In particular, a license for possession, sale, transportation and delivery of cannabis, THC and CBD under the NCR is deemed to be a license for processing under the Cannabis Act. The Cannabis Act also contains transition provisions that generally provide that an export permit issued under section 103 of the ACMPR or section 10 of the NCR relating to cannabis that is in force immediately before the commencement date of the Cannabis Act is deemed to be a permit issued under the corresponding provision of the Cannabis Act and any such license continues in force until it is revoked or expires. Under the Cannabis Act, licenses and permits authorizing the importation or exportation of cannabis may be issued only in respect of cannabis for medical or scientific purposes or in respect of industrial hemp.

Pursuant to the Cannabis Fees Order, SOR/2018-198, the Company's licenses will be subject to certain annual regulatory fees and reporting requirements. The annual regulatory fees allow the Minister of Health to recover the aggregate costs of administering the cannabis regulatory program and are payable annually by certain license holders. The annual regulatory fee is based on a percentage of the license holder's actual revenue in the previous year from the sale of cannabis less the amount purchased from another license holder subject to the fee, or a minimum flat fee. Specifically, standard cultivation, standard processing and certain medical sales license holders will be subject to a fee of 2.3% of cannabis revenue or $23,000, whichever is higher, in addition to any other fees that may be payable.

Provincial Distribution Frameworks for Regulated Recreational Cannabis

While the Cannabis Act and associated regulations provide for the regulation of the commercial production, processing and sale (for medical purposes) of cannabis and related matters by the federal government, the provinces and territories of Canada regulate the distribution, sale and consumption of recreational cannabis, such as distribution and retail licensing, minimum age requirements, places where cannabis can be consumed, and a range of other matters. The governments of every Canadian province and territory have implemented regulatory regimes for the distribution, sale and use of recreational cannabis within those jurisdictions.

LEGALIZATION/PERMISSIBILITY OF CANNABIS IN INTERNATIONAL JURISDICTIONS

The Company only conducts business in jurisdictions outside of Canada where such operations are legally permissible in accordance with the laws of the jurisdiction and Canadian regulatory obligations. The Company has planned activities in Germany, Switzerland, Malta, Italy and Colombia.

Over the last few years, the governments around the world have signaled a significant change in approach towards cannabis. To date, federal governments in more than 20 countries including Argentina, Austria, Australia, Brazil, Denmark, Chile, Colombia, England, Germany, Greece, Israel, Italy, Jamaica, Lesotho, Malta, Mexico, Netherlands, Norway, Poland, Puerto Rico, South Africa, Switzerland and Turkey have formally legalized medicinal cannabis access to either foster research into cannabis-based medical treatments and/or towards increasing legal access to medical cannabis for their citizens.

Many other countries including Belgium, Ireland, France, Portugal, Spain and India have established formal government efforts to explore the legalization of medicinal cannabis access.

In the United States of America, multiple legislative reforms related to cannabis are currently being considered by the federal government. Management believes that the Agricultural and Nutrition Act, H.R. 2 in its current form, would federally legalize the cultivation of hemp for the production of CBD and other cannabinoids, except for THC. Further, management believes The Strengthening the Tenth Amendment Through Entrusting States Act (the "States Act"), S.3032, if passed in its current form, would make cannabis federally permissible (not illegal) in US states where cannabis is state legal.

Key Developments During Q3 2018

(i) Products

On November 30, 2017, Maricann began production of four types of all-natural cannabis oil capsules. 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. On July 27, 2018, the Company's first and second licenses were amended to allow for the sale of encapsulated cannabis oil.

(ii) 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. On August 3, 2018, Mariplant GmbH commenced the harvest of approximately 165 hectares (~405 acres) of hemp. Mariplant GmbH planted five approved cultivars included in the European Union list of approved hemp. This inaugural harvest utilized new proprietary harvesting and drying systems, designed to optimize yield from industrial hemp. Final product CBD content is expected to vary between the different strains, providing sampling for next year's crop. Third party extraction in Germany commenced on August 21, 2018. In October 2018, the Company completed its hemp harvest, harvesting 135 of the 165 hectares planted. The amount of dry hemp flowers recovered and suitable for processing into resin totalled 120,615 kg. The increase in yields is attributable to proprietary and customized harvesting equipment and new drying systems, complete with automatic sorting equipment. A total of 13,000 kg of dried hemp flowers have been extracted to date, from which 1,205 kg of resin has been produced for further distillation, to date with 3,300 kg yet to be extracted. Current wholesale market price for CBD distillate in Europe is 9,000 - 12,000 EUR per kg.

(iii) Finance raising

On August 10, 2018, the Company closed a private placement offering (the "August SW Offering") of special warrants (the "August Special Warrants") for aggregate gross proceeds of $37,401,760. Pursuant to the August SW Offering, the Company issued 23,376,100 August Special Warrants, at a price of $1.60 per August Special Warrant. Each August Special Warrant was automatically exercisable, for no additional consideration, into units of the Company (the "August Units") on the earlier of: (i) the date that was three business days following the date on which the Company obtained a receipt from the applicable securities commissions for a (final) prospectus (the "August Qualifying Prospectus") qualifying distribution of the August Units issuable upon exercise of the August Special Warrants; and (ii) the date that was four months and one day after the closing of the August SW Offering, subject to adjustment in certain events. Each August Special Warrant entitled the holder thereof to one August Unit consisting of one Common Share and one Common Share purchase warrant of the Company (an "August Warrant"). Each August Warrant is exercisable to acquire one Common Share at a price of $1.75 per Common Share until August 10, 2020, subject to adjustment in certain events. The Company may accelerate the expiry date of the August Warrants on not less than 30 days' notice should the daily volume weighted average trading price of the Common Shares on the Canadian Securities Exchange (or such other exchange on which the Common Shares may trade) be greater than $2.00 for any 10 consecutive trading days. In connection with the August SW Offering, the agents received a cash commission and 930,680 compensation warrants. Each compensation warrant entitles the holder thereof to acquire one August Unit at a price of $1.60 per August Unit until August 10, 2020, subject to adjustment in certain events. In connection with the completion of the August SW Offering, two officers entered into securities lending agreements pursuant to which they lent (together, the "Loans") two of the subscribers in the August SW Offering an aggregate of 2,708,000 freely-tradeable Common Shares (the "Loaned Shares") until the date that is four months and one day following closing of the August SW Offering (the "Securities Lending"). As collateral for the Securities Lending, the borrowers of the Loaned Shares have pledged a total of 2,708,000 Special Warrants which they acquired in connection with the August SW Offering. In connection with the provision of the Loans, the Company has agreed to pay the officers an aggregate fee in an amount equal to $216,640, to be allocated between such officers pro rata based on the number of Loaned Shares lent by each of them pursuant to the Securities Lending. The Company received the receipt for the August Qualifying Prospectus on October 2, 2018 and the August Special Warrants converted to August Units on October 5, 2018.

(iv) 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. Following discussions with Malta Enterprise, the government entity responsible for the issuance of such licenses, the Company has submitted its own application for a license and has terminated its letter of intent to acquire Medican. Maricann has received confirmation from Malta Enterprise in the form of a Letter of Intent, to move ahead with licensing of finished goods production facilities for medical cannabis. Malta comprises an integral part of Maricann's long-term development strategy, with finished goods manufacturing, including its patented VesiSorb CBD and THC softgels to take place in Malta. VesiFact produces the world's first dosage controlled soft gel capsules with enhanced bio-availability and rapid onset. Malta Enterprise has approved Maricann's application to set up a business in Malta to manufacture finished dose medical cannabis. This license allows Maricann to supply its Maltese operation with raw materials that will then undergo advanced post processing to create pure cannabis distillates, allowing for true pharmaceutical manufacturing. Commercial production of distillates is integral for the Company, as it advances the timeline for delivery of its full suite of products to those European markets where such products are legal. The Company has received an initial allocation of 2,750 square metres of industrial space. The approval in Malta is conditional on a number of items including (i) operation of the business in compliance with applicable laws, (ii) compliance with certain reporting requirements, (iii) the Company's Malta subsidiary reaching an employment level of at least 28 full-time equivalent employees within three years from the start of operations, (iv) the Company's Malta subsidiary investing at least €9.5 million in improvements to the site, plant, machinery and equipment within three years from the allocation of the applicable site and (v) the Company obtaining a licence from the Medicines Authority.

(v) Provincial Supply Agreements

Following passage of Bill C-45 legalizing the sale and use of recreational cannabis across Canada, Maricann Group announced supply agreements with Manitoba, Alberta and a Memorandum of Understanding with British Columbia for an annualized total of 10,923 kg of cannabis. From its expanded production facility in Langton, Ontario, the Company will provide Manitoba Liquor and Lotteries Corporation with a minimum of 550 kg of various cannabis products in the first year of the agreement. It will supply the Alberta Gaming, Liquor & Cannabis Commission with up to 3,375 kg within the first six months of the agreement. Maricann was selected by the BC Liquor Distribution Branch to enter into a memorandum of understanding as a preferred licensed producer to initially supply approximately 3,622 kg of cannabis. The Company announced that the Company has been selected by The Ontario Cannabis Store ("OCS") to supply a variety of safe, high quality cannabis products through its online store launching October 17, 2018. Maricann will supply 37 listings with a wide range of sizes, formats and strains.

(vi) The Company Launched first Cannabidiol (CBD) Formulation Utilizing Patented Drug Delivery Technology in Germany

The Company announced the official launch of MariPlant, the Company's European nutraceutical line of business. MariPlant products became available for sale in Germany through www.mariplant.de beginning on August 20, 2018, with strategic expansion planned throughout the European Union. Maricann's first product launch is a soft gel formulation loaded with 25mg of CBD that utilizes the multi-patented VESIsorb® delivery system to ensure optimum absorption and bioavailability.

Maricann's product launch represents many first-to-market milestones in the German cannabis industry, including the first:

• VESIsorb® formulation specifically adapted for cannabinoids;

• Standardized CBD product with measured and proven stability data; and

• Formulation with a strategic CBD:BCP (beta-caryophyllene) ratio of 4:1

In 2017, through a commercialization agreement with SourceOne Global Partners, Maricann acquired the supply rights to VESIsorb® for use with cannabis for human consumption in Canada, Germany, and other territories.

(vii) The Company Completed First Shipment of Product to Germany Opens Door to Market

The Company announced that it had successfully exported dry cannabis flowers to Germany. The shipment of dry cannabis flowers from the Company's EU-GMP certified facility in Langton, ON Canada, was successfully exported from Canada and then imported to Germany. The material then underwent further analytical testing and met all specifications and requirements. The Company will now move to export further product to the German medical market.

(viii) The Company Announced shipment of CBD Capsules in Germany

*The Company a*nnounced its first shipment of Mariplant CBD capsules to German pharmacies on September 12, 2018. On September 12th, 2018 Maricann shipped the first batch of Mariplant CBD capsules to be sold in Munich and the Greater Munich region followed by a shipment on September 14th, 2018 to the Greater Cologne region. The delivery of this initial order of Mariplant CBD capsules marks the next step in Maricann's European strategy to supply quality, differentiated products to European markets. German consumers will now be able to purchase the product online (www.mariplant.de) and at their local pharmacy. The Company plans a larger scale roll out of pharmacy distribution across Germany in the coming weeks and months. The first shipment of capsules included Maricann's differentiated CBD gel capsules that include the patent protected VESIsorb®. VESIsorb® is Maricann's world class drug delivery technology that allows the Company to produce a superior product for the fast-growing European CBD market at a competitive price.

(ix) Launches Kiwi – Simplifying Cannabis for Recreational Consumers

The Company announced the launch of Kiwi - a straightforward, modern approach to cannabis and the first from the Company's House of Brands - available to Canadian consumers of legal age on October 17, 2018. Maricann launched Kiwi as a brand designed to help Canadians learn and experience the product in a straightforward, simple and "jargon-free" way. Rather than launching with technical strains that might confuse new consumers, Kiwi debuted four variants that are easy to follow, regardless of background or expertise. Available in dried flower formats, Kiwi's simple naming system consists of White Feather (High CBD), Hawke's Bay (Balanced), Nelson's Blue (Mid THC) and Flightless Bird (Mid-High THC), which are playful takes on Kiwi's New Zealand-inspired name. Each strain will deliver reliable, consistent sensations that are easy to enjoy.

(x) The Company announced intent to change name to Wayland Group Corp.

The Company announced that it intends to change its name to Wayland Group Corp. In the interim, the Company commenced operating through its subsidiaries under the business name "Wayland Group". In anticipation of the proposed name change, the Company also announced that, effective September 25, 2018, its ticker symbol on the Canadian Securities Exchange changed to "WAYL". The corporate renaming to Wayland Group supports the Company's ongoing global expansion and development of both medical and non-medical consumer brands. The Company's leadership team remains committed to foundational values of superior quality and world-class innovation at this milestone for the organization.

Events subsequent to September 30, 2018

(i) Cannamedical

The Company entered into an agreement to supply Cannamedical Pharma GmbH, a licensed, privately owned importer and distributor of cannabis in Germany to over 2,200 pharmacies with a minimum of 9,000 kilograms of EU-GMP certified cannabis flowers over a three-year term. The companies have completed mandatory quality assurance and control audits and have scheduled the first shipment in December of 2018.

(ii) The Company announced Plans for First Retail Location in Zurich, Switzerland

*On September 28, 2018, the Company a*nnounced that it will open its first retail location in Zurich, Switzerland in 2019 - serving the market with high quality cannabis products that contain a maximum THC content of 1 percent. This opportunity comes on the heels of the Company's strategic acquisition of Haxxon AG ("Haxxon") in May 2018, granting the Company the opportunity to leverage Haxxon's production facilities in Regensdorf, Switzerland, and their production of feminized high CBD cannabis plants. The retail location will encompass an enhanced experience centre where people will be able to sample and test different strains and devices.

(iii) Bought deal Financing

The Company closed bought deal financing of units (the "Units") at a price of $1.65 per Unit (the "Offering Price") for aggregate gross proceeds of $50,077,500 (the "Offering"). Each Unit consisted of one common share (a "Common Share") and one-half of one common share purchase warrant (each full common share purchase warrant, a "Warrant") of the Company. Each Warrant is exercisable to acquire one Common Share for a period of three years at an exercise price of $2.15 per Common Share, subject to adjustment in certain events. In the event that the volume weighted average trading price of the Common Shares for 10 consecutive trading days exceeds $3.25, the Company shall have the right to accelerate the expiry date of the Warrants upon not less than 30 days' notice.

The Units were offered and sold by way of a short form prospectus filed in each of the provinces of Canada, other than Quebec, and offered and sold elsewhere outside Canada on a private placement basis. The Company intends to use the net proceeds from the Offering for expansion of its facility at 138, 8th Concession Road in Langton, Ontario and for working capital and general corporate purposes. The Offering was completed by a syndicate of underwriters led by Canaccord Genuity Corp. and including Haywood Securities Inc., AltaCorp Capital Inc., and GMP Securities L.P. (collectively, the "Underwriters").

The Company granted the Underwriters an over-allotment option to purchase up to an additional 4,552,500 Units at the Offering Price, exercisable in whole or in part, at any time and from time to time on or prior to November 30, 2018.

In November 2018, the Company issued an additional 4,552,500 Units (the "Units") at a price of $1.65 per Unit (the "Offering Price") for total gross proceeds of $7,511,625, pursuant to the exercise in full of the Underwriters' over-allotment option. The aggregate gross proceeds of the Offering, including the over-allotment option, totalled $57,589,125.

(iv) Agreement to Expand Global Footprint with Acquisition in Colombia

On November 6, 2018, the Company announced it had entered the South American market through a transaction in Colombia. The Company entered into a definitive agreement to acquire 100% of the outstanding shares of Colma Pharmaceutical SAS ("Colma"), a licenced producer of THC cannabis in Colombia, holding four licences for cultivation and processing on a leased premise in Ibague, Colombia. Under the terms of the agreement, the Company issued 11 million common shares as consideration for the shares of Colma with such shares being issued at a deemed price of CAD$2.00 per share.

It is anticipated that following the completion of the acquisition that the Company will cultivate THC cannabis outdoor and year-round with an infrastructure investment including 415,000 sq. ft. (38,554 sq. m) of processing and clone and vegetation greenhouse facilities to support outdoor cannabis flower production of 125 hectares. It is expected that a minimum of two full harvests will be achieved per year operating in an ideal climate. The current plan is for initial crude extraction to be completed in Colombia and exported for further distillation in the Companys global Active Pharmaceutical Ingredient (API) facilities in Germany. This will provide the Company with a platform to create a complete range of isolates of cannabinoids adding a sustainable supply for extraction and further distillation of cannabinoids. The Company is certified under EU-GMP production standards for processing in Canada and expects to achieve the same status in its German operations, adding Good Agriculture and Collection Practice (GACP) standards in all international cultivation operations.

(v) Definitive Agreement for Italian Joint Venture

On November 8, 2018, the Company announced that it completed a definitive joint venture agreement with CBD Italian Factory S.S., a company of Group San Martino for the production of high quality cannabis products in Italy. The joint venture will combine the best of both entities with world-leading technology by Rockwell Automation paired with existing infrastructure in Piedmont, Italy, which includes agricultural expertise and biogas electricity. This will allow the sustainable production of quality

CBD and THC products from a naturally derived fuel source. CBD Italian Factory S.S. and San Martino Group will bring mass-scale agricultural skills to the joint venture with a focus on local sustainable practices and expertise in Biomass Energy production. The joint venture will be a split of 50.1% (Maricann)/49.9% (CBD Italian Factory) with Massimiliano Umberto Signorini assuming the role of CEO for the new company.

(vi) The Company enters the United Kingdom

On November 26, 2018, the Company entered into an agreement to acquire 51% of United Kingdom based Theros Pharma Ltd. ("Theros"), an early stage company that has successfully imported cannabis to the United Kingdom for patients with a prescription for medical cannabis. Pursuant to the terms of the agreement the Company has agreed to make an initial payment of 3,800,000GBP followed by a second payment of 24,000,000GBP following certain milestones being achieved, including issuance to Theros of a license to cultivate cannabis in the United Kingdom or a license to import medical cannabis for use in the United Kingdom. Both payments will be satisfied by the issuance of common shares of the Company based on then-current market prices, but subject to a floor issue price of $1.65 per Common Share. The payments are conditional on receipt of applicable stock exchange approval, approval of holders of at least two-thirds of the Company's outstanding debentures and any other applicable approvals.

INTERNATIONAL DEVELOPMENT

With the expanding legal/permissible cannabis markets globally, the Company believes that a significant opportunity exists to leverage the Company's expertise, experienced management and business model. Subject to regulatory approval, strategic international business opportunities pursued by the Company could include:

- Exporting medical cannabis in countries outside of Canada; and
- Ownership of cannabis cultivation and sales operations in countries outside of Canada, where it is legal/permissible to do so.

As Canada has developed an enviable regulatory model, companies acting within that framework have expertise, knowledge and potentially product to share with the global community. Management believes that over time many countries will move to establish domestic production capabilities, in part due to the economic development opportunities that this represents. Many countries are looking to Canada, and its regulatory framework for the production and commercialization of medical cannabis.

With the assistance of international subsidiaries and strategic partners, the Company has secured the necessary agreements to export cannabis to Germany. Management believes that an opportunity will exist, for some time to come, to export medical cannabis to countries that require a secure supply of medicinal cannabis but have yet to develop domestic production capabilities. Management continues to explore and invest resources in to opportunities that it believes will provide significant returns on a long-term. To date, the Company has announced subsidiaries, partnerships or business activities in Germany, Switzerland, Malta, Italy and Colombia.

CORPORATE POSITION ON CONDUCTING BUSINESS IN THE UNITED STATES

Maricann will only conduct cannabis related business activities in jurisdictions where it is federally legal/permissible to do so. As cannabis is currently federally illegal in the US, the Company does not engage in any US cannabis related activities as defined in Canadian Securities Administrators Staff Notice 51-352 as of November 27, 2018.

While the Company has a number of partnerships with US based companies that may themselves participate in the US cannabis market, these relationships are licensing relationships that see intellectual property developed in the United States brought into Canada, and in no manner involve the Company in any US activities respecting cannabis.

Overall Financial Performance

	For the three months ended September 30, 2018	2017	Change	Change	For the nine months ended 2018	2017	Change	Change
	$	$	$	%	$	$	$	%
Revenue	**225,122**	721,035	**(495,913)**	**-69%**	**1,983,600**	2,525,804	**(542,204)**	**-21%**
Gross profit	**862,030**	225,207	**636,823**	**283%**	**(2,121,211)**	337,910	**(2,459,121)**	**-728%**
Expenses	**13,357,665**	5,605,138	**(7,752,527)**	**-138%**	**31,737,591**	20,726,415	**(11,011,176)**	**-53%**
Insurance proceeds and other revenue	**(345,661)**	-	**345,661**		**(345,661)**	-	**345,661**	
Non cash fair value change in convertible debenture related to changes in value of common shares	**-**	-	**-**	**-100%**	**-**	37,176,990	**37,176,990**	**100%**
Net loss	**(12,149,974)**	(5,379,931)	**(6,770,043)**	**126%**	**(33,513,141)**	(57,565,495)	**24,052,354**	**42%**
Net (loss) income per share, basic	**(0.09)**	(0.08)	**(0.00)**	**0%**	**(0.26)**	(1.01)	**0.75**	**-74%**
Net (loss) income per share, diluted	**(0.09)**	(0.07)	**(0.01)**	**11%**	**(0.26)**	(1.01)	**0.75**	**-74%**
Weighted average number of outstanding shares, basic and diluted	**134,890,901**	68,524,779	**(66,366,122)**	**-97%**	**127,602,909**	57,246,888	**70,356,021**	**123%**

	As at September 30, 2018	December 31, 2017	Change	Change
	$	$	$	%
Total Assets	**155,028,492**	93,332,797	**61,695,695**	**66%**
Total Liabilities	**30,918,509**	31,810,788	**(892,279)**	**-3%**

The Company has maintained its focus on providing quality products produced in a cost-effective manner. Net losses for the three and nine months ended September 30, 2018 and 2017 reflect the steady increase in operational activities consistent with a company on a steep growth curve. Revenue for the three-month period ended September 30, 2018 has decreased 69% when compared to 2017 as a result of a business transition from B2C to B2B and the anticipated start date of recreational sales on October 17, 2018. 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 53% increase year over year. Net loss was offset by the fair value adjustment on growth of biological assets which were $2,803,014 and $3,761,862 for the three and nine months ended September 30, 2018, respectively, compared to $1,034,835 and $2,167,836 for the three and nine months ended September 30, 2017, respectively. The decrease in net loss is mainly due to the fact that during the nine-month period ended September 30, 2017, the Company recorded a non-cash loss in its convertible debenture related to changes in the value of Common Shares of $37,176,990, and a listing expense of $4,486,850.

During the nine months ended September 30, 2018, the Company focused its efforts and operational spending on the following:

- Hiring of senior growing, and management resources;
- Optimizing and increasing production to meet the anticipated increase in product demand;
- Continued expansion of production facilities;
- Product formulations;
- Financing the Company;
- Growing increased market awareness of the Company and its products and approach;
- International expansion and business opportunities; 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 Q3	Q2	Q1	FY 2017 Q4	Q3	Q2	Q1	FY 2016 Q4
	$	$	$	$	$	$	$	$
Revenue	225,122	1,157,887	1,758,478	696,942	721,035	661,602	1,143,167	1,304,031
Net Loss	(12,149,974)	(9,933,150)	(21,495,730)	(9,447,378)	(5,379,931)	14,704,707	(66,890,272)	(5,517,816)
Income (loss) per share - basic	(0.09)	(0.07)	(0.11)	(0.10)	(0.08)	0.22	(1.53)	(0.15)
Loss per share - diluted	(0.09)	(0.07)	(0.11)	(0.10)	(0.08)	0.20	(1.53)	(0.15)

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

Review of Operations for the three and nine-months ended September 30, 2018 and 2017

<u>Revenues</u>

Revenues for the three and nine month periods ended September 30, 2018 were $225,122 and $1,983,600 as compared to $721,035 and $2,525,804 during the same periods in 2017, a decrease of $495,913 or 69% and a decrease of $542,204 or 21%, respectively. The decrease in revenue during the three months ended September 30, 2018 compared to September 30, 2017 is primarily related to a business transition from B2C to B2B and the anticipated start date of recreational sales on October 17, 2018.

In the three months ended September 30, 2018 and 2017, oils, including gel capsules, accounted for 42% and 28% of product revenue for each respective period.

In the nine months ended September 30, 2018 and 2017, oils, including gel capsules, accounted for 18% and 26% of product revenue for each respective period. In addition, sales in Switzerland came online in Q3 of 2018 and accounted for 10% of product revenue in the quarter ended September 30, 2018 as compared to nil in the same quarter last fiscal year.

The total quantity of cannabis sold during the three months ended September 30, 2018 was 19.592 kilograms and kilogram equivalents at an average price of $10.59 per gram, down from 62.370 kilograms and kilogram equivalents at an average price of $10.49 per gram in same period last year due to the transition in business and changes in the mix of product sold.

Year to date, the Company has sold 321.445 kilograms and kilogram equivalents at an average selling price of $5.82 per gram, compared to 235.525 kilograms and kilogram equivalents at an average price of $10.07 per gram in the nine months ended September 30, 2017 with such change being due to changes in the mix of product sold.

The Company's dry medical cannabis strains were priced between $5.00 and $10 per gram, excluding any discounts, and medical cannabis oils were priced at $20.00 to $26.00 per equivalent gram or $65.00 to $100.00 per 40~50 ml bottle, excluding any discounts, for the nine months ended September 30, 2018, down from between $5.00 to $15.00 per gram for dry medical cannabis and up from between $16.00 and $24.00 per equivalent gram for medical cannabis oil for the period ended September 30, 2017, with compassionate pricing set at a 20% discount off of the listed price (2017 - 20%).

<u>Net cost of sales</u>

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 previous 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		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	$	$	$	$
Revenue	**225,122**	721,035	**1,983,600**	2,525,804
Cost of sales - production costs *[note 5]*	**2,067,801**	859,332	**6,469,128**	2,654,723
Gross (loss) profit before fair value adjustments	**(1,842,679)**	(138,297)	**(4,485,528)**	(128,919)
Fair value adjustment on inventory sold	**(98,305)**	(671,331)	**(1,397,545)**	(1,701,007)
Fair value adjustment on growth of biological assets *[note 6]*	**2,803,014**	1,034,835	**3,761,862**	2,167,836
Gross profit (loss)	**862,030**	225,207	**(2,121,211)**	337,910

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. Costs 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.

Cost of sales – production costs for the three and nine months ended September 30, 2018 and 2017 is comprised of:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
	$	$	**$**	$
Payroll costs for personnel involved in growing marijuana and hemp plants	847,024	532,928	2,154,042	1,404,218
Materials and utilities	578,470	256,567	1,441,752	636,448
Other overhead, rent, facility & equipment maintenance, cleaning, uniforms, quality and fulfillment and other	642,306	69,837	2,873,333	614,057
	2,067,800	859,332	**6,469,127**	2,654,723

The Company does not capitalize any production costs including overheads to biological assets. All production costs related to biological assets are expensed as incurred and are included in production costs in the table above.

The Company capitalizes cost incurred after harvest to bring the products to their present location and condition in accordance with International Accounting Standard 2 Inventories. The cost of inventories includes the fair value less cost to sell of the cannabis at harvest and costs incurred after harvest (such as quality assurance costs, fulfillment costs and packaging costs) to bring the products to their present location and condition.

The overall increase in production costs was primarily due to the Company's expansion efforts as the Company focused its efforts on increasing production staff and quality control.

Gross (loss) profit

Gross profit was $862,030 and negative $2,121,211 for the three and nine months ended September 30, 2018, respectively, and positive $225,207 and $337,910 for the three and nine months ended September 30, 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 $9,313,149 and $22,141,541 for the three and nine months ended September 30, 2018, respectively, compared to $3,958,243 and $9,751,889 for the three and nine months ended September 30, 2017 representing an increase of $12,389,652 or 127% for the nine months ended September 30, 2018. The increase year over year represents the Company's efforts to bring more labour and talent into the Company, increased travel, increased corporate activity, business development, 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 were $1,785,245 and $2,300,876 for the three and nine months ended September 30, 2018, respectively, compared to $660,617 and $2,630,990 for the three and nine months ended September 30, 2017 representing a decrease of $330,114 or 13% for the nine months ended September 30, 2018. The decrease for the nine months ended September 30, 2018 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 $286,485.

Share-based compensation

Share based compensation of $509,589 and $2,330,259 for the three and nine months ended September 30, 2018, respectively, compared to $717,814 and $3,106,482 for the three and nine months ended September 30, 2017 represented a decrease of $776,223 or 25% for the nine months ended September 30, 2018. 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 nine months ended September 30, 2018.

Amortization and depreciation

Depreciation expense was $1,768,177 and $4,907,758 for the three and nine months ended September 30, 2018 compared to $266,944 and $704,049 for the three and nine months ended September 30, 2017, representing an increase of $4,203,709 or 597% for the nine months ended September 30, 2018. 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 nil and $4,486,850 for the three and nine months ended September 30, 2017. The costs incurred relate to the costs associated with the reverse-take-over transaction (the "RTO") between Maricann Inc. and Danbel Ventures Inc. in April 2017.

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

During the nine months ended September 30, 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 gain on convertible debt related to share issuance of $nil during the three months ended September 30, 2018 and a loss of $37,176,990 during the nine months ended September 30, 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 and nine months ended September 30, 2018 was $12,149,974 and $33,513,141, respectively compared to net income of $5,379,931 and net loss of $57,565,495 for the three and nine months ended September 30, 2017, 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 $37,176,990, go public listing expenses incurred of $4,486,850 during the nine months ended September 30, 2017 and offset by a general and administrative expenses increase of $12,389,651.

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 and nine months ended September 30, 2018 was $0.09 and $0.26 per share, respectively, as compared to income per share of $0.08 and loss per share of $1.01 for the three and nine months ended September 30, 2017.

Total Assets

Total assets increased to $155,028,492 as at September 30, 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 173% from $28,438,345 to $77,518,919. The majority of this increase related to upgrades/expansion to the growing and processing facilities at the Company's Langton, Ontario facility and the acquisition of the Naunhof facility in Dresden, Germany. Current and non-current other assets increased 328% to $18,629,912 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 decreased to $13,999,602 from $24,572,873 as at December 31, 2017 due to the above noted capital expenditures and operating loss, which was offset by the SW Offering financing of $40,250,000 in gross proceeds completed in January 2018 and the August SW Offering financing of $37,401,760 in gross proceeds completed in August 2018.

Total Liabilities

Total liabilities as at September 30, 2018 were $30,918,509 as compared to $31,810,788 as at December 31, 2017. The main decrease is due in large part to conversion of $9,537,000 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

The Company is subject to risks including, but not limited to, its inability to raise additional funds through debt and/or equity financing to support the Company's development and continued operations and to meet the Company's liabilities and commitments as they come due. Specifically, the Company has a history of losses with an accumulated deficit of $114,782,805, share capital of $180,802,196 and working capital surplus of $8,152,755 as at September 30, 2018. This compares to an accumulated deficit of $81,269,664, share capital of $123,743,858 and working capital surplus of $22,223,435 as at December 31, 2017. See below under the heading "Risk Factors".

For the nine-month period ended September 30, 2018, the Company generated revenues of $1,983,600 from operations and has financed its operations and met its capital requirements primarily through the SW Offering and the August 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 nine months ended September 30, 2018, the Company completed a SW Offering raising $40,250,000 in gross proceeds, the Company completed the August SW Offering raising $37,401,760 in gross proceeds, received proceeds from exercise of stock options and warrants of $2,097,277, repaid $119,133 in lease obligations to meet its current and anticipated future obligations.

As at September 30, 2018, the Company had working capital of $8,152,755 compared to $22,223,435 at December 31, 2017. The decrease in working capital of $14,070,680 was mostly related to increased spending on expansion efforts and increased requirements in meeting operational needs offset by the January and August special warrant financings as discussed above.

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.

While the Company has incurred cash losses to date, management anticipates success and eventual cash profitability of the business, though there can be no assurance that the Company will gain adequate market acceptance for its products or be able to generate sufficient positive cash flow to achieve its business plans. The Company's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund the Company's operating, acquisition and organic growth requirements.

Operating Activities

For the nine-months ended September 30, 2018, cash flow used in operating activities was $27,938,275 compared to $13,340,516 for the nine months ended September 30, 2017. The increase in cash flow used in operations is $14,597,759 or 109%. 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 nine months ended September 30, 2018, the Company had used cash of $56,274,856 related to investing activities as compared to $9,228,628 for the nine months ended September 30, 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 nine months ended September 30, 2018 were $73,988,022 compared to $7,049,213 for the nine months ended September 30, 2017, an increase of $66,938,809 or 950%. The increase in cash provided by financing activities is primarily due to an issuance of Special Warrants in January 2018, net of issuance costs, of $37,794,030, an issuance of Special Warrants in August 2018, net of issuance costs of $35,300,269, proceeds received on exercise of stock options and warrants of $2,097,277 and offset by interest payments of $2,002,196 on the convertible debentures and repayment of capital leases of $119,133.

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	212,002,592
Stock options	9,466,011
Warrants	62,551,162
Dilutive effect of convertible debentures	13,235,804
Dilutive effect of compensation options	3,549,510
Fully diluted	300,805,079

Commitments and Contingent Liabilities

<u>Contingent Liabilities</u>

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 September 30, 2018, December 31, 2017 and September 30, 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's production facility at 150 8th Concession, Langton, Ontario under an operating lease arrangement expires on October 31, 2023 and the Company has administrative offices under operating lease arrangements until 2023. 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	191,924
2019	552,120
2020	534,003
2021	546,464
2022	532,644
2023 and beyond	229,050
	2,586,205

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.

[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 [$4,560,600] 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 pre-emptive 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 pre-emptive rights. During the nine month period ended September 30, 2018, the Company acquired this German entity, Proimaging.

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 and nine months ended September 30, 2018 and 2017 is as follows:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	$	$	**$**	$
Salaries and other benefits	**441,107**	228,462	**1,758,142**	805,895
Share-based compensation	**332,116**	577,591	**1,279,905**	1,433,086
	773,223	806,053	**3,038,047**	2,238,981

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*
- *Reliance on Licenses and Renewals*
- *Changes in Laws, Regulations and Guidelines*
- *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, the Management Discussion and Analysis for the year ended December 31, 2017 and the Final Short Form Prospectus dated October 24, 2018.

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 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

In accordance with CSA Staff Notice 51-357 Staff Review of Reporting Issuers in the Cannabis Industry (SN 51-357), the Company will adopt the recommendations in regards to the election to expense direct and indirect costs related to biological assets, specifically the Company will disclose the supplemental information in accordance with item 1.13(b)(iv)(D) of Form 51-102F1 in its Q4 2018 financial statement disclosures. Additionally, in regard to section 4.3.2 of SN 51-357, the Company will remove the “Gross profit” line item from its Q4 2018 financial statement disclosures.

The following new accounting standards applied or adopted during the period ended September 30, 2018 had no material impact on the condensed interim consolidated financial statements:

IFRS 9 Financial Instruments [“IFRS 9”]

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. The effective date of this standard was January 1, 2018. The Company has adopted this new standard as of its effective date on a retrospective basis with the exception of financial assets that were derecognized at the date of initial application, January 1, 2018. The 2017 comparatives were not restated. The new classification and measurement of the Company's financial assets are as follows:

(i) Equity instruments at fair value through other comprehensive income ("FVOCI")

This category only includes equity instruments, which the Company intends to hold for the foreseeable future and which the Company has irrevocably elected to so classify upon initial recognition or transition. Equity instruments in this category are subsequently measured at fair value with changes recognized in other comprehensive income, with no recycling of gains or losses to profit or loss upon derecognition. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.

(ii) Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely principal and interest ("SPPI") criterion. Financial assets classified in this category are carried at amortized cost using the effective interest method.

(iii) Fair value through profit or loss

This category includes derivative instruments and quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in profit or loss. The assessment of the Company's business models was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018.

	IAS 39	**IFRS 9**
Financial Assets		
Cash	Fair value through profit or loss	**Fair value through profit or loss**
Trade and other receivable	Amortized cost	**Amortized cost**
Note receivable	Amortized cost	**Amortized cost**

(iv) Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Company's accounting of impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Company to record an allowance for ECLs for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

IFRS 15 Revenue from Contracts with Customers [“IFRS 15”]

IFRS 15 was issued by the IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. IFRS 15 became effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company has adopted this new standard as of its effective date using the full retrospective method of adoption and have assessed no significant changes as a result of the adoption of this new standard on the current or prior periods.

Under IFRS 15, the revenue recognition model has changed from one based on the transfer of risks and rewards of ownership to the transfer of control. The Company’s contracts with customers for the sales of dried cannabis and cannabis oil include one performance obligation. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, upon delivery, the timing and amount of revenue considering discounts, rebates, and variable consideration, recognized from this principal revenue stream has not changed as a result of the adoption of this new standard.

The following is the Company's revenue recognition policy in accordance with IFRS 15:

(i) Revenue recognition

Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Company's contracts with customers for the sales of dried cannabis and cannabis oil include one performance obligation. The Company has concluded that revenue from the sale of these products should be recognized at the point in time when control of the assets is transferred to the customer, generally on delivery.

Amendments to IFRS 2 Share-based Payment

Amendments to IFRS 2, *Share-based Payment* were issued in September 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 September 30, 2018, the Company granted 6,059,250 stock options with an exercise price of $2.00 each.
- Subsequent to September 30, 2018, the Company entered into the South American market through a transaction in Colombia. The Company entered into a definitive agreement to acquire 100% of the outstanding shares of Colma Pharmaceutical S.A.S. ("Colma"), a licenced producer of THC cannabis in Colombia, holding four licences for cultivation and processing on a leased premise in Ibague, Colombia. Under the terms of the agreement, the Company issued 11 million common shares as consideration for the shares of Colma with such common shares being issued at a deemed price of CAD$2.00 per share.
- Subsequent to September 30, 2018, the Company announced that it closed a bought deal financing of units (the "Units") at a price of $1.65 per Unit (the "Offering Price") for aggregate gross proceeds of $50,077,500 (the "Offering"). Each Unit consisted of one common share (a "Common Share") and one-half of one common share purchase warrant (each full common share purchase warrant, a "Warrant") of the Company. Each Warrant is exercisable to acquire one Common Share for a period of three years at an exercise price of $2.15 per Common Share, subject to adjustment in certain events. In the event that the volume weighted average trading price of the Common Shares for 10 consecutive trading days exceeds $3.25, the Company shall have the right to accelerate the expiry date of the Warrants upon not less than 30 days' notice. Also subsequent to September 30, 2018, the Company announced that in connection with its previously announced bought deal financing, it has issued an additional 4,552,500 Units at a price of $1.65 per Unit for total gross proceeds of $7,511,625, pursuant to the exercise in full of the Underwriters' over-allotment option under the Offering. The aggregate gross proceeds of the Offering, including the over-allotment option, totalled $57,589,125.
- Subsequent to September 30, 2018, the Company completed a definitive joint venture agreement with CBD Italian Factory S.S., a company of Group San Martino for the production of high quality cannabis products in Italy. CBD Italian Factory S.S. and San Martino Group will bring mass-scale agricultural skills to the joint venture with a focus on local sustainable practices and expertise in Biomass Energy production. The joint venture will be a split of 50.1% (the Company)/49.9% (CBD Italian Factory) with Massimiliano Umberto Signorini assuming the role of CEO for the new joint venture.
- Subsequent to September 30, 2018, the Company entered into an agreement to acquire 51% of United Kingdom based Theros Pharma Ltd. ("Theros"), an early stage company that has successfully imported cannabis to the United Kingdom for patients with a prescription for medical cannabis. Pursuant to the terms of the agreement the Company has agreed to make an initial payment of 3,800,000GBP followed by a second payment of 24,000,000GBP following certain milestones being achieved, including issuance to Theros of a license to cultivate cannabis in the United Kingdom or a license to import medical cannabis for use in the United Kingdom. Both payments will be satisfied by the issuance of common shares of the Company based on then-current market prices, but subject to a floor issue price of $1.65 per Common Share. The payments are conditional on receipt of applicable stock exchange approval, approval of holders of at least two-thirds of the Company's outstanding debentures and any other applicable approvals.

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.