

Maricann Group Inc.

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

For the Three and Six Months Ended June 30, 2017 and 2016

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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 six months ended June 30, 2017, with comparatives as at June 30, 2016. 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 under the symbol "MARI", and was incorporated under the Ontario Business Corporations Act in 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, NOE 1G0.

The effective date of the MD&A is August 29, 2017. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2017 and 2016, and related notes thereto ("Interim Financial Statements") and the audited financial statements of the Company and notes, and MD&A thereto for the year ended December 31, 2016, as well as the audited financial statements of the Company and notes, and MD&A for the year ended December 31, 2015.

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

The Company's financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada ("GAAP"), as set out in the Chartered Professional Accountant of Canada Handbook – Accounting ("CPA Handbook") which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), using International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the consolidated 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.

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

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

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may contain "forward-looking information," within the meaning of applicable securities laws, including the "safe harbour provisions" of the Securities Act (Ontario) with respect to Maricann. Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our 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; the ability to enter and participate in international opportunities, and the impact of increasing competition.

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

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 “Continuous Disclosure Obligations” (“NI 51-102”) of the Canadian Securities Administrators. Additional information regarding Maricann Group Inc. is available on our website at www.maricann.com or through the SEDAR website at www.sedar.com.

OVERVIEW OF THE COMPANY

Company Background

Maricann Group Inc. is a publicly traded company listed on the Canadian Securities Exchange under the symbol “MARI”, and was incorporated under the laws of the Province of Ontario, Canada.

The Company, through its wholly-owned subsidiary, Maricann Inc, is licensed to produce and sell medical marijuana under the *Access to Cannabis for Medical Purposes Regulation* (the “ACMPR”). Maricann received its first license from Health Canada under the *Marijuana for Medical Purposes Regulations* (“MMPR”) on March 27, 2014 (the “License”) and began production and commenced sales of medical cannabis in December 2014 and cannabis oil production and sales in May of 2016 and October of 2016, respectively. The Company received an updated license under the ACMPR on March 29, 2017 which expires on September 28, 2018. It is anticipated that Health Canada will continue to renew the License.

As of the date hereof, the License is one of 52 licenses issued by Health Canada under the ACMPR for all of Canada, and one of 29 licenses issued for Ontario. Of the 52 licenses issued for all of Canada, the License is one of 30 licenses permitted to produce and sell marijuana, one of 19 licenses permitted to produce and sell cannabis oil, and one of 10 licenses to produce and sell cannabis starting materials, including seeds and clones. Management believes that the Company benefits from a number of competitive advantages which will allow it to be strategically positioned for future developments in the industry.

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 began in late 2016, and phase I expansions are expected to be completed by end of 2017 with a combination of capital expenditures and an anticipated \$15 million vendor equipment financing.

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

In April 2017, the Company obtained 95% controlling interest in MGMBH through its wholly owned subsidiary MBV as part of the Company's continued expansion effort into the German market. The company has further submitted applications to the German government authority as part of its tender application process.

Company Products

The Company currently offers two main types of products: dried marijuana and cannabis oil. 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 Cannabidiol ("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.

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.

(i) Dried Marijuana

Product Name	THC Content (%)	CBD Content (%)	Dominant Strain
ICANN Balanced Low 14	6.63	10.39	Hybrid
ICANN Balanced Low 168	5.57	15.66	Sativa Dominant
ICANN Balanced Low 25	6.44	9.00	Sativa Dominant
ICANN Forte 12	13.91	-	Indica Dominant
ICANN Ultra Forte 15	20.17	-	Indica Dominant
ICANN Ultra Forte 16	21.88	-	Indica Dominant
ICANN Ultra Forte 19	21.69	-	Hybrid
ICANN Ultra Forte 27	20.35	0.11	Sativa Dominant
ICANN Ultra Forte 3	20.63	-	Indica Dominant
ICANN Ultra Forte 5	17.20	-	Sativa Dominant

(ii) Cannabis Oil

Product Name	THC Content (%)	CBD Content (%)	Dominant Strain
ICANN Oil - Balanced	0.49	0.89	Hybrid
ICANN Oil - Forte	1.78 – 2.56	0.03	Hybrid
ICANN Oil - Moderate	0.32	0.97	Hybrid
ICANN Oil - Rich	0.41	2.06	Sativa Dominant

(iii) Accessories

The Company also offers a number of accessories including vaporizers, grinders and other paraphernalia.

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

Company Developments

(i) Nanoleaf Acquisition

On August 22, 2017, the Company announced that it has entered into an agreement to acquire 100% of the issued and outstanding shares of NanoLeaf Technologies Inc. ("NanoLeaf"), a biotech company possessing licensing rights to a number of globally patented technologies that provide proven pharmaceutical, nutraceutical, cosmetic and functional beverage drug delivery formulations. NanoLeaf, through its licensing agreement with Vesifact AG, has developed a cannabinoid standardized dose soft gel capsule.

(ii) Finance raising

On August 22, 2017, the Company announced that it has entered into an agreement with Canaccord Genuity Corp., as lead agent on behalf of a syndicate of investment dealers, including Industrial Alliance Securities Inc., Mackie Research Capital Corporation and Sprott Capital Partners (collectively, the "Agents") pursuant to which the Company will issue on a private placement basis up to \$35,000,000 aggregate principal amount of convertible debenture units (the "Convertible Debenture Units") at a price of \$1,000 per Convertible Debenture Unit on a best efforts basis. Each Convertible Debenture Unit will consist of \$1,000 principal amount of 9.0% secured convertible debentures (the "Convertible Debentures") and 278 common share purchase warrants (the "Warrants") of the Company (the "Offering"). Each Warrant will be exercisable to acquire one common share of the Company (a "Warrant Share") for a period of three years following the Closing Date (as hereinafter defined) of the Offering at an exercise price of \$2.60 per Warrant Share, subject to adjustment in certain events.

(iii) Retail Network

In July 2017, the Company entered into a binding letter of intent ("LOI") with a third party retail network with regards to the development of patient and healthcare education programs for the sale and distribution of medicinal cannabis as well as the development of product accessibility initiatives to facilitate the sale and distribution of the Company's products. The Company has committed a funding of \$100,000 for the purposes of this LOI.

(iv) Green Streaming

In May 2017, the Company entered into a \$42,500,000 non-equity financing from The Green Streaming Finance Company of Canada Inc. ("Green Streaming") to finance its German expansion plans. The financing transaction provides Green Streaming the right to purchase 20% of all future production in facilities financed by Green Streaming at the Company's all in production cost, plus an additional 10% on all variable costs. The purpose of the financing is to fund the Company's 150,000 sq. ft and 250,000 sq. ft. expansion plans in Germany. The financing is subject to meeting certain commercial conditions and that Maricann successfully obtain its licence from the German government authorities.

(v) Maricann GmbH

In April 2017, the Company obtained the legal title, and 95% controlling interest to Maricann GmbH from a key management employee, who assisted the Company under fiduciary duty to incorporate the limited liabilities entity in Germany. Maricann GmbH has submitted materials to the Bundesopiumstelle of the Bundesinstitut für Arzneimittel und Medizinprodukte ("BfArM") to become a licensed producer and wholesaler of cannabis in Germany (the "Application"). Upon receiving its licence to produce and wholesale cannabis from the applicable government authority, Maricann shall have the ability to legally produce and wholesale cannabis in Germany.

(vi) Reverse Takeover Listing

On April 24, 2017, the Company completed the reverse takeover of Danbel Ventures Inc. ("Danbel"). The Company incurred listing expenses of \$4,486,850. Maricann also successfully completed the listing of the Resulting Issuer's common shares on the Canadian Securities Exchange ("CSE") under the ticker symbol "MARI".

(vii) Finance raising

On March 3, 2017, the Company completed a raise of \$10,005,167 by issuing 3,510,585 common shares of the Company at \$2.85 per share.

(viii) Reverse Takeover and \$22.5M Convertible Debenture Issuance

On December 15, 2016, the Company entered into a binding letter agreement (the "Letter Agreement") with Danbel Ventures Inc. ("Danbel"), for Danbel to acquire a 100% interest in Maricann which will constitute a reverse takeover of Danbel by the shareholders of the Company (the "Transaction"). Maricann intends to then apply for a concurrent listing of the Resulting Issuer's common shares on the Canadian Securities Exchange ("CSE").

At the same time, the Company completed a \$22,500,000 financing by issuing 22,500 units (the "Units"), each Unit comprised of one senior unsecured convertible debenture with a principle amount of \$1,000 (a "Debenture") and 500 common share purchase warrants (the "Warrants"). Immediately prior to the completion of the Transaction, the principal amount of the Debentures will be converted into common shares of the Company at a conversion price of \$1.00 per share and be exchanged for common shares of the Resulting Issuer pursuant to the Transaction. The Warrants will similarly be exchanged pursuant to the Transaction or will otherwise be exercisable into common shares of the resulting Issuer at an exercise price of \$1.25 per share for a period of two years from the listing date, subject to an accelerated expiry in the event that the volume weighted average price of the Resulting Issuer's common shares for any 20 consecutive trading days equals or exceed \$1.90.

As partial consideration for their services, the Agent of the Transaction was issued 900,000 compensation options (the "Compensation Options"). Each Compensation Option will be exchanged pursuant to the Transaction or will otherwise be exercisable to purchase one unit of the Resulting Issuer at an exercise price of \$1.00 for a period of two years from the Listing Date. Each unit will be comprised of one common share and one common share purchase warrant of the Resulting Issuer, with each warrant entitling the holder of the warrant to acquire one common share of the Resulting Issuer at an exercise price of \$1.25 per share for a period of two years from the Listing Date.

For additional information and discussion on the Company's reverse takeover transaction and the \$22.5M financing, see note 14 of the condensed interim consolidated financial statement.

(ix) Finance Raising

On November 18, 2016, the Company completed a capital raising for \$3,148,704 by issuing 4,618,604 common shares of the Company at \$0.68 per share.

(x) License Renewal

Effective March 29, 2017, Health Canada renewed the License to September 28, 2018 and is expected to extend the License at the end of its current term. The License currently allows the Company to, among other things, produce up to 930 kilograms ("kgs"), 352 kgs, and 30 kgs of dried marijuana, cannabis oil and cannabis resin,

respectively, per year and to sell and distribute within Canada up to 930 kgs, 352 kgs, 30 kgs and 10,001 kgs of dried marijuana, cannabis oil, cannabis resin and marijuana plants respectively, per year.

(xi) *Common share stock split*

On December 7, 2016, the Directors of the Company authorized a 305.1:1 stock split of its common stock. All share, option and earnings per share information have been retroactively adjusted to reflect the increase in the number of common shares and options from the stock split.

(xii) *Regulatory Changes*

In 2001, the Government of Canada introduced a regulatory regime, the *Medical Marijuana Access Regulations* (“MMAR”), governing access of patients to marijuana for medical purposes. In June 2013, Health Canada replaced the MMAR with the MMPR which permitted companies to apply as a Licensed Producer of medical marijuana. On August 24, 2016, the ACMPR replaced the MMPR as the governing regulations in respect of the production, sale and distribution of medical cannabis and cannabis oil. The ACMPR effectively combines the regulations and requirements of the MMPR, the Marijuana Medical Access Regulations and the section 56 exemptions relating to cannabis oil under the Controlled Drugs and Substances Act into one set of regulations. The Company’s latest license renewal was completed under the ACMPR, dated March 29, 2017 which expires on September 28, 2018, at which point the Company expects to renew.

(xiii) *Promissory Notes, Mortgage Facility and Commercial Term Loan and Line of Credit*

During March and August, 2016, the Company entered into three separate promissory notes for the principal amounts of \$420,000, \$100,000, and \$400,000 respectively (collectively the “Promissory Notes”). The Promissory Notes mature on November 2, 2016 with interest being accrued a fixed rate of 10.0% per annum. The Promissory Notes include a mandatory prepayment clause requiring prepayment of the outstanding principal amount and all accrued and unpaid interest upon completion of any share subscription transaction pursuant to which the Company raises not less than \$3M in equity and the Lenders per the Commercial Term Loan and the Line of Credit (see below) and the Mortgage (see below) (collectively the “Lenders”) have released the Holders of the Promissory Notes of their subordination and postponement obligations in favor of the Lenders or has otherwise consented to such Mandatory Prepayment. The Company also has a prepayment option providing it with the option to repay the principal amount outstanding on the Promissory Notes without notice, bonus or penalty provided that each repayment of principal is accompanied by payment of interest accrued and unpaid. At the date of this MD&A, and in accordance with the terms, the promissory notes have been paid in full.

During February 2016, the Company entered into a \$765,375, fixed rate mortgage facility (the “Mortgage”) with a Canadian based lender to assist with the purchase of 138 – 8th Concession Road, Langton, Ontario being a 97.5 acre parcel of land located adjacent to the Company’s registered office, over which the mortgage facility is secured. Interest on the mortgage facility is accrued monthly at a one-year, fixed rate of 5.5%. On February 3, 2017, the commercial term loan was extended at a fixed interest rate of 6% for a period of 5 years maturing on January 15, 2022. The mortgage was repaid in full including accrued interest in March 2017.

During January 2016, the Company secured a \$2,000,000 commercial line of credit (the “line of credit”) with a Canadian based lender for a term of one year. Interest is accrued on the daily closing balance outstanding on the line of credit calculated at 5.5% per annum, being the lenders base lending rate minus 0.75%, and is payable

monthly. The line of credit may be repaid in whole or part at any time without penalty to the Company. On February 3, 2017, the commercial line of credit was extended on terms consistent with the original agreement.

During January 2016, the Company secured a \$2,000,000 commercial term loan with a Canadian based lender for a term of one year. The commercial term loan is subject to an interest rate of 5.5% per annum and matures on January 15, 2017. On February 3, 2017, the commercial line of credit was extend on terms consistent with the original agreement for a period of one year. The commercial term loan was repaid in full including accrued interest in March 2017 and extinguished. We refer you to condensed interim consolidated financial statements, note 12 for additional information.

Company Outlook and Strategy

Innovation and Scale

We bring experience, innovation and scale together, replicating genetically stable plants in our growing facility. The Company is considering various alternatives, including companies that specializes in extraction technologies – we use innovative processes in producing all-natural cannabis plants and products. As well, our future 1 MM square foot Dresden-based facility – ideal for cannabis cultivation – gives us access to Germany’s newly created and expected to expand cannabis market. Currently, Maricann is expanding its cultivation operations by constructing a 217,500 sqft. facility in Langton on its wholly owned property, allowing the company the ability to produce in excess of 10,000 kg of product per year for the Canadian market.

Leveraging scale allows us to grow more for less: we’re on track to meet our cost objective of less than \$1.34 per gram produced, making us among the lowest-cost producers in the country.

Growing Green with Green

Energy efficiency is at the core of everything we do. From producing on-site, natural gas co-generation electricity to gathering rainwater from our roofs, we drive energy efficiencies throughout our production processes to save time and money.

Growing under glass – through high-efficiency windows – means we harness solar energy with the full colour spectrum of the sun. This lowers our carbon footprint, while increasing our yield. We also use CO₂ to heat our water and floors, and we pump CO₂ back into our greenhouses where it acts as a natural booster to our growth cycle. We grow cleaner and larger plants though this method.

Being so energy efficient allows us to be a low-cost, high-quality producer in a market that rarely sees that combination.

Significant Expansion since 2013

In 2013, we acquired an established, 8,000 square foot growing operation in Langton, Ontario, an agricultural community located in one of Canada’s most arable regions.

We quickly ramped up that facility in size, output and onsite security in building a 30,000 square foot, high-efficiency growing facility. We are currently expanding that to more than 217,500 square feet by the fall of 2017. This increased capacity means our sales are expected to at least double in 2018 over 2017 and prior years, and our production is expected to more than triple.

With completion of the reverse takeover of Danbel and becoming publicly traded on the CSE, Maricann is becoming one of the world’s leading vertically integrated cannabis companies.

Overall Financial Performance

	For the three months ended				For the six months ended			
	June 30, 2017	June 30, 2016	Change	Change	June 30, 2017	June 30, 2016	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Revenue	661,602	606,246	(244,644)	-27%	1,804,769	1,864,010	(59,250)	-3%
Gross profit	407,730	666,831	(249,101)	-38%	112,703	777,980	(665,285)	-86%
Expenses	8,816,773	1,431,229	7,386,544	516%	15,121,278	2,436,404	12,684,874	521%
Non cash fair value change in convertible debenture related to changes in value of common shares	(23,113,750)	-	(23,113,750)	100%	37,176,990	-	37,176,990	100%
Net income (loss)	14,704,707	(774,398)	15,479,105	-1990%	(52,186,666)	(1,668,415)	(50,527,150)	3047%
Net income (loss) per share, basic	0.22	(0.02)	0.24	-1129%	(0.94)	(0.05)	(0.89)	1933%
Net income (loss) per share, diluted	(0.11)	(0.02)	(0.09)	431%	(0.94)	(0.05)	(0.89)	1963%
Weighted average number of outstanding shares, basic	67,564,788	38,612,000	30,952,788	85%	55,703,713	38,612,000	19,091,713	52%
Weighted average number of outstanding shares, diluted	74,825,118	38,612,000	38,213,118	104%	55,703,713	38,612,000	19,091,713	52%

	As of the periods ending			
	June 30, 2017	December 31, 2016	Change	Change
	\$	\$	\$	%
Total Assets	24,981,691	24,024,080	957,000	1%
Total Liabilities	4,290,909	27,800,845	(23,509,936)	-85%

The Company was incorporated in 2013, commenced commercial operations in mid-2014 and began generating revenue from sale of medical cannabis in late December 2014. Production and operations have been consistently growing in both sales and capacity since inception. The company has maintained its focus on providing quality products produced in a cost effective manner. In April 2017, the Company successfully completed the go public transaction and listed on the Canadian Securities Exchange. Net loss for the six months period ended June 30, 2017 and 2016 reflect the steady increase in operational and other working capital uses consistent with a company on a steep growth curve. Revenue for the six months ended June 30, 2017 has decreased by 3% when compared to the same period in 2016, and the main reason was due to a shortage of supply of finished products. 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 with relation to the RTO transaction have driven a 521% increase year over year. Net loss was offset by the unrealized gain on changes in fair values of biological assets which were \$1,133,001 and \$1,067,418, for the six months period ended June 30, 2017 and 2016, respectively. The increase in net loss is mainly due to the fact that during the six months ended June 30, 2017, the Company recorded a non cash loss in convertible debenture related to changes in value of common shares of \$37,176,990, and a listing expense of \$4,486,850.

During the three and six months ended June 30, 2017, the Company focused its efforts and operational spending on the following:

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

SELECTED FINANCIAL INFORMATION

This section provides detailed financial information and analysis about the Company's performance for three and six months ended June 30, 2017 compared to the same periods in 2016. The selected financial information set out below may not be indicative of the Company's future performance.

Results of Operations and Supplementary Financial Information

	Three months periods ended				Six months periods ended			
	June 30, 2017	June 30, 2016	Change	Change	June 30, 2017	June 30, 2016	Change	Change
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	\$	\$	\$	%	\$	\$	\$	%
Revenue	661,602	906,246	(244,644)	-27%	1,804,769	1,864,019	(59,250)	-3%
Cost of sales	1,287,522	1,023,186	264,336	26%	2,825,067	2,153,448	671,619	31%
Unrealized gain on changes in fair value of biological assets	-	-	-	-	-	-	-	-
Gross profit	(1,011,550)	(123,117)	(259,819)	-14%	(1,111,008)	(1,167,418)	(56,581)	6%
Expenses								
General and administrative	4,090,549	828,327	3,262,222	394%	5,793,547	1,321,197	4,472,150	338%
Sales and marketing	(343,992)	347,355	(691,347)	-199%	1,970,373	642,284	1,328,089	207%
Share-based compensation	867,485	11,590	855,495	7137%	2,388,668	73,980	2,364,688	9601%
Depreciation	277,529	167,796	109,533	15%	417,105	319,055	118,050	37%
Loss before interest and transaction related expenses	(4,434,041)	(698,837)	(3,735,204)	534%	(10,417,090)	(1,528,827)	(8,948,263)	585%
Interest expense, net	2,538	75,561	(73,023)	-97%	44,635	129,588	(84,953)	-66%
Litig. expense	3,972,161	-	3,972,161	100%	4,186,850	-	4,186,850	100%
Non cash fair value change in convertible debenture related to changes in value of common shares	(23,113,750)	-	(23,113,750)	100%	37,176,990	-	37,176,990	100%
Net income (loss) for the period	14,704,767	(774,398)	15,479,105	-199%	(52,485,565)	(1,658,415)	(50,227,150)	3047%
Net income (loss) per share, basic	0.22	(0.02)	0.24	-1129%	(0.94)	(0.05)	(0.89)	1508%
Net income (loss) per share, diluted	(0.11)	(0.02)	(0.09)	431%	(0.94)	(0.05)	(0.89)	1568%
Weighted average number of outstanding shares, basic	67,564,788	36,612,000	30,952,788	85%	55,703,713	36,612,000	19,091,713	52%
Weighted average number of outstanding shares, diluted	74,825,118	36,612,000	38,213,118	104%	55,703,713	36,612,000	19,091,713	52%

	As at			
	June 30, 2017	December 31, 2016	Change	Change
	\$	\$	\$	%
Total Assets	24,981,691	24,624,686	357,005	1%
Total Liabilities	4,290,909	27,860,845	(23,569,936)	-85%
Total Shareholders' Equity	20,690,782	(3,236,159)	23,926,941	-739%

	Six months periods ended			
	June 30, 2017	June 30, 2016	Change	Change
	\$	\$	\$	%
Cashflows used in Operating Activities	(8,315,561)	(1,690,529)	(6,625,032)	392%
Cashflows used in Investing Activities	(6,857,884)	(1,937,930)	(4,919,954)	254%
Cashflows from Financing Activities	6,955,819	3,628,459	3,327,360	92%
Capital Expenditures	(6,078,517)	(1,937,930)	(4,140,587)	214%

Review of Operations for the Three and Six Months ended June 30, 2017 and 2016

Revenues

Revenues for the three and six months period ended June 30, 2017 were \$661,602 and \$1,804,769 as compared to \$906,246 and \$1,864,019 during the same period in 2016. The decrease in revenue was primarily due to shortage of finished products available for sale. The Company began sales of medical cannabis oil in October 2016, and revenue for the three and six months ended June 30, 2017 consisted of 75% of sales from dried medical cannabis and 25% of sales from medical cannabis oil. Total products sold for the six months period ended June 30, 2017 was 173.245 kilograms at an average selling price of \$11.42 per gram, compared to 286.835 kilograms sold during the same period in 2016 at an average selling price of \$7.10 per gram.

The Company's dry medical cannabis strains were priced between \$4.50 and \$15 per gram, and medical cannabis oil were priced between \$16.00 to \$24.00 per gram per 40~50 ml bottle. The Company also offers compassionate pricing set at a 20% discount off of the listed price (2016 – 20%).

Net cost of sales

Included in net cost of sales are the net change in fair value of biological assets, inventory expensed and production costs. Biological assets consist of cannabis plants at various pre-harvest stages of growth which are recorded at fair value less costs to sell at the point of harvest. Cost to sell include shipping, processing and sales related costs. At harvest, the biological assets are transferred to inventory at their fair value which becomes the deemed cost for inventory. Inventory is later expensed to cost of sales when sold. Direct production costs are expensed through cost of sales. Net cost of sales, including unrealized gain from changes in fair value of biological assets for the three and six months period ended June 30, 2017 were \$253,872 and \$1,692,066 as compared to \$249,415 and \$1,086,030 during the same period in 2016, respectively, representing an increase of 2% and 56%, respectively. Net cost of sales includes a recovery relating to the unrealized gain on changes in the fair value of biological assets of \$1,033,650 and \$1,133,001 for the three and six months ended June 30, 2017 (\$773,771 and \$1,067,418 for the three and six months ended June 30, 2016).

We expect net cost of sales to vary from period to period 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 period.

Gross profit

Gross profit were \$407,730 and \$112,703 for the three and six months ended June 30, 2017, respectively, compared to \$656,831 and \$777,989 for the three and six months ended June 30, 2016. 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. During the period ended June 30, 2017, Maricann had approximately 3500 registered patients compared to 3100 registered patients in the same period ended June 30, 2016.

Expenses

General and administrative

General and administrative expenses were \$4,090,649 and \$5,793,647 for the three and six months periods ended June 30, 2017, respectively, compared to \$828,327 and \$1,321,497 for the three and six months periods ended June 30, 2016, representing an increase of \$3,262,322 and \$4,472,150, or 394% and 338% respectively. The increase year over year represents the company's efforts to bring more labour and talent into the company, increased travel, increased corporate activity, investor relations, and maintenance costs as well as other overhead associated with the growth including contractors, professional fees and increased site security.

Sales and marketing

Sales and Marketing net recapture was \$343,992 for the three months ended June 30, 2017 as a result of gain on settlement of cash settled options as well as a decrease in revaluation of remaining cash settled options compared to \$347,355 of expenses in the same period in 2016. Total net expenses for the six months ended June 30, 2017 was \$1,970,373 compared to \$642,284 in the same period in 2016. The increase is mainly attributed to the increase in fair value change of cash settled options issued of \$926,884. The remaining balance of sales and marketing expenses consisted mainly of business development costs, promotional material costs, shipping expenses and the costs associated with employing a full time medical director.

Share-based compensation

Share based compensation were \$867,485 and \$2,388,668 for the three and six months periods ended June 30, 2017, respectively, compared to \$11,990 and \$23,980 for the three and six months periods ended June 30, 2016.

The increase relates to stock options issued to employees under the Company's share option plan, representing an increase of \$855,495 and \$2,364,688 or 7135% and 9861% respectively. The increase is mainly due to vesting of stock options, additional stock options granted and special share-based payments granted to a few key employees.

Depreciation

Depreciation expense was \$227,629 and \$437,105 for the three and six months periods ended June 30, 2017 compared to \$167,996 and \$319,055 during the same periods in 2016, representing an increase of \$59,633 and \$118,050 or 35% and 37% respectively. The increase was the result of the addition of new greenhouse space, equipment, and increased capacity in the processing facility.

Listing Expense

Listing expense was \$3,972,465 and \$4,486,850 for the three and six months periods ended June 30, 2017 compared to nil during the same period in 2016, the costs incurred relate to the costs associated with the RTO transaction in April 2017.

Non Cash fair value change in convertible debenture and warrants related to changes in values of common shares

During the period ended March 31, 2017, the fair value of the Convertible Debenture instrument 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 were \$64,125,000. The fair value of the warrants were \$18,665,740 determined based on the Black-Scholes pricing model. It is noted that the increase in the fair value of the debenture instrument and the warrants were as a result of increase in the value of share price of the Company. As a result, the Company recorded a non cash fair value loss on convertible debt related to share issuance of \$60,290,740 during the period ended March 31, 2017.

Upon the completion of the RTO transaction, the Company re-measured the fair value of the convertible debenture and related warrants with changes in value recognized through profit and loss. Immediately following the RTO transaction, the Company's shares began trading on April 24, 2017 at \$2.15 per share, which was then used to calculate the change in the fair value of the convertible debenture and the related warrants. It is determined that the fair value of the Debenture instrument were \$48,375,000, compared to a carrying value of \$64,125,000, resulting in a decrease of \$15,750,000. The fair value of the warrant liability were revalued at \$11,301,990, resulting in a decrease of \$7,363,750. As a result, the Company recorded a non cash fair value gain on convertible debt related to share issuance of \$23,113,750 on April 24, 2017 for the three months ended June 30, 2017. Given that the RTO transaction was completed, an amount of \$48,375,000 of convertible debenture were converted to common shares, and the warrant liability of \$11,301,990 were reclassified to equity, as they are no longer variable and meet the IFRS definition of equity. The full amount relating to the fair value of the convertible debenture and related warrants were converted and reclassified, respectively, to equity, resulting in an elimination of the liability amounts on April 24, 2017. In aggregate, for the six months ended June 30, 2017, the Company recorded a net non cash fair value loss on convertible debt related to share issuance of \$37,176,990.

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 income of \$14,704,707 for the three months ended June 30, 2017 was primarily as a result of decrease in non cash fair value change in convertible debenture of \$23,113,750. Other comprehensive income for the period of \$5,885 was as a result of foreign

exchange translation of the German subsidiary Maricann GmbH. Net loss and comprehensive loss was \$774,398 for the three months ended June 30, 2016. Net loss were \$52,185,565 and \$1,658,415 for six months periods ended June 30, 2017 and 2016. As discussed above, the decrease is mainly as a result of net 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 as well as share based compensation expense incurred of \$2,388,668.

Net Income (loss) per Share

Basic net income (loss) per share is calculated by dividing the net income (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. Basic net income per share for the three months ended June 30, 2017 was \$0.22 per share compared to basic net loss per share of \$0.02 in the same period in 2016. Diluted net loss per share for the three months ended June 30, 2017 was \$0.11 per share compared to diluted net loss per share of \$0.02 in the same period in 2016. Basic and diluted net loss per share for the six months ended June 30, 2017 was \$0.94 compared to \$0.05 in the same period in 2016.

Total Assets

Total assets increased to \$24,981,691 as at June 30, 2017 from \$24,624,686 as at December 31, 2016. The increase is the result of a number of elements. Property, plant and equipment increased 73% from \$7,162,284 to \$12,403,822. The majority of this increase related to upgrades/expansion to the growing and processing facilities. Current and non-current other assets increased 1,320% to \$3,254,831 from \$229,193, 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 \$7,980,921 from 16,192,662 due to the use of cash to pay for the Company's expansion and operating activities.

Total Liabilities

Total liabilities as at June 30, 2017 were \$4,290,909 compared to \$27,860,845 as at December 31, 2016. The main decrease of \$22,500,000 is due to the conversion of the convertible debenture to common shares and the reclassification of warrant liabilities to shareholders' equities due to meeting the IFRS treatment for equity instruments. The remaining decrease is as a result of the Company further paid down borrowings and cash-settled options liabilities. The decrease overall is then offset by an increase in accounts payable attributable to the substantial operational and capital costs associated with growing the company's capacity and operational workforce.

Liquidity and Capital Resources

For the six months period ended June 30, 2017, the Company generated revenues of \$1,804,769 from operations and has financed its operations and met its capital requirements primarily through equity financings. The Company's objectives when managing its liquidity and capital resources are to generate sufficient cash to fund the Company's operating and working capital requirements. During the period ended, the Company completed raises through equity subscriptions totalling \$9,136,869, received proceeds from exercise of stock options and warrants of \$574,517, repaid \$2,687,092 in borrowings and \$68,475 in lease obligations to meet its current and anticipated future obligations.

As at June 30, 2017, the Company had a working capital of \$6,273,554 compared to a working capital deficiency of \$10,394,787 at December 31, 2016. The increase in working capital of \$16,668,341 was related to the conversion of the convertible debenture and associated warrant liabilities as discussed above, and was offset by increased spending on expansion efforts and increased requirements in meeting operational needs.

The 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. These 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.

As at June 30, 2017, the Company has not yet achieved profitable operations, and has an accumulated deficit of \$66.5 million. Whether, and when, the Company can attain profitability and positive cash flows from operations have uncertainty, which may cast significant doubt upon the Company's ability to continue as a going concern. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so. While the Company has been successful in obtaining financing to date, there can be no assurance that it will be able to do so in the future on terms favourable for the Company. The Company will need to raise capital in order to fund its operations. This need may be adversely impacted by: uncertain market conditions, approval by regulatory bodies, and adverse results from operations.

The Company believes it will be able to acquire sufficient funds subject to the Company completing the planned convertible debenture financing of \$35,000,000 as discussed above. Management estimates that this amount, combined with the existing working capital balance as at June 30, 2017 is sufficient to cover planned operations through the next twelve-month period.

Operating Activities

For the six months period ended June 30, 2017, cash flow used in operating activities was \$8,315,561 compared to \$1,690,529 for the six months period ended June 30, 2016. The increase in cash flow used in operations is \$6,625,032 or 392%. The increase in cash flow used in operations is due to higher cash losses of \$5,971,702 and by decrease in non-cash working capital balances of \$653,330.

Investing Activities

For the six months period ended June 30, 2017, the Company had used cash of \$6,857,884 related to investing activities as compared to \$1,937,930 for the six months period ended June 30, 2016, an increase of \$4,919,954 or 254%. Investing activities during the period relate to building and other facility upgrade and the purchase of production equipment, computers and furniture, as well as advancements made towards investments and acquisition of the German subsidiary. Investing activities during the prior period were related primarily to building and facility upgrades.

Financing Activities

Cash flows provided by financing activities for the six months period ended June 30, 2017 were \$6,955,819 compared to \$3,628,459 for the six months period ended June 30, 2016, an increase of \$3,327,360 or 92%. The increase in cash provided by financing activities is primarily due to an increase in cash proceeds from equity raises of \$9,136,869, proceeds received on exercise of stock options and warrants of \$574,517 and offset by repayment of borrowings of \$2,687,092, and repayment of interest on borrowings and capital leases of \$68,475.

Share Capital

The authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares, are fully paid.

Common Share Stock split

On December 7, 2016, the Directors of the Company authorized a 305.1:1 stock split of its common stock. All share, option and earnings per share information in this MD&A have been retroactively adjusted to reflect the increase in the number of common shares and options from the stock split.

Capital Expenditures

The company has been taking a phased approach to capital expansion since January 2015. Expenditures have been managed based on the available cash resources. During 2015, two new greenhouses were built along with critical and efficiency based upgrades to the existing growing and processing facilities. Additional upgrades were also completed during Q3 & Q4 2016. The company embarked on its most substantial facility expansion to date in December 2016. With an expected completion date in Q4 2017, an additional approximately 217,500 square feet of growing and processing space will complement the current footprint. This facility is expected to have a capacity in excess of 10,000,000 grams (10,000 kgs) when complete and fully operational. During the six months period ended June 30, 2017, the Company spent an additional \$6,078,517 on facility expansions.

Commitments and Contingent Liabilities

Contingent Liabilities

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

As at June 30, 2017 and 2016, the Company has not recognized any contingent liabilities.

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

Commitments

The Company has committed to construction contracts associated with the expansion of its production facilities for a total of \$2,091,800 expected to be incurred within the next 12 months.

The Company has production facilities under operating lease arrangements until fiscal 2018 as well as administrative offices under operating lease arrangements until 2022. The Company has the right under production facilities lease arrangement to extend the leases by another five years. The following table presents the minimum payments due over the next six years until the termination of the leasing arrangement.

	\$
2017	58,249
2018	103,998
2019	42,420
2020	43,803
2021 and beyond	62,707
	<u>311,177</u>

Off-Balance Sheet Arrangements

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

Transactions 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 note 11 of the condensed interim consolidated financial statements.

[i] During the period ended June 30, 2017, the Company incorporated Maricann GmbH, a limited liabilities entity in Germany. The Company through its wholly owned subsidiary Maricann B.V. owns 95% of the issued and outstanding shares of the entity, while the remaining 5% non-controlling interest is retained by a key management employee of the newly incorporated subsidiary. 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 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 with an associated affiliate. As at June 30, 2017, the amount provided to this related party was \$125,000.

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 risk factors have been identified by Management:

Financial Risk Factors

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

Refer to the notes to the financial statements for more information on the impact of financial risks.

Other Risk Factors

(i) General Business Risk and Liability

Given the nature of the Company's business, it may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing the Company, its directors, officers, employees or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty or misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of the Company's right to carry on its existing business. The Company may incur significant costs in connection with such potential liabilities.

(ii) Regulation of the Marijuana Industry

The business and activities of the Company are heavily regulated in all jurisdictions where it carries on business. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities, particularly Health Canada, and corresponding government authority in Germany, relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical marijuana and cannabis oil, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the production and sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Failure to comply with the laws and regulations applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate the Company's business, the suspension or expulsion from a particular market or jurisdiction or of its key personnel, and the imposition of fines and censures. To the extent that there are changes to the existing laws and regulations or the enactment of future laws and regulations that affect the sale or offering of the Company's products or services in any way, this could have a material adverse effect on the business, results of operations and financial condition of the Company.

(iii) Changes in Laws, Regulations and Other Guidelines

The Company's operations are subject to a variety of laws, regulations, and guidelines relating to the marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of medical marijuana but also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. While the Company is currently in compliance with all such laws, regulations and guidelines, any changes due to matters on such laws and regulations beyond the control of the Company could have a material adverse effect on the business, results of operations and financial condition of the Company.

(iv) Environmental and Employee Health and Safety Regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other

things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

(v) Reliance on License Renewal

The Company's Canadian business is dependent on the License from Health Canada and the need to maintain the License in good standing. Failure to comply with the requirements of the License or any failure to maintain the License would have a material adverse impact on the business, financial condition and operating results of the Company. The Canadian license was renewed March 29, 2017 and expires September 28, 2018. Although management believes it will meet the requirements of the ACMPR annually for extension of the License, there can be no guarantee that Health Canada will extend or renew the License or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the License, or should it renew the License on different terms or not allow for anticipated capacity increases, the business, financial condition and results of the operations of the Company will be materially adversely affected. On January 19, 2017, the German parliament passed legislation that legalized medical cannabis and included provisions for medical cannabis treatment expenses to be covered by health insurance. Given the Company's effort in expansion into the German market, the growth of the business internationally is also dependent on receiving the license rights from the corresponding German government authorities.

(vi) Dependence on Senior Management

The success of the Company is dependent upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient members of qualified senior management personnel could adversely affect its business. This risk is partially mitigated by the fact that the senior management team are significant shareholders in the Company. As well, implementation of employee compensation packages composed of monetary short-term compensation and long-term stock based compensation has been designed, in part, for the retention of senior management personnel.

(vii) Competition in the Industry

There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. Because of the early stage of the industry in which Maricann operates, the Company expects to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies.

There is also the potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

(viii) Risks Inherent in the Agricultural Business

The Company's business involves the growing of medical marijuana, which is an agricultural product. As such, the

business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although the Company grows its products indoors under climate controlled conditions, and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products and results of operations of the Company.

(ix) Restrictions on Sales and Marketing

The industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's business, operating results or financial condition.

(x) Publicity or Consumer Perception

The Company believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficiency and quality of the medical marijuana produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There is no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical marijuana market or any particular product, or consistent with earlier publicity.

Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and the Company's cash flows. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the Company's product specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

(xi) Reliance on Key Business Inputs

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations as well as electricity, water, and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs (e. g. rising energy costs) could materially impact the business, financial condition, and operating results of the Company. Any ability to secure required supplies and services or to do so on appropriate terms could also have a materially adverse opinion impact on the business, financial condition, and operating results of the Company.

(xii) Sufficiency of Insurance

The Company maintains various types of insurance which may include product liability insurance (see "Potential Product Liability" below), errors and omission insurance, directors', trustees' insurance, property coverage, and, general commercial insurance. There is no assurance that claims will not exceed the limits of available coverage,

that any insurer will remain solvent or willing to continue providing insurance coverage will sufficient limits or at a reasonable cost; or, that any insurer will not dispute coverage of certain claims due to ambiguities in the policies. A judgment against any member of the Company in excess of available coverage could have a material adverse effect of the Company in terms of damages awarded and the impact and reputation of the Company.

(xiii) Potential Product Liability

As a manufacturer and distributor of products designed to be ingested or inhaled by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of Maricann products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that Maricann's products caused injury, illness or loss, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company.

There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's products.

(xiv) Potential General Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company become involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

(xv) Potential Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of Maricann's products are recalled due to an alleged product defect or for any other reason, Maricann could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Maricann may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

Although the Company has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additional if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any one of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of Maricann's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

(xvi) Reliance on the Main Facility

The Company's activities and resources have been primarily focused on its main facility in Langton, Ontario and this is expected to continue for the foreseeable future. Adverse changes or developments affecting the facility could have a material adverse effect on the Company's business, financial condition and prospects.

(xvii) Management of Growth

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Company is unable to deal with this growth that may have a material adverse effect on the Company's business, financial condition, results of operation and prospects.

Company Outlook

The Company continues to expand both revenue and production, increasing capacity to supply the growing medical market in Canada. Additionally, with the advent of recreational cannabis in Canada, as promised by the current Liberal government, the outlook for the company is bright, 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 the remainder of 2017. 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 has further secured the associated financing required for its proposed facility located in Germany through Green Streaming. 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 3 of the Annual financial statement, and to the Condensed interim consolidated financial statements). 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.

The following new accounting standards applied or adopted by the Company follow the same accounting policies used in the preparation of the audited financial statements of the Company for the year ended December 31, 2016

New standards, interpretations and amendments adopted by the Company

IAS 7 – Statement of cash flows [“IAS 7”]

IAS 7 has been revised to incorporate amendments issued by the IASB in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. The amendments to IAS 7 did not have any significant impact on its condensed interim consolidated financial statements for the period ended.

IAS 12 – Income Taxes [“IAS 12”]

IAS 12 has been revised to incorporate amendments issued by the IASB in January 2016. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017. The amendments to IAS 12 did not have any significant impact on its condensed interim consolidated financial statements for the period ended.

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

IFRS 9 Financial Instruments [“IFRS 9”]

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

IFRS 15 Revenue from contracts with customers [“IFRS 15”]

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

IFRS 16 – Leases [“IFRS 16”]

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

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

IFRS 2 has been amended to address [i] certain issues related to the accounting for cash settled awards, and [ii] the accounting for equity settled awards that include a “net settlement” feature in respect of employee

withholding taxes. The IFRS 2 amendments are effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the amendments to IFRS 2 on the Company's financial statements.

Subsequent Events

In July 2017, the Company entered into capital market advisory agreements and granted 200,000 warrants exercisable at \$2.00 per warrant for a period of 2 years. The Company further committed to an additional 200,000 under the same terms subject to service conditions, to be issued in 8 months.

In July 2017, the Company entered into office leasing arrangements as part of its effort to expand the Company's operating and sales capabilities. The Company has committed to an office lease at a cost of \$16,500 per month for the next 17 months starting in August 2017.

In July 2017, the Company entered into a binding letter of intent ("LOI") with a third party retail network with regards to the development of patient and healthcare education programs for the sale and distribution of medicinal cannabis as well as the development of product accessibility initiatives to facilitate the sale and distribution of the Company's products. The Company has committed a funding of \$100,000 for the purposes of this LOI.

In July 2017, the Board of Directors approved the acceleration of vesting of 1,830,600 stock options to vest immediately on August 1, 2017. The stock options were previously granted to a key management employee and as a result \$364,000 was recorded to share-based compensation expense.

On August 22, 2017, the Company announced that it has entered into an agreement to acquire 100% of the issued and outstanding shares of NanoLeaf Technologies Inc. ("NanoLeaf"), a biotech company possessing licensing rights to a number of globally patented technologies that provide proven pharmaceutical, nutraceutical, cosmetic and functional beverage drug delivery formulations. NanoLeaf, through its licensing agreement with Vesifact AG, has developed a cannabinoid standardized dose soft gel capsule.

The Company will issue 18.3 million common shares of the Company at an agreed upon price of \$2.10 per share for total share consideration of \$38.5 million. In addition, the Company will also provide cash consideration of \$1.6 million to NanoLeaf for purpose of settling existing liabilities. The combine consideration of shares and cash is estimated to be \$40.1 million. The number of shares issued is subject to adjustment in certain circumstances following closing, including if, on the date that is 179 days post-closing, if the volume weight average price of Maricann common shares for the preceding 20-day period is less than \$2.10, the Company will issue incremental shares to the former shareholders of NanoLeaf such that the value of the share consideration will equate to \$38.5 million. The transaction is expected to be completed by the end of September 2017.

On August 22, 2017, the Company announced that it has entered into an agreement with Canaccord Genuity Corp., as lead agent on behalf of a syndicate of investment dealers, including Industrial Alliance Securities Inc., Mackie Research Capital Corporation and Sprott Capital Partners (collectively, the "Agents") pursuant to which the Company will issue on a private placement basis up to \$35,000,000 aggregate principal amount of convertible debenture units (the "Convertible Debenture Units") at a price of \$1,000 per Convertible Debenture Unit on a best efforts basis. Each Convertible Debenture Unit will consist of \$1,000 principal amount of 9.0% secured convertible debentures (the "Convertible Debentures") and 278 common share purchase warrants (the "Warrants") of the Company (the "Offering"). Each Warrant will be exercisable to acquire one common share of the Company (a "Warrant Share") for a period of three years following the Closing Date (as hereinafter defined) of the Offering at an exercise price of \$2.60 per Warrant Share, subject to adjustment in certain events.

The Convertible Debentures will bear interest from the Closing Date at 9.0% per annum, payable semi-annually

in arrears on the last day of August and February in each year, commencing February 28, 2018. The Convertible Debentures will mature on September 15, 2020 (the "Maturity Date").

Pursuant to the terms of the offering, the Agents have also been granted an option to arrange for the sale of up to an additional \$3,500,000 of additional Convertible Debenture Units, which option is exercisable by the Agents at any time up until 8:00 a.m. (Eastern time) on the date prior to the Closing Date (as hereinafter defined).

The Convertible Debentures will be convertible at the option of the holder into common shares of the Company (the "Common Shares") at any time prior to the close of business on the Maturity Date. Subject to the approval of the Canadian Securities Exchange ("CSE") at a conversion price of \$1.80 per common share (the "Conversion Price"). Holders converting their Convertible Debentures will receive accrued and unpaid interest thereon, up to, and including, the date of conversion.

Upon a change of control of the Company, holders of the Convertible Debentures will have the right to require the Company to repurchase their Convertible Debentures, in whole or in part, on the date that is 30 days following the giving of notice of the change of control, at a price equal to 104% of the principal amount of the Convertible Debentures then outstanding plus accrued and unpaid interest thereon up to and including the date of redemption (the "Offer Price"). If 90% or more of the principal amount of the Convertible Debentures outstanding on the date of the notice of the change of control have been tendered for redemption, the Company will have the right to redeem all of the remaining Convertible Debentures at the Offer Price.

Closing of the Offering is expected to occur on or about September 15, 2017

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.