Maricann Group Inc.

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

For the Year Ended December 31, 2017

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 year ended December 31, 2017, with comparatives as at December 31, 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 ("CSE") under the symbol "MARI" and on the OTCMKTS under the symbol "MRRCF" and was continued under the Business Corporations Act (Ontario) and is domiciled in Canada. The Company's head office, registered and records office address is located at 3 – 845 Harrington Court, Burlington, Ontario, L7N 3P3. The Company's operating production address is 150 8th Concession Road, Langton, Ontario, N0E 1G0.

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

The effective date of the MD&A is April 27, 2018. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company and notes thereto for the year ended December 31, 2017. The Company's financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada ("GAAP"), as set out in the Chartered Professional Accountant of Canada Handbook - Accounting ("CPA Handbook") which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the amount of revenue and expenses incurred during the reporting period. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

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

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

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

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may contain "forward-looking information," within the meaning of applicable securities laws, including the "safe harbour provisions" of the Securities Act (Ontario) with respect to Maricann. Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our expectation with respect to our expansion project, including the expected increases in production capacity, timing of completion of our Phase 1 expansion and commencement and completion of our Phase 2 expansion and beyond, expectations with respect to expanding activities in Germany and elsewhere, expectations outlined under the section called "Company Outlook", future growth plans, including, but not limited to, plans for European expansion, anticipated timing for receiving certain licenses and certifications, including with respect to exportation/importation to and in Germany and wholesale activities in Germany, expectations with respect to the renewal of licenses, expectations with respect to increased production capacity and timing and quantum of distribution activities; our production cost objectives; medical benefits, viability, safety, efficacy, and social acceptance of cannabis, expectations in respect to anticipated trends and challenges in the Company's industry, its business and the markets in which it operates, commentaries related to legalization of marijuana and time related thereto, and our other plans and objectives, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities. These

statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words “believe”, “plan”, “intend”, “estimate”, “expect”, or “anticipate”, and similar expressions, as well as future or conditional verbs such as “will”, “should”, “would”, and “could” often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward looking statements contained in this MD&A, the Company has made assumptions and applied certain factors regarding, among other things: future cannabis pricing; cannabis production yields; costs of inputs; its ability to market products successfully to its anticipated clients; reliance on key personnel; the regulatory requirements; the application of federal and provincial environmental laws; and the impact of increasing competition. In particular, expected future production capacity and increased production capacity discussed herein are based on the current production data at the Company's existing operating facility, assuming the new facility will perform similarly, adjusted to reflect the designed capacity increase of the larger facility factoring in plant designs and other factors. The anticipated design capacity takes into consideration the Company’s historical experience and takes into consideration the current plans. However, as the Company’s historical experience evolves and obtains greater experience, if any changes are made to the design of the building and related infrastructure, it may impact the capacity of these new facilities.

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

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 “Continuous Disclosure Obligations” (“NI 51-102”) of the Canadian Securities Administrators. Additional information regarding Maricann Group Inc. is available on our website at www.maricann.com or through the SEDAR website at www.sedar.com. The Company’s website is not incorporated by reference herein.

OVERVIEW OF THE COMPANY

Company Background

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

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

As of the date hereof, the Licenses are three of 102 licenses issued by Health Canada under the ACMPR for all of Canada, and three of 56 licenses issued for Ontario. Of the 102 licenses issued for all of Canada, the License is one of 41 licenses permitted to produce and sell marijuana, one of 22 licenses permitted to produce and sell cannabis oil, and two of 11 licenses to produce and sell cannabis starting materials, including seeds and clones. 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 on phase one of a three phase overall 940,000 sq. ft. (76,180 sq. m) expansion began in November 2016. Phase I, a 217,000 sq. ft. (20,160 sq. m) expansion is expected to be completed in Q2 of 2018. Phase 2 is expected to start in Q2 of 2018.

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

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

Company Products

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

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

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

The following tables set forth the current products offered by the Company:

(i) Dried Marijuana

Product Name	**THC Content (%)**	**CBD Content (%)**	**Dominant Strain**
ICANN Forte 12	14.00	-	Indica Dominant
ICANN Ultra Forte 19	20.58	-	Hybrid
ICANN Ultra Forte 5	17.07	0.07	Sativa Dominant
ICANN Ultra Forte 36	17.19	0.07	Hybrid
ICANN Forte 17	16.68	-	Indica Dominant
ICANN Forte 141	14.17	0.07	Sativa Dominant
ICANN Balanced Moderate 14	8.38	13.50	Sativa Dominant
ICANN Lite 168	3.03	11.18	Hybrid

(ii) Cannabis Oil

Product Name	THC Content (%)	CBD Content (%)	Dominant Strain
ICANN Oil – Balanced	0.61	1.05	Blend
ICANN Oil - Forte	2.21	0.07	Blend
ICANN Oil – Rich	0.37	1.58	Blend

(iii) Accessories

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

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

Company Developments

(i) Retail Network

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

(ii) License Renewal

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

(iii) Nanoleaf Acquisition

On October 27, 2017, the Company announced that it acquired 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 for other lipophilic drugs. Nanoleaf, through its licensing agreement with Vesifact AG, has developed a cannabinoid standardized dose soft gel capsule, to be introduced to the Canadian market upon further testing.

In connection with the acquisition, NanoLeaf shareholders received $38.5 million in consideration for their NanoLeaf shares, satisfied by delivery of approximately 18.3 million common shares of Maricann (the "Closing Shares") at a deemed value of $2.10 per share (subject to adjustment as described below). Maricann also loaned NanoLeaf $1.6 million in cash to settle existing liabilities of NanoLeaf in advance of completing the acquisition, resulting in deemed total transaction consideration of $40.1 million. The number of common shares issued to NanoLeaf shareholders in connection with the acquisition is subject to adjustment in certain circumstances following closing, including if, on the date that is 179 days post-closing (the "Adjustment Calculation Date"), the volume weight average price of Maricann common shares for the preceding 20-day period (the "Adjustment VWAP") is less than $2.10, the Company will issue incremental shares to the NanoLeaf vendors (the "Adjustment Shares") in accordance with the following formula: ($38.5 million / Adjustment VWAP)) – Number of Closing Shares issued). The Adjustment Calculation Date occurred on April 24, 2018 and the Adjustment VWAP was determined to be $1.7633 resulting in up-to 3,500,728 additional common shares being issuable under the adjustment provision.

(iv) Convertible debenture

On October 27, 2017, the Company announced that it completed a $31 million dollar financing 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 issued on a private placement basis $31,000,000 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 consisted of $1,000 principal amount of 9.0% secured convertible debentures (the "Convertible Debentures") and 313 common share purchase warrants (the "Warrants") of the Company (the "Offering"). Convertible Debentures sold to insiders as part of the Offering, aggregating $6,000,000 principal amount, are subject to a conversion price of $1.68 per Common Share, subject to adjustment in certain events. The remaining $25,000,000 principal amount of the Convertible Debentures have a conversion price of

$1.60 per Common Share, subject to adjustment in certain events. Each Warrant is 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 $2.30 per Warrant Share, subject to adjustment in certain events.

(v) Products

On November 30, 2017, Maricann began production of four types of all-natural cannabis oil capsules with a target date for order fulfillment in Q1 2018. The benefit of Maricann Capsules is the ability to deliver medication to patients in the consistent dosages and easy-to-use format consistent with other pharmaceutical products. The vegan capsules are produced in 15 mg and 25 mg cannabidiol (CBD)and 5 mg and 10 mg THC capsules for optimal patient control and compliance.

(vi) Production

On November 22, 2017, Maricann announced it is working with Rockwell Automation to develop a connected, scalable, facility-wide platform that connects all key functions. This system ensures that Maricann's cultivation facility produces a consistent, high-yield crop by streamlining and integrating the process between production controls, building automation and material handling. In turn, this creates optimal, cost-effective conditions for marijuana cultivation. In addition to real time monitoring of nutrient levels, temperature, humidity and light for plants, the Rockwell system also enhances energy efficiency and creates new, high-value jobs at Maricann.

(vii) 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 expansion plans in Germany. The financing is subject to meeting certain commercial conditions and that Maricann successfully obtain its license from the German government authorities.

(viii) 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 along with its joint venture partner, 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 license to produce and wholesale cannabis from the applicable government authority, Maricann and its joint venture partner shall have the ability to legally produce and wholesale cannabis in Germany.

(ix) Reverse Takeover Listing

On April 24, 2017, Maricann Inc. completed the reverse takeover of Danbel. Management's preliminary estimate of the listing expense is $4,486,850. Maricann also successfully completed the listing of the Resulting Issuer's common shares on the CSE under the ticker symbol "MARI".

(x) Finance raising

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

In January 2018, the Company closed a private placement offering (the "SW Offering") of special warrants (the "Special Warrants") for aggregate gross proceeds of $40,250,000. The aggregate gross proceeds of the SW Offering include the full exercise of the over-allotment option granted to the agents in connection with the SW Offering. Pursuant to the SW Offering, the Company issued 20,125,000 Special Warrants, at a price of $2.00 per Special Warrant. Each Special Warrant is automatically exercisable, for no additional consideration, into units of the Company (the "Units") on the earlier of: (i) the date that is three business days following the date on which the Company obtains receipt from the applicable securities regulatory authorities (the "Securities Commissions") for a (final) prospectus (the "Qualifying Prospectus") qualifying distribution of the Units issuable upon exercise of the Special Warrants; and (ii) May 10, 2018. Each Special Warrant, originally entitled the holder thereof to one Unit

consisting of one common share of the Company (each, a “Common Share”) and one-half of one common share purchase warrant of the Company (each full common share purchase warrant, a “Warrant”). Each Warrant will be exercisable to acquire one Common Share at a price of $2.35 per Common Share until January 9, 2021, subject to adjustment in certain events. Pursuant to the terms of the SW Offering, the Company agreed to use its commercially reasonable efforts to obtain a receipt from the Securities Commissions for the Qualification Prospectus before February 27, 2018, which it did on March 29, 2018. As the Company did not receive a receipt from the Securities Commissions for the Qualifying Prospectus before February 27, 2018, each unexercised Special Warrant entitles the holder to receive, upon the automatic exercise thereof, for no additional consideration, 1.05 Units (instead of one (1) Unit). Insiders of the Company or their associates participated in the SW Offering for an aggregate amount of $929,500. In connection with the SW Offering, the Agents received a cash commission and 970,950 compensation warrants. Each compensation warrant entitles the holder thereof to acquire one Unit at a price of $2.00 per Unit until January 9, 2020, subject to adjustment in certain events.

(xi) Reverse Takeover and $22.5M Convertible Debenture Issuance

On December 15, 2016, Maricann Inc. entered into a binding letter agreement (the “Letter Agreement”) with Danbel, which was superseded by a definitive agreement dated March 3, 2017, whereby Maricann Inc. was amalgamated with a wholly-owned subsidiary of Danbel, all the shares of Maricann Inc. were exchanged for shares of Danbel and Danbel was renamed Maricann Group Inc. The reverse take-over transaction (“RTO”) was completed on April 20, 2017, and the Resulting Issuer then obtained a concurrent listing of its common shares on the CSE.

On December 15, 2016, Maricann Inc. 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 RTO, the principal amount of the Debentures were converted into common shares of Maricann Inc. at a conversion price of $1.00 per share were exchanged for common shares of the Resulting Issuer pursuant to the RTO. The Warrants were similarly exchanged pursuant to the RTO or will otherwise be exercisable into common shares of the resulting Issuer at an exercise price of $1.25 per share until April 20, 2019, 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 December 2016 placement was issued 900,000 compensation options (the “Compensation Options”). Each Compensation Option was exchanged pursuant to the RTO or was otherwise exercisable to purchase one unit of the Resulting Issuer at an exercise price of $1.00 until April 20, 2019. Each unit was 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 until April 20, 2019.

For additional information and discussion on the Company's RTO and the $22.5M financing, see notes 3 and 17 to the audited consolidated financial statements.

(xii) Operations

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

On October 19th, 2017, Maricann reported that it had experienced a construction delay in the flowering area of the expansion of its facility in Langton, Ontario caused by ground water encountered during the build. The construction delay is expected to result in out of pocket costs of approximately $765,000, a 2.47% overage for the Phase 1 Expansion. The construction delay in the flowering area will cause production from that portion of the project to be delayed by a maximum of 65 days due to Province of Ontario Ministry of the Environment permits required. The rest of the project remains on track and on budget, with mothering, cloning, and vegetation areas not affected and able to commence on schedule.

(xiii) Management team expansion

With a view to the ongoing growth of both the Company and the sector, the Company has continued to add experience and depth to its senior management team.

Scott Langille joined the Company as Chief Financial Officer in October 2017. He has over 30 years of experience in the pharmaceutical industry in both Canada and the United States. Scott has served as CFO at publicly-traded pharmaceutical companies including Tribute Pharmaceuticals, and Virexx Medical Corp. His past financial experience includes Vice President at Biovail Pharmaceuticals Inc. and Director, Corporate Finance at Biovail Corporation. Scott has a professional accounting designation and an MBA from the University of Toronto.

In the role of Vice President of Sales & Marketing, Geoff Kosar has joined the Company to provide leadership in brand development and strategy, digital marketing and relationship management. Most recently he spent eight years as head of marketing at one of the largest spirits companies in Canada. Prior to that, Geoff was acting Business Unit Director and Category Manager for wines with the Liquor Control Board of Ontario (LCBO).

Joining the Company in February 2018, Dan Healey, Vice President of Operations, provides organizational leadership in manufacturing operations, manufacturing facilities, and engineering. His mandate is to ensure compliance with Good Manufacturing Practice (GMP) in all aspects of operations. Dan has extensive experience working in operations at Parmalat and Ault Foods.

(xii) Agreement for a proposed acquisition Haxxon AG

On April 13, 2018, the Company announced that it signed a definitive agreement with respect to the acquisition of all the issued and outstanding common shares of Haxxon AG ("Haxxon"), for an aggregate purchase price of CHF 8,000,000, of which CHF 2,000,000 will be payable in cash and CHF 6,000,000 payable in Common Shares at the 20-day volume weighted average trading price of the Common Shares ending two trading days prior to the signing date of the transaction (the "Haxxon Transaction"), subject however that the common shares shall not be issued at a price that is less than the closing price of the common shares of the Company on the CSE on the last trading day prior to closing date of the acquisition after factoring in the maximum allowable discount under the rules of the CSE, unless otherwise approved by the CSE. Haxxon is based in Regensdorf, Switzerland and operates a 60,000 sq. ft. facility where it cultivates feminized cannabis plants with a content of less than 1% THC ("Low THC Strains"). The Haxxon Transaction will allow the Company to produce Low THC Strains in Switzerland, which would then be manufactured into finished products. The transaction is scheduled to close on or about May 15th, 2018, or as soon as possible, subject to regulatory approval and the approval of the holders of the Company's secured convertible debentures holding 66 2/3% in principal amount of the outstanding debentures being obtained by no later than May 31, 2018.

Company Outlook and Strategy

Taking Medical Marijuana to the World of Pharmaceutical Cannabis and Beyond

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

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

primary and exclusive relationships.

Scale:
Our cultivation operations are expanding. The Company is currently building a new facility at 138, 8th Concession Road, Langton, Ontario ("Site 138"). Phase one of a three phase overall 940,000 sq. ft. (87,329 sq. m) expansion began in November 2016. Phase I, a 217,000 sq. ft. (20,160 sq. m) expansion is expected to be fully completed in Q4 of 2018, with an anticipated design capacity of 22,245 kg of annual production. As of April 2018, we have completed 128,000 sq ft of erected shell with 60% of the floors poured. The remaining 89,000 sq ft including flowering rooms, packaging, oil extraction and laboratory area is expected to be completed by Q4 of 2018. Phase 2 is expected to start in Q2 of 2018 with a targeted additional design capacity of 71,000 kg of annual production. Combined with current capacity of 2,000 kg per year, based on assumed full design capacity, Maricann expects to grow 95,245 kg of dry cannabis flower per year. When you add extracted trim of 25%, that equals to an expected 119,056 kg of raw cannabis inputs per year based on assumed full design capacity. The anticipated design capacity takes into consideration the Company's historical experience and takes into consideration the current plans. However, as the Company's historical experience evolves and obtains greater experience, if any changes are made to the design of the building and related infrastructure, it may impact the capacity of these new facilities. In our state of the art expansion, we expect to provide consistent strains to our extraction laboratory, taking the best elements of the plants, combining them with unique and globally patented technology, to deliver cannabis to patients, through trusted health professionals. With the Canadian and global cannabis markets rapidly expanding, we bring proven cultivation expertise and required scale to match demand, provided through primary and exclusive relationships with Canadian pharmacy groups, and international pharmacy distributors.

From our founding location in Langton, Ontario ("Site 150"), we cultivate medicinal cannabis to the highest quality standards, complying with Good Agricultural and Collection Practices and Good Manufacturing Process, in all we do. We possess the requisite expertise and experience to cultivate on a mass scale, with facilities specifically engineered for cannabis production. Our central focus on costs of raw inputs to our finished dose products, is evidenced by partnerships with world leading suppliers of industrial automation and building controls.

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

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

Growing Green with Green

Energy efficiency is at the core of 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, with an energy efficiency rating of 92.5% in a R-38 building envelope.

Overall Financial Performance

	For the Year Ended December 31,			
	2017	2016	**Change**	**Change**
	$	$	**$**	**%**
Revenue	**3,222,746**	4,060,131	**(837,385)**	**-21%**
Gross profit	**(838,782)**	967,777	**(1,806,559)**	**-187%**
Expenses	**28,997,102**	9,263,545	**(19,733,557)**	**-213%**
Non cash fair value change in convertible debenture related to changes in value of common shares	**37,176,990**	-	**(37,176,990)**	**-100%**
Net loss	**(67,012,874)**	(8,295,768)	**(58,717,106)**	**-708%**
Net loss per share, basic and diluted	**(0.97)**	(0.22)	**0.75**	**-337%**
Weighted average number of outstanding shares, basic and diluted	**68,884,031**	37,238,120	**(31,645,911)**	**-85%**

	As at December 31,			
	2017	2016	**Change**	**Change**
	$	$	**$**	**%**
Total Assets	**93,332,797**	24,624,686	**68,708,111**	**279%**
Total Liabilities	**31,810,788**	27,860,845	**3,949,943**	**14%**

Maricann Inc. was incorporated in 2013, commenced commercial operations in mid-2014 and began generating revenue from sale of medical cannabis in late December 2014. Production and operations had been consistently growing in both sales and capacity since inception, prior to the Q2-2017 see *Company Developments – Operations* section above. The company has maintained its focus on providing quality products produced in a cost-effective manner. In April 2017, the Company successfully completed the go public transaction and listed on the CSE. Net losses for the year ended December 31, 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 year ended December 31, 2017 has decreased 21% when compared to 2016 and the main reason was due to a shortage of finished products, see *Company Developments – Operations* section above. 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 have driven a 213% increase year over year. Net loss was offset by the fair value adjustment on growth of biological assets which were $2,370,735 and $2,109,069, for the year ended December 31, 2017 and 2016, respectively. The increase in net loss is mainly due to the fact that during the year ended December 31, 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 months and twelve months ended December 31, 2017, the Company focused its efforts and operational spending on the following:

- Pharmacy Distribution Agreements;
- 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; and
- Product formulations;
- Technology acquisition
- Financing the company;
- Growing increased market awareness of the company and its products and approach; and
- Corporate activities associated with investor relations and public relations.

SELECTED ANNUAL INFORMATION

This section provides detailed financial information and analysis about the Company's performance for year ended December 31, 2017 compared to the year ended December 31, 2016. The selected financial information set out below may not be indicative of the Company's future performance.

	December 31, 2017	December 31, 2016	December 31, 2015
	$	$	$
Total Revenue	3,222,746	4,060,131	1,971,810
Net loss	(67,012,874)	(8,295,768)	(3,596,585)
Net loss per share - basic and diluted	(0.97)	(0.22)	(0.10)
Total assets	93,332,797	24,624,686	5,347,167
Total non-current financial liabilities	24,150,672	3,656	87,329
Cash dividends per share	nil	nil	nil

SUMMARY OF QUARTERLY RESULTS

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

	Q1	Q2	Q3	Q4
	$	$	$	$
2017				
Revenue	1,143,167	661,602	721,035	696,942
Net Loss	(66,890,272)	14,704,707	(5,379,931)	(9,447,378)
Income (loss) per share - basic	(1.53)	0.22	(0.08)	(0.10)
Loss per share - diluted	(1.53)	(0.11)	(0.08)	(0.10)
2016				
Revenue	957,773	906,246	892,081	1,304,031
Net Loss	(884,018)	(774,397)	(1,119,537)	(5,517,816)
Loss per share	(0.02)	(0.02)	(0.03)	(0.15)

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

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

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

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

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

Review of Operations for the Years ended December 31, 2017 and 2016

Revenues

Revenues for the year ended December 31, 2017 were $3,222,746 as compared to $4,060,131 during the same period in 2016, a decrease of $837,385 or 21%. The decrease in revenue, year over year, was primarily due to a shortage of finished products available for sale. The Company began sales of medical cannabis oil in October 2016, which totaled 28% (2016 – 4%) of total revenue. Total products sold for the year ended December 31, 2017 was 304 kilograms at an average selling price of $8.36 per gram for dry medical cannabis and $17.92 per gram for oil, down from 537 kilograms sold during 2016 at an average selling price of $8.19 per gram.

The Company's dry medical cannabis strains were priced between $6.00 and $15 per gram, excluding any discounts, and medical cannabis oil were priced between $10.00 to $24.00 per 40~50 ml bottle, excluding any discounts for the year ended December 31, 2017, down from between $16.93 and $27.58 per gram per 40~50 ml bottle for the year ended December 31, 2016, with compassionate pricing set at a 20% discount off of the listed price (2016 - 20%).

Net cost of sales

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

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

	2017	2016
	$	$
Revenue	**3,222,746**	4,060,131
Cost of sales - Production costs *[note 5]*	**4,472,776**	3,065,704
Gross profit before fair value adjustments	**(1,250,030)**	994,427
Fair value adjustment on sale of inventory	**(1,959,487)**	(2,135,719)
Fair value adjustment on growth of biological assets *[note 6]*	**2,370,735**	2,109,069
Gross profit	**(838,782)**	967,777

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

Biological assets

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

	Assumption	December 31,	
		2017	2016
[i]	Weighted average of expected loss of plants until harvest	8% - 31%	26% - 31%
[ii]	Expected yields for cannabis plants (average grams per plant per strain)	10 – 34.3 grams per plant	12.33 - 25.24 grams per plant
[iii]	Expected number of growing weeks	12 - 26 weeks	13 - 18 weeks
[iv]	Weighted average number of growing weeks completed as a percentage of total growing weeks as at December 31	44%	34%
[v]	Estimated selling price (per gram by strain)	$6 - $15	$5 - $11
[vi]	After harvest cost to complete and sell, incorporating a reasonable margin (per gram)	$5.27 - $6.38	$3.55 - $3.60

These estimates are subject to volatility in market prices and a number of uncontrollable factors, which could significantly affect the fair value of biological assets in future periods. A 10% positive change in each of the significant assumptions would result in an aggregate increase of $263,050 in the biological assets balance at December 31, 2017 [2016 - $51,608]. A 10% negative change in each of the significant assumptions would result in an aggregate decrease of $174,938 in the biological assets balance at December 31, 2017 [2016 - $30,457].

The Company estimates the harvest yields for medical cannabis at various stages of growth. As of December 31, 2017, it is expected that the Company's biological assets will yield approximately 437,499 grams [2016 – 156,495 grams] of medical cannabis when harvested.

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

Gross profit

Gross profit was negative $838,782 for the year ended December 31, 2017 and $967,777 for the year ended December 31, 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 year ended December 31, 2017, Maricann served approximately 8,000 registered patients compared to approximately 5,000 registered patients served in 2016.

Expenses

General and administrative

General and administrative expenses were $14,086,568 and $3,116,733 for the year ended December 31, 2017 and 2016 respectively, representing an increase of $10,969,835 or 352%. The increase year over year represents the company's efforts to bring more labour and talent into the company, increased travel, increased corporate activity, investor relations and maintenance costs as well as other overhead associated with the growth including contactors, professional fees and increased site security.

Sales and marketing

Sales and Marketing expenses increased to $3,956,077 for the year ended December 31, 2017 from $1,463,600 the prior year, representing an increase of $2,492,477 or 170%. The increase is due to increased 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 of $4,639,681 (2016: $1,134,630) relates to stock options issued to employees under the Company's share option plan, representing an increase of $3,505,051 or 309%. The increase is mainly due to additional stock options granted in the year and special share-based payments granted to a few key employees.

Depreciation

Depreciation expense was $1,781,515 for the year ended December 31, 2017 compared to $702,089 during the same period in 2016, representing an increase of $1,079,426 or 154%. The increase was the result of the addition of new greenhouse space, increased capacity in the processing facility and amortization of the intangible asset.

Listing Expense

Listing expense was $4,486,850 for the year ended December 31, 2017 compared to $Nil during the year ended December 31, 2016. The costs incurred relate to the costs associated with the RTO in April 2017.

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

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

Upon the completion of the RTO, 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, 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 was $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 was 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 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 year ended December 31, 2017, the Company recorded a net non-cash fair value loss on convertible debt related to share issuance of $37,176,990.

Transaction Costs

The 2016 transaction costs of $2,508,866 for the year ended December 31, 2016, relates to the convertible debenture and warrants issuance during 2016.

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 year ended December 31, 2017 and 2016 was $67,012,874 and $8,295,768, respectively. The increase 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, share based compensation expense increase of $3,505,051 and general and administrative expenses increase of $10,969,835.

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 year. 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 year ended December 31, 2017 was $0.97 per share as compared to $0.22 per share for the year ended December 31, 2016.

Total Assets

Total assets increased to $93,332,797 as at December 31, 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 297% from $7,162,284 to $28,438,345. The majority of this increase related to upgrades/expansion to the growing and processing facilities. Current and non-current other assets (excluding cash) increased 1797% to $4,348,773 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 increased to $24,572,873 from $16,192,662 due to the convertible debentures of $31,000,000 issued in October 2017. Intangible assets increased to $33,866,045 from nil due to the acquisition of Nanoleaf and the signing of the Rare Dankness exclusivity agreement.

Total Liabilities

Total liabilities as at December 31, 2017 were $31,810,788 as 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 as well as the convertible debentures issued in Q4 at a face value of $31,000,000.

Liquidity and Capital Resources

For the year ended December 31, 2017, the Company generated revenues of $3,222,746 from operations and has financed its operations and met its capital requirements primarily through a convertible debenture, stock option and warrant exercises and 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 year, the Company completed raises through equity subscriptions totaling $9,136,869, received proceeds from exercise of stock options and warrants of $13,964,848, issued convertible debentures in the amount of $31,000,000, repaid $2,687,092 in borrowings and $135,586 in lease obligations to meet its current and anticipated future obligations.

As at December 31, 2017, the Company had working capital of $22,223,435 compared to a deficiency of $10,394,787 at December 31, 2016. The increase in working capital of $32,618,222 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.

Subsequent to December 31, 2017, the Company has significantly strengthened its balance sheet and liquidity position with over $40 million in new financings as further described in "Company Developments" above, the conversion of a portion of the convertible debentures and over $1.8 million in stock option and warrant exercises, see subsequent events note 25 to the consolidated financial statements.

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.

The Company anticipates that it has sufficient liquidity and capital resources to meet all its planned expenditures for the next twelve months.

Operating Activities

For the year ended December 31, 2017, cash flow used in operating activities was $19,512,128 compared to $5,341,308 for the year ended December 31, 2016. The increase in cash flow used in operations is $14,170,820 or 265%. The increase in cash flow used in operations is due to higher net losses of the year net of the non-cash

fair value change in convertible debenture and warrant liability related to changes in value of common shares.

Investing Activities
For the year ended December 31, 2017, the Company had used cash of $21,501,439 related to investing activities as compared to $3,364,609 for the year ended December 31, 2016. Investing activities during the year relate to building and other facility upgrade and the purchase of production equipment, computers and furniture as well as advancements towards investments and acquisition of the German subsidiary.

Financing Activities
Cash flows provided by financing activities for the year ended December 31, 2017 were $49,427,632 compared to $24,897,579 for the year ended December 31, 2016, an increase of $24,530,052 or 99%. The increase in cash provided by financing activities is primarily due to an increase in cash proceeds from equity raises of $9,136,869, cash proceeds from issuance of convertible debentures of $31,000,000, proceeds received on exercise of stock options and warrants of $13,964,847 and offset by repayment of borrowings of $2,687,092, and repayment of interest on borrowings and capital leases of $135,586.

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	133,389,652
Stock options	4,853,111
Warrants	21,836,637
Dilutive effect of convertible debentures	14,015,179
Dilutive effect of share rights	1,240,231
Dilutive effect of compensation options	1,901,130
Fully diluted	177,235,940

Capital Expenditures

The Company has been taking a phased approach to capital expansion since January 2015. Expenditures have been managed based on the available cash resources. During 2015, two new greenhouses were built along with critical and efficiency-based upgrades to the existing growing and processing facilities. Additional upgrades were also completed during Q3 & Q4 2016. The Company embarked on its most substantial facility expansion to date in December 2016. With an expected completion date in Q2 2018, an additional approximately 217,000 square feet of growing and processing space will complement the current footprint. This facility is expected to have a design capacity of 22,245 kg of annual production when complete and fully operational, subject to obtaining regulatory licensing approval. During the year ended December 31, 2017, the Company spent an additional $18,756,541 primarily on facility expansions.

Commitments and Contingent Liabilities

Contingent Liabilities

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

As at December 31, 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 $17,301,777 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 five years and beyond until the termination of the leasing arrangement.

	$
2018	277,998
2019	42,420
2020	43,803
2021	44,264
2022 and beyond	18,443
	426,928

Off-Balance Sheet Arrangements

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

Transactions and balances with related parties

As at December 31, 2017 and 2016, 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 14 and 17 to the consolidated financial statements.

[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 these entities, while the remaining 5% non-controlling interest is retained by a key management employee, Josef Spaeth, 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 with an associated affiliate. 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 [$4,510,170] an entity in Germany. Such entity holds a property in Naunhof, Germany that the Company intends to utilize in the event of obtaining required licenses in Germany to cultivate and distribute cannabis for medical purposes. An entity jointly owned by the CEO of the Company and a key management employee of the Company's German subsidiaries held preemptive rights over this property. In entering into a reservation agreement, the Company paid another entity affiliated with the Company's CEO €410,000 ($767,944) to acquire these preemptive rights. Such amount is included in Other assets.

Management compensation

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

Compensation expense for the Company's key management personnel for the year ended December 31, 2017 and 2016 is as follows:

	2017	2016
	$	$
Salaries and other benefits	**1,553,290**	**470,615**
Share based compensation	**4,329,772**	**1,086,406**
	5,883,062	**1,557,021**

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 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.

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

Other Risk Factors

- *Regulatory Regime*

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 is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the impact of the compliance regime Health Canada is implementing for the Canadian medical marijuana industry. Similarly, 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.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations 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. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs 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.

- *Changes in Laws, Regulations and Guidelines*

The Company's operations are subject to various laws, regulations, guidelines and licensing requirements relating to the production, manufacture, sale, distribution, management, transportation, storage and disposal of medical marijuana, as well as being subject to laws and regulations relating to health and safety, the conduct of operations and the protection of the environment, both in Canada and abroad. While to the knowledge of management, Maricann Group is currently in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of Maricann Group could have a material adverse effect on the business, results of operations and financial condition of the Company. In particular, any amendment to or replacement of the ACMPR, including the enactment of the proposed Cannabis Act, may cause adverse effects to the Company's operations.

On April 13, 2017, the Canadian Federal Government put forward proposed legislation, the Cannabis Act, outlining the framework for the legalization of adult use cannabis, as well as laws to address drug-impaired driving, protect public health and safety and prevent youth access to cannabis. The provincial and municipal governments have been given explicit authority by the Federal Government to provide regulations regarding retail and distribution, as well as the ability to alter some of the existing baselines, such as increasing the minimum age for purchase and consumption. The Federal Government has said the Cannabis Act is to come into effect no later than July 2018. The ACMPR will continue to operate in tandem with the recreational regime, and will be re-evaluated within five years of the Cannabis Act coming into force. Licensed Producers will be deemed to be licensed under the Cannabis Act as well. While it is understood that Licensed Producers will continue to operate under the medical and recreational regimes, until the provinces release their regulations regarding retail and distribution it is still unclear what the landscape of the legalization regime will look like. Although the impact of such changes is uncertain and highly dependent on which specific laws or regulations are changed, the impact on the Company should be comparable to other companies in the same business as the Company.

- *Reliance on Licenses and Renewals*

The Company's ability to grow, store and sell medical marijuana in Canada is dependent on maintaining and obtaining the required licenses from Health Canada. The licenses are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the licenses or any failure to maintain the licenses would have a material adverse impact on the business, financial condition and operating results of the Company. Although management believes it will meet the requirements of the ACMPR annually for extension of the licenses, there can be no guarantees that Health Canada will extend or renew the Company's licenses as necessary, of, if extended or renewed, that they will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the licenses or renew or extend the licenses on different terms, the business, financial condition and results of operation of the Company would be materially adversely affected. In addition, the Company has applied to Health Canada for a license to sell encapsulated cannabis oil. Although management believes it will meet the requirements for the grant of such license, there can be no assurances that Health Canada will grant such license, and that, if granted, it will continue to renew such license as necessary.

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. There is no guarantee that the Company will be successful in obtaining such approvals or maintaining such approvals if granted. If such approvals are not obtained then the Company will not be able to execute on certain aspects of its business plan which may have a negative impact on the Company.

- *Limited Operating History*

The Company has a limited operating history on which to base an evaluation of its business, financial performance and prospects. As such, The Company is subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. The Company has incurred operating losses since commencing operations and there is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations. The Company may incur losses in the future and may not achieve profitability.

- *Volatility of Industry Conditions*

The demand, pricing and terms for the sale of medical marijuana largely depend upon the level of industry activity for Canada and, to a lesser extent, the development of the Canada medical marijuana markets. Industry conditions are influenced by numerous factors over which Maricann Group has no control, including the level of medical marijuana prices, expectations about future medical marijuana prices and production, the cost of producing and delivering medical marijuana; any rates of declining current production, political, regulatory and economic conditions; alternative fuel requirements; and the ability of medical marijuana companies to raise equity capital or debt financing.

The level of activity in Canada medical marijuana industry is volatile. No assurance can be given that expected trends in medical marijuana production and sales activities will continue or that demand for medical marijuana will reflect the level of activity in the industry. Any prolonged substantial reduction in medical marijuana prices would likely affect medical marijuana production levels and therefore affect the demand for medical marijuana. A material decline in medical marijuana prices or Canada industry activity could have a material adverse effect on Maricann Group's business, financial condition, results of operations and cash flows.

- *Access to Additional Financing*

Maricann Group may find it necessary in the future to obtain additional debt or equity financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to Maricann Group when needed or on terms acceptable to the Company. Maricann Group's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit the Company's growth and could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

- *Dependence on Senior Management and Key Personnel*

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.

As recently disclosed by the Company, the Ontario Securities Commission (the "OSC") has advised that Ben Ward, the Chief Executive Officer of the Company, is the subject of an investigation into his activities while he was CEO of Canadian Cannabis Corp., a company wholly unrelated to the Company. In addition, the OSC is also reviewing certain trades made by two former directors (or associates or affiliates thereof) and investigating certain trades by a current director and/or an associate or affiliate or other persons otherwise directly or indirectly related to a current director of the Company. The outcome of each of the investigations and the reviews is not known and there is no assurance that it will not have negative impacts on any of these individuals' roles as an officer and/or directors of the Company, on the Company and/or on the public perception of the Company. Public companies in the cannabis sector are highly regulated and any negative outcome in respect of the foregoing investigations and/or review may require changes to the composition of management and/or the board of directors of the Company and/or its subsidiaries. In addition, the competition for qualified personnel in the industry is extremely competitive and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

- *Competition*

The introduction of a recreational model for cannabis production and distribution may impact the medical marijuana market. The impact of this potential development may be negative for the Company and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates. In particular, the number of Licensed Producers is set to increase to meet the demand of the recreational market, which could negatively impact the Company's market share and demand for products.

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

The Company also faces competition from illegal marijuana dispensaries that are selling marijuana to individuals despite not having a valid license under the ACMPR.

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. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

As well, the legal landscape for medical and recreational marijuana is changing internationally. An increasing number of jurisdictions globally are passing laws that allow for the production and distribution of medical marijuana in some form or another. The Company has some international partnerships in place, which may be affected if more countries legalize medical marijuana. Increased international competition might lower the demand for the Company's products on a global scale.

- *Risks Inherent in the Agricultural Business*

The Company's business involves the growing of medical marijuana, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company expects that any such growing will be completed indoors under climate-controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

- *Vulnerability to Rising Energy Costs*

The Company's medical marijuana growing operations consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably. The Company is working to mitigate such risk by using solar energy, but there is no assurance that it will be successful in eliminating such risk.

- *Risks of Foreign Operations*

The Company's strategy is to consider exporting its expertise and technologies to foreign countries. Working outside of Canada gives rise to the risk of dealing with business and political systems that are different than what contractors are accustomed to in Canada. As a result, the Company has hired employees who have experience working in the international arena (including Germany) and it is committed to recruiting qualified resident nationals on the staff of all of its international operations. The potential risks include: expropriation or nationalization; civil insurrection; labour unrest; strikes and other political risks; fluctuations in foreign currency and exchange controls; increases in duties and taxes; and changes in laws and policies governing operations of foreign based companies.

- *Expansion of Facilities*

The expansion of facilities is subject to Health Canada regulatory approvals. While management does not anticipate significant issues receiving the necessary approvals, the delay or denial of such approvals would have a material adverse impact on the business and may result in the Company not meeting anticipated or future demand when it arises.

- *Environmental Regulations and Risks*

The Company's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are currently and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of medical marijuana or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of medical marijuana, or more stringent implementation thereof, could have a material adverse impact on the company and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

- *Constraints on Marketing Products*

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.

- *Agreements and Contracts*

The business operations of Maricann Group will depend on written and verbal performance-based agreements with its customer base some of which are cancellable at any time by the Company or its customers. The key factors which will determine whether a client continues to use Maricann Group are product and service quality and availability, reliability and performance of equipment used to produce its product and perform its services, technical knowledge and experience, reputation for safety and competitive pricing. There can be no assurance that the Company's relationship with customers will continue or that former customers will return, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Reduced levels of activity in the medical marijuana industry can intensify competition and result in lower revenue to Maricann Group. Variations in the medical marijuana and development budgets of medical marijuana companies which are directly affected by fluctuations in medical marijuana prices and the cyclical nature and competitiveness of the medical marijuana industry and governmental regulation, will have an effect upon the Company's ability to generate revenue and earnings as well.

- *Operating Risks and Insurance*

The Company's operations are subject to hazards inherent in the medical marijuana industry, such as equipment defects, malfunction and failures, and natural disasters which result in fires, accidents and explosions that can cause personal injury, loss of life, suspension of operations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These risks could expose Maricann Group to substantial liability for personal injury, wrongful death, property damage, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators.

The Company continuously monitors its operations for quality control and safety. However, there are no assurances that the Company's safety procedures will always prevent such damages. Although Maricann Group maintains insurance coverage that it believes to be adequate and customary in the industry, there can be no assurance that such insurance will be adequate to cover its liabilities. In addition, there can be no assurance that Maricann Group will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by Maricann Group, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on the Maricann Group, the Company's ability to conduct normal business operations and on the Company's business, financial condition, results of operations and cash flows in the future.

- *Uninsured or Uninsurable Risk*

The Company may be subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's normal business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

- *Unfavourable Publicity or Consumer Perception*

The Company believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy 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 can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable 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 favourable 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 cash flows of the Company. 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 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 products 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 legally, appropriately or as directed.

- *Regulatory Scrutiny of Company's Interests in the United States*

It has been reported by certain publications in Canada that The Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("**CDS**"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. CDS or its parent company has not issued any public statement in regard to these reports. Although the Company currently has no operations in the United States, if CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Company, it would have a material adverse effect on the ability of holders of Common Shares to make trades. In particular, the Common Shares would become highly illiquid as investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange.

In addition, on November 24, 2017, the TMX Group provided an update regarding issuers with marijuana-related activities in the United States and confirmed that TMX Group will rely on the Canadian Securities Administrators' recommendation to defer to individual exchange's rules for companies that have marijuana-related activities in the United States and to determine the eligibility of individual issuers to list based on those exchanges' listing requirements. Although the Company currently has no operations in the United States, any restrictions imposed by the CSE or other applicable exchange on the business of the Company and/or the potential delisting of the Common Shares from the CSE or other applicable exchange would have a material adverse effect on the Company and on the ability of holders of Common Shares to make trades.

- *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 impact on the business, financial condition, and operating results of the Company.

- *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.

- *Product Liability*

As a manufacturer and distributor of products designed to be ingested by humans, Maricann Group 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 the Company's products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. Maricann Group may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, 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 Maricann Group 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 Maricann Group 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 potential products.

- *Intellectual Property*

Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products and technology. Policing the unauthorized use of the Company's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as the Company may be unable to effectively monitor and evaluate the products being distributed by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the Company's trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for the benefit of the Company, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the Company's trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect the business, financial condition and results of operations of the Company.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licenses from third parties who allege that the Company has infringed on their lawful rights. However, such licenses may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

- *Application of VESIsorb® Technology*

The Company has been working to determine whether the VESIsorb® technology licensed from Vesifact, the producer of VESIsorb®, is compatible with both THC and non-THC cannabinoid products. While sufficient testing has not been conducted to confirm VESIsorb's compatibility (the "**Testing**"), Vesifact has indicated that it will, at the Company's expense, take the steps necessary to complete the Testing. There can be no assurances that the Testing will be completed or be successful or that the Company will be able to commercialize the use of VESIsorb® with its products.

- *Vesifact Patent Licenses*

As a sub-licensee of the VESIsorb® technology and other Vesifact patents, there can be no assurance that the Company, through NanoLeaf, will continue to have the benefit of the sub-license, as the underlying patents could expire, fail to be maintained or be held invalid, or the chain of license rights could be broken by, for example, termination of an upstream license or the bankruptcy of a licensor. Also, as the VESIsorb® technology and other inventions are not patented in all jurisdictions (including Canada), there is no guarantee that others will not seek to exploit such inventions in jurisdictions where no patents have been obtained. In addition, as some of the patents underlying the sub-license acquired in the Acquisition are co-owned by Vesifact and another party, to the extent that HempChoice received, indirectly, from Vesifact and HempChoice granted to NanoLeaf exclusive rights in such patents, there is no guarantee that the other co-owner of some of the patents could not itself exploit or license others to use such patented inventions.

- *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. For example, the Company recently received an amended statement of claim from a financial advisory firm which alleges that the Company has breached a right of first refusal under an advisory agreement entered between the Company and the claimant as a result of entering into certain equity offerings. The claimant claims damages in excess of $3,000,000 and ownership to certain compensation warrants. The Company filed a statement of defense dated February 8, 2018 and intends to vigorously defend the claim.

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.

- *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 labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company 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. Additionally, if one of the Company's significant brands were subject to recall, the image of that product and the Company could be harmed. A recall for any 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 the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

- *Fraudulent or Illegal activity by its Employees, Contractors and Consultants*

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken

by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

- *Reliance on the Main Facility*

The Company's activities and resources have been primarily focused on its main facility in Langton, Ontario ("Site 150") until its new site is fully permitted and operational. Adverse changes or developments affecting the facility, including, but not limited to, municipal laws regarding rezoning, facility design errors, environmental pollution, equipment or process failures, production errors, major incidents/catastrophic events (for example, fires, earthquakes and storms), could have a material adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada, could also have an impact on the Company's ability to continue operating under its licenses or the prospect of renewing its licenses.

Maricann Inc. occupies Site 150 pursuant to a lease. Adverse changes or developments affecting the Site 150 lease, including, but not limited to, breaches to or termination of the Site 150 lease by Maricann Inc. or the Site 150 landlord, could have a material adverse effect on the Company's business, financial condition and prospects.

- *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. The inability of the Company to deal with this growth that may have a material adverse effect on the Company's business, financial condition, results of operation and prospects.

- *Acquisition and Development Risks*

Maricann Group expects to selectively seek strategic acquisitions. Maricann Group's ability to consummate and to integrate effectively any future acquisitions on terms that are favourable to it may be limited by the number of attractive acquisition targets, internal demands on the Company's resources and, to the extent necessary, the Company's ability to obtain financing on satisfactory terms, if at all. Acquisitions may expose Maricann Group to additional risks including difficulties in integrating administrative, financial reporting, operational and information systems and managing newly acquired operations and improving their operating efficiency, difficulties in maintaining uniform standards, controls, procedures and policies through all of the Company's operations, entry into markets in which Maricann Group has little or no direct experience; difficulties in retaining key employees of the acquired operations; and disruptions to the Company's ongoing business.

In addition, future acquisitions could result in the incurrence of additional debt, costs, and contingent liabilities to the Company. Maricann Group may also incur costs for and divert management attention to potential acquisitions that are never consummated. For acquisitions that are consummated, expected synergies may not materialize. The Company's failure to effectively address any of these issues could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows in the future.

- *Issuance of Debt*

From time to time, the Company may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase the Company's debt levels above industry standards for companies of similar size. Depending on future exploration and development plans, Maricann Group may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms to Maricann Group. Neither the Company's articles nor its by-laws limit the amount of indebtedness that Maricann Group may incur. As a result, the level of the Company's indebtedness from time to time, could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

- *Dilution*

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive to the other shareholders and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares.

- *Sources, Pricing and Availability of Equipment and Equipment Parts*

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. The Company sources its equipment and equipment parts from a variety of suppliers, most of whom are located in Canada and the United States. Should any suppliers of Maricann Group be unable to provide the necessary equipment or parts or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services or in the time required to find new suppliers could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows in the future.

- *Price Volatility of Securities*

The market price of Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control. The Common Shares have only recently been listed on the CSE. There can be no assurance that an active public market for the Common Shares will continue to develop or be sustained. If an active public market for the Common Shares does not continue to develop, the liquidity of a shareholder's investment may be limited, and the share price may decline.

In addition, in recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Common Shares will be affected by such volatility.

- *Reputational Risk to Third Parties*

The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's medical marijuana business activities. While the Company has other banking relationships and believes that the services can be procured from other institutions, the Company may in the future have difficulty establishing or maintaining bank accounts or other business relationships. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

- *Conflicts of Interest*

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or corporations with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. From time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors

of the Company are required to act honestly, in good faith and in the best interests of the Company.

- *Dividends*

The Company has not paid any dividends on its outstanding shares to date and may not pay dividends in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the Board and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Board may deem relevant. As a result, investors may not receive any return on an investment in the Common Shares unless they sell their shares of the Company for a price greater than that which such investors paid for them.

- *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*

Given the nature of the Company's product and its lack of legal availability outside of channels approved by the Government of Canada, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

In addition, the Company collects and stores personal information about its patients and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, there are a number of federal and provincial laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the privacy rules under the *Personal Information Protection and Electronics Documents Act* (Canada) (**"PIPEDA**"), protect medical records and other personal health information by limiting their use and disclosure of health information to the minimum level reasonably necessary to accomplish the intended purpose. If the Company was found to be in violation of the privacy or security rules under PIPEDA or other laws protecting the confidentiality of patient health information, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the business, results of operations and financial condition of the Company.

- *History of Losses*

The Company has incurred losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, Maricann Group expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, Maricann Group will not be profitable.

- *Adverse Media Coverage*

The Company has recently been subject to negative media coverage. This negative media coverage may impact some of the Company's business relationships and may result in the Company having difficulties securing, or failing to secure, future business opportunities, and/or current business partners of the Company reducing their levels of engagement with, and support of, the Company, or terminating, or seeking to terminate, their agreements with the Company. Any such events may result in a material adverse effect on the business and/or prospects of the Company.

Company Outlook

The Company continues to expand both revenue and production, increasing capacity to supply the growing medical market in Canada. Additionally, with the advent of recreational cannabis in Canada, as promised by the current Liberal government, the outlook for the Company is expected to be advantageous, as one of few federally licensed producers with the capability to expand significantly on its 100-acre Langton, Ontario land package. The Company expects that its new lines of products, along with expanded marketing efforts will result in significant

year on year growth in 2018. As part of the Company's international expansion strategy, the company has submitted license applications, and has been diligently working with the German government authority in order to become licensed in the German market. The Company 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 4 to the Audited Annual 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.

New standards, interpretations and amendments adopted by the Company

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

IAS 7 – Statement of Cash Flows ["IAS 7"]

IAS 7 has been revised to incorporate amendments issued by the IASB in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. The amendments to IAS 7 did not have any significant impact on the Company's consolidated financial statements for the period ended December 31, 2017.

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 the Company's consolidated financial statements for the period ended December 31, 2017.

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

IFRS 9 Financial Instruments ["IFRS 9"]

IFRS 9, Financial Instruments ("IFRS 9"), introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is in the process of evaluating the impact of IFRS 9 on its consolidated 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 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 consolidated 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 its consolidated financial statements.

Amendments to IFRS 2 Share-based Payment

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

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 is in the process of evaluating the amendments to IFRIC 22 on its 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 consolidated financial statements.

Subsequent Events

- Subsequent to December 31, 2017, the Company closed the SW Offering.
- Subsequent to December 31, 2017, the Company granted 116,385 stock options with an exercise price of $3.10 each and 280,000 stock options with an exercise price of $3.39 each.
- Subsequent to December 31, 2017, 122,040 common shares were issued on the exercise of 122,040 stock options for gross proceeds of $18,000.
- Subsequent to December 31, 2017, 87,108 warrants were granted pursuant to the RD Agreement *[Note 11]*.
- Subsequent to December 31, 2017, 1,435,500 warrants were exercised at $1.25 for gross proceeds of $1,794,510 and 16,589 warrants were exercised at $2.30 for gross proceeds of $38,155.
- Subsequent to December 31, 2017, 433,000 common shares were issued pursuant to consulting agreements.
- Subsequent to December 31, 2017, 5,181,250 common shares were issued upon the conversion of $8,290,000 of the convertible debentures.
- Subsequent to December 31, 2017, the Company has entered into a definitive agreement with respect to the acquisition of all outstanding shares of Haxxon AG ("Haxxon"). Haxxon operates within a 6,000 sq. m. (~64,500 sq. ft.) indoor facility in Regensdorf, Switzerland; an industrial suburb of Zurich. The transaction is scheduled to close on or about May 15th, 2018, or as soon as possible, subject to regulatory approval and the approval of the holders of the Company's secured convertible debentures holding 66 2/3% in principal amount of the outstanding debentures being obtained by no later than May 31, 2018. Haxxon is being acquired for CHF 2,000,000 ($2,570,960) in cash and CHF 6,000,000 ($7,712,880) in common shares of the Company at the 20-day volume weighted average price ending two trading days before closing.

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.