

ONTARIO
SUPERIOR COURT OF JUSTICE

B E T W E E N:

**JONATHAN A. LUBUS, MARKO STAJIC,
MORDECAI BOBROWSKY, and KYLE YAMAMURA**

Plaintiffs

– and –

**WAYLAND GROUP CORP., BENJAMIN ALLAN WARD,
CANACCORD GENUITY CORP., and GMP SECURITIES L.P.**

Defendants

Proceeding under the *Class Proceedings Act, 1992*

COMPENDIUM OF THE PLAINTIFFS

(Leave to Proceed under s. 138.8 of the *Securities Act*)

Date: September 11, 2022

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NB: Defendants Wayland Group Corp. and Benjamin Allan Ward not served because they have been noted in default.

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Tab	Date	Document	Location in Record
1	June 29, 2018	Impugned Document #1 – AIF and Certification by Benjamin Ward	PMR, Tab 2, Exhibit I
2	August 24, 2018	Impugned Document #2 – Wayland’s 2Q MD&A	PMR, Tab 2, Exhibit J
3	October 1, 2018	Impugned Document #3 & Public Corrective Statement #1 – Short Form Prospectus	PSMR, Tab 1, Exhibit T
4	November 28, 2018	Impugned Document #4 & Public Corrective Statement #2 – Wayland’s 3Q MD&A	PMR, Tab 2, Exhibit L
5	February 21-22, 2019	Public Corrective Statement #3 – Wayland News Releases	PMR, Tab 2, Exhibit M
6	April 23, 2019	Public Corrective Statement #4 – Wayland News Release	PMR, Tab 2, Exhibit N
7	February 28, 2018	Wayland News Release announcing OSC investigation into Ben Ward	PSMR, Tab 1, Exhibit G
8	March 23, 2018	Letter from E&Y to Wayland, Mr. Ward and Audit Committee of the Board of Directors (CNTRL00018763)	PSMR, Tab 1, Exhibit F
9	April 5, 2018	Ontario Securities Commission letter (CNTRL00012770)	PSMR, Tab 1, Exhibit N
10	September 14, 2018	Email from Gerhard Muller to Ben Ward regarding Colmed Due Diligence Report (CNTRL00126147)	PSMR, Tab 1, Exhibit S

11	March 29, 2019	Email from MNP LLP to Ben Ward that the Board of Directors retained MNP to audit/investigate Ben Ward	PSMR, Tab 1, Exhibit FF
12	June 24, 2019	Email from MNP to Wayland, Re: Audit Update (CNTRL00220927)	PSMR, Tab 1, Exhibit JJ
13	November 7, 2019	Letter from Primary Insurer to Wayland	PSMR, Tab 1, Exhibit KK
14	January 10, 2020	Affidavit of John FitzGerald (CEO and President of Cryptologic Corp.) in the CCAA proceeding	PSMR, Tab 1, Exhibit LL
15	Winter 2020	Wayland Offering Memorandum, "Acquisition or Investment Opportunity" (CNTRL00011414)	PSMR, Tab 1, Exhibit MM
16	March 28, 2018	Wayland Prospectus	PMR, Tab 2, Exhibit F
17	September 1, 2021	Fresh as Amended Statement of Claim	PMR, Tab 2, Exhibit D
18	January 2, 2018 to May 6, 2019	Wayland Trade Data	PMR, Tab 2, Exhibit O
19	March 10, 2019	Email from E&Y to Wayland's CFO, Re: Budget (CNTRL00081476)	PSMR, Tab 2, Exhibit H
20	November 30, 2018	Letter from OSC to Wayland (CNTRL00063975)	PSMR, Tab 2, Exhibit V

TAB 1



MARICANN GROUP INC.

ANNUAL INFORMATION FORM

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

DATED: June 24, 2018

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EXPLANATORY NOTES AND CAUTIONARY STATEMENTS

Explanatory Notes

In this Annual Information Form (“AIF”), unless otherwise noted or the context requires otherwise:

- (a) the term “**Danbel**” refers to Danbel Ventures Inc., prior to the RTO (as defined herein);
- (b) the term “**Maricann**” refers to Maricann Inc., prior to the RTO;
- (c) the term “**Company**” refers to Maricann Group Inc., being Danbel following the completion of the RTO; and
- (d) the term “**Maricann Inc.**” refers to the wholly-owned subsidiary of the Company resulting from the amalgamation of Maricann and Subco (as defined herein) on completion of the RTO.

All financial information in this AIF is prepared in Canadian dollars and using International Financial Reporting Standards as issued by the International Accounting Standards Board. Information contained in this AIF is given as of December 31, 2017, unless otherwise stated.

Market and industry data used throughout this AIF was obtained from various publicly available sources. Although the Company believes that these independent sources are generally reliable, the accuracy and completeness of such information are not guaranteed and have not been verified due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and the limitations and uncertainty inherent in any statistical survey of market size, conditions and prospects.

This AIF should be read in conjunction with the Company’s audited consolidated financial statements and management’s discussion and analysis for the financial year ended December 31, 2017, which are available under the Company’s profile on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) website at www.sedar.com.

Caution Regarding Forward-Looking Information

Certain information contained in this AIF may constitute “forward-looking information” within the meaning of applicable Canadian securities legislation. Such forward-looking information is based upon the Company’s and its management’s current internal predictions, expectations, beliefs, plans, projections, objectives, goals, strategies, assumptions, priorities, intentions or estimates. Forward-looking information can often be identified by forward-looking words or phrases such as “believes”, “expects”, “anticipates”, “intends”, “plans”, “estimates”, “schedules”, “forecasts”, “budgets”, “proposes”, or variations or comparable language of such words, and phrases or statements stating that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” occur, be taken or be achieved or other connotations or such words or phrases or other similar expressions concerning matters that are not historical facts. Forward-looking information may also include, without limitation, any statement relating to future events, conditions or circumstances. The Company cautions the reader not to place undue reliance upon any such forward-looking information.

Forward-looking information does not constitute historical fact but rather reflects the current expectations of the Company regarding future results or events based on information that is currently available. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the results, performance, achievements, predictions, forecasts, projections and other forward-looking information will not occur or will differ materially from such anticipated results, performance, achievements, predictions, forecasts, projections or other forward-looking information. Forward-looking information in this Prospectus and the documents incorporated by reference herein includes, but is not limited to, statements with respect to:

- the Company’s expectations regarding its revenue, expenses and operations;
- the Company’s anticipated cash needs and its needs for additional financing;
- the Company’s integration of its acquisitions;
- the Company’s plans, budget and costs for, and timing of, the expansion of Site 138 (as defined herein) in Langton, Ontario;
- the Company’s future growth plans, including, but not limited to, its 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;
- the Company’s ability to attract new customers and develop and maintain relationships with existing customers;
- the Company’s expectations with respect to increased production capacity and timing and quantum of distribution activities;
- plans with respect to the payment of dividends;
- the Company’s ability to identify, attract, hire, train, motivate and retain personnel;
- the Company’s technology and data, and expected uses and benefits;
- general economic, business and political conditions;
- stock market volatility;
- anticipated costs and ability to achieve goals including production capacity;
- the use of net proceeds of the Offering, including but not limited to, in respect of the Expansion (as defined herein);
- the ability of the Company to renew its licenses from Health Canada and obtain additional licenses elsewhere;
- compliance with regulatory requirements as set out by ACMPR (as defined herein) and Health Canada;
- the outcome of the regulatory investigation related to the Chief Executive Officer of the Company and other matters as discussed under “Additional Information”;
- medical benefits, viability, safety, efficacy, and social acceptance of cannabis;
- the impact and expected timing of certain changes in cannabis laws and regulations in the jurisdictions in which the Company operates;
- the Company’s competitive position and its expectations regarding competition in the cannabis industry; and
- anticipated trends and challenges in the Company’s industry, its business and the markets in which it operates.

Although the Company believes that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither the Company nor any other person assumes responsibility for the accuracy or completeness of the forward-looking information. Some of the risks and other factors, some of which are beyond the Company’s control, which could cause results to differ materially from those expressed in the forward-looking information contained in this AIF, include, but are not limited to construction delays; weather issues affecting crops; delays in getting required permits; changes in laws; regulatory hurdles; fluctuations in operating results; the impact of general economic, industry and market conditions; social acceptance risks associated with cannabis products; the ability to recruit and retain qualified employees; risks of litigation; fluctuations in cash flow; increased levels of outstanding debt and obligations under a capital lease; inherent uncertainties in estimations regarding market demand for particular products and the dependence on new product development; the impact of market change; and the impact of price and product competition and such other risks and uncertainties set forth under “Risk Factors” in this AIF.

The forward-looking information contained in this AIF is presented as of the date of this AIF and, accordingly, is subject to change after such date. Forward-looking information is disclosed for the purpose of providing information about management’s current expectations and plans and allowing investors and others to gain a better understanding of the Company’s operating environment. The Company does not intend or undertake to publicly update any forward-looking information included in this AIF, whether as a result of new information, future events or otherwise, except in accordance with applicable Canadian securities laws.;

CORPORATE STRUCTURE

Name, Address and Incorporation

Maricann Group Inc. (the “**Company**”) was incorporated as “Augusta Technologies Inc.” on December 19, 1996 pursuant to Articles of Incorporation issued pursuant to the *Business Corporations Act* (Alberta) and changed its name to “Danbel Industries Corporation” pursuant to Articles of Amendment dated December 21, 1998. The Company was continued into the Province of Ontario pursuant to Articles of Continuance filed on December 24, 1998. The Company changed its name to “Danbel Ventures Inc.” (“**Danbel**”) pursuant to Articles of Amendment filed on December 1, 2011. Maricann Inc. (“**Maricann**”) was incorporated pursuant to Articles of Incorporation issued pursuant to the *Business Corporations Act* (Ontario) (the “**OBCA**”) on April 25, 2013.

On April 20, 2017, Maricann completed a reverse takeover of Danbel (the “**RTO**”). Pursuant to the RTO, 2563554 Ontario Inc. (“**Subco**”), a wholly-owned subsidiary of Danbel, merged with Maricann and the combined entity, Maricann Inc., became a wholly-owned subsidiary of the Company. In connection with the RTO, Danbel completed a consolidation (the “**Consolidation**”) of its common shares on the basis of one post-Consolidation common share (each, a “**Common Share**”) for every 9.22 pre-Consolidation common shares. Upon completion of the RTO, Common Shares were issued to former shareholders of Maricann, on a one-for-one basis and the business and shareholders of Maricann became the business and shareholders of the Company. The Company filed Articles of Amendment on April 20, 2017 and changed its name to “Maricann Group Inc.”

The registered and head office of the Company is located at 845 Harrington Court, Unit #3, Burlington, Ontario. The Company’s website is www.maricann.com. The content of the Company’s website is not incorporated by reference into this AIF.

Intercorporate Relationships

The following is an organizational chart setting out the inter-corporate relationships between the Company and its direct and indirect subsidiaries, which together comprise the consolidated Company, and the jurisdiction of organization of each such entity, as at the date hereof:

Name of Subsidiary	Jurisdiction of Incorporation, Continuance, Formation or Organization	Percentage of Voting Securities Owned	Holder of Outstanding Voting Securities
Maricann Inc.	Ontario, Canada	100%	Maricann Group Inc.
NanoLeaf Technologies Inc.	Ontario, Canada	100%	Maricann Group Inc.
Maricann B.V.	Netherlands	100%	Maricann Inc.
Maricann GmbH	Bavaria, Germany	95% 5%	Maricann B.V. INEG Holding UG ⁽¹⁾
Mariplant GmbH	Saxony, Germany	95% 5%	Maricann B.V. INEG Holding UG ⁽¹⁾
Haxxon AG	Switzerland	100%	Maricann B.V.

Note:

- (1) INEG Holdings is wholly-owned by the General Manager of Maricann GmbH.

GENERAL DEVELOPMENT OF THE BUSINESS

History

Danbel Ventures Inc.

Prior to the completion of the RTO, Danbel had no active business operations and did not have any assets, other than cash. None of Danbel's securities were listed or posted for trading on any stock exchange or quotation system, but Danbel was a reporting issuer in the Provinces of Ontario, Alberta and British Columbia.

Maricann

Maricann was incorporated pursuant to Articles of Incorporation issued pursuant to the OBCA on April 25, 2013.

Maricann received its first license from Health Canada under the *Marijuana for Medical Purposes Regulations* on March 27, 2014 and its full Health Canada sales license to produce and distribute medical marijuana on December 12, 2014. Maricann commenced sales of medical cannabis in December 2014 and commenced cannabis oil production and sales in May of 2016 and October of 2016, respectively.

During the year ended December 31, 2014, Maricann completed a non-brokered private placement of 36,612,000 common shares of Maricann ("**Maricann Shares**") at an issue price of \$0.16 per share for gross proceeds of \$6,000,000.

In December 2014, Maricann completed its first sale of dried cannabis flowers.

In January 2016, Maricann secured a \$2,000,000 commercial term loan with a Canadian based lender for a term of one year. The commercial loan was received in two tranches, with \$1,340,000 received in January 2016 and the remaining \$660,000 received in April 2016. The commercial term loan was subject to an interest rate of 5.5% per annum and matured on January 15, 2017. On February 3, 2017, the commercial term loan was extended at a fixed interest rate of 6% for a period of five years maturing on January 15, 2022. Maricann repaid the commercial term loan and the associated accrued interest in March 2017 in full.

Since commencing operations at its main facility located at 150 8th Concession Road, Langton, Ontario ("**Site 150**") in April 2013, Maricann continued to expand production of the main facility. In February 2016, Maricann acquired 97.5 acres of property at 138 8th Concession Road, Langton, Ontario ("**Site 138**"), which is situated adjacent to the main facility, to strategically support further expansion. In February 2016, Maricann entered into a \$765,375 fixed rate secured mortgage facility with a Canadian based lender to assist with the purchase of Site 138. See "*Description of the Business – Operations and Facilities*". Interest on the mortgage facility was accrued monthly at a one-year fixed rate of 5.5%. The mortgage facility had a term of one year. On February 3, 2017, the mortgage was extended on terms consistent with the original agreement for a period of one year. Maricann repaid the mortgage facility and the associated accrued interest in full in March 2017.

In May 2016, Maricann commenced cannabis oil production.

In September 2016, Maricann received its licence to sell bottled cannabis oil and commenced sales in October 2016.

In November 2016, Maricann completed a non-brokered private placement of 4,618,604 Maricann Shares to existing shareholders at an issue price of \$0.68 per share for gross proceeds of \$3,148,704.

In November 2016, Maricann began construction efforts on Phase One of a three phase overall 942,000 sq. ft. (87,514 sq. m.) expansion.

On December 7, 2016, the directors of Maricann authorized a stock split of the Maricann Shares on a 305.1:1 basis.

On December 15, 2016, Maricann completed a brokered private placement of 22,500 units of Maricann ("**Maricann Units**") for gross proceeds of \$22,500,000 (the "**December 2016 Financing**"). Each Maricann Unit was comprised

of one senior secured convertible debenture having a principal amount of \$1,000 (a “**Maricann Convertible Debenture**”) and 500 common share purchase warrants of Maricann (each a “**Maricann Warrant**”). Immediately prior to completion of the RTO, the principal amount of the Maricann Convertible Debentures were converted into 22,500,000 Maricann Shares at a conversion price of \$1.00 per share, which Maricann Shares were exchanged for Common Shares pursuant to the RTO. The Maricann Warrants were similarly exchanged pursuant to the RTO for common share purchase warrants of the Company (“**Maricann Group Warrants**”) and were exercisable into Common Shares 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 Common Shares for any 20 consecutive trading days equals or exceed \$1.90. On December 18, 2017, the Company announced that it was accelerating the expiry date of any outstanding Maricann Group Warrants in accordance with the terms of the warrant indenture dated December 15, 2016 such that the Maricann Group Warrants will expire on January 17, 2018. As of January 19, 2018, no Maricann Group Warrants remain outstanding.

As partial consideration for their services in connection with the December 2016 Financing, Dundee Capital Markets, a division of Dundee Securities Ltd., received 900,000 compensation options (“**2016 Maricann Compensation Options**”) each entitling the holder to acquire one Maricann Unit at an exercise price of \$1.00 per Maricann Unit. Each 2016 Maricann Compensation Option was exchanged pursuant to the RTO for a replacement compensation option (a “**2016 Replacement Compensation Option**”) and is now exercisable to purchase one unit of the Company (“**Maricann Group Unit**”) at an exercise price of \$1.00 until April 20, 2019. Each Maricann Group Unit is comprised of one Common Share and one Maricann Group Warrant.

On March 3, 2017, Maricann completed an additional brokered private placement of 3,510,585 Maricann Shares at a price of \$2.85 per Maricann Share for gross proceeds of \$10,005,167.25 (the “**March 2017 Financing**”). As partial consideration for its services in connection with the March 2017 Financing, Eight Capital received 130,380 compensation options (“**2017 Maricann Compensation Options**”) to acquire Maricann Shares at an exercise price of \$2.85 per Maricann Share. Each 2017 Maricann Compensation Option was exchanged pursuant to the RTO for a replacement compensation option (a “**2017 Replacement Compensation Option**”) and is now exercisable to purchase one Common Share at an exercise price of \$2.85 per share until April 20, 2019.

On March 8, 2017, a windstorm with gale forces up to 115 kph hit the peninsula on the shores of Lake Erie near the Maricann’s Langton, Ontario site. An unusual event, the storm resulted in sand and foreign materials from nearby fields being blown into two of Maricann’s five main flowering greenhouses. In Canada, under the *Access to Cannabis for Medical Purposes Regulation* (“**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. Maricann was not immediately aware whether any contaminants had impacted the flowering areas of the greenhouses and it was not until the first harvests were completed from both affected greenhouses that Maricann became aware of the remnant presence of trace sand in the trim. With the environment no longer sealed and thus compromised following the storm, the decision was made to destroy all of the plants in the two affected greenhouses which reduced its available inventory. During the time that inventories were low, the Maricann purchased limited bulk product from a reputable licensed producer. Maricann also worked with its patients’ physicians to send prescriptions to other trusted licensed producers until it was again able to supply its own product. The Company and its insurer are currently assessing the amount of insurance coverage and the quantity and cost of inventory loss to determine the final claim amount and to negotiate a proposed settlement to the maximum amount under the policy. This natural weather event nevertheless had an effect on the Company’s short-term revenue stream. As a result of this natural weather event, revenues for the three and six-month period ended June 30, 2017 were \$661,602 and \$1,804,769 as compared to \$906,246 and \$1,864,019 during the same period in 2016. The total loss 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.

Maricann Group Inc.

On April 20, 2017, the Company completed the RTO and the business of Maricann became the business of the Company. For additional details regarding the RTO see “*The RTO*”.

On April 24, 2017, the Common Shares began trading on the Canadian Securities Exchange (the “**CSE**”) under the symbol “**MARI**”.

In April 2017, the Company announced that it obtained the legal title, and 95% controlling interest in a new subsidiary, Maricann GmbH, a German subsidiary that is owned through the Company's indirect wholly owned subsidiary Maricann B.V., a corporation incorporated under the laws of the Netherlands. The entity was formed as part of the Company's continued expansion effort into the German market. To that end, the Company established an advisory board to provide guidance to management on the German market place. The advisory board is comprised of Dr. Markus Backmund, Birgit Homburger, Dr. Horst Schiessl, Hans Dendl and Gerhard Müller. The Company 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 Bundesopiumstelle of the Federal Institute for Drugs and Medical Devices ("**BfArM**").

On May 3, 2017, the Company entered into a binding interim agreement (the "**Interim Agreement**") with The Green Streaming Finance Company of Canada Inc. ("**Green Streaming**") to finance the development of its operations in Germany through its wholly-owned indirect subsidiary, Maricann B.V. and its 95% owned subsidiary, Maricann GmbH. Maricann GmbH has submitted materials to the 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 governmental authority (the "**German License**"), the Company will have the ability to legally produce and sell cannabis in Germany. In connection with the Application, the Company is planning to retrofit its proposed facility, located in Ebersbach, Germany (the "**German Facility**"). Currently, it is contemplated that the expansion will include: (i) the initial expansion of the German Facility which will result in the German Facility having 150,000 square feet of flowering cultivation space (the "**Initial Production Area**"); and (ii) an expansion of approximately 250,000 square feet of flowering cultivation space (the "**Expansion Production Area**"). In addition, it is contemplated that Maricann GmbH will produce female cannabis plants classified as industrial hemp in an outdoor cultivation operation on 300 hectares in Saxony, Germany (the "**Saxony Farm**") The Saxony Farm is adjacent to the German Facility and if built out and finalized, shall be part of the Expansion Production Area. See "*Description of the Business – Operations and Facilities*".

The Interim Agreement provides Green Streaming with the right to purchase 20% of the actual cultivation yield from the Initial Production Area and Expansion Production Area at the Company's all in production cost, plus an additional 10% margin. In addition, pursuant to the terms of the Interim Agreement: (i) Green Streaming will make an upfront payment to the Company of \$15,000,000 (the "**IPA Payment**") within 10 business days of the later of (a) the Company's completion of one or more private or public financings for minimum gross proceeds of \$15,000,000; (b) the Company receiving its German License and (c) the Company receiving a license to export cannabis materials in return for the right to purchase a percentage of the actual cultivation yield in the Initial Production Area (the "**IPA Allocation**"), and (ii) Green Streaming will make an upfront payment to the Company of \$27,500,000 (the "**EPA Payment**") within 30 business days of delivery to Green Streaming of a notice of readiness for the build out of the Expansion Production Area along with an operating budget for the operations expected to be carried out in the Expansion Production Area in return for the right to purchase 20% of the actual cultivation yield in the Expansion Production Area (the "**EPA Allocation**").

On August 1, 2017, the Company announced the appointment of Gerhard Müller as an independent member of the Company's Board of Directors (the "**Board**") and chairman of the audit committee.

On September 5, 2017, the Company announced that Health Canada granted Maricann Inc. a second-site sales licence under the ACMPR for its location in Burlington, Ontario. The sales licence was the second granted to Maricann Inc. by Health Canada, with the first applying to the Company's cultivation and processing facility in Langton, Ontario. With the granting of the new licence, Maricann Inc. began the process of shifting its client services, sales operations and research activities to Burlington.

On October 3, 2017, the Company announced the appointment of Scott Langille as the Company's Chief Financial Officer, effective October 2, 2017.

On October 6, 2017, the Company announced that it entered into a partnership with International Cannabrand Ltd., to offer a range of products under the JuJu Royal™ brand in the adult use (recreational) market in late 2018/2019, following receipt of approval from Health Canada. Under the terms of the agreement, the Company has the exclusive

right to distribute the JuJu Royal™ brand in Canada for three years. The Company also has a right of first refusal to distribute any JuJu Royal™ products in Europe.

On October 27, 2017, the Company announced that it completed its acquisition of 100% of the issued and outstanding shares of NanoLeaf Technologies Inc. (“**NanoLeaf**”), a biotech company possessing certain rights by means of sub-license to a number of internationally patented technologies that provide pharmaceutical, nutraceutical, cosmetic and functional beverage drug delivery formulations (the “**Acquisition**”). NanoLeaf, through its commercialization agreement with HempChoice PCR, LLC (“**HempChoice**”), a sub-licensee of Vesifact, has developed and marketed what the Company believes to be the first cannabinoid standardized dose soft gel capsule in a nano-dispersed drug called VESIsorb®. Pursuant to the Acquisition, NanoLeaf shareholders received \$38.5 million in consideration for their shares in the capital of NanoLeaf, which amount was satisfied by delivery of 18,333,319 Common Shares at a deemed value of \$2.10 per share (subject to adjustment pursuant to which up to 3,500,728 additional Common Shares may be issued, as set forth in the share purchase agreement dated October 27, 2017 in respect of the Acquisition). The Company also loaned NanoLeaf \$1.6 million in cash to settle existing liabilities of NanoLeaf in advance of completing the Acquisition, resulting in deemed total Acquisition consideration of \$40.1 million. The Acquisition constituted a “significant acquisition” for the purposes of National Instrument 51-102 – *Continuous Disclosure Obligations* and, accordingly, on January 10, 2018, the Company filed a business acquisition report (the “**BAR**”) in connection with the Acquisition. The BAR is available under the Company’s profile on SEDAR at www.sedar.com. As of the date hereof, the Company has issued 483,054 Common Shares pursuant to the adjustment clause.

On October 27, 2017, the Company completed a brokered private placement led by Canaccord Genuity Corp. (“**Canaccord**”), as lead agent on behalf of a syndicate of investment dealers, including Industrial Alliance Securities, Mackie Research Capital Corporation and Sprott Capital Partners (collectively, the “**Agents**”) of \$31,000,000 aggregate principal amount of convertible debenture units (the “**Convertible Debenture Units**”) at a price of \$1,000 per Convertible Debenture Unit (the “**October 2017 Financing**”). Each Convertible Debenture Unit was comprised of \$1,000 principal amount of 9.0% secured convertible debentures due October 27, 2020 (the “**Convertible Debentures**”) and 313 common share purchase warrants of the Company (the “**2017 Unit Warrants**”). Each 2017 Unit Warrant is exercisable to acquire one Common Share (a “**Warrant Share**”) until October 27, 2020 at an exercise price of \$2.30 per Warrant Share, subject to adjustment in certain events. \$9,123,000 of the gross proceeds was raised from the participation of a number of the directors of the Company or their associates. Convertible Debentures sold to insiders as part of the October 2017 Financing, aggregating \$6,000,000 in principal amount, are subject to a higher conversion price of \$1.68, subject to adjustment in certain events. The remaining \$25,000,000 principal amount of the Convertible Debentures have a conversion price of \$1.60, subject to adjustment in certain events. As consideration for their services in connection with the October 2017 Financing, the Agents received a cash commission and compensation warrants with the same terms as the 2017 Unit Warrants (the “**2017 Compensation Warrants**”).

A lead investor in the October 2017 Financing was granted a right to nominate an independent director for election on the Board, which right will survive until the earlier of: (i) the maturity date of the Convertible Debentures; and (ii) such time as the lead investor does not, directly or indirectly, hold a minimum of \$1,000,000 principal amount of Convertible Debentures.

On November 1, 2017, the Company provided a subordinated convertible loan of €250,000 to a third party (the “**Borrower**”) to participate in the tender process for medicinal cannabis issued by BfArM in Germany. The loan bears interest at 2% per annum and matures on November 1, 2019. The loan is convertible into 50% of the then issued and outstanding common shares of the Borrower at a price of €1 per share and will be automatically converted upon the issuance of a German License to the Borrower. Upon conversion, the Company will be required to invest an additional \$5,000,000 for the first lot awarded by BfARM which will be financed out of the non-dilutive Green Streaming financing of up to \$42,500,000 that the Company secured in May 2017 as described above.

On November 6, 2017, the Company announced that it and a national provider that services pharmacies across Canada (the “**Counterparty**”) entered into a definitive agreement to create a pharmacy services program designed to enable pharmacists to counsel and appropriately educate patients in relation to medicinal cannabis. The joint initiative aims to position pharmacies to be a preferred access point for medicinal cannabis based on pharmacists’ role in working with physicians and patients in understanding the multi-synchronistic opportunities in multi-medication patients.

On November 8, 2017, the Company announced that Health Canada had granted Maricann Inc. a new licence under the ACMPR that removed annual production limits on approved medical cannabis products in the Company's Site 150 facility in Langton, Ontario. This licence increased capacity to 6,250,000 grams on site at any one time and is valid until October 9, 2020. The previous annual licence limited production to a total of 1,282,000 grams (930kg of dried marijuana and 352 kg of cannabis oil) per year.

On November 20, 2017, the Company announced that Maricann Inc. had commenced production of encapsulated cannabis oil, following receipt of its production license from Health Canada on November 17, 2017. The Company expects patients to be able to order oil capsules starting in the third quarter of 2018, subject to Health Canada's issuance of the required license to sell. The Company considers these capsules to be a critical innovation in medicinal cannabis therapy as they deliver medicine in a dosage form widely utilized in the pharmaceutical industry, provide precise dosing in each capsule, enhance patient compliance and will be formulated to support therapeutic efficacy. All natural cannabis extract are being delivered in a vegan capsule format, initially in four products: 15mg and 25mg cannabidiol (CBD) capsules and 5mg and 10mg THC capsules, allowing physicians and patients to more easily control dosing and choose the cannabinoid therapy they prefer. In parallel, the Company has engaged a contract manufacturer to produce its exclusive and patented VESIsorb® technology in capsule format for distribution in Western Europe. VESIsorb® is approved in the delivery of other lipophilic (fat-soluble pharmaceutical and nutraceutical formulations) drugs by Health Canada, the US Food and Drug Administration and European Medicines Agency.

On November 22, 2017, the Company announced that it is working with Rockwell Automation to develop a connected, scalable plant-wide platform to connect the key functions of the Company's cultivation facility to produce a consistent, high-yield crop. The Company is utilizing Rockwell Automation FactoryTalk software, Logix hardware and Ethernet/IP network connectivity to streamline communication between process control functions, building automation, and material handling. This connected and scalable system is designed to offer a single, integrated plant-wide platform for process automation, environmental monitoring and building management. Utilizing FactoryTalk energy metrics, the Company seeks to optimize its carbon footprint by controlling all lights, fans, and other environmental specifications, enabling it to achieve more than a 90 percent energy efficiency rating. The building management system will interface to ensure tight control over the temperature, humidity, carbon dioxide, lighting and fertigation.

On November 30, 2017, the Company announced that it entered into a non-binding letter of intent with the Alliance of Beverage Licensees ("**ABLE BC**"), the advocacy organization representing British Columbia's private liquor industry which outlines a proposed relationship between ABLE BC and the Company for, among other things, the supply of the Company's product to ABLE BC members. Under the terms of the letter of intent, ABLE BC will provide the Company with distribution channels for its recreational stable of products. This will ensure ABLE BC's more than 1,000 members consisting of private liquor stores, neighbourhood pubs, bars/nightclubs and hotel liquor licensees have access to the Company's stable of established premium cannabis products.

On December 12, 2017, the Company announced that it signed a definitive agreement with Lovell Drugs Limited ("**Lovell Drugs**") to be the exclusive provider of medicinal cannabis products to its pharmacies. Lovell Drugs is, in partnership with the Company, implementing a medical cannabis education and access program for its pharmacists and allied community physicians in an effort to facilitate the counselling and fulfillment of medical cannabis to its patients. The Company fulfills prescriptions directly to Lovell Drugs' patients through the existing ACMPR. The first patient registration was fulfilled in December 2017. The term of the agreement is four years, with an option to extend another three years if the parties mutually agree. Pursuant to the terms of the agreement, Lovell Drugs receives a percentage of the Company's product sales revenue generated from patients acquired and serviced from Lovell Drugs' retail pharmacies. As part of the development of medical cannabis content, the Company has agreed to provide funding of up to \$15,000 for initiatives to support continuing education for Lovell Drugs personnel and their patients.

On January 2, 2018, the Company announced that it had entered into an exclusivity agreement (the "**Exclusivity Agreement**") with Rare Dankness LLC ("**RD**") to bring certain certified strains and cannabis products to Canada. The Exclusivity Agreement provides the Company with exclusive distribution and retail rights for the Canadian markets for specified Rare Dankness Genetics products for a five year term, subject to the Company meeting minimum wholesale targets each year or paying an exclusivity fee and a right of first refusal to act as RD's exclusive distributor for the products in Europe. In consideration for the exclusivity, the Company has agreed to provide RD with the following consideration: (i) a signing fee of US\$500,000; (ii) grant of C\$250,000 in Common Share purchase warrants

of the Company with each such warrant entitling the holder to acquire one Common Share at a price of \$2.87 at any time on or before January 2, 2020 (“**RD Warrants**”) on the date of signing and on the first and second anniversary date of the Exclusivity Agreement exercisable at the market price at close of markets on the preceding day; and (iii) a profit sharing arrangement on the sale of the products by the Company.

On January 9, 2018, the Company completed a brokered private placement led by Eight Capital, as sole bookrunner and co-lead agent, Canaccord Genuity Corp., as co-lead agent, and Industrial Alliance Securities Inc. (collectively, the “**Agents**”) of 20,125,000 special warrants of the Company (the “**Special Warrants**”) at a price of \$2.00 per Special Warrant (the “**January 2018 Financing**”). Each Special Warrant was originally exercisable to acquire one unit of the Corporation (the “**Special Warrant Units**”). As the Company did not receive a receipt for a (final) prospectus (the “**Qualification Prospectus**”) qualifying distribution of the Special Warrant Units underlying the Special Warrants before February 27, 2018, each Special Warrant then entitled the holder thereof to receive upon the deemed exercise, for no additional consideration, 1.05 Special Warrant Units (instead of 1.0 Special Warrant Unit) in accordance with the terms of the special warrant indenture dated January 9, 2018. Each 1.05 Special Warrant Unit was automatically converted to 1.05 Common Shares and 0.525 of one common share purchase warrant (each full warrant, a “**2018 Unit Warrant**”) following receipt for the Qualifying Prospectus which was issued on March 29, 2018. Each 2018 Unit Warrant entitles the holder thereof to acquire one Common Share at a price of \$2.35 per Common Share until January 9, 2021. Insiders of the Company or their associates participated in the January 2018 Financing for an aggregate amount of \$929,500. In connection with the January 2018 Financing, the Agents received a cash commission and 935,950 compensation warrants (the “**2018 Compensation Warrants**”). Each 2018 Compensation Warrant entitles the holder thereof to acquire one Special Warrant Unit at a price of \$2.00 per Special Warrant Unit until January 9, 2020, subject to adjustment in certain events.

On January 11, 2018, the Company provided an operational update following the closing of the January 2018 Financing, including the announcement of: (i) Phase One construction on the Company’s facility in Langton, Ontario progressing on schedule and within 2% of budget; (ii) Phase Two and Phase Three construction having commenced; and (iii) expectations for receiving certain licenses and certifications to allow the Company to export packaged dry cannabis flowers and distribute 25mg CBD VESIsorb® capsules to Germany in 2018.

On January 24, 2018, the Company announced that it signed a non-binding term sheet for a proposed acquisition of all the issued and outstanding common shares of Haxxon AG (“**Haxxon**”) and all of its affiliates and subsidiaries (the “**Haxxon Transaction**”). Further details regarding the transaction with Haxxon are set forth below.

On February 2, 2018, the Company entered into an underwriting agreement (the “**Underwriting Agreement**”) with Eight Capital, Canaccord Genuity Corp., GMP Securities Inc., Industrial Alliance Securities Inc., and Clarus Securities Inc. (collectively, the “**Underwriters**”) pursuant to which the Underwriters agreed to purchase 17,500,000 units of the Company (the “**BD Units**”) on a “bought deal” basis pursuant to the filing of a short form prospectus, subject to all required regulatory approvals, at a price of \$4.00 per BD Unit for gross proceeds of up to \$70,000,000 (the “**Bought Deal Offering**”). On March 1, 2018, the Company announced the termination of the Bought Deal Offering.

On February 27, 2018, Neil Tabatznik resigned as a director of the Company and as the Chairman of the Board, Raymond Stone resigned as a director of the Company and Paul Pathak was appointed as the interim Chairman of the Board. See “*Additional Information*”.

On March 19, 2018, the Company entered into employment agreements with certain of its senior executives and set their compensation and employment framework to ensure their retention for 2018 and onward. Pursuant to such agreements, commencing January 1, 2018 and reviewable annually, the annual base salary for Mr. Ben Ward (CEO) is \$400,000 and for each of Mr. Scott Langille (CFO) and Mr. Terry Fretz (President) is \$300,000. Each of the foregoing executives is entitled to a bonus equal to 100% of annual base salary, subject to the achievement of performance targets to be set by the Board. An aggregate of 2,850,000 options of the Company will be made available for issuance to the foregoing executives, to be granted at an exercise price to be determined, with such options to be subject to vesting in three equal tranches, one-third upon grant and the two other tranches on the first and second anniversaries of the grant.

The employment agreements provide protection to the foregoing officers in the event (an “**Adverse Event**”) of: (i) termination of employment by the Company other than for just cause, disability or death; (ii) termination of

employment by the executive for good reason (such as constructive dismissal); or (iii) upon the occurrence of a “change of control” of the Company. A “change of control” includes: (i) (a) the acquisition, by a person or a group of persons acting jointly or in concert (“**Acquirer(s)**”), of Common Shares or securities convertible into Common Shares of the Company which, assuming the conversion of the convertible securities of the Acquirer(s), would entitle the Acquirer(s) to beneficially own Common Shares of the Company that would entitle the Acquirer(s) to cast more than 50% of all the votes cast attaching to all Common Shares of the Company to elect members of the Board, and (b) the exercise of voting power over all and any such Common Shares so as to cause or result in the election of such number of directors, who were not incumbent directors, as would constitute the majority of the Board; or (ii) the purchase of all, or substantially all of the assets of the Company. Upon the occurrence of an Adverse Event, the executive shall be entitled to, among other things: (i) an amount for all accrued base salary and accrued and unused vacation pay; (ii) an amount in respect to annual base salary for a period of 18 months in the case of Messrs. Ward and Fretz and 14 months in the case of Mr. Langille; (iii) an amount equal to the prior three (3) years (or lesser if three (3) years have not passed) average bonuses; and (iv) the acceleration of all options held by the executive, with such options to continue until the earlier of their expiry date and 12 months following the Adverse Event.

On March 23, 2018, the Company announced that it received an occupancy permit from Norfolk County for Phase One of the expansion of Site 138 in Langton, Ontario.

On April 13, 2018, the Company announced that it had entered into a definitive agreement (the “**Haxxon Agreement**”) with Haxxon in respect of the Haxxon Transaction. Under the terms of the Haxxon Agreement, the Company acquired all of the issued and outstanding common shares of Haxxon for an aggregate purchase price of CHF 8,000,000, of which CHF 2,000,000 was payable in cash and CHF 6,000,000 payable in Common Shares (the “**Haxxon Transaction**”). The Haxxon Transaction closed on May 10, 2018. 3,848,505 Common Shares were issued and up to an additional 132,707 Common Shares may be issued after the second anniversary of closing subject to certain representations and warranties of the seller remaining in good standing. Haxxon is based in Regensdorf, Switzerland and operates a 60,000 sq. ft. facility where it cultivates feminized cannabis plants with a content of less than 1% THC (“**Low THC Strains**”). The acquisition of Haxxon allows the Company to produce Low THC Strains in Switzerland, which can then be manufactured into finished products. Haxxon currently cultivates Low THC Strains and produces cannabis products with Low THC Strains, which are not subject to the *Federal Act on Narcotics and Psychotropic Substances* (the “**Swiss Narcotics Act**”) in Switzerland. The Company’s current intentions are that Haxxon will continue to limit its commercial activities in Switzerland to cannabis products, in the form of cigarettes, with less than 1% THC.

On April 23, 2018, the Company announced that Maricann Inc. has received all of the necessary approvals from Health Canada to commence cultivation in Phase One of Site 138 in Langton, Ontario. Maricann Inc. received a federal licence from Health Canada pursuant to the ACMPR that expires on April 20, 2021. The Site 138 licence is the third licence issued by Health Canada to Maricann Inc. pursuant to the ACMPR.

On June 14, 2018, the Company announced that following discussions with Malta Enterprise, the government entity responsible for the issuance of business licenses in Malta, the Company has submitted its own application for a license for the manufacture of finished doses of medical cannabis and has terminated a letter of intent to acquire Medican Holdings (“**Medican**”). Initially, Medican had received initial approval and Maricann received confirmation of the same. Malta Enterprise then contacted Maricann to request that the Company make its own application, as Malta Enterprise's preference was to work with Maricann rather than Medican. The Company then submitted its own application to Malta Enterprise, who have now granted a Letter of Intent to Maricann to issue a licence for cannabis processing and manufacturing of finished dose goods in Malta.

DESCRIPTION OF THE BUSINESS

The RTO

On December 15, 2016, Danbel and Maricann entered into a letter agreement, setting out the basic terms and conditions pursuant to which it was intended that Danbel and Maricann would complete a business combination. On March 3, 2017, Danbel, Subco and Maricann entered into a definitive merger agreement (the “**Definitive Agreement**”) pursuant to which, among other things, Danbel agreed to acquire all of the issued and outstanding Maricann Shares by way of a three-cornered amalgamation under the OBCA, whereby Subco would merge with Maricann (the

“**Amalgamation**”) and the resulting entity, continuing under the name Maricann Inc., would become a wholly-owned subsidiary of the Company.

In connection with the RTO, Danbel completed the Consolidation on the basis of one Common Share for every 9.22 pre-Consolidation common shares of Danbel.

In connection with the Amalgamation and the RTO, among other things, (a) the Maricann Shares were cancelled and each Maricann shareholder received one Common Share for each Maricann Share held; (b) outstanding stock options of Maricann were cancelled and exchanged for stock options of the Company (“**Maricann Group Options**”) at exercise prices adjusted based on the same exchange ratio and otherwise with the same terms and conditions, *mutatis mutandis*; (c) outstanding compensation options of Maricann were cancelled and exchanged for replacement compensation options of the Company at exercise prices adjusted based on the same exchange ratio and otherwise with the same terms and conditions, *mutatis mutandis*; (d) outstanding Maricann Warrants were cancelled and exchanged for Maricann Group Warrants at exercise prices adjusted based on the same exchange ratio and otherwise with the same terms and conditions, *mutatis mutandis*; and (e) each common share of Subco was exchanged for one Common Share.

On closing of the RTO on April 20, 2017, former shareholders of Maricann held 71,266,984 Common Shares (representing 98% of the outstanding Common Shares) and former shareholders of Danbel held 1,250,279 Common Shares (representing 2% of the outstanding Common Shares).

In addition, in connection with the RTO, the Board was reconstituted to consist of nominees of Maricann and, in accordance with the Definitive Agreement, the Company’s senior management was changed. For additional details, see “*Directors and Officers*”.

Company Overview

Prior to the completion of the RTO, Danbel was an unlisted reporting issuer with no active business operations. Upon completion of the RTO, the business of Maricann became the business of the Company. The Company now conducts all of its active business through its wholly-owned subsidiary, Maricann Inc., the company resulting from the amalgamation of Maricann and Subco. The Company is a vertically integrated medical marijuana company, operating a cultivation, extraction and distribution business. The Company, through Maricann Inc., 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 Ontario.

Maricann Inc. is engaged in the medical marijuana industry and is a licensed Medical Marijuana Producer as regulated by Health Canada under the ACMPR. Maricann first received its cultivation license for Site 150 on March 27, 2014 and its full Health Canada sales license to produce and distribute medical marijuana on December 12, 2014. Maricann commenced sales of medical cannabis in December 2014 and cannabis oil production and sales in May 2016 and October 2016, respectively. On September 5, 2017, Maricann Inc. received a second site license for its Burlington, Ontario location. The Company’s initial two licences were renewed on November 28, 2017, with an expiry date of October 9, 2020 and removed annual production limits on approved medical cannabis products at Site 150. This licence increased capacity to 6,250,000 grams on site at any one time and is valid until October 9, 2020. The previous annual licence limited production to a total of 1,282,000 grams (930kg of dried marijuana and 352 kg of cannabis oil) per year. On April 20, 2018, Maricann Inc. received a third license from Health Canada for Site 138.

Maricann Inc. currently occupies and conducts operations at Site 150, as tenant, pursuant to a lease agreement dated September 20, 2013 (the “**Site 150 Lease**”). The Site 150 Lease carries a five-year term, subject to certain adjustments, which commenced on November 1, 2013 and expires on October 31, 2018. Pursuant to the Site 150 Lease, Maricann Inc. currently makes monthly rent payments to the Site 150 landlord of \$6,250 (excluding additional payments owing pursuant to the Site 150 Lease in respect of, among other things, certain applicable taxes and operating costs), and is obligated to make such payments, subject to certain adjustments, until the expiration of the Site 150 Lease. The Site 150 Lease provides Maricann Inc. with the right to extend the term of the Site 150 Lease for two further periods of five years each, commencing on the day following the last day of the term of the Site 150 Lease or the preceding extension term, subject to certain conditions. The Site 150 Lease includes standard default provisions relating to,

among other things, failures of Maricann Inc. to complete payments owing and other performance obligations under the Site 150 Lease. See “*Risk Factors*”.

Maricann Inc. is currently focusing on the rapidly expanding Canadian medical marijuana industry and, with the recent passing of the Cannabis Act in Canada it will begin to direct more of its focus and resources to the recreational marijuana market. Maricann Inc.’s management team is committed to aggressive, cost-effective growth, and intends to facilitate growth through cash flow from operations and strategic acquisitions in the future. Sales efforts by Maricann Inc. are handled by its operational management team and sales and marketing personnel. Most efforts are direct sales with customers, though Maricann Inc. also engages in trade shows and industry events.

The Company conducts business in Canada, Germany and Switzerland and will soon commence operations in Malta. CSA Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* (“SN 51-352”), as revised on February 8, 2018, provides specific disclosure expectations for issuers that currently have, or are in the process of developing, marijuana-related activities in U.S. states where such activity has been authorized within a state regulatory framework. Currently, the Company does not intend to carry on business in the United States or invest, directly or indirectly, in any business that derives revenue, directly or indirectly, from the sale of cannabis or cannabis products in the United States or in any jurisdiction where the sale of cannabis is unlawful under applicable laws.

Maricann Inc. is party to certain exclusivity agreements with U.S. based companies that may themselves participate in the U.S. cannabis market. Under such agreements, Maricann Inc. does not invest in or provide goods or services to an entity directly involved in the U.S. marijuana industry, nor does it do so in an indirect or ancillary manner. Instead, under such agreements, Maricann Inc. is provided with the right to act as the exclusive distributor and retailer of the brand names of the respective counterparties in Canada in accordance with the Health Canada license held by Maricann Inc. under the ACMPR. These agreements do not involve the Company, Maricann Inc. or their subsidiaries in any U.S. activities respecting cannabis.

Business Objectives

The Company’s focus is to bring internationally patented technology from the pharmaceutical sector, and apply such technology to create differentiated products to the cannabis sector. Through its automated expansion, the Company provides consistent strains to its extraction laboratory, taking the best elements of the plants, combining them with internationally patented technology, to deliver cannabis to patients, through trusted health professionals. With the Canadian and global cannabis markets rapidly expanding, the Company brings cultivation expertise and required scale to match demand, provided through relationships with some of Canada’s largest pharmacy groups, and international pharmacy distributors.

At present, Maricann Inc. operates from a 42,000 sq. ft. facility located in Langton, Ontario. See “*Description of the Business – Operations and Facilities*”. Maricann Inc.’s facilities are unable to produce enough product to satisfy demand, therefore it is in the process of expanding its cultivation and support facilities in a three phase, 942,000 sq. ft. expansion which began in November 2016. Maricann Inc. has developed a Phase One near term 217,500 sq. ft. expansion plan to support existing and future patient growth by bringing additional production on line and is expected to be fully completed in the fourth quarter of 2018. Construction on Phase Two, a 635,000 sq. ft. expansion, has commenced and is expected to bring to an additional processing capability.

The Company anticipates further growth through the acquisition of other businesses, or through the acquisition of assets and/or the construction of new cultivation facilities, Active Pharmaceutical Ingredient (API) extraction laboratories, and finished dose manufacturing operations. The Company anticipates actively seeking out and evaluating expansion opportunities on an ongoing basis. The Company expects to finance any growth strategies through raising funds from financings of equity and/or debt and from cash flow from operations.

The future expansion of the Company will be based on its objectives to: (i) build on the successful foundations that Maricann Inc. has built in its core areas; (ii) investigate opportunities to expand; (iii) increase its cultivation facility footprint; and (iv) improve its profitability.

The Company expects to further focus on the rapidly expanding medical marijuana industry in Canada, Western Europe and South America, building its business from its central location in Germany, growing through the acquisition

of the newest technology in addition to a targeted acquisition and consolidation strategies where attractive acquisition can create synergy. Management believes that its asset base will facilitate growth through cash flow from operations and strategic acquisitions.

See the Company's MD&A (as defined herein) for additional information on the Company's outlook and strategy and its expansion projects.

Overview of Industry

Market demand in Canada for cannabis is projected to be \$8 billion by 2024, consisting of \$3 billion of medical cannabis sales with approximately 800,000 patients and \$5 billion of recreational/lifestyle cannabis sales.¹ As at the date of this AIF, Maricann Inc. has three of 109 licenses issued by Health Canada under the ACMPR for all of Canada, and three of 59 licenses issued for Ontario. Of the 109 licenses issued for all of Canada, Maricann Inc. holds one of 46 licences permitted to produce and sell marijuana, one of 22 licenses permitted to produce and sell cannabis oil, two of 11 licenses to produce and sell cannabis starting materials, including seeds and clones. Maricann Inc.'s license also permits the production of encapsulated cannabis oil. Management believes that the Company benefits from a number competitive advantages which will allow it to be strategically positioned for future in the industry, including a non-exclusive license to use the proprietary VESIorb® technology, that is expected to permit the company to use 25% of the active pharmaceutical ingredient (cannabinoids) to establish the same therapeutic effects as competitors.

At present, the Company estimates that grey and black market product costs on average \$10-\$12 per gram, while product from "Licensed Producers" under the ACMPR averages approximately \$7.50-\$8.50 per gram. Grey and black market product is not subject to government safety regulations or safe production and processing practices, whereas product distributed by Licensed Producers is cultivated in a safe environment, regulated by Health Canada.

Regulatory Framework in Canada

Summary of the ACMPR

The ACMPR replaced the *Marihuana for Medical Purposes Regulations* (the "MMPR") as the governing regulations in respect of the production, sale and distribution of medical cannabis and related oil extracts. The ACMPR effectively combines the regulations and requirements of the MMPR, the *Marihuana Medical Access Regulations* and the section 56 exemptions relating to cannabis oil under the *Controlled Drugs and Substances Act* into one set of regulations. In addition, among other things, the ACMPR sets out the process patients are required to follow to obtain authorization from Health Canada to grow cannabis and to acquire seeds or plants from Licensed Producers to grow their own cannabis. Under the ACMPR, patients have three options for obtaining cannabis:

- (a) they can continue to access quality-controlled cannabis by registering with Licensed Producers;
- (b) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or
- (c) they can designate someone else to produce it for them.

With respect to items (b) and (c) above, starting materials, such as plants or seeds, must be obtained from Licensed Producers. It is possible that (b) and (c) could significantly reduce the addressable market for the Company's products and could materially and adversely affect the business, financial condition and results of operations of the Company. That said, management of the Company believes that many patients may be deterred from opting to proceed with options (b) or (c) since such steps require applying for and obtaining registration from Health Canada to grow cannabis, as well as the incurring of the up-front costs of obtaining equipment and materials to produce cannabis.

¹ See Deloitte's report entitled "Recreational Marijuana – Insights and Opportunities" available at https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/Analytics/ca-en-analytics-DELOITTE%20Recreational%20Marijuana%20POV%20-%20ENGLISH%20FINAL_AODA.pdf

Reporting Requirements under the ACMPR

As described under the ACMPR (see Part 1, Division 5 of the ACMPR), Licensed Producers are required to keep records of, among other things, their activities with cannabis, including all transactions (sale, exportation, and importation), all fresh or dried marijuana or cannabis oils returned from clients, and an inventory of cannabis (e.g. seeds, fresh harvested marijuana, dried marijuana, packaged marijuana, packaged marijuana seeds, cannabis oil, marijuana plants destined to be sold or provided). All records have to be kept for a period of at least two years, in a format that will be easily auditable, and must be made available to Health Canada upon request. All communications regarding reports for healthcare licensing authorities, including both those sent and received, are also subject to this two-year requirement.

A Licensed Producer must provide Health Canada with a case report for each serious adverse reaction to fresh or dried marijuana or cannabis oil within 15 days of the Licensed Producer becoming aware of the reaction. A Licensed Producer must annually prepare and maintain a summary report that contains a concise and critical analysis of all adverse reactions that have occurred during the previous 12 months (the serious adverse reaction reports and the summary reports must be retained by the Licensed Producer for a period of 25 years after the day on which they were produced).

Health Canada released an Information Bulletin titled, "Licensed Producers' Reporting Requirements" to provide an overview of the information Licensed Producers must provide to Health Canada on a monthly basis. Licensed Producers must provide the following information to the Office of Controlled Substances for the previous month on or before the 15th day of each month:

- With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the amounts produced, as well as the amounts received from another Licensed Producer as follows:
 - total amount produced in the reporting period;
 - amount released for sale in the reporting period;
 - amount of fresh and dried marijuana produced in the reporting period and intended for extraction activities; and
 - amount received from other Licensed Producers during the reporting period;
- With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the total amount sold or transferred to the following during the reporting period:
 - registered clients;
 - other Licensed Producers; and
 - licensed dealers;
- Number of clients registered;
- Number of clients registered by province or territory of residence;
- Number of refused registrations and refusals to fill order;
- With respect to fresh and dried marijuana and cannabis oil, Licensed Producers must report as of the final day of the reporting period the amounts held in inventory as follows:
 - total amount held in inventory;
 - amount intended for sale but not yet approved held in inventory;
 - amount approved for sale held in inventory;
 - amount of samples in inventory; and
 - amount of fresh and dried marijuana intended for extraction activities held in inventory;
- With respect to cannabis seeds and marijuana plants, Licensed Producers must report:
 - the total number of plants held in inventory;
 - the number of plants destined to be sold as starting material held in inventory;
 - the total weight of seeds held in inventory; and
 - the number and weight of seeds destined to be sold as starting material held in inventory;
- Licensed producers must also include in their report the total amounts ready to be destroyed, but still held in inventory on the final day of the reporting period;
- Total amount of cannabis imported during the reporting period;
- Total amount of cannabis exported during the reporting period;

- Total amount of cannabis lost or stolen during the reporting period;
- With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the total amount:
 - that was destroyed during the reporting period; and
 - of waste (e.g., plants, leaves, twigs) destroyed during the reporting period;
- With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the total amount returned from clients during the reporting period;
- Licensed Producers must report the total number of shipments sent to the following during the reporting period:
 - registered clients;
 - registered clients for interim supply;
 - other Licensed Producers; and
 - licensed dealers;
- Licensed Producers must report the total number of shipments sent to the following in each province and territory:
 - registered clients;
 - registered clients for interim supply;
 - other Licensed Producers; and
 - licensed dealers;
- Average daily amount of marijuana for medical purposes authorized;
- Median daily amount of marijuana for medical purposes authorized;
- Average shipment size sent to registered clients during the reporting period;
- Median shipment size sent to registered clients during the reporting period;
- List of ten highest unique daily authorized amounts and the frequency with which they occur;
- List of daily authorized amounts in specified increments:
 - 0 to 1 grams;
 - 1.1 to 2 grams;
 - 2.1 to 3 grams;
 - 3.1 to 4 grams;
 - 4.1 to 5 grams;
 - 5 to 10 grams;
 - 10 to 15 grams; and
 - >15 grams,
- Total number of shipments to registered clients per each 10 gram interval between 0 and 150 grams;
- List of all health care practitioners who have completed medical documents for cannabis for medical purposes for registered clients and their location;
- List of all nurse practitioners who have completed medical documents for cannabis for medical purposes for registered clients and their location;
- Cannabis with which they are conducting R&D activities; and
- Activities with respect to cannabis products, other than marijuana or cannabis oil (e.g. cannabis resin).

Recent Regulatory Developments

On December 13, 2016, the Task Force on Cannabis Legalization and Regulation (the "**Task Force**"), which was established by the Canadian Federal Government to seek input on the design of a new system to legalize, regulate and restrict access to cannabis, published its report outlining its recommendations. On April 13, 2017, the Canadian Federal Government released Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts* (the "**Cannabis Act**"), which proposes the enactment of the *Cannabis Act* (Canada) to regulate the production, distribution and sale of cannabis for unqualified adult use. On November 27, 2017, the House of Commons passed Bill C-45. On June 20, 2018 the Senate approved Bill C-45 and the Act received Royal Assent on June 21, 2018. The Cannabis Act is expected to come into force on October 17, 2018. The impact of such regulatory changes on the Company's business is unknown. See "*Risk Factors - Changes in Laws, Regulations and Guidelines*".

On November 22, 2017, Health Canada released for public consultation its proposed approach to the regulation of cannabis (the "**Proposed Regulations**"). The purpose of the consultation paper is to solicit public feedback on an initial set of regulatory proposals that Health Canada is considering, focused on the regulations that would facilitate the coming into force of the proposed Cannabis Act. Health Canada's consultation addresses licensing, security requirements for producers and their facilities, product standards, labelling and packaging, and the proposed cannabis tracking system. It also addresses cannabis for medical purposes and health products containing cannabis. Health Canada proposes a risk-based approach to regulation, balancing the protection of health and safety of Canadians while enabling a competitive legal industry made up of large and small enterprises in all regions of Canada producing quality-controlled cannabis. The regulatory proposals outlined in the consultation paper have been made for consultation purposes only, and should not be interpreted as representing the final views of the Governor in Council, the Minister, or the Government of Canada. The consultations were open until January 20, 2018 and it is expected that no draft regulations will be released prior to July 1, 2018.

The Proposed Regulations are divided into the following seven major categories:

1. Licenses, Permits and Authorizations;
2. Security Clearances;
3. Cannabis Tracking System;
4. Cannabis Products;
5. Packaging and Labelling;
6. Cannabis for Medical Purposes; and
7. Health Products and Cosmetics Containing Cannabis.

Licenses, Permits and Authorizations

The Proposed Regulations would establish different types of authorizations based on the activity being undertaken and, in some cases, the scale of the activity. Rules and requirements for different categories of authorized activities are intended to be proportional to the public health and safety risks posed by each category of activity. The types of proposed authorizations include: (i) cultivation; (ii) processing; (iii) sale to the public for medical purposes and non-medical purposes in provinces and territories that have not enacted a retail framework; (iv) analytical testing; (v) import/export; and (vi) research.

Cultivation licenses would allow for both large-scale and small-scale (i.e. micro) growing of cannabis, subject to a stipulated threshold. Industrial hemp and nursery licenses would also be issued as a subset of cultivation licenses. Health Canada is considering a number of options for establishing and defining a "micro-cultivator" threshold, such as plant count, size of growing area, total production, or gross revenue. Part of the stated purpose of the Proposed Regulations is to solicit feedback from interested stakeholders regarding the most appropriate basis for determining what such threshold should be.

The Proposed Regulations provide that all licenses issued under the Cannabis Act would be valid for a period of no more than five years and that no licensed activity could be conducted in a dwelling-house. The Proposed Regulations would also permit both outdoor and indoor cultivation of cannabis. The implications of the proposal to allow outdoor cultivation are not yet known, but such a development could be significant as it may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices as capital expenditure requirements related to growing outside are typically much lower than those associated with indoor growing.

Security Clearances

It is proposed that select personnel (including individuals occupying a "key position", directors, officers, large shareholders and individuals identified by the Minister of Health) associated with certain licences issued under the Cannabis Act would be obliged to hold a valid security clearance issued by the Minister of Health. The Proposed Regulations would enable the Minister of Health to refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption or violent offences. This is the approach in place today under the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes.

Health Canada acknowledges in the Proposed Regulations that there are individuals who may have histories of non-violent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) who may seek to obtain a security clearance so they can participate in the legal cannabis industry. Under the new set of rules, the Minister of Health would be authorized to grant security clearances to any individual on a case-by-case basis. Part of the purpose of the Proposed Regulations is to solicit feedback from interested parties on the degree to which such individuals should be permitted to participate in the legal cannabis industry.

Cannabis Tracking System

As currently proposed under the Cannabis Act, the Minister of Health would be authorized to establish and maintain a national cannabis tracking system. The purpose of this system would be to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. The Proposed Regulations would provide the Minister of Health with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister.

Cannabis Products

The Proposed Regulations would permit the sale to the public of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds. It is proposed that the sale of edible cannabis products and concentrates (such as hashish, wax and vaping products) would only be permitted within one year following the coming into force of the Cannabis Act.

The Proposed Regulations acknowledge that a range of product forms should be enabled to help the legal industry displace the illegal market. Additional product forms that are mentioned under the Proposed Regulations include three "pre-rolled" cannabis and vaporization cartridges manufactured with dried cannabis. Specific details related to these new products are to be set out in a subsequent regulatory proposal.

Packaging and Labeling

The Proposed Regulations would set out requirements pertaining to the packaging and labelling of cannabis products. Such requirements would promote informed consumer choice and allow for the safe handling and transportation of cannabis. Consistent with the requirements under the ACMPR, the Proposed Regulations would require all cannabis products to be packaged in a manner that is tamper-evident and child-resistant.

While minor allowances for branding would be permitted, Health Canada is proposing strict limits on the use of colours, graphics, and other special characteristics of packaging, and products would be required to be labelled with specific information about the product, contain mandatory health warnings similar to tobacco products, and be marked with a clearly recognizable standardized cannabis symbol.

Cannabis for Medical Purposes

The proposed medical access regulatory framework would remain substantively the same as currently exists under the ACMPR, with proposed adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system.

Health Products and Cosmetics Containing Cannabis

Health Canada is proposing a scientific, evidenced-based approach for the oversight of health products with cannabis that are approved with health claims, including prescription and non-prescription drugs, natural health products, veterinary drugs and veterinary health products, and medical devices. Under the Proposed Regulations, the use of cannabis-derived ingredients (other than certain hemp seed derivatives containing no more than 10 parts per million THC) in cosmetics, which is currently prohibited, is proposed to be permitted and subject to provisions of the Cannabis Act.

Provincial and Territorial Regulatory Regimes

While the Cannabis Act provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the federal government, the Cannabis Act proposes that the provinces and territories of Canada will have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

The governments of every Canadian province and territory have, to varying degrees, announced proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. These provincial regulatory regimes regarding recreational cannabis distribution, use and consumption are ultimately contingent on the Cannabis Act becoming law. See "*Risk Factors – Change in laws, Regulations and Guidelines*".

Ontario

On September 8, 2017, the Ontario government announced its proposed retail and distribution model of legalized recreational cannabis to be modelled on the current Liquor Control Board of Ontario ("**LCBO**") framework. On December 12, 2017, the Ontario government passed the *Cannabis Act, 2017* (Ontario), which will regulate the lawful use, sale and distribution of cannabis for adult use in connection with the Federal Government's proposed legalization.

The *Cannabis Act, 2017* (Ontario) will, among other matters:

- create a new provincial retailer, overseen by the LCBO, to manage the distribution of recreational cannabis through stand-alone stores and an LCBO-controlled online order and distribution service, which together, will comprise the only channels through which consumers in Ontario will be able to legally purchase recreational cannabis;
- set a minimum age of 19 to use, buy, possess and cultivate cannabis in Ontario; and
- ban the use of cannabis in public places, workplaces and motor vehicles in Ontario, as is the case with alcohol.

Other details of Ontario's approach will be set out in regulations to the *Cannabis Act, 2017* (Ontario).

Activities Outside of Canada

The Company only conducts business in jurisdictions outside of Canada where such operations are legally permissible in accordance with the laws of the jurisdiction and Canadian regulatory obligations. The Company has planned activities in Germany, Switzerland and Malta. The following table outlines, in a summary form, the regulatory status of cannabis in those jurisdictions, as well as the activities of the Company or its local affiliate conducts:

Country	Regulatory Status and Framework	Corporate Activities
Germany	<p>Federally legal for medicinal use.</p> <ul style="list-style-type: none">• Cannabis containing less than 0.2% THC can be cultivated by registered growers upon approval by the Ministry of Agriculture.• Cannabis containing greater than 0.2% THC can only be cultivated and distributed with the approval of the Ministry of Health.• As of March 2017, the German government enacted the new "cannabis as medicine" law, allowing the medical use of the cannabis plant, <i>Cannabis sativa</i>.• The prescription, distribution and import of medical cannabis is overseen by an authority within the Ministry of Health, the Federal Institute for Drugs and Medical Devices (the "BfArM").• BfArM issues import permits for the import of medical cannabis for distribution through pharmacies.• With the legalization of cannabis, the BfArM established a cannabis agency to organize and control the cultivation of cannabis for medical use. As a result, BfArM, is carrying out a tender process to identify suppliers to cultivate medical cannabis within Germany.	<p>Maricann GmbH has submitted materials to the BfArM to become a licensed producer and wholesaler of cannabis as part of the current tender process taking place in Germany.</p>

Country	Regulatory Status and Framework	Corporate Activities
Switzerland	<p>Federally legal for medicinal and scientific use.</p> <ul style="list-style-type: none"> • Cannabis containing less than 1.0% THC is not subject to the federal Swiss Narcotics Act and is considered to be legal. No license is required under the Swiss Narcotics Act to cultivate or sell products containing cannabis with less than 1% THC, however, such products are subject to general regulations and the Federal Office of Public Health (FOPH), the Federal Food Safety and Veterinary Office (FSVO) and Swissmedic, the Swiss Agency for Therapeutic Products) are responsible for control, depending on the products' classification. For smoked tobacco substitutes, which are the products sold by Haxxon, they are subject to the Tobacco Products Ordinance, and must satisfy applicable requirements to smoked tobacco products they replace, including health and safety, reporting requirements to the FOPH, packaging information requirements, business and tax registration. • Cannabis containing greater than 1.0% THC is generally prohibited from being cultivated and distributed, subject to obtaining an exceptional license. • The Federal Office of Public Health grants such exceptional licenses pursuant to the following activities: (i) the development of medicinal products; (ii) for restricted medical use (on prescription from a medical doctor); or (iii) scientific research purposes. • An exceptional license for cultivation, import, production, or distribution of cannabis may be granted by the Federal Office of Public Health if such cannabis is an active ingredient in a medicinal product authorized by the Swiss Agency for Therapeutic Products. • Without such exceptional license, any commercial activities in connection with cannabis or other products containing greater than 1% THC is prohibited in Switzerland. 	Haxxon produces Low THC Strains in Switzerland.
Malta	<ul style="list-style-type: none"> • In April 2018 Maltese parliament passed the Production of Cannabis for Medicinal Use Act, 2018 that legalizes the production of medicinal cannabis. • Maltese Medicines Authority grants license pursuant to the following activities: <ul style="list-style-type: none"> a) Cultivation, importation or processing of cannabis, b) production of any products intended for medicinal and, or research purposes deriving from or resulting from the use of cannabis, c) trade in cannabis and, or any preparations intended for medicinal and, or research purposes as deriving from cannabis. • Such licence shall only be granted where the intended use of cannabis and, or products deriving therefrom is for medicinal and, or research purposes. <p>All persons intending to carry out any of the above identified activities shall:</p> <ul style="list-style-type: none"> • comply with the provisions of the Act; • obtain a letter of intent from Malta Enterprise after making an application on the prescribed form. Malta Enterprise shall ensure that the proposed activity is solely a production process; • comply with all regulations, including international obligations resulting from a treaty to which Malta may from time to time be a party, as may be applicable; • comply with all regulations relating to the production and quality standards of products for medicinal and, or research purposes, as the case may be, as applicable 	The Company has filed an application for industrial space with the Malta Enterprise.

Country	Regulatory Status and Framework	Corporate Activities
	<p>under the Medicines Act and with any other relevant regulations;</p> <ul style="list-style-type: none"> • obtain a licence from the Medicines Authority; • comply with any other relevant regulations as shall, from time to time, be promulgated under the Act or any other applicable law. 	

Principal Market and Competitive Conditions

The target market for cannabis is individuals aged 18 to 99 years old. Individuals suffer from a wide variety of ailments that achieve symptomatic relief with cannabinoid therapy, including:

Nervous System:

- CBN - aids in sleep, muscle relaxant;
- CBD/THCv - reduces seizure frequency and convulsions; and
- CBD - tranquilizing/Anxiety reliever.

Digestive System:

- THCv - appetite suppressant;
- THC - appetite stimulant; and
- CBD - reduces contractions in the small intestines.

Musculo-Skeletal

- CBD, CBG, CBC, THCv - promotes bone growth;
- THC, CBD, CBN - suppresses muscle spasms; and
- THC, CBD, CBC - reduces Inflammation.

Endocrine System and Immune Response

- CBD, CBG - kills or slows bacteria growth;
- CBG - treats fungal infections;
- CBD - reduces blood sugar levels; and
- CBD - treats Psoriasis.

From a recreational/lifestyle perspective, cannabis is effective in creating a euphoric and relaxing effect through:

- THC, CBD - promotes a feeling of euphoria and well being.

The target market for cannabis is broad, being used across a majority of the population, across all socioeconomic, and age groups. It is estimated that 27% of the Canadian adult population uses cannabis once per month, resulting in a market of approximately 6 million Canadians.²

The medical marijuana industry in which the Company operates is, and is expected to continue to be, very competitive. Medical marijuana service companies compete primarily on a regional basis, and competition may vary significantly from region to region at any particular time. The cannabis sector is in hyper growth with each of the public competitors engaged in significant expansion projects in Canada. Competitors vary from well capitalized businesses with

² https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/Analytics/ca-en-analytics-DELOITTE%20Recreational%20Marijuana%20POV%20-%20ENGLISH%20FINAL_AODA.pdf

substantial operations and revenues to unsophisticated “mom and pop” owned businesses, in limited facilities with limited capital and limited opportunities to expand their current facilities. Competitors are engaged in international opportunities, including, Germany, Australia, Brazil and Spain, with new export markets recently established in Chile and Croatia. The Company anticipates achieving leadership in the cannabis industry through cost leadership in manufactured goods and quality and diversity differentiation in its products.

The Company has direct competitors, with future license applicants entering the market on a monthly basis. Competitors vary from well capitalized businesses with substantial operations and revenues, with market capitalizations varying from \$50 million to \$7.2 billion, having raised from \$20 million to \$550 million. Public competitors are well known, having achieved significant media coverage, with national recognition, and market awareness based on social media and web based initiatives.

There are also a number of existing growers of medical marijuana who have or will seek to obtain Licensed Producer status under the ACMPR. The Company believes that the stringent application and compliance requirements of the ACMPR may prove too onerous for some of those existing producers. In addition, the ACMPR allows individuals who have received the proper documentation from their doctors and who have registered with a Licensed Producer, to grow marijuana plants at home. The number of plants grown by patients under the ACMPR is dependent on the number of grams per day indicated on the individual’s documentation.

The Company’s goal is to be positioned among the top companies in the sector, by current and future production capacity. The Company has achieved revenues of \$3.2 million in 2017 and \$4 million in 2016. Competitors with similar licence and duration of business have achieved more significant revenue, \$20 to \$40 million in 2017 propelled principally by ease of access to capital in the public markets, giving them the ability to spend on customer acquisition, and purchase of bulk inventory to supply their customer base, while offering enhanced merchandising and customer service.

The Company is focused on low-cost production of cannabis in its new large-scale, sealed cultivation facility in Langton, Ontario, which includes a diffuse glass roof and an energy efficiency rating of 92.5%. From its new operations, the Company expects a significant reduction in its cost of goods sold per gram. The Company is currently constructing a 942,000 sq. ft. expansion of greenhouse and processing facilities in addition to its existing 42,000 sq. ft. footprint. Management believes that this facility, once complete, will allow the Company to achieve economies of scale and the Company expects a significant reduction in its cost of goods sold per gram.

The Company believes that its management team, commitment to high quality competitively priced strains, client service, distribution networks, intellectual property, international expansion in rational markets, and a properly capitalized operation will enable it to establish and retain a leadership position in the market. The Company expects that its ability to compete will come through new initiatives, principally, marketing of its turn key product offering, new merchandising, awareness through social media, presence within clinics through investment, and differentiated products. See below under the heading “*Risk Factors – Competition*” for further information.

Principal Products

Marijuana can be ingested in a variety of ways, including smoking, vaporizing and consumption in the form of oil or edibles. Sativa and Indica are the two main types of cannabis plants, and hybrids can be created when the genetics of each of the two plants are crossed. Within these different types of cannabis plants there are many different varieties. Within each variety of medical cannabis there are many different cannabinoids, with the most common being delta-9-tetrahydrocannabinol (“THC”) the psychoactive ingredient and cannabidiol (“CBD”) which is responsible for many of the non-psychoactive effects from medical marijuana. Other common cannabinoids include, cannabinal (“CBN”), tetrahydrocannabivarin (“THCv”), cannabigerol (“CBG”) and cannabichromene (“CBC”).

The Company currently offers three main types of products: dried cannabis, 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 THC and CBD within each product. Currently, the Company has access to over 30 strain varieties of dried medical marijuana and offers four concentration levels of medical cannabis oil in its product offerings. The Company anticipates that it will continue to establish a variety of

strains and blended strains to best suit patient needs. The Company is also working on the research and development of alternative delivery methods of medical marijuana.

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 5-S	17.07	0.07	Sativa Dominant
ICANN Ultra Forte 36	17.19	0.07	Hybrid
ICANN Forte 17	16.68	-	Indica Dominant
ICANN Forte 17-S	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
ICANN Lite 168-S	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

Sales, Marketing and Distribution Methods

Medical marijuana patients order product from the Company, primarily through the Company’s online store or over the telephone. Both dried medical marijuana and cannabis oil are, and will continue to be, delivered by secured courier or other methods permitted by the ACMPR. The prices of the Company’s products vary based on growth time, strain yield, and market prices. The Company currently offers discounts on bulk purchases as well as discounts on compassionate pricing. All discounts are subject to change at the discretion of the Company.

Under current regulations, Licensed Producers are not permitted to advertise their products to the public. However, the Company is able to promote its products to doctors. A key focus for the Company has been to develop a multifaceted approach to reach doctors through direct and indirect outreach. In a given year, the Company will invest in attending and participating in events in the medical community, including medical conferences. Additionally, the Company expects to invest in local continuing medical education events and to identify key strategic patient organizations with which to align.

On November 6, 2017, the Company entered into a collaboration agreement with the Counterparty, a pharmacy group with a retail store network. The collaboration agreement provides for 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

funding of \$100,000 for the purposes of this initiative. On December 12, 2017, the Company announced that it signed a definitive agreement with Lovell Drugs to be the exclusive provider of medicinal cannabis products to its pharmacies, through a two-part initiative, consisting of education and product accessibility. The Company is currently working with both groups to implement distribution through these networks.

Operations and Facilities

Maricann Inc. conducts its operations from its Langton, Ontario facility. Maricann selected this site in September 2013 and initially acquired an established 8,000 sq. ft. growing operation. During 2014 and 2015 Maricann expanded the facility in size, output and onsite security to its current 42,000 sq. ft. footprint. The facility is situated close to major transportation routes extending across Ontario, and site services, including natural gas and ground water.

To ensure that it is able to meet growing demand, the Company has embarked on further expansion to significantly increase the existing facility's size. **Phase One of a three phase overall 942,000 sq. ft. (87,514 sq. m.) expansion began in November 2016. Phase One, a 217,000 sq. ft. (20,160 sq. m.) expansion is expected to be completed in the fourth quarter of 2018. Phase Two, a 635,000 sq. ft. (58,993 sq. m.) expansion commenced in the second quarter of 2018 and is expected to bring an additional production on line in the first quarter of 2019, and Phase Three, a 90,000 sq. ft. expansion, is also expected to bring in additional processing capacity. See MD&A**

From its original location in Langton, Ontario, the Company cultivates medicinal cannabis in compliance with Good Agricultural and Collection Practices and Good Manufacturing Processes. The Company's central focus on costs of raw inputs to its finished dose products, is evidenced by partnerships with world leading suppliers of industrial automation and building controls. The Company seeks to leverage scale which should allow the Company to grow more for less. The Company is on track to meet its cost objective of becoming among the lowest-cost producers in Canada.

Energy efficiency is at the core of the Company's strategy. From producing on-site, natural gas co-generation electricity to gathering rainwater from its roofs, the Company attempts to drive energy efficiencies throughout its production processes to save time and money. Growing under diffuse glass means the Company can harness solar energy. The Company uses solar energy in an effort to lower the Company's carbon footprint, only requiring supplemental lighting for a fraction of actual cultivation time. The Company also uses natural gas to heat its water and floors, and the byproduct of natural gas combustion, CO₂, is then scrubbed and pumped back into the greenhouses where it acts as a natural booster to the plants' growth cycle. The Company seeks to grow cleaner and larger plants through this method.

The Company has applied for a German License which would enable it to produce and distribute in Germany and has an interim agreement to secure non-equity financing totalling \$42,500,000 with Green Streaming for the build out of a 400,000 sq. ft. cultivation and production area in its Ebersbach facility in Germany. See "*General Development of the Business – History – Maricann Group Inc.*"

Health Canada conducts unscheduled site inspections of Licensed Producers. The Company's Langton facilities experiences these inspections regularly. While Health Canada routinely identifies aspects of the operations for improvement, the Company has not encountered any material inspection issues with Health Canada and the Company is in compliance with all regulations and requirements as at the date of this AIF.

International Expansion and Foreign Operations

Maricann GmbH is the Company's indirect 95% owned German subsidiary, over which the Company acquired legal title in April 2017. Maricann GmbH has 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 BfArM. If such licenses are received, such market is expected to serve as another source of demand for the Company's Canadian production.

The Company expects to enter the international cannabis market in the second quarter of 2018, with its first export of dried cannabis flower to Europe. The Company's first export is expected to take place following successful completion of Good Manufacturing Practices certification, following an inspection that occurred on December 14 and 15, 2017. The Company is now part of an exclusive group of Canadian Licensed Producers to be Good Manufacturing Practice ("GMP") certified in accordance with the European Medicines Agency's GMP standards. The Company expects to import dried cannabis flowers to Germany to its subsidiary, Maricann GmbH. The Company plans to commence distribution of VESIsorb® CBD products derived from hemp extracts in July of 2018 through an online shop.

Mariplant GmbH is a registered agricultural company in Germany and will process contract grown CBD for the European market, delivering products containing the VESIsorb® formulations. The Company intends to seek to acquire licensing and distribution rights to other established products and brands in the cannabis sector, distributing those products in Canada and Western Europe, where legal.

Haxxon, a wholly-owned subsidiary of the Company held through Maricann B.V., is a Swiss corporation based in Regensdorf, Switzerland and operates a 60,000 sq. ft. facility where it cultivates feminized cannabis plants with Low THC Strains. Haxxon allows the Company to produce Low THC Strains in Switzerland, which would then be manufactured into finished products. Haxxon currently cultivates Low THC Strains and produces cannabis products with a content of less than 1% THC, which are not subject to the Swiss Narcotics Act in Switzerland.

Specialized Skill and Knowledge

All aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include the areas of cultivation and growing of medical marijuana, and specifically the unique indoor agricultural skills required for the cultivation of marijuana in accordance with the ACMPR requirements.

Knowledge with respect to cultivating and growing medical marijuana is important to the medical marijuana industry; however, the nature of growing marijuana is not substantially different from the nature of growing other greenhouse products. Variables such as temperature, humidity, lighting, air flow, watering and feeding cycles are meticulously defined and controlled to produce consistent product and to avoid contamination. The product is cut, sorted, and dried under defined conditions that are established to protect the activity and purity of the product. Once processing is complete, each and every processing batch is subjected to full testing against stringent quality specifications set for activity and purity. The Company employs numerous industry experts in the cultivation and processing of the product, including the Company's scientific advisor, Dr. Steven Bennett, who is a molecular biologist with a background in transdermal drug delivery. As Scientific Director, Dr. Bennett sources and develops new products, ensuring their scientific and technical rigour. In addition, the Company's Vice President of Regulatory Affairs, Alex Sibilev, has worked in the pharmaceutical sector for over 20 years, with a background in quality assurance, quality control, regulatory affairs, and compliance. Mr. Sibilev's role is to ensure quality medication is provided to patients that is consistent, reliable and safe for consumption.

Intellectual Property

In October 2017 the Company acquired NanoLeaf, a biotech company with certain licensing rights to patented nano-technology for ingestible medicine delivery called VESIsorb®. VESIsorb® is a technology in the delivery of lipophilic (fat soluble) drugs, used by leading global pharma majors in non-cannabinoid applications. 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. NanoLeaf has certain exclusive rights to the VESIsorb® technology which is patented in several jurisdictions. The term of the agreement is 20 years, extendable for a further 10 years. It should be noted that 20 years likely extends beyond the lifespan of most or all of the licensed patents. The Company has engaged with world leading pharmacy companies to distribute its products in primary and exclusive relationships. The Company intends to work with Vesifact AG ("Vesifact"), the producer of VESIsorb®, to apply the VESIsorb® technology to the Company's products.

Employees

As of December 31, 2017, the Company employed 68 individuals. As of the date of this AIF, the Company employs 90 individuals.

Bankruptcy and Similar Procedures

There have been no bankruptcy, receivership or similar proceedings against the Company or any of its subsidiaries, or any voluntary bankruptcy, receivership or similar proceedings by the Company or any of its subsidiaries, within the three most recently completed financial years or during or proposed for the current financial year.

Reorganizations

Other than the RTO, there have been no material reorganizations of the Company or any of its subsidiaries within the three most recently completed financial years or during or proposed for the current financial year.

RISK FACTORS

There are a number of risk factors that could cause future results to differ materially from those described herein. The following are certain risk factors relating to the business carried on by the Company which prospective investors should carefully consider before deciding whether to purchase Common Shares. The risks and uncertainties described herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business. If any of the following risks actually occur, the Company's business may be harmed, and its financial condition and results of operations may suffer significantly.

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 the foreign markets in which it operates, 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

On June 30, 2016, the Government of Canada established the Task Force on Cannabis Legalization and Regulation

to seek input on the design of a new system to legalize, strictly regulate and restrict access to adult-use recreational cannabis. On December 13, 2016, the Task Force completed its review and published a report outlining its recommendations.

On April 13, 2017, the federal government of Canada introduced the Cannabis Act. On June 20, 2018 the Senate approved the Cannabis Act and the Act received Royal Assent on June 21, 2018. It is anticipated that the Cannabis Act will come into effect on October 17, 2018. The Cannabis Act, if enacted, will create a strict legal framework for controlling the production, distribution, sale and possession of recreational cannabis in Canada. The Cannabis Act proposes to lift the ban on the recreational use of cannabis in Canada dating back to 1923. The impact of any such new legislative system on the medical cannabis industry and the Company's business plan and operations is uncertain.

In addition, if the Cannabis Act comes into effect, there is no guarantee that provincial legislation regulating the distribution and sale of cannabis for recreational purposes will be enacted according to the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the opportunities for growth anticipated by the Company. For example, the Provinces of Ontario (Canada's most populous province), Québec and New Brunswick have announced sales and distribution models that would create government-controlled monopolies over the legal retail and distribution of cannabis for recreational purposes in such provinces, which could limit the Company's opportunities in those provinces.

Reliance on Licenses and Renewals

The Company's ability to grow, store and sell 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, or, 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 marijuana largely depend upon the level of industry activity for Canada

and, to a lesser extent, the development of the Canadian marijuana markets. Industry conditions are influenced by numerous factors over which the Company has no control, including the level of marijuana prices, expectations about future marijuana prices and production, the cost of producing and delivering 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 the Canadian marijuana industry is volatile. No assurance can be given that expected trends in marijuana production and sales activities will continue or that demand for marijuana will reflect the level of activity in the industry. Any prolonged substantial reduction in marijuana prices would likely affect marijuana production levels and therefore affect the demand for marijuana. A material decline in marijuana prices or Canadian industry activity could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Access to Additional Financing

The Company 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 the Company when needed or on terms acceptable to the Company. The Company'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.

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. See "Additional Information".

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 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 and/or recreational marijuana in some form or another. The Company has some international partnerships in place, which may be affected if more countries legalize medical and/or recreational 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 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 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, Switzerland and Malta) 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 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 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 the Company 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 the Company 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 marijuana industry can intensify competition and result in lower revenue to the Company. Variations in the development budgets of marijuana companies which are directly affected by fluctuations in marijuana prices and the cyclical nature and competitiveness of the 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 marijuana industry, such as equipment defects, malfunctions 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 the Company 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 the Company 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 the Company 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 the Company, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on the Company, 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.

Sufficiency of Insurance

The Company maintains various types of insurance which may include product liability insurance, 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 the Company in excess of available coverage could have a material adverse effect on the Company in terms of damages awarded and the impact and reputation of the Company.

Unfavourable Publicity or Consumer Perception

The Company believes the marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the 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 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 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 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 affect 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 (for example, 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.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of 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. The Company 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 the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's 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 worked to determine whether the VESIsorb® technology licensed from Vesifact, the producer of VESIsorb®, is compatible with both THC and non-THC cannabinoid products and has come to the conclusion that sufficient testing has occurred and VesiSorb is compatible with cannabinoids, including CBD and THC. Vesifact has gained a narcotics licence under the laws of Switzerland for the testing of Narcotics. Maricann has produced consistent

THC distillate through the process of thin film distillation that is suitable for testing purposes.

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 has 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 becomes 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 at Site 150 in Langton, Ontario until Site 138 is fully 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

The Company expects to selectively seek strategic acquisitions. the Company'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 the Company 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 the Company 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. The Company 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, the Company may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms to the Company. Neither the Company's articles nor its by-laws limit the amount of indebtedness that the Company 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 the Company 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 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, the Company 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, the Company 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.

DIVIDENDS

None of Danbel, Maricann or the Company has paid dividends in the past and the Company has no present intention of paying dividends in the foreseeable future. Any determination to pay any future dividends will remain at the discretion of the Board and will be made based on the Company's earnings, financial requirements and other conditions deemed relevant by the Board. There are currently no restrictions on the ability of the Company to pay

dividends except as set out under the OBCA. Holders of Common Shares are entitled to an equal share in any dividends declared and paid on the Common Shares.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series which may contain the rights, privileges and restrictions as determined by the Board. Holders of Common Shares are entitled to dividends, if, as and when declared by the Board, to one vote per share at meetings of shareholders of the Company and, upon dissolution, to share equally in such assets of the Company as are distributable to the holders of Common Shares. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

As of the date of this AIF, there are a total of 137,878,089 Common Shares issued, and outstanding and nil preferred shares issued and outstanding. In addition, as at the date hereof, the Company has the following outstanding convertible securities:

- (a) Rights to acquire 1,240,231 Common Shares;
- (b) 2016 Replacement Compensation Options to purchase an aggregate of 399,900 Common Shares;
- (c) 2017 Replacement Compensation Options to purchase an aggregate of 130,380 Common Shares;
- (d) Maricann Group Options to purchase an aggregate of 4,548,011 Common Shares;
- (e) \$22,483,000 million principal amount of Convertible Debentures convertible into a maximum of 13,873,303 Common Shares;
- (f) 2017 Unit Warrants to purchase an aggregate of 9,686,411 Common Shares;
- (g) 2017 Compensation Warrants to purchase an aggregate of 597,493 Common Shares;
- (h) Common Share purchase warrants to purchase 900,000 Common Shares;
- (i) RD Warrants to purchase an aggregate of 87,108 Common Shares⁽¹⁾;
- (j) 10,565,625 2018 Unit Warrants; and
- (k) 2018 Compensation Warrants to purchase an aggregate of 970,950 Common Shares and 467,975 2018 Unit Warrants.

Note:

- (1) In addition, the holder will be entitled to receive \$250,000 in additional RD Warrants on the first and second anniversary of the initial grant of the RD Warrants.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares were first listed and posted for trading on the CSE under the symbol "MARI" on April 24, 2017. The Common Shares are also posted for trading under the symbol "MRRCF" on the OTCQB and on the Frankfurt Stock Exchange under the symbol "75M".

The following table sets forth the intraday high and low sale prices per Common Share and the composite volume of trading of the Common Shares for the periods listed below.

<u>Date</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume</u>
April 2017 ⁽¹⁾	2.65	1.82	10,307,261
May 2017	2.15	1.35	8,217,222
June 2017	1.82	1.41	6,821,364
July 2017	1.78	1.27	4,617,623
August 2017	1.75	1.16	5,181,015
September 2017	1.53	1.04	8,260,906
October 2017	1.73	1.18	10,725,094
November 2017	2.70	1.32	29,110,972
December 2017	2.77	1.95	31,156,933

Notes:

(1) For period from April 24 to April 30, 2017.

The closing price of the Common Shares on the CSE on June 22, 2018 was \$1.74.

Prior Sales

During the year ended December 31, 2017 and up to the date of this AIF, Maricann and the Company issued the following securities of the Company that are not listed or quoted on a marketplace:

<u>Date of Issuance</u>	<u>Security</u>	<u>Number of Securities</u>	<u>Issue/Exercise Price Per Security</u>
April 20, 2017	Maricann Group Options ⁽¹⁾	4,819,036	Range \$0.0655 - \$1.25
April 20, 2017	Maricann Group Warrants ⁽¹⁾	11,250,000	\$1.25
April 20, 2017	2016 Maricann Compensation Options ⁽¹⁾	900,000	\$1.00
March 3, 2017	2017 Maricann Compensation Options ⁽¹⁾	130,380	\$2.85
June 29, 2017	Warrants ⁽²⁾	900,000	\$2.00
October 2, 2017	Maricann Group Options ⁽¹⁾	250,000	\$1.52
October 27, 2017	Convertible Debentures ⁽³⁾	31,000	\$1,000
October 27, 2017	2017 Unit Warrants ⁽³⁾	9,703,000	\$2.30
October 27, 2017	2017 Compensation Warrants ⁽³⁾	597,493	\$2.30
December 1, 2017	Maricann Group Warrants ⁽⁴⁾	100,200	\$1.25
December 6, 2017	Maricann Group Options	150,000	\$2.18
December 6, 2017	Maricann Group Warrants ⁽⁴⁾	399,900	\$1.25
December 7, 2017	Maricann Group Options	125,000	\$2.14
December 15, 2017	Maricann Group Options	3,000,000	\$2.13
December 19, 2017	Maricann Group Options	626,626	\$2.05
January 2, 2018	RD Warrants	87,108	\$2.87
January 8, 2018	Maricann Group Options	280,000	\$3.39
January 9, 2018	Special Warrants ⁽⁵⁾	20,125,000	\$2.00
January 9, 2018	2018 Compensation Warrants ⁽⁵⁾	935,950	\$2.00
January 15, 2018	Maricann Group Options	116,385	\$3.10
April 4, 2018	2018 Unit Warrants ⁽⁶⁾	10,565,625	\$2.35

Notes:

(1) Issued in exchange for securities of Maricann in connection with the RTO.

(2) Issued in connection with a business advisory agreement. Each warrant entitles the holder thereof to acquire one Common Share until June 29, 2019.

(3) Issued in connection with the October 2017 Financing.

(4) Issued on exercise of 2016 Replacement Compensation Options.

(5) Issued in connection with the January 2018 Financing. The Special Warrants were deemed exercised on April 4, 2018.

(6) Issued upon deemed exercise of 20,125,000 Special Warrants.

(7) as the Company is currently subject to a trading blackout, 5,260,500 Maricann Group Options shall be issued as soon as possible following the expiry of the blackout period at an exercise price equal to the closing market price on the Canadian Securities Exchange on the day preceding such grant.

ESCROWED SECURITIES

The following table sets forth the number of securities of each class of the Company held, to the Company's knowledge, in escrow, and the percentage that number represents of the outstanding securities of that class as of the date hereof.

Designation of Class	Number of Securities Held in Escrow	Percentage of Class ⁽²⁾
Common Shares	20,095,500	14.57%

Notes:

- (1) The Company is classified as an emerging issuer pursuant to National Policy 46-201 – *Escrow for Initial Public Offerings*, and as such the securities listed above will be released from escrow in stages over a 36 month period from April 24, 2017, being the date of listing of the Common Shares on the CSE, with 40% having been released to date and an additional 15% of such escrowed shares to be released on October 24, 2018, April 24, 2019, October 24, 2019 and April 24, 2020, being the 18, 24, 30 and 36 month anniversaries of the completion of the listing date.
- (2) Based on 137,878,089 Common Shares issued and outstanding.

DIRECTORS AND OFFICERS

The following table sets forth for each director and executive officer of the Company, each such individual's name, province or state and country of residence, position(s) held with the Company, principal occupation(s) for the last five years, if currently a director, period(s) during which such individual has served as a director of the Company, and the number and percentage of issued and outstanding Common Shares beneficially owned, or controlled or directed, directly or indirectly, by such individual (for avoidance of doubt, excluding any convertible securities in the capital of the Company held by such individual). The statements as to principal occupation(s) for the last five years of, and the number and percentage of Common Shares beneficially owned, or controlled or directed, directly or indirectly, by, the directors and executive officers of the Company are in each instance based upon information furnished by the individuals concerned. All directors of the Company hold office until the next annual meeting of shareholders of the Company or until their successors are elected or appointed.

Name, Province/State and Country of Residence and Position(s) with the Company	Principal Occupation(s) for the Last Five Years	Period(s) Served as a Director	Number of Common Shares Beneficially Owned or Controlled or Directed	Percentage of Common Shares Beneficially Owned or Controlled or Directed ⁽¹⁾
Ben Ward Ontario, Canada <i>Chief Executive Officer and Director</i>	President & Chief Executive Officer of Maricann Inc.; President & Chief Executive Officer of Canadian Cannabis Group; President & Chief Executive Officer of Joshua Gold Resources Inc.	Since April 20, 2017	2,195,783 ⁽²⁾	1.59%
Eric Silver ⁽¹⁶⁾ Ontario, Canada <i>Director</i>	Self-employed doctor	Since April 20, 2017	626,520 ⁽³⁾⁽⁴⁾	0.45%
Gerhard Müller ⁽¹⁴⁾⁽¹⁶⁾ Munich, German <i>Director</i>	Self-employed;	Since July 27, 2017	Nil ⁽⁵⁾	Nil

Name, Province/State and Country of Residence and Position(s) with the Company	Principal Occupation(s) for the Last Five Years	Period(s) Served as a Director	Number of Common Shares Beneficially Owned or Controlled or Directed	Percentage of Common Shares Beneficially Owned or Controlled or Directed ⁽¹⁾
Paul Pathak ⁽¹⁴⁾⁽¹⁵⁾⁽¹⁶⁾ Ontario, Canada <i>Interim Chairman of the Board and Director</i>	Partner, Chitiz Pathak LLP	Since December 15, 2017	93,574 ⁽⁶⁾⁽⁷⁾	0.07%
Michael Stein ⁽¹⁴⁾⁽¹⁵⁾ Ontario, Canada <i>Director</i>	President of Applied Inventions Management Corp. and WFE Investments Corp.	Since December 15, 2017	153,472 ⁽⁸⁾⁽⁹⁾	0.11%
Terry Fretz Ontario, Canada <i>President</i>	Chief Executive Officer of Maricann Inc., Chief Operating Officer, Maricann Inc.; Principal of Longgrass Marketing Inc.	N/A	1,848,200 ⁽¹⁰⁾	1.34%
Scott Langille Ontario, Canada <i>Chief Financial Officer</i>	Chief Financial Officer of Sernova Corp.; Chief Financial Officer of Tribute Pharmaceuticals Inc.	N/A	Nil ⁽¹¹⁾	Nil
Geoff Kosar Ontario, Canada <i>Vice President Sales & Marketing</i>	Head of Marketing and Marketing Director of Diageo Canada	N/A	Nil ⁽¹²⁾	Nil
Daniel Healey Ontario, Canada <i>Vice President of Operations</i>	Director of Operations of Parmalat Canada	N/A	Nil ⁽¹³⁾	Nil

Notes:

- (1) Based on 137,878,089 Common Shares issued and outstanding.
- (2) Mr. Ward also has 1,240,231 rights to acquire Common Shares from treasury for no cash consideration based on the achievement of performance milestones, additionally Mr. Ward was granted 1,500,000 Maricann Group Options to acquire Common Shares on March 19, 2018. The exercise price of such options has not yet been determined but will be set at the closing price of the Common Shares on the CSE on the day following the expiry of the blackout period that was in effect on the date of grant.
- (3) 210,000 Common Shares held by Dr. Silver directly and 416,520 Common Shares held by Eric Silver Medicine Professional Corporation of which Dr. Silver is a principal.
- (4) Dr. Silver also holds \$1,707,000 aggregate principal amount of Convertible Debentures with a maturity date of October 27, 2020 and 534,291 2017 Unit Warrants, each exercisable for one Common Share at a price of \$2.30 until October 27, 2020. Dr. Silver also holds 105,000 2018 Unit Warrants at an exercise price of \$2.35 per Common Share and 500,000 Maricann Group Options to acquire Common Shares at a price of \$2.13 per Common Share until December 15, 2022. One-third of the Maricann Group Options vested on the date of grant with a further one-third vesting on the first and second anniversary of the granting of such options.
- (5) Mr. Müller also has 500,000 Maricann Group Options to acquire Common Shares at a price of \$2.13 per Common Share until December 15, 2022. One-third of the Maricann Group Options vested on the date of grant with a further one-third vesting on the first and second anniversary of the granting of such options.
- (6) Held by 2124321 Ontario Inc. of which Mr. Pathak is a principal.

- (7) Mr. Pathak also has 500,000 Maricann Group Options to acquire Common Shares at a price of \$2.13 per Common Share until December 15, 2022. One-third of the Maricann Group Options vested on the date of grant with a further one-third vesting on the first and second anniversary of the granting of such options.
- (8) 82,936 Common Shares held by Mr. Stein directly, and 70,536 Common Shares held by WFE Investments Corp. of which Mr. Stein is a principal.
- (9) Mr. Stein also holds 33,993 2018 Unit Warrants and 500,000 Maricann Group Options to acquire Common Shares at a price of \$2.13 per Common Share until December 15, 2022. One-third of the Maricann Group Options vested on the date of grant with a further one-third vesting on the first and second anniversary of the granting of such Maricann Group Options.
- (10) 1,830,600 Common Shares held by Mr. Fretz directly, and 17,600 Common Shares are held by Longgrass Marketing Inc. of which Mr. Fretz is a principal, additionally Mr. Fretz was granted 500,000 Maricann Group Options to acquire Common Shares on March 19, 2018. The exercise price of such options has not yet been determined but will be set at the closing price of the Common Shares on the CSE on the day following the expiry of the blackout period that was in effect on the date of grant.
- (11) Mr. Langille holds 250,000 Maricann Group Options to acquire Common Shares at a price of \$1.52 per Common Share until October 2, 2020, additionally Mr. Langille was granted 850,000 Maricann Group Options to acquire Common Shares on March 19, 2018. The exercise price of such options has not yet been determined but will be set at the closing price of the Common Shares on the CSE on the day following the expiry of the blackout period that was in effect on the date of grant.
- (12) Mr. Kosar was granted 200,000 Maricann Group Options to acquire Common Shares on February 12, 2018. The exercise price of such options has not yet been determined but will be set at the closing price of the common shares on the Canadian Securities Exchange on the day following the expiry of the blackout period that was in effect on the date of grant.
- (13) Mr. Healey was granted 165,000 Maricann Group Options to acquire Common Shares on February 12, 2018. The exercise price of such options has not yet been determined but will be set at the closing price of the Common Shares on the CSE on the day following the expiry of the blackout period that was in effect on the date of grant.
- (14) Member of the Audit Committee.
- (15) Member of the Corporate Governance Committee.
- (16) Member of the Compensation Committee.

As of the date hereof, the directors and executive officers of the Company, as a group, beneficially owned, or controlled or directed, directly or indirectly, 4,917,549 Common Shares, representing approximately 3.57% of the total issued and outstanding Common Shares.

Biographies

The principal occupations, businesses or employments of each of the Company's directors and executive officers within the past five years are disclosed in the brief biographies set out below.

Ben Ward, Chief Executive Officer and Director

Mr. Ward leads all facets of the Company's operations, including its strategic direction and execution, finance and industry relations. He brings extensive domestic and global experience in business development, infrastructure development and capital markets to his leadership of the Company. Mr. Ward was President and Chief Executive Officer of Joshua Gold Resources Inc. from January 2011 to June 2013 and President and Chief Executive Officer of Canadian Cannabis Corp. from July 2013 to August 2016. Mr. Ward holds a BA (Honors) and an MBA from Bradford University School of Management (England), the latter with a dual concentration in Operations and Finance.

Paul Pathak, Interim Chairman of the Board and Director

Paul Pathak is and has served as a partner of Chitiz Pathak LLP since 1996, a Toronto law firm serving clients in the securities and investment industries, including issuers and dealers on a full range of securities transactions. Mr. Pathak practices principally in the areas of corporate, securities, mergers, acquisitions and commercial law. Mr. Pathak has acted for issuers in a broad range of securities transactions, including initial public offerings, reverse take-overs, establishment of capital pool companies, going-private transactions and numerous financing structures. Mr. Pathak has served as a member of the board of directors of several private and public corporations listed on both Canadian and U.S. stock exchanges. Mr. Pathak currently serves as a director of Jackpotjoy PLC (LSE), The Intertain Group Limited (TSX) and Aumento Capital VI Corporation (TSXV). Mr. Pathak was called to the Ontario Bar in 1994, having completed his LL.B. at Osgoode Hall Law School in 1992.

Dr. Eric Silver, Director

With extensive experience using medical cannabis to treat chronic pain, Dr. Silver co-founded L.E. Medical in 2002, a nutraceutical and natural health supplement company. He also co-founded Record Storage and Retrieval Services (RSRS) in 1997, a document management company specializing in healthcare. Dr. Silver is an Assistant Professor and Clinical Teacher in the Department of Family and Community Medicine at the University of Toronto. He is a peer assessor for the College of Physicians and Surgeons of Ontario for both Long Term Care and Interventional Pain Management. He is a member of the College of Family Physicians of Canada with a focused practice in chronic pain management.

Gerhard Müller, Director

Mr. Müller is a former audit partner of Ernst & Young's German practice, responsible partner for the Technology, Media & Entertainment sector at Ernst & Young for the Germany, Switzerland, Austria (GSA) region. A Certified Public Auditor and Tax consultant, Mr. Müller studied economics and English in Munich and Manchester (UK). At Ernst & Young, the majority of his clients were companies listed either in Europe or in the U.S. He left Ernst & Young in 2013 and has been working in his own practice since then. Since July 2017, Mr. Müller is also deputy chair of the Supervisory board of m4e AG, a German listed media company.

Michael Stein, Director

Michael Stein currently acts as a financial consultant and advises clients on various matters, including acquisitions, divestitures, corporate financings, re-organizations and restructurings. Mr. Stein is currently the President, Secretary and director of Applied Inventions Management Corp. ("AIM"), and the President and director of WFE Investments Corp., a secured shareholder of AIM. Mr. Stein is the former President, Chief Executive Officer and director of Danbel and is a former director and V.P. Corporate Affairs of Danbel. Prior to his role with Danbel, Mr. Stein served as director, U.S. Money Markets for a federally chartered Canadian Trust Company and prior thereto was a Senior Institutional Money Banker for a Savings & Loan Association based in Long Beach, California. Mr. Stein majored in economics and graduated with a Bachelor of Arts from York University.

Terry Fretz, President

Mr. Fretz is a long-time pharmaceutical executive. Mr. Fretz was integral in establishing and running two privately held generic pharmaceutical companies. Under his leadership, both organizations were recognized as the fastest growing pharma companies in Canada. Both companies were subsequently acquired by publicly traded multinationals. Mr. Fretz served as President and General Manager of Watson Pharmaceuticals – Canada before assuming his responsibilities at the Company.

Scott Langille, Chief Financial Officer

Mr. Langille has over 30 years of experience in the pharmaceutical industry in both Canada and the United States. He was formerly Chief Financial Officer of Tribute Pharmaceuticals Canada Inc., which was sold to Pozen Inc. in February 2016 for US\$160 million to form Aralez Pharmaceuticals Inc. Mr. Langille also served as Chief Financial Officer of Virexx Medical Corp., a biotechnology company, Director, Corporate Finance at Biovail Corporation, Director of Finance at Biovail Pharmaceuticals Canada, Biovail's sales and marketing division in Canada, as well as Vice President at Biovail Pharmaceuticals Inc., Biovail's sales and marketing division in the United States. Other prior management positions include Director, Finance at AltiMed Pharmaceuticals Company and Controller at Zimmer Canada. Mr. Langille has a professional accounting designation and an MBA from the University of Toronto.

Geoff Kosar, Vice President, Sales & Marketing

Mr. Kosar has played a key role in shaping the marketing and strategic direction of many iconic household brands in Canada for the past 20 years. Most recently, he was the Head of Marketing and previously Marketing Director at Diageo, Canada's largest spirits company. Mr. Kosar has vast experience selling and marketing brands in regulated industries. He holds a Bachelor of Commerce from the University of Guelph.

Daniel Healey, Vice President, Operations

With over 35 years manufacturing and quality assurance leadership within tier 1 food & beverage manufacturing companies, Mr. Healey has directed operations at large complex manufacturing plants within organizations Nestle, and Parmalat Canada, where he was most recently Director of Operations. Mr. Healey leads the Company's Canadian Operations, including supply chain and the Quality Assurance team.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as disclosed below, to the knowledge of the Company, no director or executive officer of the Company is, as at the date hereof, or has been, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that:

- (a) was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days and that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer.

Mr. Stein is the President, Secretary and director of AIM, which was subject to a cease trade order issued by the OSC on February 20, 2011 for failing to file financial statements within the prescribed time period. Between June 2011 and July 2011, AIM filed its annual audited financial statements for the years ended August 31, 2010, 2009 and 2008, as well as its interim financial statements for the periods ended November 30, 2010, February 28, 2011 and May 31, 2011. As a result of these filings, the OSC revoked the cease trade order on August 26, 2011.

Mr. Stein was the President, Chief Executive Officer and director of Danbel, which was subject to a cease trade order issued by the OSC on May 23, 2002, as well as cease trade orders issued by the Alberta Securities Commission and the British Columbia Securities Commission on May 24, 2002, for failing to file financial statements within the prescribed time period. These cease trade orders were revoked in early 2011 following the filing of all outstanding Danbel financial statements.

To the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date hereof, or has been, within the 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the knowledge of the Company, as at the date hereof, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the best knowledge of the Company, and other than as disclosed herein, there are no known existing or potential material conflicts of interest between the Company or a subsidiary of the Company and a director, officer or promoter of the Company except that certain of the directors or officers of the Company serve as directors, officers and promoters of other companies and therefore it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director, officer and promoter of such other companies. See “*Risk Factors*”.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors’ and officers’ conflict of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with applicable law and they will govern themselves in respect thereof to the best of their ability in accordance with the obligation imposed upon them by law.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

Other than as disclosed below, as of the date of this AIF, there are no actual or pending material legal proceedings to which the Company is a party or of which any of its assets is subject. Management is not aware of any such material legal proceedings contemplated against Maricann Group.

Mackie Research Capital Corporation (“**Mackie**”) commenced an action in the Ontario Superior Court of Justice against the Company on January 2, 2018. Mackie amended the claim on February 1, 2018. The amended statement of claim alleges the Company breached the right of first refusal provisions of an advisory agreement. Mackie seeks damages against the Company of \$3.0 million, certain warrants and \$100,000 in punitive damages. The Company is vigorously defending the action and has filed a statement of defence.

Regulatory Actions

As of the date of this AIF, none of Danbel, the Company, Maricann or any of their respective subsidiaries has been subject to any penalties or sanctions imposed by any court or regulatory authority relating to securities legislation or by a securities regulatory authority, nor has any party entered into a settlement agreement with a securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that are necessary to provide full, true and plain disclosure of all material facts relating to the Company’s securities or would be likely to be considered important to a reasonable investor making an investment decision.

See also “*Risk Factors*” and “*Additional Information*”

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein and in the consolidated financial statements of the Company for the year ended December 31, 2017, to the best of the Company’s knowledge, no director or executive officer of the Company or any person or company that is the direct or indirect beneficial owners of, or who exercises control or direction over, more than 10 percent of any class of the Company’s outstanding voting securities, or an associate or affiliate of any persons or companies referred to in this paragraph, has any material interest, direct or indirect, in any transaction within the

three years before the date of this AIF, or in any transaction, that has materially affected or will materially affect the Company or a subsidiary of the Company.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent of the Company is TSX Trust Company at its offices in Toronto, Ontario.

MATERIAL CONTRACTS

The only material contracts entered into by the Company, other than in the ordinary course of business within the most recently completed financial year and through to the date of this AIF, or prior thereto and that are still in effect as of the date hereof, are set forth below:

- (a) The Definitive Agreement.
- (b) The Interim Agreement.
- (c) The acquisition agreement dated as of August 22, 2017 between the Company and NanoLeaf.
- (d) The debenture indenture dated as of October 27, 2017 between the Company and TSX Trust Company entered into in connection with the October 2017 Financing.
- (e) The warrant indenture dated as of October 27, 2017 between the Company and TSX Trust Company entered into in connection with the October 2017 Financing.
- (f) The warrant indenture dated as of January 9, 2018 between the Company and TSX Trust Company entered into in connection with the January 2018 Financing.
- (g) The Haxxon Agreement.
- (h) The Site 150 Lease.
- (i) The cannabis licenses (# 804, 808 and 941) issued by Health Canada discussed under “*Description of Business*”.

The material contracts described above are available under the Company’s profile on SEDAR at www.sedar.com and may be inspected without further charge at the offices of the Company, located at 845 Harrington Court, Unit #3, Burlington, Ontario, during ordinary business hours.

AUDIT COMMITTEE INFORMATION

The Audit Committee is responsible for monitoring the Company’s systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents, including the Company’s annual audited financial statements and unaudited quarterly financial statements, and monitoring the performance and independence of the Company’s external auditors. The Audit Committee is also responsible for reviewing with management the Company’s risk management policies, the timeliness and accuracy of the Company’s regulatory filings and all related party transactions as well as the development of policies and procedures related to such transactions.

Audit Committee Charter

The Audit Committee Charter sets out the Audit Committee’s responsibilities and authority, procedures governing meetings, qualifications for membership and particulars governing the role of the Chair. A copy of the Audit Committee Charter is attached hereto as Appendix “A” hereto.

Composition of the Audit Committee.

The Company established an audit committee in connection with the RTO. As at the date hereof, the Audit Committee of the Company is composed of the following three members: Gerhard Müller (Chair), Michael Stein and Paul Pathak. Each member of the Audit Committee is considered “financially literate” pursuant to National Instrument 52-110 – *Audit Committees* (“NI 52-110”). Messrs. Müller and Pathak are considered “independent” pursuant to NI 52-110. Mr. Stein is not considered “independent” pursuant to NI 52-110, as he previously served as the Chief Executive Officer of Danbel.

Relevant Education and Experience

Each of the Audit Committee members has an understanding of the accounting principles used to prepare the Company’s financial statements, experience preparing, auditing, analyzing or evaluating comparable financial statements and experience as to the general application of relevant accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. See “*Directors and Officers*” above for information concerning the relevant education and experience of the Audit Committee members.

Audit Committee Oversight

At no time since the commencement of the Company’s most recently completed financial year, has any recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Company on behalf of the Board.

Pre-Approvals Policies and Procedures

Subject to the requirements of NI 52-110, the Charter of the Audit Committee allows for the engagement of non-audit services by the Company’s external auditor and sets out that such non-audit services must be pre-approved by the Audit Committee.

External Auditor Service Fees (By Category)

Danbel appointed HS & Partners LLP as its auditor for the year ended December 31, 2016, effective November 1, 2016. The aggregate fees billed by Danbel’s external auditor during the year ended December 31, 2016 are set out in the table below:

Year Ended	Audit Fees⁽¹⁾	Audit-Related Fees⁽²⁾	Tax Fees⁽³⁾	All Other Fees⁽⁴⁾
December 31, 2016	\$10,000	Nil	Nil	Nil

Notes:

- (1) “Audit Fees” refers to the aggregate fees billed for audit services.
- (2) “Audit-Related Fees” refers to the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of financial statements and not reported under Audit Fees.
- (3) “Tax Fees” refers to the aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.
- (4) “All Other Fees” refers to the aggregate fees billed for products and services provided, other than the services reported under the other three columns.

Maricann appointed Ernst & Young LLP, Chartered Accountants as its auditor for the year ended December 31, 2016. Following the RTO, Ernst & Young LLP, Chartered Accountants was appointed the auditors of the Company. On May 16, 2018 the Company filed a change of auditor notice on confirming that Ernst & Young LLP had resigned as the Company's auditor effective on May 16, 2018 at the request of the board of directors of the Company and that MNP LLP were appointed as the successor auditor. The notice further confirmed that (i) Ernst & Young has not expressed any reservation or modified opinions in any of its audit reports in respect of the Company for any financial period during which Ernst & Yong LLP were the Company's auditor and (ii) there were no "reportable events" cited

by Ernst & Yong LLP in connection with audits of the financial statements of the Company for any financial period during which Ernst & Yong LLP were the Company's auditor.

The aggregate fees billed by Maricann and the Company's external auditor during the year ended December 31, 2017 and 2016 are set out in the table below:

Year Ended	Audit Fees⁽¹⁾	Audit-Related Fees⁽²⁾	Tax Fees⁽³⁾	All Other Fees⁽⁴⁾
December 31, 2017	\$414,000	\$20,000	\$42,000	Nil
December 31, 2016	\$157,635	\$146,900	\$7,250	Nil

Notes:

- (1) "Audit Fees" refers to the aggregate fees billed for audit services.
- (2) "Audit-Related Fees" refers to the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of financial statements and not reported under Audit Fees.
- (3) "Tax Fees" refers to the aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.
- (4) "All Other Fees" refers to the aggregate fees billed for products and services provided, other than the services reported under the other three columns.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*) of NI 52-110.

Exemption for Venture Issuers

Pursuant to Section 6.1 of NI 52-110, the Company is exempt from the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*) of NI 52-110.

INTERESTS OF EXPERTS

The auditors of Danbel, HS & Partners LLP, Chartered Accountants, have audited the annual financial statements of Danbel for the year ending December 31, 2016. HS & Partners LLP, Chartered Accountants is independent within the meaning of the Chartered Professional Accountants Handbook of Ontario. As of the date of this AIF, HS & Partners LLP, Chartered Accountants did not own or have any registered or beneficial interests, direct or indirect, in any securities or the property of the Company.

Ernst & Young LLP, Chartered Accountants audited the financial statements of Maricann for the years ending December 31, 2017 and December 31, 2016 and are independent within the meaning of the Chartered Professional Accountants Handbook of Ontario.

Ernst & Young LLP, Chartered Accountants have confirmed that they are independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario. As of the date of this AIF, Ernst & Young LLP, Chartered Accountants did not own or have any registered or beneficial interests, direct or indirect, in any securities or the property of the Company.

The Company has appointed MNP LLP as its auditor and MNP LLP have confirmed that they are independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario. As of the date of this AIF, MNP LLP, Chartered Accountants did not own or have any registered or beneficial interests, direct or indirect, in any securities or the property of the Company.

The auditors of NanoLeaf, MNP LLP, Chartered Professional Accountants, have also audited the financial statements of NanoLeaf for the period ended September 30, 2017 in connection with the filing of the BAR.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found under the Company's profile on SEDAR at www.sedar.com and under the Company's profile on the CSE's website at www.cnsx.ca.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's listing statement dated April 20, 2017 prepared in connection with listing of the Common Shares on the CSE and in the Company's management information circular dated November 10, 2017.

By letter dated February 8, 2018, Staff of the OSC advised that Ben Ward is the subject of an investigation into his activities while he was CEO of Canadian Cannabis Corp., a company wholly unrelated to the Company. Prior to this, the Company was unaware of the matter. The Company is unaware of any facts that could reasonably lead it to conclude that this investigation has had, or will have, any impact on the ability of Mr. Ward to properly and effectively carry out his duties as CEO or director of the Company. Staff of the OSC have advised the Company that they are unable to provide it with any further information at this time. Mr. Ward has advised the Company that he is subject to the same restrictions. The Company is advised by Mr. Ward that he is fully cooperating with the investigation and that he believes that he has acted at all times in a manner that is compliant with applicable securities law.

The OSC has also advised that the Enforcement Branch of the OSC is conducting a review of the timing and reporting of certain trades in securities of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised by Raymond Stone and Neil Tabatznik or their respective associates and affiliates or by other persons otherwise directly or indirectly related to them, as the case may be, that were effected prior to the announcement of the Bought Deal Offering. On February 27, 2018, Mr. Tabatznik resigned as a director and the Chairman of the Board and Raymond Stone resigned as a director of the Company. The OSC also advised the Company that the Enforcement Branch of the OSC was conducting a review of the timing and reporting of certain trades in securities of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised by persons directly or indirectly related to Mr. Silver that were effected prior to the announcement of the Bought Deal Offering. On March 28, 2018, the OSC informed the Company that the Enforcement Branch of the OSC is conducting an investigation in connection with the aforementioned trades by Mr. Silver and/or persons directly or indirectly related to Mr. Silver. In connection with the OSC's investigation, Mr. Silver has undertaken to deliver a written resignation in respect of his position as a director of the Company promptly following commencement by the OSC of any enforcement proceedings against Mr. Silver alleging any breach of the *Securities Act* (Ontario) in respect of the applicable trades described above in the event any such proceedings are commenced and he remains a director at that time. Mr. Silver has also undertaken that, in the event of his resignation, he will not seek re-election or consent to his nomination for election to the Board at the next meeting of shareholders at which directors are to be elected without the prior written consent of the OSC and the Company. The Company also has undertaken to the OSC that, in the event of any such enforcement proceedings being commenced against Mr. Silver, the Company will not re-nominate Mr. Silver for re-election at the next meeting of shareholders at which directors are to be elected without the prior written consent of the OSC. The provision of such undertakings by Mr. Silver and the Company does not and shall not be deemed to constitute an admission of any breach of applicable laws by Mr. Silver, his affiliates or associates or by any other persons otherwise directly or indirectly, or by the Company. The Company is advised by Mr. Silver that he is fully cooperating with the OSC and he believes that he has acted at all times in a manner that is compliant with applicable securities law.

The OSC staff notified the Company that it considers Mr. Silver to be a promoter of the Company within the meaning of applicable securities laws. As part of their undertakings, each of Mr. Silver and the Company has acknowledged that in the event Mr. Silver resigns as a director and/or officer of the Company or is not re-elected as a director of the Company, that it/he has been informed by OSC Staff, that Staff would not likely recommend that exemptive relief be granted in respect to the requirement under section 58(5) of the *Securities Act* (Ontario) for Mr. Silver to sign a certificate of promoter (as such term is defined in the *Securities Act* (Ontario)) in respect to any future prospectus of the Company, so long as the OSC continues to take the view that the Mr. Silver is a promoter of the Company. The provision of the foregoing undertakings do not constitute any admission by the Company or Mr. Silver that he is a promoter of the Company.

The Board has established a special committee of independent directors (the “**Special Committee**”) that has full authority to review the foregoing trades and the OSC investigation involving Mr. Ward and any related matters, and to make recommendations to the Board on appropriate steps to be taken in response. The Special Committee retained Osler, Hoskin & Harcourt LLP to act as its independent legal counsel in connection with these matters. The special committee’s review into these matters is continuing. The Company remains committed to cooperating with the OSC in its reviews and investigations.

Additional financial information is provided in the financial statements and management discussion and analysis (“MD&A”) of the Company and Maricann, which are available under the Company’s profile on SEDAR at www.sedar.com.

APPENDIX "A"

AUDIT COMMITTEE CHARTER

1. PURPOSE OF THIS CHARTER

The Audit Committee (the "Committee") is appointed by the Board of Directors (the "Board") of Maricann Group Inc. (the "Corporation") to assist the Board in fulfilling its oversight responsibilities relating to financial accounting, reporting and internal controls for the Corporation. The Committee's primary duties and responsibilities are to:

- a) conduct such reviews and discussions with management and the external auditors relating to the audit and financial reporting as are deemed appropriate by the Committee;
- b) assess the integrity of internal controls and financial reporting procedures of the Corporation and ensure implementation of such controls and procedures;
- c) review the quarterly and annual financial statements and management's discussion and analysis of the Corporation's financial position and operating results and in the case of the annual financial statements and related management's discussion and analysis, report thereon to the Board for approval of same;
- d) select and monitor the independence and performance of the Corporation's external auditors, including attending at private meetings with the external auditors and reviewing and approving all renewals or dismissals of the external auditors and their remuneration; and
- e) provide oversight of all disclosure relating to, and information derived from, financial statements and management's discussion and analysis.

The Committee has the authority to conduct any investigation appropriate to its responsibilities, and it may request the external auditors, as well as any officer of the Corporation, or outside counsel for the Corporation, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee. The Committee shall have unrestricted access to the books and records of the Corporation and has the authority to retain, at the expense of the Corporation, special legal, accounting, or other consultants or experts to assist in the performance of the Committee's duties.

The Committee shall review and assess the adequacy of this Charter annually and submit any proposed revisions to the Board for approval.

In fulfilling its responsibilities, the Committee will carry out the specific duties set out in Part 4 of this Charter.

2. AUTHORITY OF THE AUDIT COMMITTEE

The Committee shall have the authority to:

- a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- b) set and pay the compensation for advisors employed by the Committee; and
- c) communicate directly with the internal and external auditors of the Corporation.

3. COMPOSITION AND MEETINGS

The Committee and its membership shall meet all applicable legal, regulatory and listing requirements, including, without limitation, those of the Ontario Securities Commission ("OSC"), any exchange upon which the securities of the Corporation are listed, the *Business Corporations Act* (Ontario) and all applicable securities regulatory authorities.

- a) The Committee shall be composed of three or more directors as shall be designated by the Board from time to time. Unless a Chair is elected by the Board, the members of the Committee shall designate from amongst themselves by majority vote of the full Committee a member who shall

serve as Chair. The position description and responsibilities of the Chair are set out in Schedule "A" attached hereto.

- b) At least a majority of the members of the Committee shall be "independent" and "financially literate". An "independent" director is a director who has no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which, in the view of the Board, could be reasonably expected to interfere with the exercise of the director's independent judgement or a relationship deemed to be a material relationship pursuant to Sections 1.4 and 1.5 of National Instrument 52-110 — *Audit Committees*, as set out in Schedule "B" hereto. A "financially literate" director is a director who has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the accounting issues that can be reasonably expected to be raised in the Corporation's financial statements.
- c) Each member of the Committee shall serve at the pleasure of the Board. The Committee shall report to the Board.
- d) The Committee shall meet at least quarterly, at the discretion of the Chair or a majority of its members, as circumstances dictate or as may be required by applicable legal or listing requirements. A minimum of two and at least 50% of the members of the Committee present, either in person or by telephone, shall constitute a quorum.
- e) If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the next business day following the date of such meeting at the same place. If at the adjourned meeting a quorum is not present within one hour of the time appointed for such adjourned meeting, such meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the second adjourned meeting a quorum is not present, the quorum for the adjourned meeting shall consist of the members then present (a "**Reduced Quorum**").
- f) If, and whenever a vacancy shall exist, the remaining members of the Committee may exercise all of its powers and responsibilities so long as a quorum remains in office or a Reduced Quorum is present in respect of a specific Committee meeting.
- g) The time and place at which meetings of the Committee shall be held, and procedures at such meetings, shall be determined from time to time by the Committee. A meeting of the Committee may be called by letter, telephone, facsimile, email or other means of communication, by giving at least 48 hours' notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.
- h) Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for the purposes hereof, to be present in person at the meeting.
- i) The Committee shall keep minutes of its meetings. The Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.
- j) Any director of the Corporation may attend meetings of the Committee, and the Committee may invite such officers and employees of the Corporation and its subsidiaries as the Committee may see fit, from time to time, to attend at meetings of the Committee.
- k) Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose. Actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting

of the Committee called for such purpose. The Committee shall report its determinations to the Board at the next scheduled meeting of the Board, or earlier as the Committee deems necessary.

- l) The Committee members will be appointed annually at the first meeting of the Board following the annual general meeting of shareholders.
- m) The Board may at any time amend or rescind any of the provisions hereof, or cancel them entirely, with or without substitution.

4. RESPONSIBILITIES

a) Financial Accounting and Reporting Process and Internal Controls

- i) The Committee shall review the annual audited and interim financial statements and related management's discussion and analysis before the Corporation publicly discloses this information to satisfy itself that the financial statements are presented in accordance with applicable accounting principles and in the case of the annual audited financial statements and related management's discussion and analysis, report thereon and recommend to the Board whether or not same should be approved prior to their being filed with the appropriate regulatory authorities. With respect to the annual audited financial statements, the Committee shall discuss significant issues regarding accounting principles, practices, and judgments of management with management and the external auditors as and when the Committee deems it appropriate to do so. The Committee shall consider whether the Corporation's financial disclosures are complete, accurate, prepared in accordance with International Financial Reporting Standards and fairly present the financial position of the Corporation. The Committee shall also satisfy itself that, in the case of the annual financial statements, the audit function has been effectively carried out by the auditors and, in the case of the interim financial statements, that the review function has been effectively carried out.
- ii) The Committee shall review and assess the adequacy and effectiveness of the Corporation's systems of internal control and management information systems through discussion with management and the external auditor to ensure that the Corporation maintains appropriate systems, is able to assess the pertinent risks of the Corporation and that the risk of a material misstatement in the financial disclosures can be detected.
- iii) The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, management's discussion and analysis and annual and interim financial press releases, and periodically assess the adequacy of these procedures in consultation with any disclosure committee of the Corporation.
- iv) The Committee shall review any press releases containing disclosure regarding financial information that are required to be reviewed by the Committee under any applicable laws or otherwise pursuant to the policies of the Corporation (including before the Corporation publicly discloses this information).
- v) The Committee shall meet no less than annually with the external auditors and the Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Corporation in charge of financial matters, to review accounting practices, internal controls and such other matters as the Committee, Chief Financial Officer or, in the absence of a Chief Financial Officer, the officer of the Corporation in charge of financial matters, deem appropriate.
- vi) The Committee shall inquire of management and the external auditors about significant financial and internal control risks or exposures and assess the steps management has taken to minimize such risks.

- vii) The Committee shall review the post-audit or management letter, if any, containing the recommendations of the external auditors and management's response and subsequent follow-up to any identified weaknesses.
- viii) The Committee shall periodically review and make recommendations regarding the Code of Business Conduct and Ethics adopted by the Board;
- ix) The Committee shall periodically review and make recommendations regarding the Whistleblower Policy and the Anti-Bribery and Anti-Corruption Policy adopted by the Board;
- x) The Committee shall follow procedures established as set out in the Corporation's Whistleblower Policy, for:
 - the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, auditing matters or violations to the Corporation's Code of Business Conduct and Ethics; and
 - the submission by employees, consultants, contractors, directors or officers of the Corporation, on a confidential and anonymous basis, of concerns regarding questionable accounting, auditing matters or violations to the Corporation's Code of Business Conduct and Ethics.
- xi) The Committee shall ensure that management establishes and maintains an appropriate budget process, which shall include the preparation and delivery of periodic reports from the Chief Financial Officer to the Committee comparing actual spending to the budget. The budget shall include assumptions regarding economic parameters that are well supported and shall take into account the risks facing the Corporation.
- xii) The Committee shall have the authority to adopt such policies and procedures as it deems appropriate to operate effectively.

b) External Auditors

- i) The Committee shall recommend to the Board the external auditors to be nominated for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services for the Corporation, shall set the compensation for the external auditors, provide oversight of the external auditors and shall ensure that the external auditors report directly to the Committee.
- ii) The Committee shall ensure that procedures are in place to assess the audit activities of the external auditors and the internal audit functions.
- iii) The pre-approval of the Committee shall be required as further set out in Schedule "C" prior to the undertaking of any non-audit services not prohibited by law to be provided by the external auditors in accordance with this Charter.
- iv) The Committee shall monitor and assess the relationship between management and the external auditors and monitor, support and assure the independence and objectivity of the external auditors and attempt to resolve disagreements between management and the external auditors regarding financial reporting.
- v) The Committee shall review the external auditors' audit plan, including the scope, procedures and timing of the audit.
- vi) The Committee shall review the results of the annual audit with the external auditors, including matters related to the conduct of the audit.

- vii) The Committee shall obtain timely reports from the external auditors describing critical accounting policies and practices, alternative treatments of information within International Financial Reporting Standards that were discussed with management, their ramifications, and the external auditors' preferred treatment and material written communications between the Corporation and the external auditors.
- viii) The Committee shall review fees paid by the Corporation to the external auditors and other professionals in respect of audit and non-audit services on an annual basis.
- ix) The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.
- x) The Committee shall have the authority to engage the external auditors to perform a review of the interim financial statements.

c) Other Responsibilities

The Committee shall perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary or appropriate.

5. APPROVAL

- (a) **Approved by the Board of Directors on November 8, 2017.**

SCHEDULE A

MARICANN GROUP INC.

POSITION DESCRIPTION FOR THE CHAIR OF THE AUDIT COMMITTEE

1. PURPOSE

The Chair of the Committee shall be an independent director who is elected by the Board or designated by a majority vote of the Committee to act as the leader of the Committee in assisting the Board in fulfilling its financial reporting and control responsibilities to the shareholders of the Corporation.

2. WHO MAY BE CHAIR

The Chair will be selected from amongst the directors of the Corporation who have a sufficient level of financial sophistication and experience in dealing with financial issues to ensure the leadership and effectiveness of the Committee.

The Chair will be selected annually at the first meeting of the Board following the annual general meeting of shareholders or designated by a majority vote of the Committee.

3. RESPONSIBILITIES

The following are the primary responsibilities of the Chair:

- a) chair all meetings of the Committee in a manner that promotes meaningful discussion;
- b) ensure adherence to the Committee's Charter and that the adequacy of the Committee's Charter is reviewed annually;
- c) provide leadership to the Committee to enhance the Committee's effectiveness, including:
 - i) act as liaison and maintain communication with the Board to coordinate input from directors and to optimize the effectiveness of the Committee. This includes ensuring that Committee materials are available to any director upon request and reporting to the Board on all decisions of the Committee at the first meeting of the Board after each Committee meeting and at such other times and in such manner as the Committee considers advisable;
 - ii) ensure that the Committee works as a cohesive team with open communication, as well as to ensure open lines of communication among the independent auditors, financial and senior management and the Board for financial and control matters;
 - iii) ensure that the resources available to the Committee are adequate to support its work and to resolve issues in a timely manner;
 - iv) ensure that the Committee serves as an independent and objective party to monitor the Corporation's financial reporting process and internal control systems, as well as to monitor the relationship between the Corporation and the independent auditors to ensure independence;
 - v) ensure that procedures as determined by the Committee are in place to assess the audit activities of the independent auditors and the internal audit functions; and
 - vi) ensure that procedures as determined by the Committee are in place to review the Corporation's public disclosure of financial information and assess the adequacy of such procedures periodically, in consultation with any disclosure committee of the Corporation;
- d) ensure that procedures as determined by the Committee are in place for dealing with complaints received by the Corporation regarding accounting, internal controls and auditing matters, and for employees to submit confidential anonymous concerns;

- e) manage the Committee, including:
 - i) adopt procedures to ensure that the Committee can conduct its work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings;
 - ii) prepare the agenda of the Committee meetings and ensure pre-meeting material is distributed in a timely manner and is appropriate in terms of relevance, efficient format and detail;
 - iii) ensure Committee meetings are appropriate in terms of frequency, length and content;
 - iv) obtain a report from the independent auditors on an annual basis, review the report with the Committee and arrange meetings with the auditors and financial management to review the scope of the proposed audit for the current year, its staffing and the audit procedures to be used;
 - v) oversee the Committee's participation in the Corporation's accounting and financial reporting process and the audits of its financial statements;
 - vi) ensure that the auditors report directly to the Committee, as representatives of the Corporation's shareholders;
 - vii) annually review with the Committee its own performance, report annually to the Board on the role of the Committee and the effectiveness of the Committee in contributing to the effectiveness of the Board;
 - viii) together with the Board, oversee the structure, composition and membership of, and activities delegated to, the Committee from time to time;
 - ix) ensure Committee's work plan for the year is scheduled and monitor progress at each meeting; and
 - x) ensure Committee minutes are reviewed and approved.
- f) perform such other duties as may be delegated from time to time to the Chair of the Committee by the Board.

SCHEDULE B

MARICANN GROUP INC.

NATIONAL INSTRUMENT 52-110 AUDIT COMMITTEES (“NI 52-110”)

Section 1.4 — Meaning of Independence

- (1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a “material relationship” is a relationship which could, in the view of the issuer’s board of directors, be reasonably expected to interfere with the exercise of a member’s independent judgment.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
 - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
 - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
 - (c) an individual who:
 - (i) is a partner of a firm that is the issuer’s internal or external auditor,
 - (ii) is an employee of that firm, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
 - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the issuer’s internal or external auditor,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
 - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer’s current executive officers serves or served at that same time on the entity’s compensation committee; and
 - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because
 - (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or
 - (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.

- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), direct compensation does not include:
 - (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
 - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- (7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
 - (a) has previously acted as an interim chief executive officer of the issuer, or
 - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.
- (8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

Section 1.5 — Additional Independence Requirements for Audit Committee Members

- (1) Despite any determination made under section 1.4 of NI 52-110, an individual who
 - (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
 - (b) is an affiliated entity of the issuer or any of its subsidiary entities,
 is considered to have a material relationship with the issuer.
- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
 - (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
 - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.
- (3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

SCHEDULE C

MARICANN GROUP INC.

PROCEDURES FOR APPROVAL OF NON-AUDIT SERVICES

1. The Corporation's external auditors shall be prohibited from performing for the Corporation the following categories of non-audit services:
 - (a) bookkeeping or other services related to the Corporation's accounting records or financial statements;
 - (b) appraisal or valuation services, fairness opinion or contributions-in-kind reports;
 - (c) actuarial services;
 - (d) internal audit outsourcing services;
 - (e) management functions;
 - (f) human resources;
 - (g) broker or dealer, investment adviser or investment banking services;
 - (h) legal services; and
 - (i) any other service that the Canadian Public Accountability Board or International Accounting Standards Board or other analogous board which may govern the Corporation's accounting standards, from time to time determines is impermissible.
2. In the event that the Corporation wishes to retain the services of the Corporation's external auditors for tax compliance, tax advice or tax planning, the Chief Financial Officer of the Corporation shall consult with the Chair of the Committee, who shall have the authority, subject to confirmation that such services will not compromise the independence of the Corporation's external auditors, to approve or disapprove on behalf of the Committee, such non-audit services. All other non-audit services shall be approved or disapproved by the Committee as a whole.
3. The Chief Financial Officer of the Corporation shall maintain a record of non-audit services approved by the Chair of the Committee or the Committee for each fiscal year and provide a report to the Committee no less frequently than on a quarterly basis.

Form 52-109F1 – AIF
Certification of Annual Filings
in connection with voluntarily filed AIF

This certificate is being filed on the same date that **Maricann Group Inc.** (the “issuer”) has voluntarily filed an AIF for the financial year ended **December 31, 2017**.

I, **Scott Langille, Chief Financial Officer of Maricann Group Inc.**, certify the following:

1. **Review:** I have reviewed the AIF, annual financial statements and annual MD&A, including for greater certainty all documents and information that are incorporated by reference in the AIF (together, the “annual filings”) of the issuer for the financial year ended **December 31, 2017**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

Date: June 29, 2018

“Scott Langille”

Scott Langille
Chief Financial Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**Form 52-109F1 – AIF
Certification of Annual Filings
in connection with voluntarily filed AIF**

This certificate is being filed on the same date that **Maricann Group Inc.** (the “issuer”) has voluntarily filed an AIF for the financial year ended **December 31, 2017**.

I, **Ben Ward, Chief Executive Officer of Maricann Group Inc.**, certify the following:

1. **Review:** I have reviewed the AIF, annual financial statements and annual MD&A, including for greater certainty all documents and information that are incorporated by reference in the AIF (together, the “annual filings”) of the issuer for the financial year ended **December 31, 2017**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

Date: June 29, 2018

“Ben Ward”

Ben Ward
Chief Executive Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

TAB 2



Maricann Group Inc.

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

For the Three and Six Months Ended June 30, 2018 and 2017

MARICANN GROUP INC.
Management's Discussion and Analysis
For the Three and Six Months Ended June 30, 2018 and 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 three and six months ended June 30, 2018. Throughout this MD&A, unless otherwise specified, "Maricann", "the Company", "we", "us" or "our" refer to Maricann Group Inc. The Company is a publicly traded company listed on the Canadian Securities Exchange ("CSE") under the symbol "MARI" and on the OTCMKTS under the symbol "MRRCF" and was continued under the Business Corporations Act (Ontario) and is domiciled in Canada. The Company's head office, registered and records office address is located at 3 – 845 Harrington Court, Burlington, Ontario, L7N 3P3. The Company's operating production address is 150 8th Concession Road, Langton, Ontario, N0E 1G0.

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

The effective date of the MD&A is August 23, 2018. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company and notes thereto for the three and six months ended June 30, 2018 and 2017, and related notes thereto ("Interim Financial Statements") and the audited financial statements of the Company and notes, and MD&A related thereto for the year ended December 31, 2017.

The Company's condensed interim consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada for publicly accountable enterprises, as set out in the *CPA Canada Handbook – Accounting*, which incorporates International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"] using International Accounting Standard 34, Interim Financial Reporting ["IAS 34"]. The policies set out below have been consistently applied to all periods presented unless otherwise noted.

The Company's condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited financial statements as at and for the year ended December 31, 2017.

IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the amount of revenue and expenses incurred during the reporting period. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

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

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

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

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may contain "forward-looking information," within the meaning of applicable securities laws, including the "safe harbour provisions" of the Securities Act (Ontario) with respect to Maricann. Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our expectation with respect to our expansion project, including the expected increases in production capacity, timing of completion of our Phase 1 expansion

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

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

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

OVERVIEW OF THE COMPANY

Company Background

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

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

received an updated license for the sale of encapsulated cannabis oil. The three licenses referenced herein are collectively referred to as the "Licenses".

As of the date hereof, the Licenses are three of 115 licenses issued by Health Canada under the ACMPR for all of Canada, and three of 62 licenses issued for Ontario. Of the 115 licenses issued for all of Canada, the License is one of 56 licenses permitted to produce and sell marijuana, one of 25 licenses permitted to produce and sell cannabis oil, and two of 11 licenses to produce and sell cannabis starting materials, including seeds and clones.

Since commencing operations at its main facility located at 150 8th Concession Road, Langton, Ontario in April 2013, the Company has continued to expand production of the main facility. In early 2016, the Company acquired 97.5 acres of property adjacent to the main facility to strategically support further expansion. Construction efforts on phase one of a three phase overall 940,000 sq. ft. (76,180 sq. m) expansion began in November 2016. **Phase I, a 217,000 sq. ft. (20,160 sq. m) expansion is expected to be fully completed in Q4 of 2018. Phase 2 construction started 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). In March 2018, all tenders were revoked by the BfArM, including the Company's tender. The Company plans to participate in a new tender process with a submission deadline of October 22, 2018.

Company Products

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

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

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

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

Company Developments

(i) Retail Network

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

(ii) License Renewal and activity

Effective November 8, 2017, Health Canada granted the Company the an amended 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 marijuana and 352 kg of cannabis oil) per year. This new license represents an increase of over 480% of production capacity and is valid until October 9, 2020.

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

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

(iii) Products

On November 30, 2017, Maricann began production of four types of all-natural cannabis oil capsules. The benefit of Maricann Capsules is the ability to deliver medication to patients in the consistent dosages and easy-to-use format consistent with other pharmaceutical products. The vegan capsules are produced in 15 mg and 25 mg cannabidiol (CBD) and 5 mg and 10 mg THC capsules for optimal patient control and compliance. On July 27, 2018, the Company's first and second licenses were amended to allow for the sale of encapsulated cannabis oil.

(iv) Mariplant GmbH

On April 18, 2018 the Company announced that the first seeds were planted on the contract farmed 405 acre agricultural land in Saxony, Germany through Mariplant GmbH, which will be focused on nutraceutical non-THC cannabis. On August 3, 2018, MariPlant GmbH commenced the harvest of approximately 165 hectares (~405 acres) of hemp. Mariplant GmbH planted five approved cultivars included in the European Union list of approved hemp. This inaugural harvest utilized new proprietary harvesting and drying systems, designed to optimize yield from industrial hemp. Mariplant GmbH test controlled the hemp harvest by selecting a 4-hectare (9,88 acres) plot for hand harvest, with similar yields and results to its automated harvesting process. Output so far exceeds expectations. From the 4-hectare plot almost 3,000 kg of dried material have been collected. Final product CBD content is expected to vary between the different strains, providing sampling for next year's crop. Third party extraction in Germany commenced on August 21, 2018.

(v) Finance raising

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

On August 10 2018, the Company closed a private placement offering (the "August SW Offering") of special warrants (the "August Special Warrants") for aggregate gross proceeds of \$37,401,760. Pursuant to the August

SW Offering, the Company issued 23,376,100 August Special Warrants, at a price of \$1.60 per August Special Warrant. Each August Special Warrant is automatically exercisable, for no additional consideration, into units of the Company (the "August Units") on the earlier of: (i) the date that is three business days following the date on which the Company obtained receipt from the Securities Commissions for a (final) prospectus (the "August Qualifying Prospectus") qualifying distribution of the August Units issuable upon exercise of the August Special Warrants; and (ii) the date that is four months and one day after the closing of the August SW Offering, subject to adjustment in certain events. Each August Special Warrant, entitles the holder thereof to one August Unit consisting of one Common Share and one Common Share purchase warrant of the Company (an "August Warrant"). Each August Warrant is exercisable to acquire one Common Share at a price of \$1.75 per Common Share until August 10, 2020, subject to adjustment in certain events. The Company may accelerate the expiry date of the August Warrants on not less than 30 days' notice should the daily volume weighted average trading price of the Common Shares on the Canadian Securities Exchange (or such other exchange on which the Common Shares may trade) be greater than \$2.00 for any 10 consecutive trading days. In the event the Issuer has not received a receipt from the Securities Commissions for the August Qualifying Prospectus before October 4, 2018, each unexercised Special Warrant will thereafter entitle the holder to receive upon the exercise thereof, at no additional consideration, 1.05 August Units (instead of one August Unit). In connection with the August SW Offering, the agents received a cash commission and 930,680 compensation warrants. Each compensation warrant entitles the holder thereof to acquire one August Unit at a price of \$1.60 per August Unit until August 10, 2020, subject to adjustment in certain events. In connection with the completion of the August SW Offering, two officers entered into securities lending agreements pursuant to which they lent (together, the "Loans") two of the subscribers in the August SW Offering an aggregate of 2,708,000 freely-tradeable Common Shares (the "Loaned Shares") until the date that is four months and one day following closing of the August SW Offering (the "Securities Lending"). As collateral for the Securities Lending, the borrowers of the Loaned Shares have pledged a total of 2,708,000 Special Warrants which they acquired in connection with the August SW Offering. In connection with the provision of the Loans, the Company has agreed to pay the officers an aggregate fee in an amount equal to \$216,640, to be allocated between such officers pro rata based on the number of Loaned Shares lent by each of them pursuant to the Securities Lending.

(vi) Operations

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

(vii) Acquisition Haxxon AG

On May 10, 2018, the Company completed the acquisition of all the issued and outstanding common shares of Haxxon AG ("Haxxon"), for an aggregate purchase price of CHF 8,000,000, of which CHF 2,000,000 (\$2,548,800) was paid in cash and CHF 6,000,000 was paid in Common Shares at a deemed issue price of \$1.98 per share (the "Haxxon Transaction") At closing this resulted in the issuance of 3,808,505 Common Shares and will possibly lead to the issuance of an additional 132,707 of Common Shares on the second anniversary of the closing date of the Haxxon Transaction provided certain representations and warranties of Haxxon AG remain in good standing. Haxxon is based in Regensdorf, Switzerland and operates a 60,000 sq. ft. facility where it cultivates feminized cannabis plants with a content of less than 1% THC ("Low THC Strains"). The Haxxon Transaction will allow the Company to produce Low THC Strains in Switzerland, which would then be manufactured into finished products.

(viii) Malta

On May 16, 2018, the Company announced that it has entered into a non-binding letter of intent to acquire 100% of the issued and outstanding shares of Medican Holdings Ltd (“Medican”) of the Republic of Malta. Following discussions with Malta Enterprise, the government entity responsible for the issuance of such licenses, the Company has submitted its own application for a license and has terminated its letter of intent to acquire Medican. Maricann has received confirmation from Malta Enterprise in the form of a Letter of Intent, to move ahead with licensing of finished goods production facilities for medical cannabis. Malta comprises an integral part of Maricann’s long-term development strategy, with finished goods manufacturing, including its patented VesiSorb CBD and THC softgels to take place in Malta. VesiFact produces the world’s first dosage controlled soft gel capsules with enhanced bio-availability and rapid onset. Malta Enterprise has approved Maricann’s application to set up a business in Malta to manufacture finished dose medical cannabis. This license allows Maricann to supply its Maltese operation with raw materials that will then undergo advanced post processing to create pure cannabis distillates, allowing for true pharmaceutical manufacturing. Commercial production of distillates is integral for the Company, as it advances the timeline for delivery of its full suite of products to those European markets where such products are legal. The Company has received an initial allocation of 2,750 square metres of industrial space. The approval in Malta is conditional on a number of items including (i) operation of the business in compliance with applicable laws, (ii) compliance with certain reporting requirements, (iii) the Company’s Malta subsidiary reaching an employment level of at least 28 full-time equivalent employees within three years from the start of operations, (iv) the Company’s Malta subsidiary investing at least €9.5 million in improvements to the site, plant, machinery and equipment within three years from the allocation of the applicable site and (v) the Company obtaining a licence from the Medicines Authority.

(ix) GMP certification

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

(x) Provincial Supply Agreements

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

(xi) Expansion of European Operations

In light of rapid growth in the European medical cannabis market, Maricann has added to its European management team, expanded its ability to conduct medical testing and centered its medical cannabis research and development in Germany. Maricann has received an EudraCT (European Union Drug Regulating Authority Clinical Trial) number and Protocol Code Number to allow further testing of its patented VesiSorb Technology for cannabinoids.

Morten Lars Brandt , an experienced pharmaceutical executive, is now in the role of General Manager, Europe. Dr. Thoralf Schlosser has been named as the Qualified Person for Maricann’s European Medical Division, replacing Dr. Thomas Klumpp.

Company Outlook and Strategy

Taking Medical Marijuana to the World of Pharmaceutical Cannabis and Beyond

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

Technology:

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

Scale:

The Company's cultivation operations are expanding. The Company is currently building a new facility at 138, 8th Concession Road, Langton, Ontario ("Site 138"). Phase one of a three phase overall 940,000 sq. ft. (87,329 sq. m) expansion began in November 2016. Phase I, a 217,000 sq. ft. (20,160 sq. m) expansion is expected to be fully completed in Q4 of 2018, with an anticipated design capacity of 22,245 kg of annual production. As of August 2018, we have completed 217,000 sq ft of erected shell with 85% of the floors poured. The flowering rooms, packaging, oil extraction and laboratory area is expected to be completed by Q4 of 2018. Phase 2 construction started in Q2 of 2018 with a targeted additional design capacity of 71,000 kg of annual production. Combined with current capacity of 2,000 kg per year, based on assumed full design capacity, Maricann expects to grow 95,245 kg of dry cannabis flower per year. When extracted trim of 25% is added, that equates to an expected 119,056 kg of raw cannabis inputs per year based on assumed full design capacity. The anticipated design capacity takes into consideration the Company's historical experience and takes into consideration the current plans. However, as the Company's historical experience evolves and obtains greater experience, if any changes are made to the design of the building and related infrastructure, it may impact the capacity of these new facilities.

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

Trusted Distribution:

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

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

The Company has been participating in the Canadian medical marijuana industry and, with the recent passing of the *Cannabis Act* in Canada it will begin to direct more of its focus and resources to the recreational marijuana market. The Company's management team is committed to aggressive, cost-effective growth, and intends to facilitate growth through cash flow from operations and strategic acquisitions in the future. Sales efforts by the Company are handled by its operational management team and sales and marketing personnel. Most efforts are direct sales with customers, though the Company also engages in trade shows and industry events.

Growing Green with Green

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

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

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

Overall Financial Performance

	For the three months ended June 30,				For the six months ended			
	2018	2017	Change	Change	2018	2017	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Revenue	1,157,887	661,602	496,285	75%	1,758,478	1,804,769	(46,291)	-3%
Gross profit	(716,555)	407,730	(1,124,285)	-276%	(2,983,241)	112,703	(3,095,944)	-2747%
Expenses	9,216,595	8,816,773	(399,822)	-5%	18,379,926	15,121,278	(3,258,648)	-22%
Non cash fair value change in convertible debenture related to changes in value of common shares	-	(23,113,750)	(23,113,750)	-100%	-	37,176,990	37,176,990	100%
Net loss	(9,933,150)	14,704,707	(24,637,857)	-168%	(21,363,167)	(52,185,565)	30,822,398	59%
Net (loss) income per share, basic	(0.07)	0.22	(0.28)	-129%	(0.18)	(0.94)	0.76	-81%
Net (loss) income per share, diluted	(0.07)	0.20	(0.26)	-132%	(0.18)	(0.94)	0.76	-81%
Weighted average number of outstanding shares, basic and diluted	135,140,297	74,825,118	(60,315,179)	-81%	121,684,390	55,703,713	65,980,677	118%
	As at							
	June 30, 2018	December 31, 2017	Change	Change				
	\$	\$	\$	%				
Total Assets	126,643,803	93,332,797	33,311,006	36%				
Total Liabilities	28,162,279	31,810,788	(3,648,509)	-11%				

Maricann Inc. was incorporated in 2013, commenced commercial operations in mid-2014 and began generating revenue from the sale of medical cannabis in late December 2014. Production and operations had been consistently growing in both sales and capacity since inception, prior to the Q2-2017 see *Company Developments – Operations* section above. The Company has maintained its focus on providing quality products produced in a cost-effective manner. Net losses for the three and six months ended June 30, 2018 and 2017 reflect the steady increase in operational and other working capital uses consistent with a company on a steep growth curve. Revenue for the three-month period ended June 30, 2018 has increased 75% when compared to 2017 as a result of two large bulk sales to other licensed producers during the three months ended June 30, 2018. From an expense perspective the increases in cultivation related costs, the hiring and contracting of more experts and experienced personnel, increases in business development activities and increased corporate activity have driven a 22% increase year over year. Net loss was offset by the fair value adjustment on growth of biological assets which were \$658,620 and \$958,848 for the three and six months ended June 30, 2018, respectively, compared to \$1,033,650 and \$1,133,001 for the three and six months ended June 30, 2017, respectively. The decrease in net loss is mainly due to the fact that during the six-month period ended June 30, 2017, the Company recorded a non-cash loss in its convertible debenture related to changes in the value of Common Shares of \$37,176,990, and a listing expense of \$4,486,850.

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

- Hiring of senior financial, growing, and management resources;
- Optimizing and increasing production to meet the anticipated increase in product demand;
- Continued expansion of production facilities; and
- Product formulations;
- Financing the Company;

- Growing increased market awareness of the Company and its products and approach; and
- Corporate activities associated with investor relations and public relations.

SUMMARY OF QUARTERLY RESULTS

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

	FY 2018		FY 2017				FY 2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	1,157,887	600,591	696,942	721,035	661,602	1,143,167	1,304,031	892,081
Net Loss	(9,933,150)	(11,372,610)	(9,447,378)	(5,379,931)	14,704,707	(66,890,272)	(5,517,816)	(1,119,537)
Income (loss) per share - basic	(0.07)	(0.11)	(0.10)	(0.08)	0.22	(1.53)	(0.15)	(0.03)
Income (loss) per share - diluted	(0.07)	(0.11)	(0.10)	(0.08)	0.20	(1.53)	(0.15)	(0.03)

The net loss for the quarters ended June 30 and March 31, 2018 was primarily attributable to increased general and administrative expenses and share-based compensation.

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

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

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

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

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

Review of Operations for the three and six-months ended June 30, 2018 and 2017

Revenues

Revenues for the three and six month periods ended June 30, 2018 were \$1,157,887 and \$1,758,478 as compared to \$661,602 and \$1,804,769 during the same periods in 2017, an increase of \$496,285 or 75% and a decrease of \$46,291 or 3%, respectively. The increase in revenue during the three months ended June 30, 2018 compared to June 30, 2017 is primarily related to two large bulk supply orders completed during Q2. The Company began sales of medical cannabis oil in October 2016, such sales totaled 6% of total revenue during the six-month period ended June 30, 2018 (2017 – 25%). Total products sold for the six-month period ended June 30, 2018 was 226.723 kilograms at an average selling price of \$5.72 per gram for dry medical cannabis and \$18.87 per gram for oil, up from 173.245 kilograms sold during the same period in 2017 at an average selling price of \$11.42 per gram.

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

Net cost of sales

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

- Production costs – represents current period costs that are directly attributable to the cannabis growing and harvesting process
- Fair value adjustment on sale of inventory – relates to the previously fair value increase associated with biological assets that were transferred to inventory upon harvest.
- Fair value adjustment on growth of biological assets – represents the estimated fair value less cost to sell of biological assets as at the reporting date.
- Mariplant GmbH costs associated with the outdoor grow that was planted on the contract farmed 405 acre agricultural land in Saxony, Germany.

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	\$	\$	\$	\$
Revenue	1,157,887	661,602	1,758,478	1,804,769
Cost of sales - production costs [note 5]	1,771,708	909,127	4,401,327	1,795,391
Gross profit before fair value adjustments	(613,821)	(247,525)	(2,642,849)	9,378
Fair value adjustment on sale of inventory	(761,354)	(378,395)	(1,299,240)	(1,029,676)
Fair value adjustment on growth of biological assets [note 6]	658,620	1,033,650	958,848	1,133,001
Gross loss	(716,555)	407,730	(2,983,241)	112,703

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

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

	For the three months ended		For the six months ended	
	2018	2017	2018	2017
	\$	\$	\$	\$
Payroll costs for personnel involved in growing marijuana and hemp plants	716,246	438,407	1,307,018	871,290
Materials and utilities	581,809	185,688	863,282	379,881
Other overhead, rent, facility & equipment maintenance, cleaning, uniforms, quality and fulfillment and other	473,653	285,032	2,231,027	544,220
	1,771,708	909,127	4,401,327	1,795,391

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

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

to bring the products to their present location and condition.

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

Gross (loss) profit

Gross profit was negative \$716,555 and \$2,983,241 for the three and six months ended June 30, 2018, respectively, and positive \$407,730 and \$112,703 for the three and six months ended June 30, 2017. The overall decrease was primarily due to the Company's increase in production costs due to expansion efforts as the Company focused its efforts on increasing production staff and quality control.

Expenses

General and administrative

General and administrative expenses were \$6,161,019 and \$12,828,392 for the three and six months ended June 30, 2018, respectively, compared to \$4,090,649 and \$5,793,647 for the three and six months ended June 30, 2017 representing an increase of \$7,034,745 or 121% for the six months ended June 30, 2018. The increase year over year represents the Company's efforts to bring more labour and talent into the Company, increased travel, increased corporate activity, investor relations and maintenance costs as well as other overhead associated with the growth including contractors, professional fees and increased site security.

Sales and marketing

Sales and marketing expenses were \$902,773 and \$515,631 for the three and six months ended June 30, 2018, respectively, compared to (\$343,992) and \$1,970,373 for the three and six months ended June 30, 2017 representing an decrease of \$1,454,742 or 74% for the six months ended June 30, 2018. The decrease for the six months ended June 30, 2018 is due to a recovery of stock-based compensation due to a forfeiture of stock options of \$639,853 and a decrease in the fair value of cash settled options of \$286,485.

Share-based compensation

Share based compensation of \$484,500 and \$1,820,670 for the three and six months ended June 30, 2018, respectively, compared to \$867,485 and \$2,388,668 for the three and six months ended June 30, 2017 represented a decrease of \$567,998 or 24% for the six months ended June 30, 2018. The decrease is mainly due to the vesting conditions of stock options granted in prior periods and a decrease in the amount of stock options issued during the six months ended June 30, 2018.

Amortization and depreciation

Depreciation expense was \$1,603,244 and \$3,139,581 for the three and six months ended June 30, 2018 compared to \$227,629 and \$437,105 for the three and six months ended June 30, 2017, representing an increase of \$2,702,476 or 618% for the six months ended June 30, 2018. The increase was the result of the addition of new greenhouse space, increased capacity in the processing facility and amortization of the intangible assets.

Listing Expense

Listing expense was \$3,972,464 and \$4,486,850 for the three and six months ended June 30, 2017. The costs incurred relate to the costs associated with the RTO in April 2017.

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

During the three and six months ended June 30, 2017, the fair value of the Convertible Debenture was revalued based on the equity raise on March 3, 2017 at \$2.85 per share. The fair value of the Debenture instrument based on \$2.85 per share for 22,500,000 shares was \$64,125,000. The fair value of the warrants was \$18,665,740 determined based on the Black-Scholes option pricing model. It is noted that the increase in the fair value of the debenture instrument and the warrants were as a result of an increase in the value of share price of the Company. As a result, the Company recorded a non-cash fair value gain on convertible debt related to share issuance of \$23,113,750 during the three months ended June 30, 2018 and a loss of \$37,176,990 during the six months ended

June 30, 2018.

Net Loss and comprehensive loss

Given that we are a start-up company in a growth phase, it was expected that the Company would not generate net income in its early years. The need to invest in both human capital as well as having higher operations costs in keeping pace with the quickly growing revenues has been essential to ensure that the current and, potentially more importantly, future market opportunity can be capitalized upon. Net loss for the three and six months ended June 30, 2018 was \$9,933,150 and \$21,363,167, respectively compared to net income of \$14,704,707 and net loss of \$52,185,565 for the three and six months ended June 30, 2017, respectively. The decrease in net loss is mainly a result of a non-cash fair value loss on convertible debt and warrants related to share issuance of \$37,176,990, go public listing expenses incurred of \$4,486,850 during the six months ended June 30, 2017 and offset by a general and administrative expenses increase of \$7,034,745.

Loss per Share

Basic and diluted loss per share is calculated by dividing the net loss attributable to Common Shareholders of the Company by the weighted average number of Common Shares outstanding during the period. Diluted loss per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other potentially dilutive securities. The weighted average number of Common Shares used as the denominator in calculating diluted loss per share excludes un-issued common Shares related to stock options and other rights to shares, warrants, compensation options and convertible debentures as they are anti-dilutive. Basic and diluted loss per share for the three and six months ended June 30, 2018 was \$0.07 and \$0.18 per share, respectively, as compared to income per share of \$0.22 and loss per share of \$0.94 for the three and six months ended June 30, 2017.

Total Assets

Total assets increased to \$126,643,803 as at June 30, 2018 from \$93,332,797 as at December 31, 2017. The increase is the result of a number of elements including property, plant and equipment which increased 102% from \$28,438,345 to \$57,564,294. The majority of this increase related to upgrades/expansion to the growing and processing facilities. Current and non-current other assets increased 316% to \$18,108,734 from \$4,348,773, as the Company made deposits for construction materials and equipment for the purposes of the Langton facility expansion as well as for the purpose of the expected German expansion. Cash decreased to \$8,250,997 from \$24,572,873 as at December 31, 2017 due to the above noted capital expenditures and operating loss, which was offset by the SW Offering financing of \$40,250,000 in gross proceeds completed in January 2018.

Total Liabilities

Total liabilities as at June 30, 2018 were \$28,393,189 as compared to \$31,810,788 as at December 31, 2017. The main decrease is due in large part to conversion of \$8,517,000 of the convertible debenture to Common Shares. The decrease overall is then offset by an increase in accounts payable attributable to the substantial operational and capital costs associated with growing the Company's capacity and operational workforce.

Liquidity and Capital Resources

For the six-month period ended June 30, 2018, the Company generated revenues of \$1,758,478 from operations and has financed its operations and met its capital requirements primarily through the SW Offering, stock option and warrant exercises. The Company's objectives when managing its liquidity and capital resources are to generate sufficient cash to fund the Company's operating and working capital requirements. During the six months ended June 30, 2018, the Company completed a SW Offering of \$40,250,000 in gross proceeds, received proceeds from exercise of stock options and warrants of \$1,850,530, repaid \$75,398 in lease obligations to meet its current and anticipated future obligations.

As at June 30, 2018, the Company had working capital of \$6,003,759 compared to \$22,223,435 at December 31, 2017. The decrease in working capital of \$16,450,586 was mostly related to increased spending on expansion efforts and increased requirements in meeting operational needs offset by the January special warrant financing as discussed above.

The condensed interim consolidated financial statements have been prepared on the basis of accounting

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

Operating Activities

For the six-months ended June 30, 2018, cash flow used in operating activities was \$19,565,941 compared to \$8,315,561 for the six months ended June 30, 2017. The increase in cash flow used in operations is \$11,250,380 or 135%. The increase in cash flow used in operations is due to higher net losses of the period net of the non-cash fair value change in convertible debenture and warrant liability related to changes in the value of Common Shares.

Investing Activities

For the six months ended June 30, 2018, the Company had used cash of \$35,195,964 related to investing activities as compared to \$6,857,884 for the six months ended June 30, 2017. Investing activities during the period relate to building and other facility upgrades and the purchase of production equipment, computers and furniture as well as advancements towards investments of the German subsidiary.

Financing Activities

Cash flows provided by financing activities for the six months ended June 30, 2018 were \$38,581,031 compared to \$6,955,819 for the six months ended June 30, 2017, an increase of \$31,625,212 or 455%. The increase in cash provided by financing activities is primarily due to an issuance of Special Warrants in January 2018, net of issuance costs, of \$37,794,030, proceeds received on exercise of stock options and warrants of \$1,850,529 and offset by interest payment of \$988,131 on the convertible debentures and repayment of capital leases of \$75,398.

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	139,127,571
Special warrants	23,376,100
Stock options	3,881,344
Warrants	21,836,637
Dilutive effect of convertible debentures	13,873,304
Dilutive effect of share rights	1,240,231
Dilutive effect of compensation options	1,101,330
Fully diluted	204,436,517

Capital Expenditures

The Company has been taking a phased approach to capital expansion since January 2015. Expenditures have been managed based on the available cash resources. During 2015, two new greenhouses were built along with critical and efficiency-based upgrades to the existing growing and processing facilities. Additional upgrades were also completed during Q3 & Q4 2016. **The Company embarked on its most substantial facility expansion to date in December 2016. With an expected completion date in Q4 2018, an additional approximately 217,000 square feet of growing and processing space will complement the current footprint. This facility is expected to have a design capacity of 22,245 kg of annual production when complete and fully operational, subject to obtaining regulatory licensing approval. During the six months ended June 30, 2018, the Company spent an additional \$23,752,440 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 June 30, 2018, December 31, 2017 and June 30, 2017, the Company has not recognized any contingent liabilities.

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

Commitments

The Company's production facility at 150 8th Concession, Langton, Ontario under an operating lease arrangement expires on October 31, 2018 and the Company has administrative offices under operating lease arrangements until 2023. The Company has the right under a production facilities lease arrangement to extend the leases by another five years. The following table presents the minimum payments due over the next five years and thereafter until the termination of the leasing arrangement.

	\$
2018	325,373
2019	399,669
2020	401,052
2021	401,513
2022	375,693
2023 and beyond	89,312
	<u>1,992,612</u>

Off-Balance Sheet Arrangements

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

Transactions and balances with related parties

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

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

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

[iii] During the year ended December 31, 2017, the Company entered into a reservation agreement to acquire for €3,000,000 [\$4,611,150] 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 [see Note 7].

Management compensation

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

Compensation expense for the Company's key management personnel for the three and six months ended June 30, 2018 and 2017 is as follows:

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
	\$	\$	\$	\$
Salaries and other benefits	507,147	577,433	1,317,035	726,957
Share-based compensation	154,152	855,495	947,789	2,364,820
	661,299	1,432,928	2,264,824	3,091,777

Risk Factors

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

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

Financial Risk Factors

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

Other Risk Factors

- *Regulatory Regime*
- *Changes in Laws, Regulations and Guidelines*
- *Reliance on Licenses and Renewals*
- *Limited Operating History*
- *Volatility of Industry Conditions*
- *Access to Additional Financing*
- *Dependence on Senior Management and Key Personnel*
- *Competition*
- *Risks Inherent in the Agricultural Business*
- *Vulnerability to Rising Energy Costs*
- *Risks of Foreign Operations*
- *Expansion of Facilities*
- *Environmental Regulations and Risks*
- *Constraints on Marketing Products*
- *Agreements and Contracts*
- *Operating Risks and Insurance*
- *Uninsured or Uninsurable Risk*
- *Unfavourable Publicity or Consumer Perception*
- *Regulatory Scrutiny of Company's Interests in the United States*
- *Reliance on Key Business Inputs*
- *Sufficiency of Insurance*
- *Product Liability*
- *Intellectual Property*
- *Application of VESIsorb® Technology*
- *Vesifact Patent Licenses*
- *Potential General Litigation*
- *Product recalls*
- *Fraudulent or Illegal activity by its Employees, Contractors and Consultants*
- *Reliance on the Main Facility*

- *Management of Growth*
- *Acquisition and Development Risks*
- *Issuance of Debt*
- *Dilution*
- *Sources, Pricing and Availability of Equipment and Equipment Parts*
- *Price Volatility of Securities*
- *Reputational Risk to Third Parties*
- *Conflicts of Interest*
- *Dividends*
- *Breaches of Security at its facilities, or in Respect of Electronic Documents and Data Storage and May Face Risks Related to Breaches of Applicable Privacy Laws*
- *History of Losses*
- *Adverse Media Coverage*

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

Company Outlook

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

Critical Accounting Estimates

The Company’s significant accounting policies under IFRS are contained in the Statements (refer to Note 4 to the unaudited condensed interim consolidated financial statements and the Audited Annual Consolidated Financial Statements for the year ended December 31, 2017). Certain of these policies involve critical accounting estimates as they require management to make particularly subjective or complex judgments, estimates and assumptions about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

New standards, interpretations and amendments adopted by the Company

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

IFRS 9 Financial Instruments [“IFRS 9”]

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

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

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

(ii) Amortized cost

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

(iii) Fair value through profit or loss

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

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

(iv) Impairment of financial assets

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

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

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

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

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

(i) Revenue recognition

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

Amendments to IFRS 2 Share-based Payment

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

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

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

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

IFRS 16 – Leases ["IFRS 16"]

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

IFRIC 23 Uncertainty over Income Tax Treatments

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

Subsequent Events

- Subsequent to June 30, 2018, 799,800 common shares were issued upon the exercise of compensation options for gross proceeds of \$899,775.
- Subsequent to June 30, 2018, 303,290 common shares were issued as Adjustment Shares to the Nanoleaf shareholders per the Adjustment Clause.
- **Subsequent to June 30, 2018, the Company closed a private placement offering (the "August SW Offering") of special warrants (the "August Special Warrants") for aggregate gross proceeds of \$37,401,760.** Pursuant to the August SW Offering, the Company issued 23,376,100 August Special Warrants, at a price of \$1.60 per August Special Warrant. Each August Special Warrant is automatically exercisable, for no additional consideration, into units of the Company (the "August Units") on the earlier of: (i) the date that is three business days following the date on which the Company obtained receipt from the Securities Commissions for a (final) prospectus (the "August Qualifying Prospectus") qualifying distribution of the August Units issuable upon exercise of the August Special Warrants; and (ii) the date that is four months and one day after the closing of the August SW Offering, subject to adjustment in certain events. Each August Special Warrant entitles the holder thereof to one August Unit consisting of one Common Share and one Common Share purchase warrant of the Company (a "August Warrant"). Each August Warrant is exercisable to acquire one Common Share at a price of \$1.75 per Common Share until August 10, 2020, subject to adjustment in certain events. In the event the Issuer has not received a receipt from the Securities Commissions for the August Qualifying Prospectus before October 4, 2018, each unexercised August Special Warrant will thereafter entitle the holder to receive upon the exercise thereof, at no additional consideration, 1.05 August Units (instead of one August Unit). In connection with the August SW Offering, the agents received a cash commission and 930,680 compensation warrants. Each compensation warrant entitles the holder thereof to acquire one August Unit at a price of \$1.60 per August Unit until August 10, 2020, subject to adjustment in certain events. In connection with the completion of the August SW Offering, two officers entered into securities lending agreements pursuant to which they lent (together, the "Loans") two of the subscribers in the offering an aggregate of 2,708,000 freely-tradeable common shares (the "Loaned Shares") until the date that is four months and one day following closing of the August SW Offering (the "Securities Lending"). As collateral for the Securities Lending, the borrowers of the Loaned Shares have pledged a total of 2,708,000 August Special Warrants which they acquired in connection with the August SW Offering. In connection with the provision of the Loans, the Issuer has agreed to pay the officers an aggregate fee in an amount equal to \$216,640, to be allocated between such officers pro rata based on the number of Loaned Shares lent by each of them pursuant to the Securities Lending.
- Subsequent to June 30, 2018, the Company acquired all of the outstanding shares of Proimaging AG ("Proimaging"), a corporation incorporated in Switzerland. Proimaging's sole asset is a proposed clean-room cultivation, processing and extraction plant located in Ebersbach, Germany. The total purchase price paid was €3,000,000, which includes the assumption of all of the liabilities of Proimaging amounting to €1,016,463. As at June 30, 2018, the Company had paid a reservation fee and rent of €160,000 (\$233,582) which were deducted from the total purchase price per the terms of the share purchase agreement. The remaining purchase price of €2,840,000 (\$ 4,380,384) was paid subsequent to June 30, 2018.

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.

Condensed interim consolidated financial statements
[Unaudited, expressed in Canadian dollars]

Maricann Group Inc.

For the three and six months ended June 30, 2018 and 2017

Maricann Group Inc.

Condensed interim consolidated statements of financial position

[Unaudited]

[Expressed in Canadian dollars]

As at

	June 30, 2018	December 31, 2017
	\$	\$
Assets		
Current		
Cash	8,250,997	24,572,873
Trade and other receivables	198,102	64,609
Inventories [note 5]	1,425,035	1,235,239
Biological assets [note 6]	654,107	430,001
Other current assets [note 7]	8,434,370	3,580,829
Total current assets	18,962,611	29,883,551
Other non-current assets [note 7]	9,674,364	767,944
Loan receivable	385,351	376,912
Property, plant and equipment, net [note 8]	57,564,294	28,438,345
Intangible assets, net [note 10]	31,353,766	33,866,045
Goodwill [note 10]	8,703,417	—
Total assets	126,643,803	93,332,797
Liabilities and shareholders' equity		
Current		
Trade and other payables	10,720,220	7,614,815
Deferred revenue	35,913	41,224
Current portion of finance leases	179,249	4,077
Current portion of Convertible debentures [note 11]	2,023,470	—
Total current liabilities	12,958,852	7,660,116
Finance leases	308,096	—
Convertible debentures [note 11]	14,895,331	24,150,672
Total liabilities	28,162,279	31,810,788
Commitments and contingencies [note 15]		
Shareholders' equity		
Share capital [note 12]	177,606,087	123,743,858
Contributed surplus [note 12]	17,106,505	15,525,257
Warrants [note 12]	6,568,179	3,556,411
Accumulated other comprehensive loss	(166,416)	(33,853)
Deficit	(102,632,831)	(81,269,664)
Total shareholders' equity	98,481,524	61,522,009
Total liabilities and shareholders' equity	126,643,803	93,332,797

Subsequent events [note 16]

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

Approved on behalf of the Board:

(Signed) Paul Pathak
Director

(Signed) Ben Ward
Director

Maricann Group Inc.

Condensed interim consolidated statements of (loss) income and comprehensive (loss) income

[Unaudited]

[Expressed in Canadian dollars]

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	\$	\$	\$	\$
Revenue	1,157,887	661,602	1,758,478	1,804,769
Cost of sales - production costs [note 5]	1,771,708	909,127	4,401,327	1,795,391
Gross (loss) profit before fair value adjustments	(613,821)	(247,525)	(2,642,849)	9,378
Fair value adjustment on inventory sold	(761,354)	(378,395)	(1,299,240)	(1,029,676)
Fair value adjustment on growth of biological assets [note 6]	658,620	1,033,650	958,848	1,133,001
Gross (loss) profit	(716,555)	407,730	(2,983,241)	112,703
Expenses				
General and administrative [note 12]	6,161,019	4,090,649	12,828,392	5,793,647
Sales and marketing [note 12]	902,773	(343,992)	515,631	1,970,373
Share-based compensation [note 12]	484,500	867,485	1,820,670	2,388,668
Amortization, depreciation and accretion [notes 8 and 10]	1,603,244	227,629	3,139,581	437,105
Loss before the undernoted items	(9,868,091)	(4,434,041)	(21,287,515)	(10,477,090)
Finance expense	10,330	2,538	13,407	44,635
Listing expense [note 3]	—	3,972,464	—	4,486,850
Transaction costs	54,729	—	62,245	—
Non-cash fair value change in convertible debenture and warrants liability related to changes in value of common shares	—	(23,113,750)	—	37,176,990
Net (loss) income for the period	(9,933,150)	14,704,707	(21,363,167)	(52,185,565)
Other comprehensive (loss) income				
Exchange differences on foreign operations	(189,970)	5,885	(132,563)	5,885
Total comprehensive (loss) income for the period	(10,123,120)	14,710,592	(21,495,730)	(52,179,680)
Net (loss) income per share, basic [note 13]	(0.07)	0.22	(0.18)	(0.94)
Net (loss) income per share, diluted [note 13]	(0.07)	0.20	(0.18)	(0.94)
Weighted average number of common shares outstanding				
Basic	135,140,297	67,564,788	121,684,390	55,703,713
Diluted	135,140,297	74,825,118	121,684,390	55,703,713

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

Maricann Group Inc.

Condensed interim consolidated statements of changes in shareholders' equity

[Unaudited]

[Expressed in Canadian dollars]

Six months ended June 30, 2018 and 2017

	Common shares	Share capital	Special Warrants Number of common shares issuable on exercise	Special Warrants	Warrants Number of common shares issuable on exercise	Warrants	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity
	#	\$	#	\$	#	\$	\$	\$	\$	\$
As at December 31, 2016	41,230,604	8,991,682	—	—	—	—	2,101,153	—	(14,328,994)	(3,236,159)
Net loss for the period	—	—	—	—	—	—	—	—	(52,185,565)	(52,185,565)
Exercise of stock options by non-employee	818,278	727,230	—	—	—	—	(550,830)	—	—	176,400
Issuance of common shares to key employee	3,720,695	2,439,000	—	—	—	—	(2,439,000)	—	—	—
Issuance of common shares, net of issuance costs	3,510,585	8,953,982	—	—	—	—	—	—	—	8,953,982
Share-based compensation	—	—	—	—	—	—	3,172,124	—	—	3,172,124
Convertible debenture conversion	22,500,000	48,375,000	—	—	—	—	—	—	—	48,375,000
Warrant reclassification	—	—	—	—	11,250,000	11,301,990	—	—	—	11,301,990
Issuance of shares to Danbel on RTO	1,250,279	3,563,295	—	—	—	—	—	—	—	3,563,295
Exercise of warrants	318,500	718,096	—	—	(318,500)	(319,972)	—	—	—	398,124
Issuance of warrants	—	—	—	—	250,000	165,706	—	—	—	165,706
Other comprehensive income - foreign exchange	—	—	—	—	—	—	—	5,885	—	5,885
As at June 30, 2017	73,348,941	73,768,285	—	—	11,181,500	11,147,724	2,283,447	5,885	(66,514,559)	20,690,782
As at December 31, 2017	105,070,023	123,743,858	—	—	11,588,500	3,556,411	15,525,257	(33,853)	(81,269,664)	61,522,009
Net loss for the period	—	—	—	—	—	—	—	—	(21,363,167)	(21,363,167)
Exercise of stock options <i>[note 12]</i>	122,040	90,204	—	—	—	—	(72,204)	—	—	18,000
Share-based compensation <i>[note 12v]</i>	—	—	—	—	—	—	1,552,002	—	—	1,552,002
Convertible debenture conversion <i>[note 11]</i>	5,323,125	9,489,866	—	—	—	—	(972,866)	—	—	8,517,000
Exercise of warrants <i>[note 12]</i>	1,452,089	3,277,989	—	—	(1,452,089)	(1,445,459)	—	—	—	1,832,530
Issuance of special warrants, net of issuance costs <i>[note 12]</i>	—	—	20,125,000	35,771,009	—	—	—	—	—	35,771,009
Exercise of special warrants <i>[note 12]</i>	21,131,250	31,563,782	(20,125,000)	(35,771,009)	10,565,625	4,207,227	—	—	—	—
Issuance of compensation options <i>[note 12]</i>	—	—	—	—	—	—	2,023,021	—	—	2,023,021
Issuance of warrants	—	—	—	—	87,108	250,000	(250,000)	—	—	—
Issuance of common shares as compensation <i>[note 12]</i>	433,000	1,405,090	—	—	—	—	409,284	—	—	1,814,374
Acquisition of Haxxon AG <i>[note 9]</i>	3,848,505	6,696,399	—	—	—	—	230,910	—	—	6,927,309
Issuance of common shares in settlement of contingent consideration <i>[note 9]</i>	644,449	1,338,899	—	—	—	—	(1,338,899)	—	—	—
Other comprehensive loss - exchange differences on foreign operations	—	—	—	—	—	—	—	(132,563)	—	(132,563)
As at June 30, 2018	138,024,481	177,606,087	—	—	20,789,144	6,568,179	17,106,505	(166,416)	(102,632,831)	98,481,524

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

Maricann Group Inc.**Condensed interim consolidated statements of cash flows**

[Unaudited]

[Expressed in Canadian dollars]

For the six months ended June 30,

	2018	2017
	\$	\$
Operating activities		
Net loss for the period	(21,363,167)	(52,185,565)
Add (deduct) items not involving cash		
Non-cash interest	23	(4,513)
Non-cash fair value change in convertible debenture and warrants liability related to changes in value of common shares	—	37,176,990
Unrealized gain from changes in fair value of biological assets	(958,848)	(1,133,001)
Share-based compensation expense	1,820,670	2,388,668
Cash-settled options expense (gain)	(286,485)	806,274
Share-based compensation expense to non-employees	1,545,707	766,283
Issuance of shares to Danbel on RTO	—	3,563,295
Amortization and depreciation	3,139,581	437,105
	(16,102,519)	(8,184,464)
Changes in non-cash working capital balances related to operations		
Trade and other receivables	(133,493)	64,688
Inventories	65,632	(181,286)
Biological assets	754,623	948,029
Other assets	(4,768,156)	(857,955)
Trade and other payables	623,283	(63,255)
Deferred revenue	(5,311)	(41,318)
Cash used in operating activities	(19,565,941)	(8,315,561)
Investing activities		
Purchase of and deposit on property, plant and equipment	(23,752,440)	(6,078,517)
Purchase of other non-current assets	(8,906,420)	(607,333)
Advancement for investments	—	(125,000)
Business Combination (net of cash acquired)	(2,537,104)	—
Net cash outflow on acquisition of subsidiary	—	(47,034)
Cash used in investing activities	(35,195,964)	(6,857,884)
Financing activities		
Proceeds from issuance of common shares	—	9,136,869
Issuance of Special warrants, net of issuance costs [note 12]	37,794,030	—
Proceeds from exercise of stock options	18,000	176,393
Proceeds from exercise of warrants	1,832,530	398,124
Repayment on borrowings	—	(2,687,092)
Interest paid on convertible debentures	(988,131)	—
Repayment of obligations under finance leases	(75,398)	(68,475)
Cash provided by financing activities	38,581,031	6,955,819
Net decrease in cash during the period	(16,180,874)	(8,217,626)
Effect of foreign exchange on cash	(141,002)	5,885
Cash, beginning of period	24,572,873	16,192,662
Cash, end of period	8,250,997	7,980,921

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

1. Nature of operations

Maricann Group Inc. ["Maricann" or the "Company"] was continued under the laws of the Province of Ontario, Canada. The Company's shares are listed on the Canadian Securities Exchange [the "Exchange"] under the symbol "MARI" and on the OTCMKTS under the symbol "MRRCF". The Company is the resulting entity following the April 20, 2017 reverse takeover transaction between Maricann Inc. and Maricann Group Inc., formerly Danbel Ventures Inc. ["Danbel"], whereby Maricann Inc. was amalgamated with a wholly-owned subsidiary of Danbel and all the shares of Maricann Inc. were exchanged for shares of Danbel and the resulting entity became known as Maricann Group Inc. See Note 3.

The Company's wholly-owned subsidiary, Maricann Inc. is licensed to produce and sell medical marijuana under the Access to Cannabis for Medical Purposes Regulation [the "ACMPR"]. Maricann Inc. received its first license from Health Canada under the Marijuana for Medical Purposes Regulations on March 27, 2014. Maricann Inc. received an updated license [the "License"] under the ACMPR on November 8, 2017, which expires on October 9, 2020. On September 5, 2017, Maricann Inc. received a second site license for its Burlington location. On April 20, 2018, Maricann Inc. received its third site license for its 138 8th Concession Road, Langton, Ontario location. The Company's head office, registered and records office 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. On April 20, 2018, Maricann Inc. received its third site license for its 138 8th Concession Road, Langton, Ontario location.

2. Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada for publicly accountable enterprises, as set out in the *CPA Canada Handbook – Accounting*, which incorporates International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"] using International Accounting Standard 34, Interim Financial Reporting ["IAS 34"]. The policies set out below have been consistently applied to all periods presented unless otherwise noted.

These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited financial statements as at and for the year ended December 31, 2017.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on August 23, 2018.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries, Maricann Inc. [wholly-owned], Maricann B.V. [wholly-owned], Nanoleaf Technologies Inc. [wholly-owned], Haxxon AG [wholly-owned], Mariplant GmbH [95% owned] and Maricann GmbH [95% owned]. All significant intercompany balances and transactions were eliminated on consolidation. Subsidiaries are entities the

Company controls when it is exposed, or has rights, to variable returns from its involvement in the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

These condensed interim consolidated financial statements are presented in Canadian dollars unless otherwise noted. The functional currency of Maricann B.V., Mariplant GmbH and Maricann GmbH is the European Euro, the functional currency of Haxxon AG is the Swiss Franc and the functional currency of Maricann and its remaining subsidiaries is the Canadian dollar.

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position dates are translated into Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized through profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. The assets and liabilities of foreign operations are translated into Canadian dollars at year-end exchange rates. Revenue and expenses, and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from translating foreign operations are recognized in other comprehensive loss and accumulated in shareholders' equity.

Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for biological assets, which are measured at fair value, as explained in the accounting policies below. Historical cost is generally based upon the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these condensed interim consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, *Share-based payments* and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2, *Inventories* or value in use in IAS 36, *Impairment of Assets*.

Use of judgments, estimates and assumptions

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

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- *Valuation of the fair value less costs to sell of biological assets and agricultural produce*

Biological assets, consisting of medical cannabis plants and agricultural produce, are measured at fair value less costs to sell up to the point of harvest. The determination of the fair values of the biological assets requires the Company to make assumptions with respect to how market participants would estimate fair value. These assumptions primarily relate to the level of effort required to bring the biological assets up to the point of harvest, costs to convert the harvested medical cannabis to finished goods and sell, sales price, risk of loss and expected yield from the medical cannabis plants.

- *Useful lives and impairment of property, plant and equipment*

Depreciation of property, plant and equipment is dependent upon management's estimate of the assets' useful lives, which requires judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of these assets.

- *Share-based compensation*

In calculating the share-based compensation expense, key estimates such as the value of the common shares, the rate of forfeiture of options granted, the expected life of the option, the volatility of the value of the Company's common shares and the risk-free interest rate are used.

- *Convertible debentures and warrants (issued in 2016)*

The Company determined that the convertible debentures and warrants issued on December 15, 2016 did not meet the IFRS definition of equity due to the variability of the convertible debentures conversion ratio and the number of shares issuable on exercise of warrants if the Company fails to go public by a specified date. The convertible debenture conversion ratio and number of shares issuable on exercise of the warrants adjusts by 10% in this circumstance. Accordingly, the convertible debentures and warrants are treated as financial liabilities measured at fair value through profit or loss. The fair values of the convertible debentures and warrants are classified as Level 3 in the fair value hierarchy. Given the convertible debentures and warrants were issued shortly before year end, their issue price was considered the best estimate of fair value at December 31, 2016.

- *Convertible debentures and warrants (issued in 2017)*

The Company determined that the convertible debentures and warrants issued on October 27, 2017 [note 11] comprised of a compound financial instrument and warrant equity instruments. IFRS requires the proceeds from such issuances to be bifurcated between their liability and equity components. The Company first allocates the proceeds of such issuances to the convertible debentures and warrants based on the fair

values of these instruments, with the amount allocated to warrants included within shareholders' equity as Warrants. The proceeds allocated to the convertible debentures are then further allocated between financial liability and the equity conversion feature by determining the fair value of the financial liability and applying the residual to the equity conversion feature. The determination of such allocations involves the use of estimates.

- *Convertible instruments*

Convertible notes are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. The identification of convertible notes components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the financial liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

- *Business combinations and asset acquisitions*

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgement. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition. [Note 9]

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

The initial measurement of assets acquired and liabilities assumed in an asset acquisition is determined based on an allocation of the purchase consideration, which can be comprised of cash or cash equivalents and the fair value of other consideration given to acquire the asset at the time of its acquisition. In the event that the consideration includes share-based consideration, the Company considers the specific requirements of IFRS 2, *Share-based payments* ("IFRS 2"). Contingent consideration, if any, is measured at its acquisition date fair value and included as part of the consideration transferred in acquiring the asset. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37, as appropriate, with the corresponding gain or loss being recognized in profit or loss. Determining the fair value of contingent consideration requires management to make certain estimates.

- *Intangible assets, other than goodwill*

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The cost of intangible assets acquired in an asset acquisition are initially measured using an allocation of the purchase consideration using a relative fair value approach.

The useful lives of intangible assets are assessed as either finite or indefinite. The Company does not have any indefinite life intangible assets. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the remaining amortization period or method, as appropriate, and are treated as changes in accounting estimates. Useful lives and the recoverable amount of intangible assets depend on management's estimates and require judgement.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the condensed interim consolidated statements of loss and comprehensive loss when the asset is derecognized.

- *Goodwill and intangible asset impairment*

The Company performs an annual test for goodwill impairment in the fourth quarter for each of the cash generating units (CGUs with goodwill allocated), and whenever events or circumstances make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Determining whether an impairment has occurred requires valuation of the respective CGU, which is estimated using a discounted cash flow method. When available and as appropriate, the comparative market multiple is used to corroborate discounted cash flow results. In applying this methodology, a number of factors, including actual operating results, future business plans, economic projections and market data. The Company tests intangible assets with indefinite lives annually for impairment using a fair value method such as discounted cash flows.

3. Maricann's reverse takeover ["RTO"]

On March 3, 2017, the Company entered into a definitive agreement with Maricann Inc. to combine Maricann Inc. and Danbel via the amalgamation of a wholly-owned subsidiary of Danbel ["Danbel Subco"] and Maricann Inc. which constituted a reverse takeover of Danbel. The resulting company [the "Resulting Issuer"] continues to operate as Maricann Group Inc., and trades publicly on the Exchange under the symbol "MARI".

The agreement setting out the terms of the transaction, included the following:

- (i) The outstanding liabilities of Danbel were settled by way of issuing 5,500,000 shares of Danbel prior to the consolidation of shares by Danbel;
- (ii) All outstanding options of Danbel were exercised prior to the consolidation of shares. Total number of options outstanding were 360,000 options with an exercise price of \$0.05 per share. These were exercised by December 31, 2016, and converted into Danbel common shares;
- (iii) Prior to the transaction, Danbel consolidated its share capital on a 9.22-to-1 basis [the "Consolidation"]. The total number of Danbel shares outstanding is 11,527,716 Pre-Consolidation. Post-Consolidation, total number of Danbel shares was 1,250,279;
- (iv) 22,500 units ["Units"] with each Unit comprised of one senior unsecured convertible debenture with a principal amount of \$1,000 [a "Debenture"] and 500 common share purchase warrants [the "Warrants"] of Maricann Inc. were automatically converted into 22,500,000 common shares of Maricann prior to the RTO. 11,250,000 warrants associated with the Units were exchanged for 11,250,000 post-consolidation warrants of the Resulting Issuer;
- (v) 900,000 Compensation Options of Maricann Inc. were exchanged for 900,000 post-Consolidation Compensation Options of the Resulting Issuer; and
- (vi) 3,720,695 common shares of Maricann Inc. were issued to a key employee of Maricann Inc. prior to the transaction [note 12[iv]].

In conjunction with the RTO transaction, on March 3, 2017, Maricann Inc. completed a financing of \$10,005,167, by issuing 3,510,585 shares of Maricann Inc. at \$2.85 per share. Maricann Inc. paid issuance costs of \$868,298 and issued 130,380 compensation options with an exercise price of \$2.85 per share.

On April 20, 2017, Maricann Inc. and Danbel Subco completed the amalgamation under the amalgamation agreement under the Business Corporations Act (Ontario).

Prior to the closing of the RTO:

- (i) The convertible debentures of 22,500 units, converted into 22,500,000 common shares of Maricann Inc.
- (ii) 3,720,695 common shares of Maricann Inc. were issued to a key employee. Related compensation expense of \$1,640,000 was recorded in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2017.
- (iii) The outstanding liabilities of Danbel were settled by way of issuing 5,500,000 shares of Danbel, and Danbel consolidated its share capital on a 9.22-to-1 basis. The total number of shares outstanding of Danbel was 11,527,716 pre-consolidation. Post-consolidation, total number of shares outstanding of Danbel was 1,250,279.

Pursuant to the closing of the RTO:

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

On closing of the RTO, the shareholders of Maricann Inc. held 71,266,984 (or 98%) of the common shares of the Resulting Issuer, while shareholders of Danbel held 1,250,279 (or 2%) of the common shares of the Resulting Issuer. Since Danbel did not meet the definition of a business under IFRS 3 – *Business Combinations* (“IFRS 3”), the acquisition was accounted for as the purchase of Danbel’s assets by the Company. The consideration paid was determined as equity-settled share-based payment under IFRS 2, at the fair value of the equity of Maricann Inc. retained by the shareholders of Danbel based on the fair value of the Maricann Inc. common shares on the date of closing of the RTO, which was determined to be \$2.85 per share based on the most recent equity raise on March 3, 2017.

The Company recorded a listing expense of nil for the three and six months ended June 30, 2018, respectively (2017 - \$3,972,464 and \$4,486,850). The Company recorded a listing expense of \$4,486,850 in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2017. The details of the listing expense are as follows:

	\$
Fair value of consideration paid:	
1,250,279 common shares of Maricann at \$2.85 per share	3,563,295
Fair value of net assets of Danbel acquired by Maricann	(379)
	3,562,916
Other transaction costs:	
Professional fees	589,583
Filing and listing fees	334,351
RTO listing expense	4,486,850

The net assets of Danbel were included at their carrying value of \$379 which approximates their fair value as follows:

	\$
Cash	379
Fair value of net assets acquired	379

4. Significant accounting policies

These condensed interim consolidated financial statements have been prepared following the same accounting policies used in the preparation of the audited financial statements of the Company for the year ended December 31, 2017.

New standards, interpretations and amendments adopted by the Company

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

IFRS 9 Financial Instruments ["IFRS 9"]

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

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

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

(ii) Amortized cost

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

(iii) Fair value through profit or loss

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

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

(iv) Impairment of financial assets

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

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

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

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

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

(i) Revenue recognition

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

Amendments to IFRS 2 Share-based Payment

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

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

IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (“IFRIC 22”) was issued in December 2016 and is effective for annual periods beginning on or after January 1, 2018 and may be applied retrospectively or

prospectively. IFRIC 22 addresses which foreign exchange rate to use to measure a foreign currency transaction when advance payments are made, or received and non-monetary assets or liabilities are recognized prior to recognition of the underlying transaction. IFRIC 22 does not relate to goods or services accounted for at fair value or at the fair value of consideration paid or received at a date other than the date of initial recognition of the non-monetary asset or liability, or to income taxes, insurance contracts or reinsurance contracts. The foreign exchange rate on the day of the advance payment is used to measure the foreign currency transaction. If multiple advance payments are made or received, each payment is measured separately.

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

IFRS 16 – Leases [“IFRS 16”]

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

IFRIC 23 Uncertainty over Income Tax Treatments

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

5. Inventories

	June 30, 2018	December 31, 2017
	\$	\$
Finished goods – dry cannabis	94,455	184,470
Finished goods – cannabis oils	275,796	51,483
Work-in progress – dry cannabis	816,546	940,249
Work-in progress – cannabis oils	40,330	59,037
Gel capsules	197,908	-
	1,425,035	1,235,239

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

	For the three months ended		For the six months ended	
	2018	2017	2018	2017
	\$	\$	\$	\$
Payroll costs for personnel involved in growing marijuana and hemp plants	716,246	438,407	1,307,018	871,290
Materials and utilities	581,809	185,688	863,282	379,881
Other overhead, rent, facility & equipment maintenance, cleaning, uniforms, quality and fulfillment and other	473,653	285,032	2,231,027	544,220
	1,771,708	909,127	4,401,327	1,795,391

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

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

6. Biological assets

Biological assets are comprised of:

	June 30, 2018	December 31, 2017
	\$	\$
Cannabis plants	197,805	430,001
Hemp plants	456,302	-
	654,107	430,001

The changes in the carrying value of biological assets, which consist of cannabis on plants and hemp plants, are as follows:

	\$
Balance at December 31, 2016	189,683
Net increase in fair value less costs to sell due to biological transformation	2,370,735
Transferred to inventory upon harvest	(2,130,417)
Balance at December 31, 2017	430,001
Net increase in fair value less costs to sell due to biological transformation	958,848
Fair value of biological assets acquired	19,881
Transferred to inventory upon harvest	(754,623)
Balance at June 30, 2018	654,107

Biological assets are measured at fair value less costs to sell until harvest. All production costs related to biological assets are expensed as incurred. All direct and indirect costs related to both biological assets and inventory are included in the 'cost of sales – production costs' line on the statements of loss and comprehensive loss except for depreciation expense which is disclosed as a separate line in the statements of loss and comprehensive loss and disclosed separately by class in the Property, plant and equipment note.

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. 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 or retail hemp flower market. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

Cannabis plants

The cannabis plant model utilizes the following significant assumptions:

	Assumption	June 30, 2018		December 31, 2017	
		Range	Average	Range	Average
[i]	Weighted average of expected loss of plants until harvest [a]	24%	24%	8% - 31%	24%
[ii]	Expected yields for cannabis plants (average grams per plant)	30 grams per plant	30 grams per plant	10 – 34.3 grams per plant	27 grams per plant
[iii]	Expected number of growing weeks	15 - 21 weeks	17 weeks	12 - 26 weeks	18 weeks
[iv]	Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end	N/A	33%	N/A	44%
[v]	Estimated selling price (per gram) [b]	\$8.64 - \$10	\$8.87	\$6 - \$15	\$8.76
[vi]	After harvest cost to complete and sell (per gram)	\$5.76	\$5.76	\$4.79 - \$5.76	\$5.37
[vii]	Reasonable margin on after harvest costs to complete and sell (per gram)	\$0.62	\$0.62	\$0.48 - \$0.62	\$0.55

[a] Weighted average of expected loss of plants until harvest represents loss via plants that do not survive to the point of harvest. It does not include any financial loss on a surviving plant.

[b] The estimated selling price (per gram) represents the average historical sales price for the Company's various strains sold as retail products.

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.

The following table presents the effect of 10% positive change and 10% negative change on the fair valuation of cannabis plants biological assets as at June 30, 2018 and December 31, 2017.

Assumption	As at June 30, 2018		As at December 31, 2017	
	10% positive change \$	10% negative change \$	10% positive change \$	10% negative change \$
Weighted average of expected loss of plants until harvest	6,596	(6,586)	9,996	(9,996)
Expected yields for cannabis plants	19,781	(19,781)	40,093	(40,093)
Expected number of growing weeks	19,780	(19,780)	76,105	(76,105)
Estimated selling price	83,915	(83,915)	176,756	(176,756)
After harvest cost to complete and sell	57,899	(57,899)	162,784	(162,784)
Reasonable margin on after harvest costs to complete and sell	6,236	(6,236)	20,548	(20,548)

The Company estimates the harvest yields for medical cannabis at various stages of growth. As of June 30, 2018, it is expected that the Company's cannabis plants biological assets will yield approximately 315,630 grams [December 31, 2017 – 437,499 grams] of medical cannabis when harvested.

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

Hemp plants

The hemp plants model utilizes the following significant assumptions:

	Assumption:	June 30, 2018	December 31, 2017
[i]	Weighted average of expected loss of plants until harvest [a]	2%	-
[ii]	Expected yields for hemp plants (average grams per plant)	12.5 grams per plant	-
[iii]	Expected number of growing weeks	10 weeks	-
[iv]	Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end	48%	-
[v]	Estimated selling price (per gram) [b]	\$3.18	-
[vi]	After harvest cost to complete and sell (per gram)	\$0.09	-

- [a] Weighted average of expected loss of plants until harvest represents loss via plants that do not survive to the point of harvest. It does not include any financial loss on a surviving plant.
- [b] The estimated selling price (per gram) represents the average historical sales price for products sold as retail products.

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.

The following table presents the effect of 10% positive change and 10% negative change on the fair valuation of hemp plants biological assets as at June 30, 2018 and December 31, 2017:

Assumption	As at June 30, 2018		As at December 31, 2017	
	10% positive change \$	10% negative change \$	10% positive change \$	10% negative change \$
Weighted average of expected loss of plants until harvest	928	(928)	-	-
Expected yields for hemp plants	45,488	(45,488)	-	-
Weighted average number of growing weeks completed as a percentage of total growing weeks	45,488	(45,488)	-	-
Estimated selling price	46,824	(46,824)	-	-
After harvest cost to complete and sell	1,336	(1,336)	-	-

The Company estimates the harvest yields for hemp plants at various stages of growth. As of June 30, 2018, it is expected that the Company's hemp plant biological assets will yield approximately 306,250 grams [December 31, 2017 – nil] of hemp flower when harvested.

7. Other assets

The Company's other current assets include the following:

	June 30, 2018	December 31, 2017
	\$	\$
Prepayments and deposits	1,853,824	432,128
Input tax receivable	6,580,546	3,148,701
	8,434,370	3,580,829

The Company's other non-current assets include the following:

	June 30, 2018	December 31, 2017
	\$	\$
Prepayments and deposits	829,822	767,944
Deposits made for equipment	8,844,542	-
	9,674,364	767,944

Other non-current assets include €570,000 (\$829,822) [December 31, 2017 – €530,000 (\$767,944)] of amounts paid for the purpose of acquiring an option to purchase property in Germany for €3,000,000 [\$4,611,150]. The option to purchase property in Germany is a related party transaction between Maricann and another company that is affiliated with an executive of the Company [note 14]. Subsequent to June 30, 2018, the Company completed the purchase of the property in Germany. [note 16]

8. Property, plant and equipment

	Furniture and fixtures	Computer equipment	Agricultural equipment	Leasehold improvements	Land	Construction in Progress	Assets under Capital lease	Total
Cost	\$	\$	\$	\$	\$	\$	\$	\$
As at December 31, 2016	53,727	357,535	776,656	5,365,491	1,245,968	692,077	—	8,491,454
Additions	90,447	253,916	686,343	1,234,066	—	19,997,962	—	22,262,734
As at December 31, 2017	144,174	611,451	1,462,999	6,599,557	1,245,968	20,690,039	—	30,754,188
Additions	1,155,692	1,148,168	160,003	75,909	—	26,648,475	557,843	29,746,090
As at June 30, 2018	1,299,866	1,759,619	1,623,002	6,675,466	1,245,968	47,338,514	557,843	60,500,278

	Furniture and fixtures	Computer equipment	Agricultural equipment	Leasehold improvements	Land	Construction in Progress	Assets under Capital lease	Total
Accumulated depreciation	\$	\$	\$	\$	\$	\$	\$	\$
As at December 31, 2016	22,561	168,983	115,756	1,021,870	—	—	—	1,329,170
Depreciation	22,308	154,788	117,241	692,336	—	—	—	986,673
As at December 31, 2017	44,869	323,771	232,997	1,714,206	—	—	—	2,315,843
Depreciation	28,264	115,615	78,316	397,946	—	—	—	620,141
As at June 30, 2018	73,133	439,386	311,313	2,112,152	—	—	—	2,935,984

	Furniture and fixtures	Computer equipment	Agricultural equipment	Leasehold improvements	Land	Construction in Progress	Assets under Capital lease	Total
Net book value	\$	\$	\$	\$	\$	\$	\$	\$
As at December 31, 2017	99,305	287,680	1,230,002	4,885,351	1,245,968	20,690,039	—	28,438,345
As at June 30, 2018	1,226,733	1,320,233	1,311,689	4,563,314	1,245,968	47,338,514	557,843	57,564,294

The Company is constructing a 217,000 square foot production facility in Langton, Ontario. Property, plant and equipment includes \$52,236,286 [December 31, 2017 – \$21,936,007] of expenditures related to the construction of this facility and expansion of German facilities, which is not currently being amortized. Amortization will commence when construction is complete and the facility is available for its intended use.

Borrowing costs of \$997,006 and \$2,273,170 for the three and six months ended June 30, 2018 [2017 – \$nil] were capitalized as land and buildings during the three and six months ended June 30, 2018.

9. Acquisitions

(a) Acquisition of Nanoleaf Technologies Inc. [the "Acquisition"]

On October 27, 2017, the Company completed the acquisition of all the issued and outstanding shares of Nanoleaf Technologies Inc. ["Nanoleaf"]. Nanoleaf is a biotech company with licensing rights to patented nano-technology for ingestible cannabinoid delivery called VESIsorb®. The transaction was accounted for as an asset acquisition.

The Company acquired all of the common shares of Nanoleaf for a total consideration of \$33,439,714 consisting of:

	\$
Consideration	
18,333,319 common shares ⁽¹⁾	24,566,648
Contingent consideration	7,273,066
Cash	1,600,000
	33,439,714

⁽¹⁾ 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 weighted average price of Maricann common shares for the preceding 20-day period [the "Adjustment VWAP"] is less than \$2.10 per share, the Company will issue incremental shares to the Nanoleaf vendors ["Adjustment Shares"] in accordance with the following formula:

$$(\$38,500,000 / \text{Adjustment VWAP}) - \text{Number of Closing Shares issued}$$

The Adjustment VWAP is subject to a minimum of \$1.40 per Maricann share, resulting in a maximum number of Adjustment Shares of approximately 9,200,000. During the six-months ended June 30, 2018, the Company issued 644,449 Adjustment Shares with a value of \$1,338,899 to the Nanoleaf shareholders, this value was reallocated from contributed surplus to share capital.

The initial 18,333,319 common shares issued pursuant to the acquisition agreement were valued based on the closing share price of the Company on October 27, 2017, which was \$1.34.

The contingent consideration was valued using a model to simulate the share price at the expiry date using the following parameters:

Time to expiry	0.49 years
Share price at onset	\$1.34
Volatility	68.9%
Risk free interest rate	1.25%

The model simulated multiple trials and the mean was used for purpose of valuing the contingent consideration which was recorded to contributed surplus as at December 31, 2017.

The allocation of the consideration to the fair value of the net assets acquired at the date of acquisition is as follows:

	\$
Other assets – Input tax receivable	56,357
Intangible asset – Intellectual property	33,383,357
	33,439,714

(b) Haxxon AG [“Haxxon”]

On May 10, 2018, the Company, through its wholly-owned subsidiary, Maricann B.V., completed the acquisition of Haxxon, a Swiss company that cultivates female hemp cannabis flowers, with less than 1% THC to the Swiss market. The Company acquired all of the issued and outstanding shares of Haxxon for aggregate consideration of \$9,476,109. The transaction was accounted for as a business combination.

	\$
Consideration:	
Cash (CHF2,000,000)	2,548,800
3,848,505 common shares	6,696,399
Contingent consideration ⁽¹⁾	230,910
	9,476,109

⁽¹⁾ Contingent consideration payable of \$230,910 represents the value of 132,707 common shares that are issuable after the second anniversary of the closing of the transaction, provided certain representations and warranties of the seller remain in good standing. The contingent consideration was recorded to contributed surplus on the condensed interim consolidated statement of financial position as at June 30, 2018 as the number of common shares issuable is fixed.

The allocation of the consideration to the fair value of the net assets acquired and liabilities assumed at the date of acquisition is as follows:

	\$
Cash	11,696
Prepaid expenses and deposits	85,385
Inventories	255,428
Biological assets	19,881
Property and equipment	594,141
Accounts payable and other payables	(193,839)
Goodwill	8,703,417
	9,476,109

Goodwill represents expected synergies, estimated income, future growth, and other intangibles that do not qualify for separate recognition. The Company estimates \$nil goodwill to be deductible for tax purposes.

Net cash outflow on acquisition of Haxxon was as follows:

	\$
Cash consideration	2,548,800
Less: cash acquired	(11,696)
	<u>2,537,104</u>

During the six months ended June 30, 2018, acquisition related costs of \$62,245 have been excluded from the consideration transferred and have been recognized as an expense in the current period.

For the six months ended June 30, 2018, Haxxon accounted for \$169,530 in net income since May 10, 2018. This amount included revenues of \$183,556.

The purchase price allocation is based on management's preliminary assessment of the fair value of the assets acquired and liabilities assumed at the date of acquisition and is subject to change. Management expects to complete the assessment within the next fiscal year.

10. Intangible assets and Goodwill

A continuity of the intangible assets for the six months ended June 30, 2018 is as follows:

	Balance at December 31, 2017	Acquisition Additions	Amortization	Balance at June 30, 2018
Cost	\$	\$	\$	\$
Intellectual property <i>[note 9]</i>	32,588,515	—	(2,384,526)	30,203,989
Exclusivity agreement <i>[i]</i>	1,277,530	—	(127,753)	1,149,777
Total	33,866,045	—	(2,512,279)	31,353,766

[i] In December 2017, the Company entered into an exclusivity agreement [the "RD Agreement"] with Rare Dankness LLC ["RD"] to bring certified strains and cannabis products to Canada. The RD Agreement provides the Corporation with exclusive distribution and retail rights for the Canadian markets for specified Rare Dankness Genetics and Products for a five-year term, subject to the Company meeting minimum wholesale targets each year or paying an exclusivity fee and a right of first refusal to act as RD's exclusive distributor for such products in Europe. The RD Agreement is subject to a one-time non-refundable payment of USD\$500,000 [\$627,530], which was paid as at June 30, 2018. RD shall be entitled to 50% of all profits on wholesale sales of products by the Company. Additionally, the Company is to issue three tranches of \$250,000 in common share purchase options on execution of the RD Agreement and on each of the first and second anniversaries. The first tranche has been issued as at June 30, 2018. The Company has capitalized the fair value of the three \$250,000 tranches using a discount rate of 18%. The exercise price of such options will be equal to the greater of the price of Maricann common shares at market close on the principal exchange on which the common shares trade on the date of issuance or the day prior to the date of issuance. Options shall vest on the date that is four months following the issuance date. The Company has capitalized \$1,227,530 to intangible assets, of which \$650,000 has correspondingly been recorded as an increase to contributed surplus in 2017 representing the present value of the \$750,000 of common share purchase options to be issued.

A continuity of the goodwill for the six months ended June 30, 2018 is as follows:

	Balance at December 31, 2017	Acquisition Additions	Balance at June 30, 2018
	\$	\$	\$
Haxxon AG <i>[note 9]</i>	—	8,703,417	8,703,417
	—	8,703,417	8,703,417

11. Convertible debentures and warrants

	2017 Debentures
Convertible debentures (issued in 2017)	\$
Balance, as at December 31, 2016	—
Convertible debentures and warrants issued	31,000,000
Less: Equity component of convertible debenture <i>[i]</i>	(3,797,580)
Less: Warrants <i>[ii]</i>	(2,086,074)
Less: Deferred financing fees on financial liability	(1,696,518)
Accretion and accrued interest	730,844
Balance, as at December 31, 2017	24,150,672
Less: Conversion of convertible debentures	(8,517,000)
Less: Interest paid	(988,665)
Accretion and accrued interest	2,273,794
Balance, as at June 30, 2018	16,918,801
Current as at June 30, 2018	(2,023,470)
Long term as at June 30, 2018	14,895,331

[i] Within shareholders' equity, the equity component of convertible debentures is presented net of issuance costs of \$256,561.

[ii] Within shareholders' equity, the warrants associated with the convertible debentures (issued in 2017) is presented net of issuance costs of \$140,933.

The liability component of the convertible notes was valued using Company specific interest rates assuming no conversion features existed. The debt component is accreted to its fair value over the term to maturity as a non-cash interest charge and the equity component is presented in contributed surplus.

During the six months ended June 30, 2018, the Company paid interest of \$988,665 (2017 – nil) and issued 5,323,125 (2017 – nil) common shares on partial conversion of \$8,517,000 (2017 – nil) convertible debentures. As at June 30, 2018, the remaining principal amount outstanding is \$22,483,000.

12. Share capital

Authorized

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.

Reconciliation of the Company's share capital is as follows:

	Common shares	
	#	\$
Balance, as at December 31, 2016	41,230,604	8,991,682
Common shares issued	63,839,419	114,752,176
Balance, as at December 31, 2017	105,070,023	123,743,858
Common shares issued	32,954,458	53,862,229
Balance, as at June 30, 2018	138,024,481	177,606,087

- [i] On January 9, 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. 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 "Special Warrant 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 Special Warrant Units issuable upon exercise of the Special Warrants; and (ii) May 10, 2018. Each Special Warrant entitles the holder thereof to one Special Warrant Unit consisting of 1.05 common shares of the Company and 0.525 of a common share purchase warrant of the Company. Each full 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. Insiders of the Company or their associates participated in the SW Offering for an aggregate amount of \$929,500. On Closing, the Company paid the agent a commission of \$1,941,900 and legal fees and expenses of \$513,970. The issued 970,950 compensation options at a fair value of \$2,023,021. The compensation options have the same terms as the Special Warrants and expire on January 9, 2020, subject to adjustment in certain events. The fair value of the compensation options at the date of grant was estimated as \$2.08 per compensation options based on the following weighted average assumptions: stock price volatility – 88.69%; risk-free interest rate – 1.79%; dividend yield - 0%; and expected life - 2 years. A receipt for the final prospectus was obtained on March 28, 2018. On April 4, 2018, the Special Warrants were exercised into Units of the Company and as a result the Company issued 21,131,250 common shares and 10,565,625 common share purchase warrants of the Company. The issued 10,565,625 warrants were attributed a fair value of \$4,213,367 net of issuance costs of \$527,568. The fair value of the warrants at the date of grant was estimated as \$0.96 per warrant based on the following weighted average assumptions: stock price volatility – 96.81%; risk-free interest rate – 1.94%; dividend yield - 0%; and expected life – 2.77 years.
- [ii] On January 26, 2018, 122,040 common shares were issued on the exercise of 122,040 stock options for gross proceeds of \$18,000. Non-cash compensation charges of \$72,204 were reclassified from contributed surplus to share capital on the exercise of these stock options.

- [iii] During the six-month period ended June 30, 2018, 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. An amount of \$1,445,459 was reclassified from contributed surplus to share capital.
- [iv] During the six-month period ended June 30, 2018, the Company issued 433,000 common shares at a fair value of \$1,405,090 to consultants pursuant to consulting agreements, of this amount \$1,242,090 was recognized within production costs during the six months ended June 30, 2018 and \$163,000 was included within general and administrative on the consolidated statement of loss and comprehensive loss for the year ended December 31, 2017. Non-cash compensation charges of \$163,000 were reclassified from contributed surplus to share capital on the issuance of these common shares *[note 12iv]*.
- [v] During the six-month period ended June 30, 2018, the Company issued 5,323,125 common shares on partial conversion of \$8,517,000 convertible debentures. An amount of \$972,866 was reclassified from contributed surplus to share capital upon the conversion.
- [vi] During the six-month period ended June 30, 2018, the Company issued 644,449 Adjustment Shares valued at \$1,338,899 to the Nanoleaf shareholders *[note 9]*.
- [vii] On May 10, 2018, the Company issued 3,848,505 common shares of the Company at a fair value of \$6,696,399 pursuant to the acquisition of Haxxon. *[note 9]*

Share options

The Company has established a stock option plan [the "Option Plan"] for directors, officers, employees and consultants of the Company. The Company's Board of Directors determines, among other things, the eligibility of individuals to participate in the Option Plan and the term, vesting period, and the exercise price of options granted to individuals under the Option Plan.

Each share option converts into one common share of the Company on exercise. No amounts are paid or payable by the individual on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The Company's Option Plan provides that the number of common shares reserved for issuance may not exceed 10% of the aggregate number of common shares that are outstanding unless the Board of Directors shall have increased such limit by a resolution. If any options are exercised, terminate, expire, or are cancelled as contemplated by the Option Plan, the number of options so exercised, terminated, expired, or cancelled shall again be available under the Option Plan.

[i] *Share-based payment arrangements*

As at June 30, 2018, the Company had the following share-based payment arrangements:

[a] Equity-settled arrangements

Grant date/individual entitled	Number of instruments	Vesting conditions	Contractual life of option
<i>Options granted to employees and outstanding as at June 30, 2018</i>			
On October 2, 2017	250,000	50% vesting upon six months other 50% upon twelve months from start of employment	3 years
On December 7, 2017	125,000	25% vesting quarterly from start of employment	5 years
On December 15, 2017	2,333,334	One third on date of grant, one third on first and second anniversaries	5 years
On December 19, 2017	155,000	25% vesting quarterly starting March 19, 2018	5 years
On January 8, 2018	280,000	25% vesting quarterly from start of employment	5 years
On January 15, 2018	80,000	25% vesting quarterly from start of employment	5 years
<i>Options granted to non-employees and outstanding as at June 30, 2018</i>			
On December 6, 2017	150,000	Fully vested	3 years
On December 19, 2017	314,417	Fully vested	5 years
On December 19, 2017	157,209	Fully vested	5 years
On January 15, 2018	36,385	Fully vested	5 years
Total share options	3,881,345		

[b] Cash-settled arrangements

Grant date/individual entitled	Number of instruments	Vesting conditions	Contractual life of option
<i>Options granted to non-employees</i>			
On January 1, 2016	305,100	1 year of service from grant date	4 years
Total share options	305,100		

[ii] *Measurement of fair values*

The fair value of share options granted during the six-month periods ended June 30, 2018 and 2017 was estimated at the date of grant using the Black-Scholes option pricing model using the following inputs:

Employee options

	Equity-settled arrangements	
	June 30, 2018	June 30, 2017
Employee options		
Grant date fair value [weighted average]	\$2.31	n/a
Exercise price [weighted average]	\$3.33	n/a
Expected dividend yield	0%	n/a
Risk-free interest rate [weighted average]	1.98%	n/a
Expected option life in years [weighted average]	5.00	n/a
Expected volatility [weighted average]	88.89%	n/a

Non-employee options

	Equity-settled arrangements		Cash-settlement arrangements	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Non-employee options				
Grant date fair value [weighted average]	\$2.16	\$2.37	n/a	\$1.90
Exercise price [weighted average]	\$3.10	\$0.90	n/a	\$0.62
Expected dividend yield	0%	0%	n/a	0%
Risk-free interest rate [weighted average]	1.99%	0.75%	n/a	0.75%
Expected option life in years [weighted average]	5.00	2	n/a	4
Expected volatility [weighted average]	89.24%	98.89%	n/a	94.17%

Expected volatility was estimated by considering the historical volatility of the Company and of other companies that the Company considers comparable that have trading and volatility history. The expected option life represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on the government of Canada bonds with a remaining term equal to the expected life of the options.

[iii] Reconciliation of outstanding equity-settled share options

	Options Issued #	Weighted average exercise price \$
Outstanding as at December 31, 2016	3,426,883	0.26
Options issued	4,664,804	2.08
Options exercised	(2,915,841)	0.20
Options expired	(330,117)	0.44
Options forfeited	(266,963)	1.00
Outstanding as at December 31, 2017	4,578,766	1.90
Options issued	396,385	3.30
Options exercised	(122,040)	0.15
Options forfeited	(971,766)	1.48
Outstanding as at June 30, 2018	3,881,345	2.20

The following table is a summary of the Company's share options outstanding as at June 30, 2018:

Exercise price \$	Options outstanding #	Expiry date	Weighted average remaining contractual life [years]	Options exercisable #
1.52	250,000	October 2, 2020	2.26	125,000
2.18	150,000	December 6, 2020	2.43	150,000
2.14	125,000	December 7, 2022	4.44	62,500
2.13	2,333,334	December 15, 2022	4.46	1,000,000
2.05	626,626	December 19, 2022	4.47	549,126
3.39	280,000	January 8, 2023	4.53	70,000
3.10	116,385	January 15, 2023	4.55	56,385
2.19	3,881,345		4.25	2,013,011

[iv] Share-based awards

Employee

In August and October 2016, the Company entered into an arrangement with a key management employee to issue 4,960,926 common shares of the Company upon meeting certain market and non-market conditions.

There are three tranches as follows:

- 30% and 45% of the award vests based on securing certain additional minimum investments in common shares at certain specified minimum pre-money valuations.
- 25% of the award vests upon final inspection and approval by the applicable municipal authorities on Phase 1 of the expansion plan. During the six-months ended June 30, 2018, the vesting of this award was accelerated.

The grant date fair value was \$0.66 per share and reflects the high probability of meeting market conditions present in the first two tranches. As at June 30, 2018, 1,240,231 [December 31, 2017 – 1,240,231] share-based awards were outstanding.

Non-employee

In November 2017, the Company entered into an arrangement with a non-employee to provide consulting services with respect to manage and coordinate all elements of the Company's business related to cultivation, harvesting and processing of cannabis for \$375,000 on an annual basis. In addition to the annual consideration, the consultant is entitled to common shares of the Company as follows: 334,000 upon executing of the agreement (issued in December 2017); 333,000 on January 18, 2018 (issued) and 333,000 on January 18, 2019. For the six-month period ended June 30, 2018, the Company issued 333,000 common shares and recognized an expense of \$1,242,090 within production costs with a corresponding amount in share capital. The consultant is also entitled to certain additional cash payments based on cannabis yield.

[v] Share-based compensation expense

Employee options

The Company recognized \$484,500 and \$1,820,670 [three and six months ended June 30, 2017 - \$867,485 and \$2,388,668] of share-based compensation expense to employees during the three and six-months ended June 30, 2018 with a corresponding amount recognized as a contributed surplus. See above per "Measurement of Fair Values" for significant assumptions used.

Non-employee options

The Company recognized \$15,783 of share-based compensation to non-employees during the three-months ended June 30, 2018 and \$84,701 of share-based compensation to non-employees during the six months ended June 30, 2018 [three and six months ended June 30, 2017 – reversal of \$788,236 and expense of \$1,222,803]. Of this amount, a recovery of \$286,485 [2017 – expense of \$806,274] are cash settled options, accordingly has been accounted for as a liability to the Company, the balance of \$371,186 [2017 – \$416,529] are equity-settled awards with a corresponding amount recognized as contributed surplus. The nature of the services by the Company related to professional services and the amount has been expensed within the Company's sales and marketing expenses. See above per "Measurement of Fair Values" for significant assumptions used. In addition, during the six-month period ended June 30, 2018, 305,100 options valued at \$639,853 were forfeited and were reversed from contributed surplus.

[vi] Liabilities arising from cash-settled options

Details of the liabilities arising from the cash-settled options are as follows:

	June 30, 2018	December 31, 2017
	\$	\$
Total carrying amount of liability	342,948	629,434
Total intrinsic value of liabilities for vested options	321,070	610,915

[vii] Compensation warrants

During the year ended December 31, 2017, the Company granted 250,000 compensation Warrants valued at \$92,469 for services received. The compensation Warrants are exercisable into common shares of the Company, at a price of \$2.00 per share for a period of two years. The fair value of these compensation Warrants at the date of grant and issuance was estimated using the Black-Scholes option pricing model at \$0.37 per Warrant, based on the following weighted average assumptions: expected annualized volatility of 64.52%; risk-free interest rate of 1.09%; expected dividend yield of 0%; expected life of two years. The Company has further committed to issue an additional 250,000 compensation Warrants in eight months under the same terms subject to meeting service obligations. During the three and six months ended June 30, 2018, the Company recognized \$nil and \$23,117 (2017 - \$nil) as consulting expense within general and administrative expenses on the condensed interim consolidated statements of loss and comprehensive loss for 250,000 warrants to be issued related to the additional Warrants. As at June 30, 2018, \$184,938 (December 31, 2017 - \$161,821) was recognized in contributed surplus.

During the year ended December 31, 2017, the Company also granted 200,000 compensation Warrants valued at \$76,666 for services received. The compensation Warrants are exercisable into common shares of the Company, at a price of \$2.00 per share for a period of two years. The fair value of these compensation Warrants at the date of grant and issuance was estimated using the Black-Scholes option pricing model at \$0.38 per Warrant, based on the following weighted average assumptions: expected annualized volatility of 64.13%; risk-free interest rate of 1.10%; expected dividend yield of 0%; expected life of two years. The Company has further committed to issue an additional 200,000 compensation Warrants in eight months under the same terms subject to meeting service obligations. During the three and six months ended June 30, 2018, the Company recognized \$nil and \$19,167 (2017 - \$nil) as consulting expense within general and administrative expenses on the condensed interim consolidated statements of loss and comprehensive loss for 200,000 warrants to be issued related to the additional Warrants. As at June 30, 2018, \$153,332 (December 31, 2017 - \$134,166) was recognized in contributed surplus.

[viii] Share purchase warrants

Each whole warrant entitles the holder to purchase one common share of the Company. A summary of the status of the warrants outstanding follows:

	Warrants classified as equity #	Weighted average exercise price \$
Balance, as at December 31, 2016	—	—
Issued	21,403,000	1.74
Exercised	(9,814,500)	1.25
Balance, as at December 31, 2017	11,588,500	2.16
Issued	10,652,733	2.35
Exercised	(1,452,089)	1.26
Balance, as at June 30, 2018	20,789,144	2.32

The following table summarizes the warrants that remain outstanding as at June 30, 2018:

Exercise Price \$	Warrants #	Expiry Date
2.00	250,000	June 29, 2019
2.00	200,000	July 1, 2019
2.30	9,686,411	October 27, 2020
2.87	87,108	January 2, 2020
2.35	10,565,625	January 9, 2021
	20,789,144	

[ix] Compensation options

A summary of the status of the compensation options outstanding follows:

	Compensation options #	Weighted average exercise price \$
Balance, as at December 31, 2016 ⁽¹⁾	900,000	1.00
Issued	727,873	2.40
Exercised	(500,100)	1.00
Balance, as at December 31, 2017	1,127,773	1.96
Issued	970,950	2.35
Balance, as at June 30, 2018	2,098,723	2.11

⁽¹⁾ Each compensation option entitles the holder to purchase one common share and one share purchase warrant of the Company at \$1.25 per whole warrant for a period of two years.

13. (Loss) income per share

(Loss) income per common share represents net (loss) income for the period divided by the weighted average number of common shares outstanding during the period.

Diluted (loss) income per share is calculated by dividing the applicable net (loss) income by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period.

The following table shows the net (loss) income after adjusting for the effect of dilution and the number of potential common shares for the three months ended June 30, 2018 and 2017:

	June 30, 2018	June 30, 2017
	\$	\$
Net (loss) income	(21,363,167)	14,704,707
Fair value change in convertible debenture and warrants liability	—	(23,113,750)
Net loss adjusted for the effect of dilution	(21,363,167)	(8,409,043)
Weighted average number of common shares for basic earnings per share	135,140,297	67,654,788
Convertible debenture and warrants	—	7,170,330
Weighted average number of common shares adjusted for the effect of dilution	135,140,297	74,825,118

The outstanding number and type of securities that could potentially dilute basic net (loss) income per share in the future, but were anti-dilutive for the three months ended June 30, 2017 were as follows:

	June 30, 2017
	#
Warrants	11,181,500
Compensation options issued to agents	1,800,000
Share-based awards to a key employee	1,240,231
Stock options	3,044,086
Total	17,265,817

14. Related parties

Transactions and balances with related parties

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

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

certain adjustments provided the individual continues to provide employee services to the Company. Maricann GmbH and Mariplant GmbH serves to allow the Company to expand in to the German market.

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

[iii] During the year ended December 31, 2017, the Company entered into a reservation agreement to acquire for €3,000,000 [\$4,611,150] 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 [see Note 7].

Management compensation

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

Compensation expense for the Company's key management personnel for the three and six months ended June 30, 2018 and 2017 is as follows:

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
	\$	\$	\$	\$
Salaries and other benefits	507,147	577,433	1,317,035	726,957
Share-based compensation	154,152	855,495	947,789	2,364,820
	661,299	1,432,928	2,264,824	3,091,777

15. Commitments and contingencies

Commitments

The Company's production facility at 150 8th Concession, Langton, Ontario under an operating lease arrangement expires on October 31, 2018 and the Company has administrative offices under operating lease arrangements until 2023. The Company has the right under a production facilities lease arrangement to extend the leases by another five years. The following table presents the minimum payments due over the next five years and thereafter until the termination of the leasing arrangement.

	\$
2018	325,373
2019	399,669
2020	401,052
2021	401,513
2022	375,693
2023 and beyond	89,312
	<u>1,992,612</u>

Contingencies

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.

16. Subsequent events

- Subsequent to June 30, 2018, 799,800 common shares were issued upon the exercise of compensation options for gross proceeds of \$899,775.
- Subsequent to June 30, 2018, 303,290 common shares were issued as Adjustment Shares to the Nanoleaf shareholders per the Adjustment Clause. *[note 9]*
- Subsequent to June 30, 2018, the Company closed a private placement offering (the "August SW Offering") of special warrants (the "August Special Warrants") for aggregate gross proceeds of \$37,401,760. Pursuant to the August SW Offering, the Company issued 23,376,100 August Special Warrants, at a price of \$1.60 per August Special Warrant. Each August Special Warrant 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 obtained receipt from the applicable securities regulatory authorities (the "Securities Commissions") for a (final) prospectus (the "Qualifying Prospectus") qualifying distribution of the Units issuable upon exercise of the Special Warrants; and (ii) the date that is four months and one day after the closing of the offering, subject to adjustment in certain events. Each August Special Warrant, entitles the holder thereof to one Unit consisting of one common share of the Company (each, a "Common Share") and one Common Share purchase warrant of the Company (a "Warrant"). Each Warrant is exercisable to acquire one Common Share at a price of \$1.75 per Common Share until August 10, 2020, subject to adjustment in certain

- events. In the event the Issuer has not received a receipt from the Securities Commissions for the Qualifying Prospectus before October 4, 2018, each unexercised Special Warrant will thereafter entitle the holder to receive upon the exercise thereof, at no additional consideration, 1.05 Units (instead of one Unit). In connection with the August SW Offering, the agents received a cash commission and 930,680 compensation warrants. Each compensation warrant entitles the holder thereof to acquire one Unit at a price of \$1.60 per Unit until August 10, 2020, subject to adjustment in certain events. In connection with the completion of the offering, two officers entered into securities lending agreements pursuant to which they lent (together, the "Loans") two of the subscribers in the offering an aggregate of 2,708,000 freely-tradeable common shares (the "Loaned Shares") until the date that is four months and one day following closing of the offering (the "Securities Lending"). As collateral for the Securities Lending, the borrowers of the Loaned Shares have pledged a total of 2,708,000 Special Warrants which they acquired in connection with the Offering. In connection with the provision of the Loans, the Issuer has agreed to pay the officers an aggregate fee in an amount equal to \$216,640, to be allocated between such officers pro rata based on the number of Loaned Shares lent by each of them pursuant to the Securities Lending.
- Subsequent to June 30, 2018, the Company acquired all of the outstanding shares of Proimaging AG ("Proimaging"), a corporation incorporated in Switzerland. Proimaging's sole asset is a proposed clean-room cultivation, processing and extraction plant located in Ebersbach, Germany. The total purchase price paid was €3,000,000, which includes the assumption of all of the liabilities of Proimaging amounting to €1,016,463. As at June 30, 2018, the Company had paid a reservation fee and rent of €160,000 (\$233,582) which were deducted from the total purchase price per the terms of the share purchase agreement. The remaining purchase price of €2,840,000 (\$ 4,380,384) was paid subsequent to June 30, 2018.

**Form 52-109FV2
Certification of Interim Filings
Venture Issuer Basic Certificate**

I, **Ben Ward, Chief Executive Officer of Maricann Group Inc.**, certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of **Maricann Group Inc.** (the “issuer”) for the interim period ended **June 30, 2018**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: August 24, 2018

“Ben Ward”

**Ben Ward
Chief Executive Officer**

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Form 52-109FV2
Certification of Interim Filings
Venture Issuer Basic Certificate

I, **Scott Langille, Chief Financial Officer of Maricann Group Inc.**, certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of **Maricann Group Inc.** (the “issuer”) for the interim period ended **June 30, 2018**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: August 24, 2018

“Scott Langille”

Scott Langille
Chief Financial Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

TAB 3

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities in those jurisdictions. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any applicable state securities laws. Accordingly, the securities offered hereby may not be offered or sold in the United States of America (the "United States" or the "U.S.") or for the benefit of U.S. Persons (as defined under the U.S. Securities Act) unless an exemption from such registration is available. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Maricann Group Inc. at 845 Harrington Court, Unit 3, Burlington, Ontario, L7N 3P3, telephone 289-288-6274, and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

New Issue

September 28, 2018



MARICANN GROUP INC.

23,376,100 Common Shares and 23,376,100 Warrants issuable upon deemed exercise of 23,376,100 Special Warrants

This short form prospectus (the "**Prospectus**") is being filed by Maricann Group Inc. (the "**Corporation**") to qualify the distribution of 23,376,100 units (the "**Units**") of the Corporation, each Unit being comprised of one common share in the capital of the Corporation (a "**Unit Share**") and one common share purchase warrant of the Corporation (a "**Warrant**") upon the deemed exercise of 23,376,100 special warrants (the "**Special Warrants**") of the Corporation. The Special Warrants were issued on August 10, 2018 (the "**Closing Date**") to purchasers resident in British Columbia, Alberta and Ontario (in addition to purchasers resident in jurisdictions outside of Canada) on a private placement basis at a price of \$1.60 per Special Warrant (the "**Offering Price**"), for aggregate gross proceeds to the Corporation of \$37,401,760 (the "**Offering**"). The Special Warrants were issued pursuant to the terms of a special warrant indenture dated August 10, 2018 (the "**Special Warrant Indenture**") between the Corporation and TSX Trust Company, as special warrant agent thereunder (the "**Special Warrant Agent**"), and an agency agreement dated August 10, 2018 (the "**Agency Agreement**") among the Corporation, Canaccord Genuity Corp. ("**Canaccord**") and GMP Securities L.P. ("**GMP**" and together with Canaccord, the "**Agents**"), as joint bookrunners and co-lead agents. The Offering Price and other terms of the Offering were determined by arm's length negotiations between the Corporation and the Agents. No insiders of the Corporation acquired any Special Warrants in the Offering. See "*Plan of Distribution*".

The Warrants will be issued pursuant to the terms of a warrant indenture dated August 10, 2018 (the "**Warrant Indenture**") between the Corporation and TSX Trust Company, as warrant agent thereunder (the "**Warrant Agent**"). Each Warrant entitles the holder thereof to purchase one common share in the capital of the Corporation (a "**Warrant Share**") at a price of \$1.75 per Warrant Share until 5:00 p.m. (Toronto time) on August 10, 2020, subject to adjustment in certain events. Pursuant to the terms of the Warrant Indenture, the Corporation may accelerate the expiry date of the Warrants on not less than 30 days' notice should the daily volume weighted average trading price of the common shares of the Corporation (the "**Common Shares**") on the Canadian Securities Exchange (the "**CSE**") (or such other exchange on which the outstanding Common Shares may trade) be greater than \$2.00 for any 10 consecutive trading days. See "*Description of Securities Being Distributed*".

The Common Shares are listed for trading on the CSE under the symbol "WAYL", on the OTCQB under the symbol "MRRCF", and on the Frankfurt Stock Exchange under the symbol "75M". On July 17, 2018, the last trading day before the announcement of the Offering, the closing price of the Common Shares on the CSE was \$1.56. The

Corporation has made the required filings to the CSE to list the Unit Shares and Warrant Shares. Listing will be subject to the fulfilment of all the listing requirements of the CSE. The Corporation intends to change its name to "Wayland Group Inc."

There is no market through which the Special Warrants or the Warrants may be sold, and purchasers may not be able to resell the Special Warrants or the Warrants acquired pursuant to the Offering. This may affect the pricing of the Special Warrants and the Warrants in the secondary markets, the transparency and availability of trading prices, the liquidity of the Special Warrants and the Warrants and the extent of issuer regulation.

The Special Warrants are not available for purchase pursuant to this Prospectus and no additional funds are to be received by the Corporation from the distribution of the Units upon the deemed exercise of the Special Warrants.

	Price to the Public ⁽¹⁾	Agent's Commission ⁽²⁾	Net Proceeds to the Corporation ⁽³⁾⁽⁴⁾
Per Special Warrant	\$1.60	\$0.08	\$1.52
Total	\$37,401,760	\$1,489,088 ⁽²⁾	\$35,912,672 ⁽²⁾

Notes:

- (1) The Offering Price was determined by arm's length negotiation between the Corporation and the Agents.
- (2) In consideration for the services rendered by the Agents in connection with the Offering, the Corporation paid to the Agents an aggregate cash commission of \$1,489,088 (the "**Agents' Commission**"), representing approximately 5.0% of the gross proceeds of the sale of Special Warrants, other than an aggregate of 9,300,000 Special Warrants which were sold to certain purchasers agreed upon by the Corporation and the Agents (the "**President's List Purchasers**") in respect of which a reduced commission of 2.5% applied and other than an aggregate of 75,000 Special Warrants which were sold directly by the Corporation and in respect of which no commission was paid. In addition, the Agents were issued an aggregate of 930,680 compensation warrants (the "**Compensation Warrants**"), representing approximately 5.0% of the Special Warrants sold pursuant to the Offering (excluding 9,300,000 Special Warrants sold to the President's List Purchasers, for which the Agents received Compensation Warrants representing 2.5% of the Special Warrants sold to the President's List Purchasers). Each Compensation Warrant is non-transferable and exercisable to acquire one unit of the Corporation (each, a "**CW Unit**") at a price of \$1.60 per CW Unit, until 5:00 p.m. (Toronto time) on August 10, 2020, subject to adjustment in certain events. Each CW Unit consists of one Common Share (each, a "**CW Share**") and one common share purchase warrant (each common share purchase warrant, a "**CW Warrant**"). Each CW Warrant is exercisable to acquire one Common Share (each, a "**CW Warrant Share**") at a price of \$1.75 per CW Warrant Share, until 5:00 p.m. (Toronto time) on August 10, 2020, subject to adjustment in certain events. The Compensation Warrants and CW Units issuable upon exercise of the Compensation Warrants are not qualified by this Prospectus. See "*Plan of Distribution*".
- (3) After deducting the Agents' Commission in the amount of \$1,489,088 but before deducting the expenses of the Offering and the qualification for distribution of the Units, estimated to be \$350,000.
- (4) The distribution of the Units upon the deemed exercise of the Special Warrants will not result in any proceeds being received by the Corporation.

Each Special Warrant will be deemed to be automatically exercised on behalf of, and without any further action or payment required on the part of, the holder thereof at 5:00 (Toronto time) on the date (the "**Deemed Exercise Date**") that is the earlier of: (i) the third business day after the date a receipt (a "**Receipt**") is issued for a final prospectus qualifying the distribution of the Unit Shares and the Warrants by the securities regulatory authorities in each of the Qualifying Jurisdictions (the "**Qualification Date**"); and (ii) December 11, 2018. See "Plan of Distribution" and "Description of Securities Being Distributed".

In the event that the Qualification Date has not occurred on or before October 4, 2018 (the "**Qualification Deadline**"), each Special Warrant shall thereafter entitle the holder thereof to receive upon the deemed exercise, for no additional consideration (the "**Penalty Provision**"), 1.05 Units (instead of 1.0 Unit). This Prospectus also qualifies the distribution of: (i) the 1,168,805 Unit Shares (the "**Penalty Shares**"); and (ii) the 1,168,805 Warrants (the "**Penalty Warrants**") issuable pursuant to the Penalty Provision, if applicable, for a total of 24,544,905 Unit Shares and 24,544,905 Warrants. Unless the context otherwise requires, all references herein to the "**Offering**", "**Units**", "**Unit Shares**", and "**Warrants**" shall include any Penalty Shares and Penalty Warrants that may be issued in connection with the Penalty Provision. See "*Plan of Distribution*". In the event that the Corporation has not obtained the Receipt prior to the Qualification Deadline, it has agreed with the Agents to continue to use its best efforts to obtain the Receipt as soon as possible following the Qualification Deadline until such time as all the Special Warrants are deemed to have been exercised.

The Corporation has not authorized anyone to provide purchasers with information different from that contained or incorporated by reference in this Prospectus. An investment in the securities of the Corporation is highly speculative and involves significant risks that should be carefully considered by prospective investors before purchasing such securities. The risks outlined in this Prospectus and in the documents incorporated by reference herein should be carefully reviewed and considered by prospective investors in connection with an investment in such securities. See "*Risk Factors*" and "*Cautionary Statement Regarding Forward Looking Information*". Potential investors are advised to consult their own legal counsel and other professional advisers in order to assess income tax, legal and other aspects of this investment.

The Offering was conducted through the book-based system and the Special Warrants (other than those issued to certain purchasers that received definitive certificates) were issued in registered form to CDS Clearing and Depository Services Inc. ("CDS") and deposited with CDS on the Closing Date. The Unit Shares and Warrants issued upon the deemed exercise of the Special Warrants will also be held by CDS and a purchaser of the Special Warrants (other than certain purchasers that received a definitive certificates) will not receive definitive certificates representing the Unit Shares and Warrants. See "*Plan of Distribution*".

Unless otherwise indicated, all references to dollar amounts in this Prospectus are to Canadian dollars. Readers should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the cover page of this Prospectus.

Investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding or disposing of the Special Warrants, the Unit Shares and the Warrants, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires the Special Warrants, the Unit Shares or the Warrants.

Certain legal matters in connection with the Offering and this Prospectus have been or will be reviewed on behalf of the Corporation by Fogler, Rubinoff LLP and on behalf of the Agents by DLA Piper (Canada) LLP.

The Corporation's head and registered office is located at 845 Harrington Court, Unit 3, Burlington, Ontario, L7N 3P3.

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ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

One of the Corporation's directors, Gerhard Müller, resides outside of Canada. Mr. Müller has appointed Fogler, Rubinoff LLP as agents for service of process at the following address: 77 King Street West, Suite 3000, Toronto, Ontario M5K 1G8. Investors are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person who resides outside of Canada, even if that person has appointed an agent for service of process. See "*Risk Factors*".

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain information contained in this Prospectus and the documents incorporated by reference herein may constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. Such forward-looking information is based upon the Corporation's and its management's current internal predictions, expectations, beliefs, plans, projections, objectives, goals, strategies, assumptions, priorities, intentions or estimates. Forward-looking information can often be identified by forward-looking words or phrases such as "believes", "expects", "anticipates", "intends", "plans", "estimates", "schedules", "forecasts", "budgets", "proposes", or variations or comparable language of such words, and phrases or statements stating that certain actions, events or results "may", "could", "would", "should", "might" or "will" occur, be taken or be achieved or other connotations or such words or phrases or other similar expressions concerning matters that are not historical facts. Forward-looking information may also include, without limitation, any statement relating to future events, conditions or circumstances. The Corporation cautions the reader not to place undue reliance upon any such forward-looking information.

Forward-looking information does not constitute historical fact but rather reflects the current expectations of the Corporation regarding future results or events based on information that is currently available. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the results, performance, achievements, predictions, forecasts, projections and other forward-looking information will not occur or will differ materially from such anticipated results, performance, achievements, predictions, forecasts, projections or other forward-looking information. Forward-looking information in this Prospectus and the documents incorporated by reference herein includes, but is not limited to, statements with respect to:

- the Corporation's expectations regarding its revenue, expenses and operations;
- the Corporation's anticipated cash needs and its needs for additional financing;
- the Corporation's integration of its acquisitions;
- the Corporation's plans, budget and costs for, and timing of, the expansion of its facility in Langton, Ontario;
- the conduct of further discussions with respect to potential strategic transactions;
- the potential for a strategic transaction to result from such discussions;
- the Corporation's future growth plans, including, but not limited to, its 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;
- the Corporation's ability to attract new customers and develop and maintain relationships with existing customers;
- the Corporation's expectations with respect to increased production capacity and timing and quantum of distribution activities;
- additional European opportunities and other potential business joint ventures and product supply agreements;
- expectations with respect to the Corporation's ability to import/export cannabis internationally;
- expectations regarding growth rates and growth plans and strategies;
- plans with respect to the payment of dividends;
- the Corporation's ability to identify, attract, hire, train, motivate and retain personnel;
- the Corporation's technology and data, and expected uses and benefits;
- general economic, business and political conditions;
- stock market volatility;
- anticipated costs and ability to achieve goals including production capacity;
- the use of net proceeds of the Offering;

- the ability of the Corporation to renew its licenses and permits from Health Canada and regulatory authorities elsewhere;
- compliance with regulatory requirements as set out by ACMPR (as defined herein) and Health Canada;
- the outcome of the regulatory investigation related to the Chief Executive Officer of the Corporation and other matters discussed under "Additional Information";
- medical benefits, viability, safety, efficacy, and social acceptance of cannabis;
- the impact of certain changes in cannabis laws and regulations in the jurisdictions in which the Corporation operates;
- the Corporation's competitive position and its expectations regarding competition in the cannabis industry; and
- anticipated trends and challenges in the Corporation's industry, its business and the markets in which it operates.

Although the Corporation believes that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. The Corporation cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither the Corporation nor any other person assumes responsibility for the accuracy or completeness of the forward-looking information. Given these risks, uncertainties and assumptions, investors should not place undue reliance on this forward-looking information. Whether actual results, performance and achievements will conform to the Corporation's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under the heading "Risk Factors" in the Prospectus and the AIF (as defined herein), as well as other documents incorporated by reference herein, which include, but are not limited to, risks related to:

- use of proceeds;
- additional financing;
- market price for securities
- dilution to Common Shares;
- negative operating cash flow;
- inability to enforce legal rights;
- no market for the Special Warrants and the Warrants;
- a positive return on an investment in the Common Shares or the Warrants is not guaranteed;
- shareholders rights;
- reliance on licenses, permits and renewals thereof;
- medical cannabis industry in Canada is a relatively new industry;
- changes in Canadian laws, regulations and guidelines;
- international operations will increase in increased operational, regulatory and other risks;
- the Corporation's failure to manage its growth effectively;
- reliance on third party transportation;
- product liability;
- product recalls;
- potential general litigation;
- competition;
- reliance on main facility;
- risks inherent in the agricultural business;
- intellectual property;
- risks of foreign operations;
- Maltese operations;
- reliance on international advisors and consultants;
- environmental regulations and risks;
- constraints on marketing products, operating risks and insurance;
- uninsured and uninsurable risks;
- sufficiency of insurance;
- unfavourable publicity or consumer protection;
- acquisition and development risks;

- reliance on key personnel; and
- adverse media coverage.

The forward-looking information contained in this Prospectus is presented as of the date of this Prospectus and, accordingly, is subject to change after such date. Forward-looking information is disclosed for the purpose of providing information about management's current expectations and plans and allowing investors and others to gain a better understanding of the Corporation's operating environment. The Corporation does not intend or undertake to publicly update any forward-looking information included in this Prospectus, whether as a result of new information, future events or otherwise, except in accordance with applicable Canadian securities laws.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with the securities commissions or similar regulatory authorities in Canada. The Corporation is permitted to "incorporate by reference" such information, which means that the Corporation can disclose important information to you by incorporating certain documents into this Prospectus. Information that is incorporated by reference is an important part of this Prospectus. Copies of the Corporation's documents incorporated by reference may be obtained on request without charge from the Secretary of the Corporation by telephone at 289-288-6274, and are also accessible at www.sedar.com.

The following documents of the Corporation, which have been filed with the applicable securities commissions or similar regulatory authorities in Canada, are incorporated by reference into and form an integral part of this Prospectus:

- the annual information form of the Corporation dated June 24, 2018 for the year ended December 31, 2017 (the "**AIF**");
- the audited consolidated financial statements of the Corporation for the year ended December 31, 2017 and the comparative financial statements for the year ended December 31, 2016 of Maricann, together with the auditor's report thereon and the notes thereto;
- the Corporation's management's discussion and analysis for the year ended December 31, 2017;
- the audited consolidated financial statements of Danbel for the year ended December 31, 2016, together with the auditor's report thereon and notes thereto;
- the unaudited condensed interim consolidated financial statements of the Corporation for the period ended June 30, 2018 and 2017, together with the notes thereto;
- the Corporation's management's discussion and analysis for the period ended June 30, 2018 and 2017;
- the Corporation's management information circular dated November 10, 2017 in respect of the Corporation's meeting of shareholders held on December 15, 2017;
- the material change report dated January 16, 2018 with respect to the closing of the private placement of special warrants issued in January 2018 (the "**January 2018 Offering**");
- the material change report dated January 31, 2018 with respect to a proposed bought deal offering (the "**Bought Deal Offering**");
- the material change report dated March 2, 2018 with respect to the termination of the Bought Deal Offering, the change of directors of the Corporation, and the Ontario Securities Commission (the "**OSC**") conducting a review of filing of certain reports;
- the material change report dated April 23, 2018 with respect to the acquisition of Haxxon AG (the "**Haxxon Acquisition**");
- the material change report dated April 26, 2018 with respect to the receipt of necessary approvals from Health Canada to commence cultivation in Phase One of the Corporation's facility located at 138, 8th Concession Road, Langton, Ontario ("**Site 138**");
- the material change report dated July 30, 2018 with respect to the Offering;
- the material change report dated July 30, 2018 with respect to the amendment of the terms of the Offering;
- the material change report dated August 10, 2018 with respect to completion of the Offering; and
- the business acquisition report dated January 10, 2018 with respect to the acquisition of NanoLeaf Technologies Inc. (the "**NanoLeaf Acquisition**").

Any material change reports (excluding confidential material change reports), annual information forms, interim consolidated financial statements and related management's discussion and analysis, annual audited consolidated financial statements (including the independent auditor's report thereon) and related management's discussion and analysis, business acquisition reports, information circulars and certain other disclosure documents, of the type referred to in section 11.1 of Form 44-101F1 of National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated in a short form prospectus, filed by the Corporation with any securities commissions or similar regulatory authority in Canada after the date of this Prospectus and prior to the termination of the distribution of the Unit Shares and Warrants are deemed to be incorporated by reference into this Prospectus. The documents incorporated or deemed to be incorporated herein by reference contain meaningful and material information relating to the Corporation and readers should review all information contained in this Prospectus and the documents incorporated or deemed to be incorporated by reference herein.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this Prospectus is deemed to be modified or superseded, for purposes of this Prospectus, to the extent that a statement contained in this Prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Prospectus modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (each as defined in National Instrument 41-101 – *General Prospectus Requirements*) filed under the Corporation's profile on SEDAR at www.sedar.com after the date of this Prospectus and before the termination of the distribution under the Offering will be deemed to be incorporated by reference into this Prospectus.

SUMMARY DESCRIPTION OF BUSINESS

Corporate Structure

The Corporation was incorporated as "Augusta Technologies Inc." on December 19, 1996 pursuant to Articles of Incorporation issued pursuant to the *Business Corporations Act* (Alberta) and changed its name to "Danbel Industries Corporation" pursuant to Articles of Amendment dated December 21, 1998. The Corporation was continued into the Province of Ontario pursuant to Articles of Continuance filed on December 24, 1998. The Corporation changed its name to "Danbel Ventures Inc." ("**Danbel**") pursuant to Articles of Amendment filed on December 1, 2011. Maricann Inc. ("**Maricann**") was incorporated pursuant to Articles of Incorporation issued pursuant to the *Business Corporations Act* (Ontario) (the "**OBCA**") on April 25, 2013.

On April 20, 2017, Maricann completed a reverse takeover of Danbel (the "**RTO**"). Pursuant to the RTO, 2563554 Ontario Inc. ("**Subco**"), a wholly-owned subsidiary of Danbel, merged with Maricann and the combined entity, Maricann, became a wholly-owned subsidiary of the Corporation. In connection with the RTO, Danbel completed a consolidation (the "**Consolidation**") of its common shares on the basis of one post-Consolidation common share (each, a "**Common Share**") for every 9.22 pre-Consolidation common shares. Upon completion of the RTO, Common Shares were issued to former shareholders of Maricann, on a one-for-one basis and the business and shareholders of Maricann became the business and shareholders of the Corporation. The Corporation filed Articles of Amendment on April 20, 2017 and changed its name to "Maricann Group Inc."

Subject to receipt of shareholder approval, the Corporation intends to change its name to "Wayland Group Inc." and effective September 25, 2018, the CSE ticker symbol for the Corporation was changed to "WAYL".

The registered and head office of the Corporation is located at 845 Harrington Court, Unit #3, Burlington, Ontario. The Corporation's website is www.maricann.com. The content of the Corporation's website is not incorporated by reference into this Prospectus.

Intercorporate Relationships

The following is an organizational chart setting out the inter-corporate relationships between the Corporation and its significant direct and indirect subsidiaries, which together comprise the consolidated Corporation, and the jurisdiction of organization of each such entity, as at the date hereof:

Name of Subsidiary	Jurisdiction of Incorporation, Continuance, Formation or Organization	Percentage of Voting Securities Owned	Holder of Outstanding Voting Securities
Maricann Inc.	Ontario, Canada	100%	Maricann Group Inc.
NanoLeaf Technologies Inc.	Ontario, Canada	100%	Maricann Group Inc.
Maricann B.V.	Netherlands	100%	Maricann Inc.
Maricann GmbH	Bavaria, Germany	95% 5%	Maricann B.V. INEG Holding UG ⁽¹⁾
Mariplant GmbH	Saxony, Germany	95% 5%	Maricann B.V. INEG Holding UG ⁽¹⁾
Haxxon AG	Switzerland	100%	Maricann B.V.
Proimaging AG	Switzerland	100%	Maricann GmbH

Note:

(1) INEG Holdings is wholly-owned by the General Manager of Maricann GmbH.

The Common Shares are listed under the symbol "WAYL" on the CSE, on the OTCQB under the symbol "MRRCF", and on the Frankfurt Stock Exchange under the symbol "75M".

Description of the Business

The Corporation is a vertically integrated medical marijuana company, operating a cultivation, extraction and distribution business. The Corporation, through its wholly-owned subsidiary Maricann, 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 Ontario.

The Corporation currently conducts all of its active business through Maricann. The Corporation, through Maricann, is engaged in the medical marijuana industry and is a licensed Medical Marijuana Producer as regulated by Health Canada under the *Access to Cannabis for Medical Purposes Regulation* ("ACMPR"). Maricann first received its cultivation license for 150, 8th Concession Road, Langton, Ontario ("Site 150") on March 27, 2014 and its full Health Canada sales license to produce and distribute medical marijuana on December 12, 2014. Maricann commenced sales of medical cannabis in December 2014 and cannabis oil production and sales in May 2016 and October 2016, respectively. On September 5, 2017, Maricann received a second site license for its Burlington, Ontario location. The Corporation's initial two licences were renewed on November 28, 2017, with an expiry date of October 9, 2020 and removed annual production limits on approved medical cannabis products at Site 150. This licence increased capacity to 6,250,000 grams on site at any one time and is valid until October 9, 2020. The previous annual licence limited production to a total of 1,282,000 grams (930kg of dried marijuana and 352 kg of cannabis oil) per year. On April 20, 2018, Maricann received a third license from Health Canada for 138, 8th Concession Road, Langton, Ontario ("Site 138"). See "Material Contracts".

Maricann currently occupies and conducts operations at Site 150, as tenant, pursuant to a lease agreement dated September 20, 2013 (the "Site 150 Lease"). The Site 150 Lease carries a five-year term, subject to certain

adjustments, which commenced on November 1, 2013 and expires on October 31, 2018. The Site 150 Lease has been renewed for a further five year term. Pursuant to the Site 150 Lease, Maricann currently makes monthly rent payments to the Site 150 landlord of \$6,250 (excluding additional payments owing pursuant to the Site 150 Lease in respect of, among other things, certain applicable taxes and operating costs), and is obligated to make such payments, subject to certain adjustments, until the expiration of the Site 150 Lease. The Site 150 Lease provides Maricann with the right to extend the term of the Site 150 Lease for two further periods of five years each, commencing on the day following the last day of the term of the Site 150 Lease or the preceding extension term, subject to certain conditions. The Site 150 Lease includes standard default provisions relating to, among other things, failures of Maricann to complete payments owing and other performance obligations under the Site 150 Lease. See "*Material Contracts*" and "*Risk Factors*".

Maricann is currently focusing on the rapidly expanding Canadian medical marijuana industry. With the recent passing of the federal *Cannabis Act* in Canada (as defined herein), the Corporation will begin to direct more of its focus and resources to the recreational marijuana market in Canada. Maricann's management team is committed to aggressive, cost-effective growth, and intends to facilitate growth through cash flow from operations and strategic acquisitions in the future. Sales efforts by Maricann are handled by its operational management team and sales and marketing personnel. Most efforts are direct sales with customers, though Maricann also engages in trade shows and industry events.

The Corporation conducts business in Canada, Germany and Switzerland and expects to commence operations in Malta in the next 12 months. The Corporation and its subsidiaries will only import and export cannabis in a manner and in jurisdictions where it is legal to do so. See "*Activities Outside of Canada*".

CSA Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* ("**SN 51-352**"), as revised on February 8, 2018, provides specific disclosure expectations for issuers that currently have, or are in the process of developing, marijuana-related activities in U.S. states where such activity has been authorized within a state regulatory framework. Currently, the Corporation does not intend to carry on business in the United States or invest, directly or indirectly, in any business that derives revenue, directly or indirectly, from the sale of cannabis or cannabis products in the United States or in any jurisdiction where the sale of cannabis is unlawful under applicable laws.

Maricann is party to certain exclusivity agreements with U.S. based companies that may themselves participate in the U.S. cannabis market. Under such agreements, Maricann does not invest in or provide goods or services to an entity directly involved in the U.S. marijuana industry, nor does it do so in an indirect or ancillary manner. Instead, under such agreements, Maricann is provided with the right to act as the exclusive distributor and retailer of the brand names of the respective counterparties in Canada in accordance with the Health Canada license held by Maricann under the ACMPR. These agreements do not involve the Corporation, Maricann or their subsidiaries in any U.S. activities in respect of cannabis.

Recent Developments

On July 5, 2018, the Corporation announced it had entered into a supply agreement with the Alberta Gaming, Liquor & Cannabis Commission to allocate up to 3,375 kg of cannabis product for the Alberta market within the first six months following the coming into force of the Cannabis Act and the regulation of unqualified use of cannabis for adult use thereunder.

On July 11, 2018, the Corporation announced it has been selected by the British Columbia Liquor Distribution Branch to enter into a memorandum of understanding as a preferred licensed producer to initially supply approximately 3,622kg of non-medical cannabis to the BC Liquor Distribution Branch over the first 12 months following the coming into force of the Cannabis Act and associated regulations.

On July 17, 2018, the Corporation announced that the Malta Enterprise (the country's official economic development agency and the government entity responsible for cannabis licenses) had approved the Corporation's application to establish a business in Malta to manufacture finished dose medical cannabis.

On July 18, 2018, the Corporation announced the Offering, which subsequently closed on August 10, 2018.

On August 13, 2018, the Corporation announced the launch of MariPlant GmbH ("**MariPlant**"), the Corporation's European nutraceutical line of business. MariPlant's products became available for sale in Germany beginning on August 20, 2018, with strategic expansion planned throughout the European Union where it is legal to do so.

On August 21, 2018, the Corporation announced that the Corporation has been selected by The Ontario Cannabis Store to supply a variety of cannabis products through the province's online store launching on October 17, 2018.

On August 22, 2018, the Corporation announced that MariPlant commenced the harvest of approximately 165 hectares of hemp utilizing new proprietary harvesting and drying systems, designed to optimize yield from industrial hemp.

On August 28, 2018, the Corporation announced that it entered into a non-binding term sheet to form a strategic joint venture with San Martino S.S. ("**San Martino**"), a large scale agricultural company in the Piedmont Region of Italy, founded by Milan businessman Umberto Signorini. Pursuant to the proposed joint venture, the Corporation and San Martino are to develop a centre of excellence for cannabis products, in conjunction with the University of Eastern Piedmont, initially producing high cannabidiol ("**CBD**") content for the medical market, and then ultimately tetrahydrocannabinol ("**THC**") product for the European market. The formation of the joint venture remains subject to due diligence and the negotiation and execution of definitive documentation. See "*Risk Factors*".

On September 27, 2018, the Corporation announced that it will open its first retail location in Zurich, Switzerland in 2019, serving the market with cannabis products that contain a maximum THC content of 1%, through its Swiss subsidiary, Haxxon AG.

In light of the rapid growth in the European medical cannabis market, the Corporation has added to its European management team, expanded its ability to conduct medical testing and centered its medical cannabis research and development in Germany. The Corporation has received an EudraCT (European Union Drug Regulating Authority Clinical Trial) number and Protocol Code Number to allow further testing of the patented VesiSorb® Technology for cannabinoids. In 2017, through a commercialization agreement with SourceOne Global Partners, Maricann acquired the supply rights to VesiSorb® for use with cannabis for human consumption in Canada, Germany and other territories. Morten Lars Brandt, an experienced pharmaceutical executive, is now in the role of General Manager, Europe. Dr. Thoralf Schlosser has been named as the Qualified Person for the Corporation's European Medical Division.

Additional information in respect of the Corporation's business is available in the AIF and other documents incorporated by reference herein.

REGULATORY FRAMEWORK

Regulatory Framework in Canada

Summary of the ACMPR

The ACMPR replaced the *Marihuana for Medical Purposes Regulations* (the "**MMPR**") as the governing regulations in respect of the production, sale and distribution of medical cannabis and related oil extracts. The ACMPR effectively combines the regulations and requirements of the MMPR, the *Marihuana Medical Access Regulations* and the section 56 exemptions relating to cannabis oil under the *Controlled Drugs and Substances Act* (Canada) (the "**CDSA**") into one set of regulations. In addition, among other things, the ACMPR sets out the process patients are required to follow to obtain authorization from Health Canada to grow cannabis and to acquire seeds or plants from Licensed Producers to grow their own cannabis. Under the ACMPR, patients have three options for obtaining cannabis:

- (a) they can continue to access quality-controlled cannabis by registering with Licensed Producers;
- (b) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or
- (c) they can designate someone else to produce it for them.

With respect to items (b) and (c) above, starting materials, such as plants or seeds, must be obtained from Licensed Producers. It is possible that (b) and (c) could significantly reduce the addressable market for the Corporation's products and could materially and adversely affect the business, financial condition and results of operations of the Corporation. That said, management of the Corporation believes that many patients may be deterred from opting to proceed with options (b) or (c) since such steps require applying for and obtaining registration from Health Canada to grow cannabis, as well as the incurring of the up-front costs of obtaining equipment and materials to produce cannabis.

The ACMPR creates an export regulatory regime, which includes the application process and issuance of an export permit which provides the specifics of a particular export shipment of cannabis products.

Reporting Requirements under the ACMPR

As described under the ACMPR (see Part 1, Division 5 of the ACMPR), Licensed Producers are required to keep records of, among other things, their activities with cannabis, including all transactions (sale, exportation, and importation), all fresh or dried marijuana or cannabis oils returned from clients, and an inventory of cannabis (e.g. seeds, fresh harvested marijuana, dried marijuana, packaged marijuana, packaged marijuana seeds, cannabis oil, marijuana plants destined to be sold or provided). All records have to be kept for a period of at least two years, in a format that will be easily auditable, and must be made available to Health Canada upon request. All communications regarding reports for healthcare licensing authorities, including both those sent and received, are also subject to this two-year requirement.

A Licensed Producer must provide Health Canada with a case report for each serious adverse reaction to fresh or dried marijuana or cannabis oil within 15 days of the Licensed Producer becoming aware of the reaction. A Licensed Producer must annually prepare and maintain a summary report that contains a concise and critical analysis of all adverse reactions that have occurred during the previous 12 months (the serious adverse reaction reports and the summary reports must be retained by the Licensed Producer for a period of 25 years after the day on which they were produced).

Health Canada released an Information Bulletin titled, "Licensed Producers' Reporting Requirements" to provide an overview of the information Licensed Producers must provide to Health Canada on a monthly basis. Licensed Producers must provide the following information to the Office of Controlled Substances for the previous month on or before the 15th day of each month:

- With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the amounts produced, as well as the amounts received from another Licensed Producer as follows:
 - total amount produced in the reporting period;
 - amount released for sale in the reporting period;
 - amount of fresh and dried marijuana produced in the reporting period and intended for extraction activities; and
 - amount received from other Licensed Producers during the reporting period;
- With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the total amount sold or transferred to the following during the reporting period:
 - registered clients;
 - other Licensed Producers; and
 - licensed dealers;
- Number of clients registered;
- Number of clients registered by province or territory of residence;
- Number of refused registrations and refusals to fill order;
- With respect to fresh and dried marijuana and cannabis oil, Licensed Producers must report as of the final day of the reporting period the amounts held in inventory as follows:
 - total amount held in inventory;
 - amount intended for sale but not yet approved held in inventory;
 - amount approved for sale held in inventory;

- amount of samples in inventory; and
 - amount of fresh and dried marijuana intended for extraction activities held in inventory;
- With respect to cannabis seeds and marijuana plants, Licensed Producers must report:
 - the total number of plants held in inventory;
 - the number of plants destined to be sold as starting material held in inventory;
 - the total weight of seeds held in inventory; and
 - the number and weight of seeds destined to be sold as starting material held in inventory;
- Licensed producers must also include in their report the total amounts ready to be destroyed, but still held in inventory on the final day of the reporting period;
- Total amount of cannabis imported during the reporting period;
- Total amount of cannabis exported during the reporting period;
- Total amount of cannabis lost or stolen during the reporting period;
- With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the total amount:
 - that was destroyed during the reporting period; and
 - of waste (e.g., plants, leaves, twigs) destroyed during the reporting period;
- With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the total amount returned from clients during the reporting period;
- Licensed Producers must report the total number of shipments sent to the following during the reporting period:
 - registered clients;
 - registered clients for interim supply;
 - other Licensed Producers; and
 - licensed dealers;
- Licensed Producers must report the total number of shipments sent to the following in each province and territory:
 - registered clients;
 - registered clients for interim supply;
 - other Licensed Producers; and
 - licensed dealers;
- Average daily amount of marijuana for medical purposes authorized;
- Median daily amount of marijuana for medical purposes authorized;
- Average shipment size sent to registered clients during the reporting period;
- Median shipment size sent to registered clients during the reporting period;
- List of ten highest unique daily authorized amounts and the frequency with which they occur;
- List of daily authorized amounts in specified increments:
 - 0 to 1 grams;
 - 1.1 to 2 grams;
 - 2.1 to 3 grams;
 - 3.1 to 4 grams;
 - 4.1 to 5 grams;
 - 5 to 10 grams;
 - 10 to 15 grams; and
 - >15 grams,
- Total number of shipments to registered clients per each 10 gram interval between 0 and 150 grams;
- List of all health care practitioners who have completed medical documents for cannabis for medical purposes for registered clients and their location;
- List of all nurse practitioners who have completed medical documents for cannabis for medical purposes for registered clients and their location;
- Cannabis with which they are conducting R&D activities; and
- Activities with respect to cannabis products, other than marijuana or cannabis oil (e.g. cannabis resin).

Adult Use Cannabis

The Corporation intends to participate in the Canadian adult use market for cannabis in compliance with all applicable federal and provincial laws and regulations concerning the Canadian adult use cannabis market.

Recent Regulatory Developments

On December 13, 2016, the Task Force on Cannabis Legalization and Regulation (the "**Task Force**"), which was established by the Canadian Federal Government to seek input on the design of a new system to legalize, regulate and restrict access to cannabis, published its report outlining its recommendations. On April 13, 2017, the Canadian Federal Government released Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts* (the "**Cannabis Act**"), which proposes the enactment of the *Cannabis Act* (Canada) to regulate the production, distribution and sale of cannabis for unqualified adult use. On November 27, 2017, the House of Commons passed Bill C-45. On June 20, 2018 the Senate approved Bill C-45 and the Act received Royal Assent on June 21, 2018. The Cannabis Act is expected to come into force on October 17, 2018. The impact of such regulatory changes on the Corporation's business is unknown. See "*Risk Factors - Changes in Laws, Regulations and Guidelines*".

On November 22, 2017, Health Canada released for public consultation its proposed approach to the regulation of cannabis. The purpose of the consultation paper is to solicit public feedback on an initial set of regulatory proposals that Health Canada is considering, focused on the regulations that would facilitate the coming into force of the proposed Cannabis Act. Health Canada's consultation addresses licensing, security requirements for producers and their facilities, product standards, labelling and packaging, and the proposed cannabis tracking system. It also addresses cannabis for medical purposes and health products containing cannabis. Health Canada proposes a risk-based approach to regulation, balancing the protection of health and safety of Canadians while enabling a competitive legal industry made up of large and small enterprises in all regions of Canada producing quality-controlled cannabis. The regulatory proposals outlined in the consultation paper have been made for consultation purposes only, and should not be interpreted as representing the final views of the Governor in Council, the Minister, or the Government of Canada. The consultations were open until January 20, 2018.

On July 11, 2018, the Federal Government published regulations in the Canada Gazette, Part II, to support the coming into force of the Cannabis Act, including the Cannabis Regulations ("**Cannabis Regulations**"), the new Industrial Hemp Regulations ("**IHR**", and together with the Cannabis Regulations, the "**Regulations**"), along with proposed amendments to the Narcotic Control Regulations and certain regulations under the *Food and Drugs Act* (Canada). The Regulations, among other things, outline the rules for the legal cultivation, processing, research, testing, distribution, sale, importation and exportation of cannabis and hemp in Canada, including the various classes of licenses that can be granted, and set standards for cannabis and hemp products that will be available for legal sale as of October 17, 2018. Currently, medical cannabis is largely regulated by the ACMPR. The ACMPR and the current Industrial Hemp Regulations will no longer be in force on October 17, 2018 and will be supplanted by the Cannabis Act and the Regulations. Once the Cannabis Act comes into force, cannabis will no longer be regulated under the CDSA and will be regulated under the Cannabis Act.

Licenses, Permits and Authorizations

The Cannabis Regulations establish six classes of licenses:

- Cultivation licenses;
- Processing licenses;
- Analytical testing licenses;
- Sales for medical purposes licenses;
- Research licenses; and
- Cannabis drug licenses.

The Cannabis Regulations also create subclasses for cultivation licenses (standard cultivation, micro-cultivation and nursery) and processing licenses (standard processing and micro-processing). Different licenses and each sub-class therein, carry differing rules and requirements that are intended to be proportional to the public health and safety

risks posed by each license category and each sub-class. Producers holding production and sales licenses under the ACMPR will be transferred to similar licenses under the Cannabis Act.

The Cannabis Regulations will permit cultivation license holders to conduct both outdoor and indoor cultivation of cannabis, however no licensed activities (except for destruction, antimicrobial treatment and distribution) can take place in a "dwelling-house". The implications of the proposal to allow outdoor cultivation are not yet known, but such a development could be significant as it may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices as capital expenditure requirements related to growing outside are typically much lower than those associated with indoor growing.

The new IHR will replace the Industrial Hemp Regulations currently in force on October 17, 2018. The regulatory scheme for industrial hemp will largely remain the same, however the IHR will permit the sale of hemp plants to licensed cannabis producers, and licensing requirements will be softened in accordance with the low risk posed by industrial hemp.

Security Clearances

Certain people associated with cannabis licensees, including individuals occupying a "key position" directors, officers, large shareholders and individuals identified by the Minister of Health (the "**Minister**"), must hold a valid security clearance issued by the Minister. Under the Cannabis Regulations, the Minister may refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption or violent offences. This is largely the approach in place today under the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes. Individuals who have histories of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) are not precluded from participating in the legal cannabis industry, and the grant of security clearance to such individuals is at the discretion of the Minister and such applications will be reviewed on a case-by-case basis

Cannabis Tracking System

Under the Cannabis Act, the Minister of Health is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. The Cannabis Regulations provide the Minister of Health with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister.

Cannabis Products

The Cannabis Regulations set out the requirements for the sale of cannabis products at the retail level permit the sale of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds, including in such forms as "pre-rolled" and in capsules. The THC content and serving size of cannabis products is limited by the Cannabis Regulations. The sale of edibles containing cannabis and cannabis concentrates will not initially be permitted, however the federal government anticipates that such products will be legalized within one year following the coming into force of the Cannabis Act.

The IHR defines industrial hemp as cannabis plants whose leaves and flowering heads do not contain more than 0.3% THC.

Packaging and Labeling

The Cannabis Regulations set out requirements pertaining to the packaging and labelling of cannabis products. Such requirements are intended to promote informed consumer choice and allow for the safe handling and transportation of cannabis. The Cannabis Regulations require all cannabis products to be packaged in a manner that is tamper-proof and child-resistant.

While minor allowances for branding would be permitted, Health Canada is proposing strict limits on the use of colours, graphics, and other special characteristics of packaging. Cannabis package labels must include specific information, such as (i) product source information, including the class of cannabis and the name, phone number and email of the cultivator, (ii) a mandatory health warning, rotating between Health Canada's list of standard health warnings; (iii) the Health Canada standardized cannabis symbol; and (iv) information specifying THC and CBD content.

A cannabis product's brand name may only be displayed once on the principal display panel or, if there are separate principal display panels for English and French, only once on each principal display panel. It can be in any font style and any size, so long as it is equal to or smaller than the health warning message. The font must not be in metallic or fluorescent colour. In addition to the brand name, only one other brand element can be displayed.

Cannabis for Medical Purposes

The ACMPR will be repealed when the Cannabis Act and the Regulations come into force on the legalization date. Part 14 of the Cannabis Regulations sets out the regime for medical cannabis following legalization, which will remain substantively the same as currently exists under the ACMPR with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system. Patients who have the authorization of their healthcare provider will continue to have access to cannabis, either purchased directly from a federally licensed producer, or by registering to produce a limited amount of cannabis for their own medical purposes, or designating someone to produce cannabis for them.

Health Products and Cosmetics Containing Cannabis

Health Canada has taken a scientific, evidenced-based approach for the oversight of health products with cannabis that are approved with health claims, including prescription and non-prescription drugs, natural health products, veterinary drugs and veterinary health products, and medical devices. Under the Cannabis Regulations, the use of cannabis-derived ingredients (other than certain hemp seed derivatives containing no more than 10 parts per million THC) in cosmetics, which is currently prohibited, are proposed to be permitted and will be subject to provisions of the Cannabis Act.

Import / Export Permits for Medical or Scientific Purposes

Part 10 of the Cannabis Regulations sets out the process by which a license holder may apply for an import or export permit for medical or scientific purposes, as set out in the regulations. A permit must be obtained for each shipment of cannabis. An application for an import or export permit must contain specific information including the name and address of the holder, license number and specifics of the particular shipment including intended use of the cannabis and specific shipment details. The Cannabis Regulations contain reporting requirements in respect of the import / export of cannabis in reliance of a permit issued under the Cannabis Regulations.

Provincial and Territorial Regulatory Regimes

While the Cannabis Act provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the federal government, the Cannabis Act proposes that the provinces and territories of Canada will have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

The governments of every Canadian province and territory have, to varying degrees, announced proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. Each of these Canadian jurisdictions has established a minimum age of 19 years for cannabis use, except for Quebec and Alberta, where the minimum age is 18. See "*Risk Factors – Change in laws, Regulations and Guidelines*".

On September 8, 2017, the Ontario government announced its proposed retail and distribution model of legalized recreational cannabis to be modelled on the current Liquor Control Board of Ontario ("LCBO") framework. On

December 12, 2017, the Ontario government passed the *Cannabis Act, 2017* (Ontario), which will regulate the lawful use, sale and distribution of cannabis for adult use in connection with the Federal Government's proposed legalization.

The *Cannabis Act, 2017* (Ontario) will, among other matters:

- create a new provincial retailer, overseen by the LCBO, to manage the distribution of recreational cannabis through stand-alone stores and an LCBO-controlled online order and distribution service, which together, will comprise the only channels through which consumers in Ontario will be able to legally purchase recreational cannabis;
- set a minimum age of 19 to use, buy, possess and cultivate cannabis in Ontario; and
- ban the use of cannabis in public places, workplaces and motor vehicles in Ontario, as is the case with alcohol.

Other details of Ontario's approach will be set out in regulations to the *Cannabis Act, 2017* (Ontario).

On August 13, 2018, the Ontario government announced a new regulated private retail model for cannabis in Ontario, which emphasizes three public policy objectives: to implement a safe, legal system for cannabis that will protect consumers, to undermine the illegal market, and to protect public safety. The Ontario government announced that it will consult with various government agencies, community groups and industry stakeholders in order to structure a private retail model in Ontario for cannabis by April 2019. Until then, the Ontario Cannabis Store (a government run online store) will be the sole source of lawful adult use cannabis in Ontario as of October 17, 2018.

The Government of Manitoba has announced a "hybrid model" for cannabis distribution when cannabis for recreational purposes is legalized. The supply of cannabis in the Province of Manitoba will be secured and tracked by the Manitoba Liquor and Lotteries Corp.; however licensed private retail stores will be permitted to sell recreational cannabis. Manitoba is currently accepting applications from retailers to open stores for the sale of cannabis for recreational purposes. This process was open until December 22, 2017, with retail stores scheduled to open as early as October 17, 2018.

The Government of Alberta has announced a cannabis framework providing for the purchase of cannabis products from private retailers that will receive their products from a government-regulated distributor, similar to the distribution system currently in place for alcohol in the province. Only licensed retail outlets will be permitted to sell cannabis with online sales run by the Alberta Gaming and Liquor Commission.

Similar to the approach taken by Ontario, the Province of New Brunswick announced that it will set up a network of tightly-controlled, stand-alone stores through the New Brunswick Liquor Corporation.

On July 19, 2018 the Government of Quebec passed its Cannabis law, Bill 157. Bill 157 sets the legal age for cannabis consumption in the province at 18 years of age and all recreational marijuana will be managed and sold by Société québécoise du cannabis (the "SQDC") outlets and will be available for sale online, the entire process controlled by the Société des alcools du Québec.

In May 2018, Newfoundland and Labrador introduced legislation relating to the legalization of cannabis including the *Cannabis Control Act* (the "CCA") whereby recreational cannabis will be sold through licensed private stores, with its crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp. (the "NLC"), overseeing the distribution to private sellers who may sell to consumers. Pursuant to the CCA, the NLC will control the possession, sale and delivery of cannabis, and set prices. It will also be the initial online retailer, although licenses may later be issued to private interests. The Government of Newfoundland and Labrador has issued a request for proposals for private retailers.

Similarly, the Yukon has released the *Cannabis Control and Regulation Act* which limits the initial distribution and sale of recreational cannabis to government outlets and government-run online stores, and allows for the later licensing of private retailers.

The Government of the Northwest Territories has also announced its proposed approach for the distribution and sale of recreational cannabis which relies on the N.W.T. Liquor Commission to control the importation and distribution of cannabis, whether through retail outlets or by mail order service run by the liquor commission. Communities in the Northwest Territories will be able to hold a plebiscite to prohibit cannabis, similar to the options currently available to restrict alcohol.

The Government of British Columbia's *Cannabis Control and Licensing Act* (the "CCLA") received royal assent on May 31, 2018. The CCLA stipulates that recreational cannabis will be sold in that province through both public and privately operated stores, with the provincial Liquor Distribution Branch handling wholesale distribution.

The Government of Saskatchewan announced that recreational cannabis will be sold by private retailers. The Saskatchewan Liquor and Gaming Authority will issue approximately 60 retail permits to private stores located in roughly 40 municipalities and First Nation communities across the province, with municipalities having the option of opting out of having a cannabis store if they choose.

In Nova Scotia, Bill 108, *Cannabis Control Act* received royal assent on April 18, 2018, and establishes the licensing system for the retail sale of non-medical cannabis. The Nova Scotia Liquor Corporation will be responsible for the regulation of cannabis in the province, and recreational cannabis will only be sold publicly through government-operated storefronts and online sales.

In Nunavut, Bill 7, *Cannabis Act* ("**Nunavut Cannabis Act**") received royal assent on June 13, 2018. The Nunavut Cannabis Act provides for the regulation of non-medical cannabis in the province of Nunavut, and establishes the licensing system for the retail sale of non-medical cannabis. Under the Nunavut Cannabis Act, a person can submit an application for a licence to operate a cannabis store, remote sales store, or cannabis lounge. Licences may not be issued to minors, employees or agents of the Liquor and Cannabis Commission (Nunavut), or a person who does not meet the conditions prescribed by regulation for applicants. Nunavut will allow for the sale of marijuana through both public and private retail and online.

In Prince Edward Island, Bill 29, An Act to Respond to the Legalization of Cannabis received royal assent on June 12, 2018. Similar to Nova Scotia, Prince Edward Island will require cannabis be sold publicly, through government stores and online.

The Corporation has entered into supply agreement with distributors in the provinces of British Columbia, Alberta, Manitoba and Ontario. There is no guarantee that the provincial and territorial frameworks supporting the legalization of cannabis for recreational use in Canada will be implemented on the terms outlined above or at all.

Activities Outside of Canada

The Corporation only conducts business in jurisdictions outside of Canada where such operations are legally permissible in accordance with the laws of the jurisdiction and Canadian regulatory obligations. The Corporation has planned activities in Germany, Switzerland and Malta. In order for the Corporation to export or import cannabis products to or from an international jurisdiction, the Corporation would be required to apply for an export/import permit from Health Canada and a corresponding import/export permit from the regulator in the international jurisdiction. The Corporation currently expects to import raw materials from Canada, Switzerland and Germany. However, the final determination will be made based on then current regulatory and market factors. The Corporation does not currently hold import licenses or permits in any jurisdictions and will only import raw materials in a manner and from jurisdictions where it is legal to do so.

The following table outlines, in a summary form, the regulatory status of cannabis in the international jurisdictions, as well as the activities of the Corporation or its local affiliate conducts:

Country	Regulatory Status and Framework	Corporate Activities	Required Licenses / Permits
Germany	Federally legal for medicinal use. <ul style="list-style-type: none"> Cannabis containing less than 0.2% THC can 	Maricann GmbH plans to submit materials to the BfArM to become a licensed producer	<i>Cannabis</i> – Maricann GmbH intends to submit materials to the BfArM to

Country	Regulatory Status and Framework	Corporate Activities	Required Licenses / Permits
	<p>be cultivated by registered growers upon approval by the Ministry of Agriculture.</p> <ul style="list-style-type: none"> • Cannabis containing greater than 0.2% THC can only be cultivated and distributed with the approval of the Ministry of Health. • As of March 2017, the German government enacted the new "cannabis as medicine" law, allowing the medical use of the cannabis plant, Cannabis sativa. • The prescription, distribution and import of medical cannabis is overseen by an authority within the Ministry of Health, the Federal Institute for Drugs and Medical Devices (the "BfArM"). • BfArM issues import permits for the import of medical cannabis for distribution through pharmacies. • With the legalization of cannabis, the BfArM established a cannabis agency to organize and control the cultivation of cannabis for medical use. As a result, BfArM, is carrying out a tender process to identify suppliers to cultivate medical cannabis within Germany. 	<p>and wholesaler of cannabis as part of the new tender process taking place in Germany with a submission date of October 22, 2018.</p> <p>To date, the Corporation has obtained one export permit in April 2018 allowing for the export of cannabis to Germany.</p>	<p>become a licensed producer and wholesaler of cannabis as part of the new tender process taking place in Germany with a submission date of October 22, 2018. Issued license will be valid for a period of four years.</p> <p><i>Hemp / CBD, THC <0.2%</i> - no licence required</p>
Switzerland	<p>Federally legal for medicinal and scientific use.</p> <ul style="list-style-type: none"> • Cannabis containing less than 1.0% THC is not subject to the federal Swiss Narcotics Act and is considered to be legal. No license is required under the Swiss Narcotics Act to cultivate or sell products containing cannabis with less than 1% THC, however, such products are subject to general regulations and the Federal Office of Public Health (FOPH), the Federal Food Safety and Veterinary Office (FSVO) and Swissmedic, the Swiss Agency for Therapeutic Products) are responsible for control, depending on the products' classification. For smoked tobacco substitutes, which are the products sold by Haxxon, they are subject to the Tobacco Products Ordinance, and must satisfy applicable requirements to smoked tobacco products they replace, including health and safety, reporting requirements to the FOPH, packaging information requirements, business and tax registration. • Cannabis containing greater than 1.0% THC is generally prohibited from being cultivated and distributed, subject to obtaining an exceptional license. • The Federal Office of Public Health grants such exceptional licenses pursuant to the following activities: (i) the development of medicinal products; (ii) for restricted medical use (on prescription from a medical doctor); or (iii) scientific research purposes. • An exceptional license for cultivation, import from another jurisdiction, production, or distribution of cannabis may be granted by the Federal Office of Public Health if such cannabis is an active ingredient in a medicinal product authorized by the Swiss Agency for Therapeutic Products. • Import / export license application process includes receipt of certification of good 	<p>Haxxon produces Low THC Strains in Switzerland.</p>	<p><i>Cannabis < 1% THC</i> – no existing licence requirements.</p> <p><i>Hemp / CBD, THC <0.2%</i> - no licence required</p>

Country	Regulatory Status and Framework	Corporate Activities	Required Licenses / Permits
	<p>agricultural control practices protocols and hazard analysis critical control points to the satisfaction of Swissmedic.</p> <ul style="list-style-type: none"> Without such exceptional license, any commercial activities in connection with cannabis or other products containing greater than 1% THC is prohibited in Switzerland. 		
Malta	<ul style="list-style-type: none"> In April 2018 Maltese parliament passed the Production of Cannabis for Medicinal Use Act, 2018 that legalizes the production of medicinal cannabis. Maltese Medicines Authority grants license pursuant to the following activities: <ul style="list-style-type: none"> a) Cultivation, importation from another jurisdiction or processing of cannabis, b) production of any products intended for medicinal and, or research purposes deriving from or resulting from the use of cannabis, c) trade in cannabis and, or any preparations intended for medicinal and, or research purposes as deriving from cannabis. Such licence shall only be granted where the intended use of cannabis and, or products deriving therefrom is for medicinal and, or research purposes. <p>All persons intending to carry out any of the above identified activities shall:</p> <ul style="list-style-type: none"> comply with the provisions of the Act; obtain a letter of intent from Malta Enterprise after making an application on the prescribed form. Malta Enterprise shall ensure that the proposed activity is solely a production process; comply with all regulations, including international obligations resulting from a treaty to which Malta may from time to time be a party, as may be applicable; comply with all regulations relating to the production and quality standards of products for medicinal and, or research purposes, as the case may be, as applicable under the Medicines Act and with any other relevant regulations; obtain a licence from the Medicines Authority; comply with any other relevant regulations as shall, from time to time, be promulgated under the Act or any other applicable law. 	<p>The Corporation has received confirmation from Malta Enterprise in the form of a Letter of Intent, to move ahead with licensing of finished goods production facilities for medical cannabis. Malta Enterprise has approved the Corporation's application to set up a business in Malta to manufacture finished dose medical cannabis.</p> <p>This license allows the Corporation to (i) cultivate cannabis, (ii) import raw materials from international jurisdiction to supply its Maltese operations, (iii) process such raw materials to create pure cannabis distillates, allowing for true pharmaceutical manufacturing, and (iii) export finished products . The approval in Malta is conditional on a number of items including (i) operation of the business in compliance with applicable laws, (ii) compliance with certain reporting requirements, (iii) the Corporation's Malta subsidiary reaching an employment level of at least 28 full-time equivalent employees within three years from the start of operations, (iv) the Corporation's Malta subsidiary investing at least €9.5 million in improvements to the site, plant, machinery and equipment within three years from the allocation of the applicable site and (v) the Corporation obtaining a licence (which includes a license to import raw materials) from the Medicines Authority.</p> <p>The Corporation anticipates that the Maltese business will be conducted through a wholly-owned subsidiary which will be incorporated and organized as part of the licensing application process.</p>	<p><i>Cannabis</i> – Medicinal Authority issues licenses. The Corporation is currently in the process of submitting its application and will be required to apply for a permit to import raw materials. The Corporation expects that it will take approximately nine months from the date of application to receive a licence from the Medicines Authority. As part of the licencing application process, the Corporation must provide the following information to the Medicines Authority: (i) details of the manufacturing process and samples of the products; (ii) provide copies of all standard operating procedures pertaining to the production process employed in the Maltese operations; and (iii) provide details regarding suppliers of raw materials.</p> <p><i>Hemp / CBD, THC <0.2%</i> - no licence required</p>

CONSOLIDATED CAPITALIZATION

As at March 31, 2018, the Corporation had 112,195,902 Common Shares, 10,223,519 common share purchase warrants and 4,548,011 options outstanding. Other than as described below, there have been no material changes in the consolidated share and loan capital of the Corporation since March 31, 2018, the date of the Corporation's most recent unaudited condensed interim consolidated financial statements:

- On April 4, 2018, the Corporation issued 21,131,250 Common Shares upon the exercise of the January 2018 Special Warrants;
- On April 4, 2018, the Corporation issued 10,565,625 common share purchase warrants upon the exercise of the January 2018 Special Warrants;
- On April 20, 2018, the Corporation issued 62,500 Common Shares upon the conversion of \$100,000 principal amount of convertible debentures;
- On May 10, 2018, the Corporation issued an aggregate of 3,848,505 Common Shares as partial consideration for the Haxxon Acquisition;
- On May 11, 2018, the Corporation issued 15,625 Common Shares upon the conversion of \$25,000 principal amount of convertible debentures;
- On May 14, 2018, the Corporation issued 31,250 Common Shares upon the conversion of \$50,000 principal amount of convertible debentures;
- On May 17, 2018, the Corporation issued 16,875 Common Shares upon the conversion of \$27,000 principal amount convertible debentures;
- On May 24, 2018, the Corporation issued 31,250 Common Shares upon the conversion \$50,000 principal amount of convertible debentures;
- On May 25, 2018, the Corporation issued 483,054 Common Shares to the former shareholders of Nanoleaf pursuant to an adjustment clause under the Nanoleaf Acquisition;
- On May 25, 2018, the Corporation issued 15,625 Common Shares upon the conversion of \$25,000 principal amount of convertible debentures;
- On June 4, 2018, the Corporation issued 15,003 Common Shares to the former shareholders of Nanoleaf pursuant to an adjustment clause under the Nanoleaf Acquisition;
- On June 19, 2018, the Corporation issued 31,250 Common Shares upon the conversion of \$50,000 principal amount of convertible debentures;
- On June 29, 2018, the Corporation issued 146,392 Common Shares to the former shareholders of Nanoleaf pursuant to an adjustment clause under the Nanoleaf Acquisition;
- On July 5, 2018, the Corporation issued 399,900 Common Shares and 399,900 common share purchase warrants on the exercise of an aggregate of 399,900 previously issued compensation options, another 399,900 Common Shares were issued upon the exercise of these 399,900 common share purchase warrants;
- On July 11, 2018, the Corporation issued 303,290 Common Shares to the former shareholders of Nanoleaf pursuant to an adjustment clause under the Nanoleaf Acquisition;

- On August 9, 2018, the Corporation issued 5,865 Common Shares to the former shareholders of Nanoleaf pursuant to an adjustment clause under the Nanoleaf Acquisition;
- On August 10, 2018, the Corporation issued 23,736,100 Special Warrants pursuant to the Offering. As consideration for their services in connection with the Offering, the Agents received 930,680 Compensation Warrants. See "*Summary Description of the Business – Recent Developments*";
- On August 30, 2018, the Corporation issued 7,825 Common Shares on the exercise of 7,825 previously issued common share purchase warrants;
- On September 5, 2018, the Corporation issued 31,250 Common Shares on the conversion of \$50,000 principal amount of convertible debentures;
- On September 6, 2018, the Corporation issued 450,000 Common Shares upon the conversion of \$720,000 principal amount of convertible debentures;
- On September 7, 2018, the Corporation issued 39,375 Common Shares on the exercise of 39,375 previously issued common share purchase warrants;
- On September 13, 2018, the Corporation issued 28,875 Common Shares on the exercise of 28,875 common share purchase warrants;
- On September 13, 2018, the Corporation issued 106,250 Common Shares on the conversion of \$170,000 principal amount of convertible debentures; and
- On September 20, 2018, the Corporation issued 10,500 Common Shares on the exercise of 10,500 common share purchase warrants.

See also "*Prior Sales*".

USE OF PROCEEDS

The net proceeds to the Corporation from the sale of the Special Warrants, after deducting the aggregate Agents' Commission and the expenses of the Offering and the qualification for distribution of the Units estimated to be \$350,000, are \$35,293,082. The Corporation will not receive any additional proceeds from the deemed exercise of the Special Warrants. At closing of the Offering, the Corporation received \$35,643,082 of the proceeds of the Offering after deducting the Agents' Commission and the Agents expenses. As at August 31, 2018, the Corporation's cash and working capital balances were approximately \$20.9 million and \$24.5 million, respectively. The Corporation's cash flow used in operations for the eight months ended August 31, 2018 was approximately \$24.4 million.

The net proceeds from the Offering will be used primarily as follows:

<u>Use of Proceeds</u>	<u>Allocated Funds</u> <u>(\$)</u>
Phase I Expansion:	
225,450 sq. ft. facility – lighting, electrical, mechanical, construction	8,916,800
Installation of operational and automation equipment	5,030,500
Rolling, packaging and extraction equipment	1,140,000
Phase II Expansion:	
189,000 sq. ft. facility – lighting, electrical, mechanical, construction	12,749,400
installation of Phase II operational and automation equipment	333,300
 Brand development and corporate marketing initiatives for medical and recreational markets:	 1,000,000

Use of Proceeds

Deposit on Naunhof by Maricann GmbH
 Working capital and general corporate purposes:

Total:**Allocated Funds****(\$)**

3,600,000
 2,523,082
35,293,082

Note:

- (1) For further information relating to this payment, see Management's Discussion & Analysis for the Period ended June 30, 2018 under the section entitled "*Transactions and Balances with Related Parties*".

The Corporation currently has negative operating cash flow and it is expected that a portion of the net proceeds from the Offering may be used to fund such negative operating cash flow. See "*Risk Factors- Negative Operating Cash Flow*". Pending the use of the proceeds described above, the Corporation may invest all or a portion of the proceeds of the Offering in short-term, high quality, interest bearing corporate, government-issued or government-guaranteed securities.

Although the Corporation intends to use net proceeds of the Offering as stated above, there may be circumstances where, for business and operations reasons, a reallocation of funds may be necessary, as may be determined at the discretion of management of the Corporation. See "*Risk Factors*".

Business Objectives

The Corporation currently operates at the 42,000 sq. ft. facility at Site 150. The Corporation's near term business objectives consist of a two phase expansion at Site 138 (the "**Expansion**"). Phase I of the Expansion consists of a 225,450 sq. ft. facility expansion at Site 138 that includes a natural gas co-generation facility to produce 4.9 MW of electricity, water cistern, boilers for ambient and water heating, and CO₂ scrubbing equipment to provide additional CO₂ for plants. Management expects the Phase I expansion to be completed in the first quarter 2019. Standard mechanical and final electrical permits will be required.

Phase II of the Expansion consists of two parts, Phase IIA and Phase IIB. Phase IIA consists of a 189,630 square foot facility expansion that includes completion and installation of operational equipment for six smaller vegetation houses and four larger flowering houses, including the internal fit out of the remaining framing, floors, electrical, HVAC, automation and the shell. Phase IIA will also include the installation of operational equipment and is targeted for completion in the third quarter of 2019. Construction permits will be required and new expansion areas will need to be approved by Health Canada to be added to the Corporation's license through the license amendment application process.

Phase IIB is anticipated to consist of a 526,920 square foot expansion of the facilities at Site 138. Following completion of the Expansion, the Corporation may determine that further expansion plans are necessary in order to execute on its long term business objectives. The charts below summarize the size and anticipated capacity for each phase of the Expansion:

Phase	Square Feet	Capacity (kg)
Phase I	225,450	Approximately 65,000
Phase IIA	189,630	Approximately 30,000
TOTAL	415,080	Approximately 95,000

Phase	Square Feet	Capacity (kg)
Phase IIA	189,630	Approximately 30,000
Phase IIB	526,920	To be Determined
TOTAL	715,550	

The following table sets forth an overview of steps involved in executing Phases I and IIA of the Expansion at Site 138 and an estimate of the associated costs.

Description of Works	Costs Incurred to Date	Estimated Remaining Costs	Targeted Completion Date
<p>Phase I of the Expansion</p> <p><i>Construction Items:</i> HVAC electrical internal fit out plumbing commissioning</p> <p><i>Automation:</i> fertigation BAS material handling</p> <p><i>Compliance:</i> key card access cameras GMP certification</p> <p><i>Health Canada certification:</i> certification of operations and storage areas certification of cannabis substances and products and related activities</p>	\$43,829,249	\$28,170,751	January 30, 2019
<p>Phase IIA of the Expansion</p> <p><i>Infrastructure and Earthwork:</i> grading utilities parking lots</p> <p><i>Construction Items:</i> HVAC electrical internal fit out plumbing commissioning</p> <p><i>Automation:</i> fertigation BAS material handling</p> <p><i>Compliance:</i> key card access cameras GMP certification</p> <p><i>Health Canada certification:</i> certification of operations and storage areas certification of cannabis substances and products and related activities</p>	\$8,412,294	\$51,323,900	Q3 2019

Upon completion of the Phase I and Phase IIA of the Expansion, the Corporation targets an annual production capacity of approximately 95,000 kg/year from 415,080 sq. ft. of combined operations. With the Canadian and global cannabis markets rapidly expanding, the Corporation's goal is to bring cultivation expertise and required scale, through the Expansion, to match demand, provided through relationships with some of Canada's largest pharmacy groups and international pharmacy distributors.

In support of its objective, the Corporation also plans to spend a portion of the net proceeds of the Offering on brand development and marketing initiatives for the medical cannabis market and the Canadian recreational cannabis market, if and when legalized. See "*Recent Regulatory Developments*".

The anticipated cash burn for the next 12 months (including operational expenses, capital expenses and working capital but excluding costs of sales) is approximately \$132 million based on management's current estimates. Management anticipates that the existing, non-contingent cash resources can sustain operations for approximately eight to ten months excluding capital and discretionary spending or approximately three months including capital and discretionary spending. These figures do not include anticipated cash inflows from revenues generated by the previously announced supply agreements entered into with distributors in the provinces of British Columbia, Alberta and Manitoba and Ontario, any future financings that the Corporation may undertake or cash inflows from the exercise of outstanding share purchase warrants and stock options. See "*Recent Developments*" and "*Risk Factors – Additional Financings*".

Use of Proceeds from the January 2018 Offering

As of the date of this Prospectus, the Corporation has used the proceeds from the January 2018 Offering to execute the plan set out in the March 28, 2018 final prospectus with respect of the expansion of the Corporation's Site 138 facility. The Corporation sets forth below how the funds were allocated in the March 2018 prospectus and how such funds have been used to date.

<u>Use of Proceeds</u>	<u>Allocated Funds(\$)</u>	<u>Adjusted Allocation since closing of the January 2018 Offering (\$)</u>
Expansion:		
630,000 square feet grow facility ⁽¹⁾	12,000,000	6,027,800
217,000 square feet grow facility	nil	12,707,300
90,000 square foot production facility ⁽¹⁾	1,500,000	nil
Concrete foundations	7,200,000	721,400
Operational and automation equipment	6,300,000	693,200
Enterprise Resource Planning (ERP) systems	1,000,000	nil
Central utilities plant	2,000,000	643,000
Brand development and corporate marketing initiatives for medical and recreational markets:		
Haxxon closing payment by Maricann B.V.	4,750,000	865,200
Deposit on Naunhof by Maricann GmbH	nil	2,331,200
Subsidiary working capital funding	nil	1,021,800
Working capital and general corporate purposes:	3,208,100	9,256,200
Total:	37,794,000	37,794,000

Note:

- (1) Since the March 28, 2018 final prospectus, the Corporation has amended the plans for the Expansion to encompass an aggregate of 406,000 sq. ft. facility. See "*Use of Proceeds – Business Objectives*".

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Authorized Share Capital

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series, which may contain the rights, privileges and restrictions as determined by the board of directors of the Corporation (the "**Board**"). As at the close of business on September 27, 2018, there were a total of 139,807,511 Common Shares issued and no preferred shares issued and outstanding.

Special Warrants

The Special Warrants were issued pursuant to and are governed by the Special Warrant Indenture. The following summary of certain provisions of the Special Warrant Indenture does not purport to be complete and is qualified in its entirety by reference to the provisions of the Special Warrant Indenture, a copy of which is available at

www.sedar.com or which may be obtained on request without charge from the Corporation at 845 Harrington Court, Unit 3, Burlington, Ontario.

Pursuant to the Special Warrant Indenture, each Special Warrant will automatically be exercised into one Unit on behalf of, and without any further action or payment required on the part of, the holder thereof at 5:00 (Toronto time) on the Deemed Exercise Date (the "**Deemed Exercise Time**"), being the earlier of: (i) the Qualification Date, being the third business day after the date a Receipt is issued for a final prospectus qualifying the distribution of the Unit Shares and the Warrants issuable upon exercise of the Special Warrants by the securities regulatory authorities in each of the Qualifying Jurisdictions; or (ii) December 11, 2018. If a Receipt for the final prospectus is not obtained on or before the Qualification Deadline, each holder of a Special Warrant shall be entitled to receive, without payment of additional consideration, 1.05 Units per Special Warrant (in lieu of 1.0 Unit) upon the deemed exercise of the Special Warrants.

The Special Warrant Indenture provides for adjustment in the number of Units issuable upon the deemed exercise of the Special Warrants upon the occurrence of certain events prior to the Deemed Exercise Time, including: (i) the subdivision, re-division or change of the outstanding Common Shares into a greater number of Common Shares; (ii) the reduction, combination or consolidation of the outstanding Common Shares into a lesser number of Common Shares; (iii) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares as a stock dividend; (iv) the fixing of a record date for the distribution to all or substantially all of the holders of the outstanding Common Shares of rights, options or warrants under which such holders are entitled, for a period expiring not more than 45 days after such record date, to subscribe for or acquire Common Shares (or securities exchangeable for or convertible into Common Shares) at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the Current Market Price (as such term is defined in the Special Warrant Indenture) for the Common Shares on such record date; and (v) the fixing of a record date for the issuance or distribution to all or substantially all of the holders of the Common Shares of (a) securities of the Corporation including rights, options or warrants to acquire shares of any class or securities exchangeable for or convertible into or exchangeable into any such shares or property or assets and including evidence of its indebtedness; or (b) any property or other assets.

The Special Warrant Indenture also provides for adjustments in the number of Units issuable upon the deemed exercise of the Special Warrants prior to the Deemed Exercise Time, in the event of the following additional events: (i) a reclassification of the Common Shares, a change in the Common Shares into other shares or securities, or a capital reorganization of the Corporation other than as described in the foregoing, including for certainty a liquidation, dissolution or winding up of the Corporation, a consolidation, amalgamation, arrangement or merger of the Corporation with or into any other body corporate, trust, partnership or other entity; or (ii) a transfer, sale or conveyance of the property and assets of the Corporation as an entirety or substantially as an entirety to any other body corporate, trust, partnership or other entity.

Notwithstanding the foregoing, no adjustment shall be made in the acquisition rights attached to the Special Warrants if the issue of Common Shares is being made pursuant to or in connection with: (i) any stock option plan, share incentive plan or restricted share plan or share purchase plan in force from time to time for directors, officers, employees, consultants or other service providers of the Corporation, which plan has been approved by the Board; or (ii) the exchange, retraction or redemption or satisfaction of existing securities and instruments issued at the Closing Date.

The Corporation has agreed that so long as any Special Warrants remain outstanding it will give not less than 14 calendar days' prior written notice in the manner provided for in the Special Warrant Indenture to the Special Warrant Agent, each holder of Special Warrants and to the Agents of any event which requires an adjustment pursuant to the Special Warrant Indenture. Such notice is to contain the particulars of such event in reasonable detail and, if determinable, the required adjustment. The Corporation has further agreed that it shall promptly, as soon as the adjustment calculations are reasonably determinable, file a certificate of the Corporation with the Special Warrant Agent, on which the Special Warrant Agent may act and rely, showing how such adjustment are to be computed and give notice to the holders of Special Warrants and the Agents of such adjustment computation.

No fractional Unit will be issuable upon the deemed exercise of any Special Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Special Warrants do not have any voting or preemptive rights or any other rights that a holder of Common Shares would have.

From time to time, the Corporation and the Special Warrant Agent may amend or supplement the Special Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Special Warrants. Any amendment or supplement to the Special Warrant Indenture that adversely affects the interests of the holders of the Special Warrants may only be made by "extraordinary resolution", which is defined in the Special Warrant Indenture as a resolution proposed to be passed as an extraordinary resolution at a meeting duly convened for that purpose and held in accordance with the provisions of the Special Warrant Indenture, and carried by not less than 66 2/3% of the votes cast on such resolution. A quorum for such meeting shall consist of two or more persons present in person and owning or representing by proxy not less than 25% of the aggregate number of the then outstanding Special Warrants.

Common Shares

Holders of Common Shares are entitled to receive notice of any meetings of shareholders of the Corporation and to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive on a pro rata basis such dividends, if any, as and when declared by the Board at its discretion from funds legally available therefor and upon the liquidation, dissolution or winding up of the Corporation are entitled to receive on a pro rata basis the net assets of the Corporation after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Warrants

The Warrants will be issued pursuant to the terms of the Warrant Indenture. The following summary of certain provisions of the Warrant Indenture does not purport to be complete and is subject in its entirety to the detailed provisions of the Warrant Indenture, a copy of which is available at www.sedar.com or may be obtained on request without charge from the Corporation at 845 Harrington Court, Unit 3, Burlington, Ontario. A register of holders of Warrants will be maintained at the principal offices of the Warrant Agent in Toronto, Ontario.

Each Warrant will entitle the holder to purchase one Warrant Share at a price of \$1.75 per Warrant Share, subject to adjustment in certain circumstances, by no later than 5:00 p.m. (Toronto time) on August 10, 2020, after which time the Warrants will expire and become null and void. The Corporation may accelerate the expiry date of the Warrants on not less than 30 days' notice should the daily volume weighted average trading price of the Common Shares on the CSE (or such other exchange on which the Common Shares may trade) be greater than \$2.00 for any 10 consecutive trading days.

The Warrant Indenture provides for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Common Share upon the occurrence of certain events, including: (i) the subdivision, re-division or change of the outstanding Common Shares into a greater number of Common Shares; (ii) the reduction, combination or consolidation of the outstanding Common Shares into a lesser number of Common Shares; (iii) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares as a stock dividend or other distribution (other than upon exercise of Warrants); (iv) the fixing of a record date for the distribution to all or substantially all of the holders of the outstanding Common Shares of rights, options or warrants under which such holders are entitled, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the Current Market Price (as such term is defined in the Warrant Indenture), for the Common Shares on such record date; and (v) the fixing of a record date for the issuance or distribution to all or substantially all of the holders of the Common Shares of: (a) securities of any class, whether of the Corporation or any other trust (other than Common Shares), (b) rights, options or warrants to subscribe for or purchase Common Shares (or other securities convertible into or exchangeable for Common Shares), (c) evidences of its indebtedness, or (iv) any property or other assets.

The Warrant Indenture also provides for adjustments in the class and/or number of securities issuable upon exercise of the Warrants and/or exercise price per security in the event of the following additional events: (i) reclassifications of the Common Shares or a capital reorganization other than as described above; (ii) consolidations, amalgamations, arrangements, or mergers of the Corporation with or into another entity; or (iii) the sale or conveyance of the property or assets of the Corporation as an entirety or substantially as an entirety to any other entity.

Notwithstanding the foregoing, no adjustment shall be made in the acquisition rights attached to the Warrants if the issue of Common Shares is being made pursuant to the Warrant Indenture or in connection with: (i) any share incentive plan or restricted share plan or share purchase plan in force from time to time for directors, officers, employees, consultants or other service providers of the Corporation; or (ii) the satisfaction of existing instruments issued at the Closing Date.

The Corporation has agreed that, so long as any Warrant remains outstanding, it will give notice to the Warrant Agent and to the holders of Warrants of its intention to fix a record date that is prior to the expiry date of the Warrants for any matter for which an adjustment may be required pursuant to the Warrant Indenture. Such notice is to specify the particulars of such event and the record date for such event, provided that the Corporation shall only be required to specify in the notice such particulars of the event as shall have been fixed and determined on the date on which the notice is given. The notice is to be given, in each case, not less than 14 days prior to such applicable record date. If notice has been given and the adjustment is not then determinable, the Corporation shall promptly, after the adjustment is determinable, file with the Warrant Agent a computation of the adjustment and give notice to the holders of Warrants of such adjustment computation.

No fractional Warrant Shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights that a holder of Common Shares would have.

From time to time, the Corporation and the Warrant Agent may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by "extraordinary resolution", which is defined in the Warrant Indenture as a resolution proposed at a meeting of holders of Warrants duly convened for that purpose and held in accordance with the provisions of the Warrant Indenture at which there are present in person or by proxy holders of Warrants holding at least 10% of the aggregate number of all then outstanding Warrants and passed by the affirmative votes of holders of Warrants holding not less than 66 2/3% of the aggregate number of all then outstanding Warrants represented at the meeting and voted on the poll upon such resolution. A quorum for such meeting shall consist of holders of Warrants present in person or by proxy and holding at least 10% of the aggregate number of all the then outstanding Warrants.

PRIOR SALES

The following table sets out the details concerning the Common Shares, and securities convertible into Common Shares, issued by the Corporation during the 12-month period prior to the date of this Prospectus. See "Prior Sales" in the AIF for additional information with respect to issuances of securities of Maricann.

Date of Issuance	Security	Number of Securities	Issue/Exercise Price Per Security
August 22, 2017	Common Shares ⁽²⁾	12,500	\$1.25
August 23, 2017	Common Shares ⁽²⁾	37,500	\$1.25
October 2, 2017	Options	250,000	\$1.52
October 6, 2017	Common Shares ⁽²⁾	200,000	\$1.25
October 13, 2017	Common Shares ⁽²⁾	125,000	\$1.25

Date of Issuance	Security	Number of Securities	Issue/Exercise Price Per Security
October 27, 2017	Convertible Debentures ⁽³⁾	31,000	\$1,000
October 27, 2017	Warrants ⁽³⁾	9,703,000	\$2.30
October 27, 2017	Compensation Warrants ⁽³⁾	597,493	\$2.30
October 27, 2017	Common Shares ⁽⁴⁾	18,333,319	N/A
October 30, 2017	Common Shares ⁽¹⁾	266,963	\$1.00
November 13, 2017	Common Shares ⁽²⁾	50,000	\$1.25
November 14, 2017	Common Shares ⁽¹⁾	1,830,600	\$0.07
November 15, 2017	Common Shares ⁽²⁾	12,500	\$1.25
November 22, 2017	Common Shares ⁽²⁾	55,000	\$1.25
November 23, 2017	Common Shares ⁽²⁾	125,000	\$1.25
November 23, 2017	Common Shares ⁽⁵⁾	460,000	N/A
November 24, 2017	Common Shares ⁽²⁾	17,500	\$1.25
November 28, 2017	Common Shares ⁽²⁾	367,500	\$1.25
November 29, 2017	Common Shares ⁽²⁾	62,500	\$1.25
December 1, 2017	Common Shares ⁽²⁾	1,688,000	\$1.25
December 1, 2017	Common Shares ⁽⁶⁾	100,200	\$1.00
December 4, 2017	Common Shares ⁽²⁾	126,000	\$1.25
December 5, 2017	Common Shares ⁽²⁾	2,500	\$1.25
December 6, 2017	Common Shares ⁽²⁾	22,500	\$1.25
December 6, 2017	Common Shares ⁽⁶⁾	399,900	\$1.00
December 6, 2017	Common Shares ⁽⁷⁾	399,900	\$1.25
December 6, 2017	Options	150,000	\$2.18
December 7, 2017	Common Shares ⁽²⁾	50,000	\$1.25
December 7, 2017	Options	125,000	\$2.14
December 11, 2017	Common Shares ⁽²⁾	2,500	\$1.25
December 14, 2017	Common Shares ⁽²⁾	2,015,000	\$1.25
December 15, 2017	Common Shares ⁽²⁾	6,500	\$1.25
December 15, 2017	Options	3,000,000	\$2.13

Date of Issuance	Security	Number of Securities	Issue/Exercise Price Per Security
December 19, 2017	Common Shares ⁽²⁾	75,000	\$1.25
December 19, 2017	Options	626,626	\$2.05
December 20, 2017	Common Shares ⁽²⁾	47,500	\$1.25
December 21, 2017	Common Shares ⁽²⁾	2,149,500	\$1.25
December 21, 2017	Common Shares ⁽⁷⁾	100,200	\$1.25
December 27, 2017	Common Shares ⁽²⁾	727,500	\$1.25
December 28, 2017	Common Shares ⁽²⁾	538,500	\$1.25
December 28, 2017	Common Shares ⁽⁵⁾	334,000	N/A
December 29, 2017	Common Shares ⁽²⁾	917,500	\$1.25
January 2, 2018	Common Shares ⁽²⁾	35,000	\$1.25
January 2, 2018	Warrants ⁽⁸⁾	87,108	\$2.87
January 3, 2018	Common Shares ⁽⁵⁾	100,000	N/A
January 4, 2018	Common Shares ⁽²⁾	227,500	\$1.25
January 4, 2018	Common Shares ⁽⁹⁾	16,589	\$2.30
January 5, 2018	Common Shares ⁽²⁾	67,500	\$1.25
January 8, 2018	Common Shares ⁽²⁾	10,000	\$1.25
January 8, 2018	Options	280,000	\$3.39
January 9, 2018	Common Shares ⁽²⁾	62,500	\$1.25
January 9, 2018	Special Warrants ⁽¹⁰⁾	20,250,000	\$2.00
January 9, 2018	Compensation Warrants ⁽¹⁰⁾	970,950	\$2.00
January 10, 2018	Common Shares ⁽²⁾	487,500	\$1.25
January 11, 2018	Common Shares ⁽²⁾	5,000	\$1.25
January 11, 2018	Common Shares ⁽²⁾	119,000	\$1.25
January 15, 2018	Common Shares ⁽²⁾	111,500	\$1.25
January 15, 2018	Options	116,385	\$3.10
January 16, 2018	Common Shares ⁽²⁾	62,500	\$1.25
January 17, 2018	Common Shares ⁽²⁾	247,500	\$1.25
January 22, 2018	Common Shares ⁽⁵⁾	333,000	N/A

Date of Issuance	Security	Number of Securities	Issue/Exercise Price Per Security
January 26, 2018	Common Shares ⁽¹⁾	122,040	\$0.15
March 7, 2018	Common Shares ⁽¹⁶⁾	219,375	\$1.60
March 8, 2018	Common Shares ⁽¹⁶⁾	83,464	\$1.60
March 8, 2018	Common Shares ⁽¹⁶⁾	583,750	\$1.60
March 9, 2018	Common Shares ⁽¹⁶⁾	3,820,625	\$1.60
March 13, 2018	Common Shares ⁽¹⁶⁾	15,625	\$1.60
March 19, 2018	Common Shares ⁽¹⁶⁾	375,000	\$1.60
March 27, 2018	Common Shares ⁽¹⁶⁾	37,500	\$1.60
April 4, 2018	Common Shares ⁽¹¹⁾	20,125,000	N/A
April 4, 2018	Common Share purchase Warrants ⁽¹¹⁾	10,565,625	N/A
April 20, 2018	Common Shares ⁽¹⁶⁾	62,500	\$1.60
May 10, 2018	Common Shares ⁽¹⁵⁾	3,848,505	N/A
May 11, 2018	Common Shares ⁽¹⁶⁾	15,625	\$1.60
May 14, 2018	Common Shares ⁽¹⁶⁾	31,250	\$1.60
May 17, 2018	Common Shares ⁽¹⁶⁾	16,875	\$1.60
May 24, 2018	Common Shares ⁽¹⁶⁾	31,250	\$1.60
May 25, 2018	Common Shares ⁽¹²⁾	483,054	N/A
May 25, 2018	Common Shares ⁽¹⁶⁾	15,625	\$1.60
June 4, 2018	Common Shares ⁽¹²⁾	15,003	N/A
June 19, 2018	Common Shares ⁽¹⁶⁾	31,250	\$1.60
June 29, 2018	Common Shares ⁽¹²⁾	146,392	N/A
July 5, 2018	Common Shares ⁽¹³⁾	339,900	\$1.00
July 5, 2018	Warrants ⁽¹³⁾	339,900	\$1.25
July 11, 2018	Common Shares ⁽¹²⁾	303,290	N/A
August 9, 2018	Common Shares ⁽¹²⁾	5,865	N/A
August 10, 2018	Special Warrants ⁽¹⁴⁾	23,376,100	\$1.60
August 10, 2018	Compensation Warrants ⁽¹⁴⁾	930,680	\$1.60
August 30, 2018	Common Shares ⁽⁹⁾	7,825	\$2.30

Date of Issuance	Security	Number of Securities	Issue/Exercise Price Per Security
September 5, 2018	Common Shares ⁽¹⁶⁾	31,250	\$1.60
September 6, 2018	Common Shares ⁽¹⁶⁾	450,000	\$1.60
September 7, 2018	Common Shares ⁽¹⁷⁾	39,375	\$2.35
September 13, 2018	Common Shares ⁽¹⁶⁾	106,250	\$1.60
September 13, 2018	Common Shares ⁽¹⁷⁾	28,875	\$2.35
September 20, 2018	Common Shares ⁽¹⁷⁾	10,500	\$2.35

Notes:

- (1) Common Shares issued upon exercise of the Options issued on April 20, 2017.
- (2) Common Shares issued upon exercise of the common share purchase warrants issued on April 20, 2017.
- (3) Issued in connection with the private placement offering of convertible debentures and common share purchase warrants completed on October 27, 2017 (the "**October 2017 Financing**").
- (4) Common Shares issued as consideration in the Nanoleaf Acquisition.
- (5) Common Shares issued in connection with consultant services provided to the Corporation.
- (6) Common Shares issued upon exercise of compensation options issued on April 20, 2017.
- (7) Common Shares issued upon exercise of the common share purchase warrants issued upon exercise of the compensation options issued on April 20, 2017.
- (8) Warrants issued upon the signing of an exclusivity agreement with Rare Dankness, LLC ("**RD**") in consideration of exclusive distribution rights for RD products, exercisable for a two year term. \$250,000 in additional warrants calculated based on the then market price and exercisable at the then market price are issuable on each of the first and second anniversary of the exclusivity agreement with RD.
- (9) Common Shares issued in connection with the exercise of common share purchase warrants issued on October 27, 2017.
- (10) Special warrants and compensation warrants issued in connection with the January 2018 Offering.
- (11) Common Shares and common share purchase warrants issued in connection with the January 2018 Offering.
- (12) Common Shares issued as partial consideration for the Nanoleaf Acquisition;
- (13) Common Shares and common share purchase warrants issued on exercise of compensation options issued on April 20, 2017;
- (14) Issued in connection with the Offering.
- (15) Issued as partial consideration for the Haxxon Acquisition.
- (16) Common Shares issued upon conversion of the convertible debentures issued in connection with the October 2017 Financing.
- (17) Common Shares issued in connection with the exercise of common share purchase warrants issued in connection with the January 2018 Offering.

TRADING PRICE AND VOLUME

The Common Shares are currently listed on the CSE under the trading symbol "WAYL". The Common Shares are also posted for trading under the symbol "MRRCF" on the OTCQB and on the Frankfurt Stock Exchange under the symbol "75M". The following table sets forth the reported intraday high and low prices and the trading volume for the Common Shares on the CSE on a monthly basis for the 12-month period preceding the date of this Prospectus.

Month	High (\$) ⁽¹⁾	Low (\$) ⁽¹⁾	Volume ⁽²⁾
September 1-26, 2018	2.64	2.00	28,947,380
August, 2018	2.07	1.38	17,624,829
July 2018	1.74	1.41	10,101,579
June 2018	2.01	1.61	17,364,785
May 2018	2.09	1.53	19,415,556

Month	High (\$) ⁽¹⁾	Low (\$) ⁽¹⁾	Volume ⁽²⁾
April 2018	1.97	1.44	24,168,026
March 2018	2.91	1.74	37,832,346
February 2018	3.50	1.70	50,414,210
January 2018	4.48	2.61	70,478,252
December 2017	2.77	1.95	31,156,933
November 2017	2.70	1.32	29,110,972
October 2017	1.73	1.18	10,725,094
September 2017	1.53	1.04	8,260,906

Notes:

- (1) High and low daily trading prices in the month.
(2) Total volume traded in the month.

PLAN OF DISTRIBUTION

This Prospectus is being filed in the Qualifying Jurisdictions to qualify the distribution of 23,376,100 Unit Shares and 23,376,100 Warrants issuable upon the deemed exercise of 23,376,100 Special Warrants.

On the Closing Date and pursuant to the terms of the Agency Agreement, the Corporation completed the Offering of an aggregate of 23,376,100 Special Warrants at the Offering Price pursuant to prospectus exemptions under applicable securities legislation in the Qualifying Jurisdictions (and in jurisdictions outside of Canada in compliance with laws applicable therein). Pursuant to the Agency Agreement, the Agents agreed to offer for sale, on a "best efforts" private placement basis, up to 23,376,100 Special Warrants at the Offering Price. Pursuant to the Agency Agreement, the Corporation paid the Agents' Commission of \$1,489,088 and provided reimbursement for certain expenses incurred in connection with the Offering by the Agents. In addition, the Agents were issued 930,680 Compensation Warrants in the aggregate, representing approximately 5.0% of the Special Warrants sold pursuant to the Offering (excluding 9,300,000 Special Warrants sold to the President's List Purchasers, for which the Agents received Compensation Warrants representing 2.5% of such Special Warrants and 75,000 Special Warrants sold directly by the Corporation and on which no commission was paid). Each Compensation Warrant is non-transferable and exercisable into one CW Unit at a price of \$1.60 per CW Unit, until 5:00 p.m. (Toronto time) on August 10, 2020. Each CW Unit consists of one CW Share and one CW Warrant. Each CW Warrant is exercisable to acquire one CW Warrant Share at a price of \$1.75 per CW Warrant Share until 5:00 p.m. (Toronto time) on August 10, 2020, subject to adjustment in certain events. The Compensation Warrants and CW Units issuable upon exercise of the Compensation Warrants are not qualified by this Prospectus.

The Offering Price and other terms of the Offering were determined by negotiation between the Corporation and the Agents. Other than the Agents' Commission and Compensation Warrants, the Agents has not and will not receive any other fee or commission from the Corporation in connection with the completion of the Offering or the deemed exercise of the Special Warrants.

No insiders of the Corporation acquired any Special Warrants in the Offering.

The Special Warrants were issued pursuant to the terms of the Special Warrant Indenture. Each Special Warrant entitles the holder thereof to receive one Unit, subject to adjustment in certain circumstances as set forth in the Special Warrant Indenture and the Penalty Provision, upon the deemed exercise of the Special Warrants on the Deemed Exercise Date without payment of any additional consideration or further action on the part of the holders thereof.

Pursuant to the Agency Agreement, the Corporation has agreed to use its commercially reasonable efforts to prepare and file this Prospectus under the applicable securities laws in each of the Qualifying Jurisdictions, to satisfy all comments from the regulators in each of the Qualifying Jurisdictions and to obtain a receipt for a final prospectus

qualifying the distribution of the Unit Shares and Warrants in each of the Qualifying Jurisdictions before October 4, 2018. In the event that such a receipt is not received by the Qualification Deadline, each Special Warrant will thereafter entitle the holder thereof to receive 1.05 Units per Special Warrant (in lieu of 1.0 Unit) upon deemed exercise of the Special Warrants. This Prospectus also qualifies the distribution of, upon the deemed exercise of the Special Warrants, any Penalty Shares and Penalty Warrants. In the event that the Corporation has not obtained such receipt prior to the Qualification Deadline, it has agreed with the Agents to continue to use its best efforts to obtain the Receipt as soon as possible following the Qualification Deadline until such time as the Special Warrants are deemed to have been exercised.

The Special Warrants, the Unit Shares, the Warrants and the Warrant Shares have not been, and will not be, registered under the U.S. Securities Act or any state securities laws and the Warrants may not be exercised by or on behalf of a U.S. Person or a person in the United States unless an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available. Accordingly, the Unit Shares, the Warrants and the Warrant Shares will bear appropriate legends evidencing the restrictions on the offering, sale and transfer of such securities.

The Offering was conducted through the book-based system and the Special Warrants (other than those issued to certain purchasers that received definitive certificates) were issued in registered form to CDS and deposited with CDS on the Closing Date. The Unit Shares and Warrants issued upon deemed exercise of the Special Warrants will also be held by CDS and a purchaser of the Special Warrants (other than the U.S. purchaser that made a specific request in this regard and received a definitive certificate) will not receive definitive certificates representing the Unit Shares and Warrants.

Pursuant to the Agency Agreement, the Corporation has agreed, for a period of 120 days from the Closing Date, not, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Corporation, without the prior written consent of the Agents (such consent not to be unreasonably withheld or delayed), other than in conjunction with: (i) the grant of stock options and other similar issuances pursuant to the share incentive plan of the Corporation and other share compensation arrangements, provided that the exercise price thereof shall not be less than the Offering Price; (ii) the exercise of outstanding stock options and warrants; (iii) obligations of the Corporation in respect of existing agreements; or (iv) the issuance of securities by the Corporation in connection with acquisitions.

On the Closing Date, each of the Corporation's senior officers and directors entered into a lock-up undertaking in favour of the Agents, pursuant to which such persons agreed not to, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Corporation for a period of 120 days after the Closing Date, without the prior written consent of the Agents (such consent not to be unreasonably withheld or delayed), other than in order to accept a bona fide take-over bid made to all securityholders of the Corporation or similar business combination transaction.

Pursuant to the Agency Agreement, the Corporation has also agreed to indemnify the Agents, their respective affiliates and the respective directors, officers, employees and partners thereof against certain liabilities, including liabilities under Canadian securities legislation or to contribute to payments the Agents may have to make because of such liabilities.

The outstanding Common Shares are currently listed on the CSE under the symbol "WAYL", on the OTCQB under the symbol "MRRCF", and on the Frankfurt Stock Exchange under the symbol "75M". On July 17, 2018, the last trading day before the announcement of the Offering, the closing price of the Common Shares on the CSE was \$1.56. The Corporation has made the required filings to the CSE to list the Unit Shares and Warrant Shares. Listing will be subject to the fulfilment of all the listing requirements of the CSE.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Fogler, Rubinoff LLP, counsel to the Corporation, and DLA Piper (Canada) LLP, counsel to the Agents, the following is a general summary, as of the date hereof, of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the "**Tax Act**") generally applicable to a beneficial owner of Special Warrants who acquires Units, consisting of Unit Shares and Warrants, pursuant to the deemed exercise of Special Warrants. For purposes of this summary, references to Common Shares include Unit Shares and Warrant Shares unless otherwise indicated. This summary applies only to persons who, for the purposes of the application of the Tax Act and at all relevant times: (i) deal at arm's length and are not affiliated with the Corporation or the Agents; and (ii) hold the Special Warrants, and will hold any Common Shares and Warrants as capital property. Persons meeting such requirements are referred to as a "**Holder**" or "**Holders**" herein, and this summary only addresses such Holders. Special Warrants, Common Shares and Warrants will generally be capital property to a Holder unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder (i) that is a "financial institution", as defined in the Tax Act for the purpose of the mark-to-market rules; (ii) an interest in which would be a "tax shelter investment", as defined in the Tax Act; (iii) that is a "specified financial institution", as defined in the Tax Act; (iv) that has made an election under the Tax Act to determine its Canadian tax results in a foreign currency; (v) that enters into, with respect to their Special Warrants, Common Shares or Warrants, a "derivative forward agreement" (as defined in the Tax Act); or (vi) that is a corporation resident in Canada and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Special Warrants, Common Shares or Warrants, controlled by a non-resident corporation for purposes of foreign affiliate dumping rules in section 212.3 of the Tax Act. Such Holders should consult their own tax advisors with respect to their own particular circumstances.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**"), all specific proposals to amend the Tax Act or the Regulations that have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"), and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**"). No assurance can be given that the Proposed Amendments will be enacted in the form proposed, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account or anticipate any changes in law, administrative policy or assessing practice, whether by legislative, regulatory, administrative, governmental or judicial decision or action, nor does it take into account the tax laws of any province or territory of Canada or of any jurisdiction outside of Canada, which may differ significantly from the Canadian federal income tax considerations discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, Holders should consult their own tax advisors having regard to their own particular circumstances.

Acquisition of Unit Shares and Warrants Pursuant to Special Warrants

A Holder of a Special Warrant will not realize any gain or loss upon the acquisition of a Unit Share and one Warrant pursuant to the provisions of the Special Warrant Indenture. Holders will be required to allocate on a reasonable basis their cost of the Special Warrant between the Unit Share and the Warrant in order to determine their respective costs for purposes of the Tax Act. For its purposes, the Corporation has advised counsel that, of the \$1.60 subscription price for each Special Warrant, it intends to allocate \$1.59 to each Unit Share and \$0.01 to each Warrant and believes that such allocation is reasonable. The Corporation's allocation however, is not binding on the CRA or on a holder.

The Holder's adjusted cost base of the Unit Share comprising a part of each Unit will be determined by averaging the cost allocated to the Unit Share with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

Exercise or Expiry of Warrants

No gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging such cost with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition. The expiry of an unexercised Warrant will generally result in a capital loss to the Holder equal to the adjusted cost base of the Warrant to the Holder immediately before its expiry. See the discussion below under the heading "*Taxation of Capital Gains and Capital Losses*".

Holders Resident in Canada

This section of the summary applies to a Holder who, at all relevant times, is, or is deemed to be, resident in Canada for the purposes of the Tax Act (a "**Resident Holder**"). Persons who are residents of Canada for purposes of the Tax Act and whose Common Shares do not otherwise qualify as capital property may in certain circumstances make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Common Shares, and every other "Canadian security" (as defined in the Tax Act) owned by them in the taxation year of the election and in all subsequent taxation years, be deemed to be capital property. Persons whose Common Shares might not otherwise be considered to be capital property should consult their own tax advisors concerning this election. Such election is not available in respect of Special Warrants or Warrants.

Dispositions of Common Shares and Warrants

Upon a disposition or deemed disposition of a Common Share or a Warrant (other than a disposition arising on the exercise or expiry of a Warrant), a capital gain (or loss) will generally be realized by a Resident Holder in the year of disposition to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Common Share or the Warrant, as the case may be, to the Resident Holder immediately before the disposition. Any such capital gain (or capital loss) will be subject to the treatment described below under the heading "*Taxation of Capital Gains and Capital Losses*".

Taxation of Capital Gains and Capital Losses

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized in the year by such Resident Holder. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following taxation year against taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on a disposition of Common Shares may, in certain circumstances, be reduced by the amount of dividends received or deemed to have been received by it on such Common Shares to the extent and under the circumstances specified in the Tax Act. Similar rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable for a refundable tax on "aggregate investment income" (as defined in the Tax Act), which includes amounts in respect of taxable capital gains.

Dividends

Dividends received or deemed to be received by a Resident Holder on the Common Shares will be included in computing the Resident Holder's income for purposes of the Tax Act. In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced

gross-up and dividend tax credit provisions where the Corporation provides notice to the recipient designating the dividend as an "eligible dividend" for purposes of the Tax Act. There may be limitations on the ability of the Corporation to designate dividends as "eligible dividends".

Dividends received or deemed to be received on the Common Shares by a Resident Holder that is a corporation will generally be deductible in computing its taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a "private corporation" (as defined in the Tax Act) or any other corporation controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay a refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Common Shares to the extent that such dividends are deductible in computing the Resident Holder's taxable income. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

Alternative Minimum Tax

Capital gains realized and dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to an alternative minimum tax under the Tax Act. Resident Holders should consult their own tax advisors with respect to the application of minimum tax.

Holders Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act: (i) is not, and is not deemed to be, resident in Canada; and (ii) does not use or hold the Common Shares or Warrants in connection with carrying on a business in Canada (a "**Non-Resident Holder**"). This summary does not apply to a Non-Resident Holder that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere or that is an "authorized foreign bank" (as defined in the Tax Act) and such Non-Resident Holders should consult their own tax advisors.

Dividends

Dividends paid or credited or deemed under the Tax Act to be paid or credited by the Corporation to a Non-Resident Holder on the Common Shares will be subject to Canadian withholding tax at the rate of 25%, subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled under any applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident. For example, where a Non-Resident Holder is a resident of the United States, is fully entitled to the benefits under the *Canada-United States Tax Convention (1980)*, as amended, and is the beneficial owner of the dividend, the applicable rate of Canadian withholding tax is generally reduced to 15%.

Dispositions of Common Shares and Warrants

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition or deemed disposition of a Common Share or Warrant unless the Common Share or Warrant (as applicable) is, or is deemed to be, "taxable Canadian property" of the Non-Resident Holder for the purposes of the Tax Act and the Non-Resident Holder is not entitled to an exemption under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

Generally, a Common Share or Warrant (as applicable) will not constitute taxable Canadian property of a Non-Resident Holder provided that the Common Shares are listed on a "designated stock exchange" for the purposes of the Tax Act (which currently includes the CSE), unless at any time during the 60 month period immediately preceding the disposition, (i) at least 25% of the issued shares of any class or series of the capital stock of the Corporation were owned by or belonged to any combination of (a) the Non-Resident Holder, (b) persons with whom the Non-Resident Holder did not deal at arm's length, and (c) partnerships in which the Non-Resident Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships; and

(ii) at such time, more than 50% of the fair market value of such shares was derived, directly or indirectly, from any combination of real or immovable property situated in Canada, "Canadian resource property" (as defined in the Tax Act), "timber resource property" (as defined in the Tax Act), or options in respect of, interests in, or for civil law rights in such properties, whether or not such property exists.

In cases where a Non-Resident Holder disposes (or is deemed to have disposed) of a Common Share or Warrant that is taxable Canadian property to that Non-Resident Holder and the Non-Resident Holder is not entitled to an exemption under an applicable income tax convention, the consequences described above under the headings " *Holders Resident in Canada — Dispositions of Common Shares and Warrants*" and "*— Taxable Capital Gains and Capital Losses*" will generally be applicable to such disposition. Such Non-Resident Holders should consult their own tax advisors.

ELIGIBILITY FOR INVESTMENT

In the opinion of Fogler, Rubinoff LLP, counsel to the Corporation, and DLA Piper (Canada) LLP, counsel to the Agents, based on the current provisions of the Tax Act and the Regulations, each of the Unit Shares, Warrant Shares and Warrants, if issued on the date hereof, would be a "qualified investment" under the Tax Act for a trust governed by a "registered retirement savings plan", a "registered retirement income fund", a "registered disability savings plan", a "registered education savings plan", and a "tax-free savings account" (collectively, "**Registered Plans**") and a "deferred profit sharing plan" ("**DPSP**"), all as defined in the Tax Act, provided that the Unit Shares and the Warrant Shares are listed on a designated stock exchange for the purposes of the Tax Act (which currently includes the CSE) and, provided further that in the case of the Warrants, the Corporation is not a person who is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the particular Registered Plan or DPSP and any person who does not deal at arm's length with that person.

Notwithstanding the foregoing, if a Unit Share, Warrant Share or Warrant is a "prohibited investment" for a Registered Plan for the purposes of the Tax Act, the annuitant or subscriber under, or the holder of, the Registered Plan (as applicable) (the "**Controlling Individual**") may be subject to a penalty tax under the Tax Act. A Unit Share, Warrant Share or Warrant will not be a prohibited investment, provided that the applicable Controlling Individual: (i) deals at arm's length with the Corporation for the purposes of the Tax Act; and (ii) does not have a "significant interest" in the Corporation (within the meaning of the Tax Act). Generally, a Controlling Individual will not have a significant interest in the Corporation, provided that the Controlling Individual, together with the persons with whom the holder Controlling Individual does not deal at arm's length, does not own, and is not deemed to own pursuant to the Tax Act, directly or indirectly, 10% or more of the issued shares of any class in the capital of the Corporation or of any other corporation that is related to the Corporation for the purposes of the Tax Act. In addition, the Unit Shares and the Warrant Shares will not be a prohibited investment for a Registered Plan if such securities are "excluded property" for such Registered Plan for the purposes of the Tax Act, as applicable. **Persons who intend to hold Unit Shares, Warrant Shares or Warrants in a trust governed by a Registered Plan should consult their own tax advisors with respect to the application of these rules in their particular circumstances.**

RISK FACTORS

Investors should carefully consider the risks set out below and other information contained in or incorporated by reference in this short form prospectus, including those risks contained in the AIF under the heading "*Risk Factors*". The operations of the Corporation are highly speculative and notably involve risks inherent to the cannabis industry and the markets in which the Corporation's business operates. The risks and uncertainties set out below relating to the Offering and the additional risks and uncertainties incorporated by reference herein are not the only ones facing the Corporation. Additional risks and uncertainties not currently known to the Corporation, or that the Corporation currently deems immaterial, may also impair the Corporation's operations. If any of the risks actually occur, the Corporation's business, operating results and financial condition could be materially adversely affected. As a result, the trading price of the Common Shares could decline and investors could lose part or all of their investment. The Corporation's business is subject to significant risks and past performance is no guarantee of future performance.

Certain Risks Related to the Offering

Use of Proceeds

The Corporation currently intends to allocate the net proceeds received from the Offering as described under "*Use of Proceeds*" in this Prospectus. However, management will have discretion in the actual application of the net proceeds and may elect to allocate proceeds differently from as described under "*Use of Proceeds*" if it is believed it would be in the best interests of the Corporation to do so as circumstances change. The failure by management to apply these funds effectively could have a material adverse effect on the Corporation's business, operating results and financial condition.

Additional Financing

Depending on its ability to achieve its goals, the Corporation may need to raise further equity and/or debt financing to fund the completion of its expansion plans, deployment of its products on a global stage and the expansion of its client base. The success and the pricing of any such equity and/or debt financing will be dependent upon the prevailing market conditions at that time. If additional capital is raised by an issue of securities, this may have the effect of diluting shareholders' interests in the Corporation. Any debt financing, if available, may involve financial covenants which limit the Corporation's operations. If the Corporation requires additional capital and is unable to obtain it, there may be a possibility that it will not be able to complete the full deployment of its solutions and the full implementation of its business plan, which would have a materially adverse effect on its business, operating results and financial condition.

Market Price of Securities

There can be no assurance that an active market for the Common Shares or Warrants will be sustained after the Closing Date or the Qualification Date. Securities of small-cap and mid-cap companies have experienced substantial volatility in the recent past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. The price of the Common Shares is also likely to be significantly affected by short-term changes in the Canadian dollar, and the Corporation's financial condition or results of operations as reflected in its financial statements. Other factors unrelated to the performance of the Corporation that may have an effect on the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning the business of the Corporation may be limited if investment banks with research capabilities do not follow the Corporation's securities; lessening in trading volume and general market interest in the Corporation's securities may affect an investor's ability to trade significant numbers of Common Shares; the size of the Corporation's public float may limit the ability of some institutions to invest in the Corporation's securities; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Corporation's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of the Corporation. Class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Corporation may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Dilution to Common Shares

The increase in the number of Common Shares and Warrants issued and outstanding as a result of the deemed exercise of Special Warrants, and the sale of the Common Shares, Warrants and Warrant Shares thereafter, may have a depressive effect on the price of the Common Shares. In addition, as a result of such additional Common Shares and Warrant Shares, the voting power of the Corporation's existing shareholders will be diluted.

Negative Operating Cash Flow

The Corporation reported negative cash flow from operations for the year ended December 31, 2017 and for the three month period ended March 31, 2018. It is anticipated that the Corporation will continue to report negative operating cash flow in future periods. It is expected that a portion of the net proceeds from the Offering will be used for working capital to fund negative operating cash flow. See "*Use of Proceeds*".

Inability to Enforce Legal Rights

One director of the Corporation, Gerhard Müller, resides outside of Canada, in Germany. Although he has appointed Fogler, Rubinoff LLP as his agent for service of process in Canada, it may not be possible for investors to enforce judgments in Canada against him. The Corporation has subsidiaries are organized under the laws of foreign jurisdictions. Given that the Corporation has and plans to own certain assets that are or will be located outside of Canada, investors may have difficulty in enforcing against foreign assets of the Corporation, any judgments obtained by the Canadian courts or Canadian securities regulatory authorities and predicated on the civil liability provisions of Canadian securities legislation or otherwise. Similarly, in the event a dispute arises from the Corporation's foreign operations, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada.

Market for the Special Warrants and the Warrants

There is no market through which the Special Warrants or Warrants may be sold and purchasers may not be able to resell the Special Warrants or the Warrants acquired pursuant to the Offering. This may affect the pricing of the Special Warrants or the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity and the extent of issuer regulation. An investment in the Special Warrants, the Common Shares, the Warrants and the Warrant Shares should only be made by those persons who can afford the loss of their entire investment.

A positive return in an investment in the Common Shares or the Warrants is not guaranteed

There is no guarantee that an investment in the Common Shares or the Warrants will earn any positive return in the short term or long term. A purchase under the Offering involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Units is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Shareholders Rights

Holders of Warrants will not be entitled to any rights with respect to the Common Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Common Shares, other than as set out in the Warrant Indenture), but if a holder of Warrants subsequently exercises its Warrants into Common Shares, such holder will be subject to all changes affecting the Common Shares. Rights with respect to the Common Shares will arise only if and when the Corporation delivers Common Shares upon the exercise of a Warrant.

Certain Risks Related to the Business of the Corporation

Reliance on Licenses and Renewals

The Corporation's ability to grow, store and sell 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 Corporation. 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 Corporation'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 Corporation would be materially adversely affected. In addition, the Corporation 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 Corporation'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. On July 17, 2018, the Corporation announced that the Malta Enterprise (the country's official economic development agency and the government entity responsible for cannabis licenses) had approved the Corporation's application to establish a business in Malta to manufacture finished dose medical cannabis.

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

Medical Cannabis Industry in Canada is a Relatively New Industry

As a Licensed Producer, the Corporation is operating its business in a relatively new industry and market. In addition to being subject to general business risks, the Corporation must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry, such as the imposition of restrictions on sales and marketing or restrictions on sales in certain areas, and market could have a material adverse effect on the Corporation's business, financial conditions and results of operations.

Changes in Canadian laws, Regulations and Guidelines

The Corporation's operations will be subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Corporation may cause adverse effects business, financial condition and results of operations of the Corporation. The Corporation endeavours to comply with all relevant laws, regulations and guidelines. To the best of the Corporation's knowledge, the Corporation is in compliance or in the process of being assessed for compliance with all such laws, regulations and guidelines.

On June 30, 2016, the Canadian Federal Government established the Task Force to seek input on the design of a new system to legalize, strictly regulate and restrict access to marijuana. On December 13, 2016, the Task Force completed its review and published a report outlining its recommendations. On April 13, 2017, the Canadian Federal Government released Bill C-45, which proposes the enactment of the Cannabis Act, to regulate the production, distribution and sale of cannabis for unqualified adult use. On June 18, 2018, the Canadian Federal Government passed the Cannabis Act, as well as laws to address drug-impaired driving, protect public health and safety and prevent youth access to cannabis. The Federal Government has announced that the Cannabis Act is intended to come into effect on October 17, 2018.

The proposed Cannabis Act is not yet in force. The Cannabis Act prohibits testimonials, lifestyle branding and packaging that is appealing to youth. The restrictions on advertising, marketing and the use of logos and brand names could have a material adverse impact on the Corporation's business, financial condition and results of operation. The legislative framework pertaining to the Canadian adult-use cannabis market is uncertain. In addition, the governments of every Canadian province and territory have, to varying degrees, announced proposed regulatory regimes for the distribution and sale of cannabis for adult-use purposes within those jurisdictions. There is no

guarantee that provincial legislation regulating the distribution and sale of cannabis for adult-use purposes will be enacted according to all the terms announced by such provinces and territories, or at all, or that any such legislation, if enacted, will create the growth opportunities that the Corporation currently anticipates. While the impact of any new legislative framework for the regulation of the Canadian adult-use cannabis market is uncertain, any of the foregoing could result in a material adverse effect of the Corporation's business, financial condition and results of operation.

International operations will result in increased operational, regulatory and other risks.

The Corporation may in the future expand into other geographic areas, which could increase its operational, regulatory, compliance, reputational and foreign exchange rate risks. The failure of its operating infrastructure to support such expansion could result in operational failures and regulatory fines or sanctions. Future international expansion could require the Corporation to incur a number of up-front expenses, including those associated with obtaining regulatory approvals, as well as additional ongoing expenses, including those associated with infrastructure, staff and regulatory compliance. The Corporation may not be able to successfully identify suitable acquisition and expansion opportunities or integrate such operations successfully with its existing operations.

Risks Associated with the Corporation's Failure to Manage its Growth Effectively

The Corporation's growth has placed and may continue to place significant demands on its management and its operational and financial infrastructure. As its operations grow in size, scope and complexity and as the Corporation identifies and pursues new opportunities, the Corporation may need to increase in scale its infrastructure (financial, management, informational, personnel and otherwise). In addition, the Corporation will need to effectively execute on business opportunities and continue to build on and deploy its corporate development and marketing assets as well as access sufficient new capital, as may be required. The ability to successfully complete acquisition and to capitalize on other growth opportunities may redirect the limited resources of the Corporation and require expansion of its infrastructure. This will require the Corporation to commit financial, operational and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. There can be no assurance the Corporation will be able to respond adequately or quickly enough to the changing demands that material expansion will impose on management, team members and existing infrastructure, and changes to the Corporation's operating structure may result in increased costs or inefficiencies that it cannot anticipate. Changes as the Corporation grows may have a negative impact on the Corporation's operations, and cost increases resulting from the Corporation's inability to effectively manage its growth could adversely impact its profitability. In addition, continued growth could also strain the Corporation's ability to maintain reliable service levels for its clients, develop and approve its operational, financial and management controls, enhance its reporting systems and procedures and recruit, train and retain highly-skilled personnel. Failure to effectively manage growth could result in difficulty or delays in servicing clients, declines in quality or client satisfaction, increases in costs, difficulties in introducing new products or applications or other operational difficulties, and any of these difficulties could adversely impact the Corporation's business performance and results of operations.

Reliance on Third Party Transportation

In order for customers of the Corporation to receive their product, the Corporation will rely on third party transportation services. This can cause logistical problems with and delays in patients obtaining their orders and cannot be directly controlled by the Corporation. Any delay by third party transportation services may adversely affect the Corporation's financial performance. Moreover, security of the product during transportation to and from the Corporation's facilities is critical due to the nature of the product. A breach of security during transport could have material adverse effects on the Corporation's business, financials and prospects. Any such breach could impact the Corporation's future ability to continue operating under its licences or the prospect of renewing its licences.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Corporation 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 Corporation'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 Corporation's products alone or in combination with other medications or substances could occur. The Corporation may be subject to various product liability claims, including, among others, that the Corporation'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 the Corporation could result in increased costs, could adversely affect the Corporation'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 Corporation. There can be no assurances that the Corporation 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 Corporation's potential products.

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 Corporation's products are recalled due to an alleged product defect or for any other reason, the Corporation could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Corporation 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 Corporation 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 Corporation's significant brands were subject to recall, the image of that product and the Corporation could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Corporation's products and could have a material adverse effect on the results of operations and financial condition of the Corporation. Additionally, product recalls may lead to increased scrutiny of the Corporation's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Potential General Litigation

The Corporation may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business. For example, the Corporation has received an amended statement of claim from a financial advisory firm which alleges that the Corporation has breached a right of first refusal under an advisory agreement entered between the Corporation 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 Corporation filed a statement of defense dated February 8, 2018 and intends to vigorously defend the claim.

Should any litigation in which the Corporation becomes involved be determined against the Corporation, such a decision could adversely affect the Corporation's ability to continue operating and the market price for the Common Shares and could use significant resources. Even if the Corporation is involved in litigation and wins, litigation can redirect significant company resources and may create a negative perception of the Corporation's brand.

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 Corporation 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 Corporation 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 Corporation's market share and demand for products.

There is potential that the Corporation 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 Corporation. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Corporation.

The Corporation 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 marijuana in Canada increases, the demand for products will increase and the Corporation 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 Corporation will require a continued high level of investment in research and development, marketing, sales and client support. The Corporation 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 Corporation.

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 and/or recreational marijuana in some form or another. The Corporation has some international partnerships in place, which may be affected if more countries legalize medical and/or recreational marijuana. Increased international competition might lower the demand for the Corporation's products on a global scale.

Reliance on the Main Facility

The Corporation's activities and resources have been primarily focused on its main facility at Site 150 in Langton, Ontario until Site 138 is fully operational. Adverse changes or developments affecting these facilities, 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 Corporation'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 Corporation's ability to continue operating under its licenses or the prospect of renewing its licenses.

Maricann 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 or the Site 150 landlord, could have a material adverse effect on the Corporation's business, financial condition and prospects.

Risks Inherent in the Agricultural Business

The Corporation's business involves the growing of 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 Corporation 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.

Intellectual Property

Unauthorized parties may attempt to replicate or otherwise obtain and use the Corporation's products and technology. Policing the unauthorized use of the Corporation'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 Corporation 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 Corporation'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 Corporation, 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 Corporation'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 Corporation.

In addition, other parties may claim that the Corporation'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 Corporation may need to obtain licenses from third parties who allege that the Corporation has infringed on their lawful rights. However, such licenses may not be available on terms acceptable to the Corporation or at all. In addition, the Corporation 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.

Risks of Foreign Operations

The Corporation'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 Corporation has hired employees who have experience working in the international arena (including Germany, Switzerland and Malta) 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.

Maltese Operations

The Corporation's Maltese operations are subject to a number of uncertainties including the issuance of a license by the Medicinal Authority in Malta. There are a number of factors set out in the table under the heading "*Activities Outside of Canada*" that may affect the Corporation's ability to commence operations in Malta. The impact of the Corporation's inability to effectively or efficiently commence its operations in Malta may have an adverse effect on the financial results of the Corporation.

Reliance on International Advisors and Consultants

The legal and regulatory requirements in the foreign countries in which the Corporation operates with respect to the cultivation and sale of cannabis, banking systems and controls, as well as local business culture and practices are different from those in Canada. The Corporation's officers and directors must rely, to a great extent, on local legal counsel and consultants in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect the Corporation's business operations, and to assist with governmental relations. The Corporation must rely, to some extent, on those members of management and the board of directors who have previous experience working and conducting business in these countries, if any, in order to enhance its understanding of and appreciation for the local business culture and practices. The Corporation also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of the cultivation and sale of cannabis as well as in respect of banking, financing, labor, litigation and tax matters in these jurisdictions. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond its control. The impact of any such changes may adversely affect the Corporation's business.

Environmental Regulations and Risks

The Corporation'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 Corporation's operations.

Government approvals and permits are currently and may in the future be required in connection with the Corporation's operations. To the extent such approvals are required and not obtained, the Corporation may be curtailed or prohibited from its proposed production of 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 Corporation 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 marijuana, or more stringent implementation thereof, could have a material adverse impact on the Corporation 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 Corporation's ability to conduct sales and marketing activities and could have a material adverse effect on the Corporation's business, operating results or financial condition.

Uninsured or Uninsurable Risk

The Corporation may be subject to liability for risks against which it cannot insure or against which the Corporation 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 Corporation's normal business activities. Payment of liabilities for which the Corporation does not carry insurance may have a material adverse effect on the Corporation's financial position and operations.

Sufficiency of Insurance

The Corporation maintains various types of insurance which may include product liability insurance, 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 the Corporation in excess of available coverage could have a material adverse effect on the Corporation in terms of damages awarded and the impact and reputation of the Corporation.

Unfavourable Publicity or Consumer Perception

The Corporation believes the marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the marijuana produced. Consumer perception of the Corporation's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of 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 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 Corporation's products and the business, results of operations, financial condition and cash flows of the Corporation. The Corporation'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 Corporation, the demand for products, and the business, results of operations, financial condition and cash flows of the Corporation. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the Corporation's products specifically, or associating the consumption of 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.

Acquisition and Development Risks

The Corporation expects to selectively seek strategic acquisitions. The Corporation'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 Corporation's resources and, to the extent necessary, the Corporation's ability to obtain financing on satisfactory terms, if at all. Acquisitions may expose the Corporation 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 Corporation's operations, entry into markets in which the Corporation has little or no direct experience; difficulties in retaining key employees of the acquired operations; and disruptions to the Corporation's ongoing business. In addition, future acquisitions could result in the incurrence of additional debt, costs, and contingent liabilities to the Corporation. The Corporation 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 Corporation's failure to effectively address any of these issues could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows in the future.

Reliance on Key Personnel

The Corporation's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a negative impact on the Corporation's business, financial condition, results of operations and prospects. The contributions of the existing management team to the immediate and near term operations of the Corporation are likely to be of importance to the Corporation. As discussed under "*Additional Information*", the OSC (as defined herein) has advised that Ben Ward is the subject of an investigation into his activities while he was CEO of Canadian Cannabis Corp., a Corporation wholly unrelated to the Corporation. The outcome of this investigation and the review is not known and there is no assurance that it will not have negative impacts on Mr. Ward's role as an officer and director of the Corporation, on the Corporation and/or on the public perception of the Corporation. Public companies in the cannabis sector are highly regulated and any negative outcome in respect of the foregoing investigation and/or reviews may require changes to the composition of management and/or the board of directors of the Corporation 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 Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

Adverse Media Coverage

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

MATERIAL CONTRACTS

The following are the only material contracts, other than those entered into in the ordinary course of business, which the Corporation has entered into since the beginning of the last financial year before the date of this Prospectus, entered into prior to such date but which contract is still in effect:

- (a) the debenture indenture dated as of October 27, 2017 between the Corporation and TSX Trust Company entered into in connection with the October 2017 Financing;
- (b) the warrant indenture dated as of October 27, 2017 between the Corporation and TSX Trust Company entered into in connection with the October 2017 Financing;

- (c) the warrant indenture dated as of January 9, 2018 between the Corporation and TSX Trust Company entered into in connection with the January 2018 Financing;
- (d) the Site 150 Lease;
- (e) the cannabis licenses (#804, 808 and 941) issued by Health Canada;
- (f) the Special Warrant Indenture;
- (g) the Warrant Indenture; and
- (h) the Agency Agreement.

INTEREST OF EXPERTS

The auditors of Danbel, HS & Partners LLP, Chartered Professional Accountants, have audited the annual financial statements of Danbel for the year ending December 31, 2016. Prior thereto, Ernst & Young LLP were the auditors of Danbel and audited Danbel's annual financial statements for the year ended December 31, 2015. HS & Partners LLP, Chartered Professional Accountants is independent within the meaning of the Chartered Professional Accountants Handbook of Ontario. As of the date of this Prospectus, HS & Partners LLP, Chartered Accountants did not own or have any registered or beneficial interests, direct or indirect, in any securities or the property of the Corporation.

The auditors of NanoLeaf, MNP LLP, Chartered Professional Accountants, have also audited the financial statements of NanoLeaf for the period ended September 30, 2017. MNP LLP is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario. As of the date of this Prospectus, MNP LLP, Chartered Accountants did not own or have any registered or beneficial interests, direct or indirect, in any securities or the property of the Corporation.

Ernst & Young LLP, Chartered Accountants audited the financial statements of Maricann for the years ending December 31, 2017 and December 31, 2016 and were independent within the meaning of the Chartered Professional Accountants Handbook of Ontario to the date of their resignation on May 16, 2018.

The Corporation has appointed MNP LLP as its auditor and MNP LLP has confirmed that it is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario. As of the date of this Prospectus, MNP LLP, Chartered Accountants did not own or have any registered or beneficial interests, direct or indirect, in any securities or the property of the Corporation.

Certain legal matters relating to this Offering will be passed upon on behalf of the Corporation by Fogler, Rubinoff LLP. DLA Piper (Canada) LLP is the Agents' counsel with respect to the "*Canadian Federal Income Tax Considerations*" and "*Eligibility for Investment*" sections herein. As at the date of this Prospectus, the partners and associates of Fogler, Rubinoff LLP and DLA Piper (Canada) LLP own, each as a group, directly or indirectly, less than one percent of the outstanding securities of the Corporation or of any associate or affiliate of the Corporation.

ADDITIONAL INFORMATION

By letter dated February 8, 2018, Staff of the OSC advised that Ben Ward is the subject of an investigation into his activities while he was CEO of Canadian Cannabis Corp., a company wholly unrelated to the Corporation. Prior to this, the Corporation was unaware of the matter. The Corporation remains unaware of any facts that could reasonably lead it to conclude that this investigation has had, or will have, any impact on the ability of Mr. Ward to properly and effectively carry out his duties as CEO or director of the Corporation. Mr. Ward has advised the Corporation that he is subject to the same restrictions. The Corporation is also advised by Mr. Ward that he continues to fully cooperate with the investigation and that he believes that he has acted at all times in a manner that is compliant with applicable securities law.

On September 28, 2018, the Corporation's counsel was advised that the investigations and enquiries of the Enforcement Branch of the OSC into the timing and reporting of certain trades in securities of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised by Raymond Stone, Neil

Tabatznik and persons directly or indirectly related to Eric Silver or, in each case, their respective associates and affiliates, that were effected prior to the announcement of the Bought Deal Offering have been concluded, the file has been closed, and no further action will be taken.

The special committee of independent directors established by the Board (the "**Special Committee**") has completed its review of the foregoing trades and the OSC investigation involving Mr. Ward, and it has made recommendations to the Board on appropriate steps to be taken in response.

As previously disclosed, consistent with the high level of activity in the sector, and under the direction of the Special Committee, the Corporation has discussed various potential strategic transactions. In the course of these discussions, the Corporation has received proposals from potential interested parties and certain of these parties have conducted due diligence in respect of the Corporation. The Corporation has not received any proposals respecting potential strategic transactions that it has determined to be acceptable and it is not currently in active discussions concerning any potential strategic transactions. The Corporation intends to continue to monitor industry developments and may have further discussions in respect of strategic transactions in the future, but the Corporation can offer no assurance that any transaction would result from any such future discussions. In addition, the Corporation has already disclosed various European initiatives and it continues to explore additional European opportunities and other potential business joint ventures and product supply agreements.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In certain provinces of Canada, the securities legislation further provides a purchaser with remedies for rescission, revision of the price or damages if the Prospectus or any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

In an offering of warrants (including Warrants partially comprising the Units), investors are cautioned that the statutory right of action for damages for a misrepresentation contained in a prospectus is limited, in certain provincial securities legislation, to the price at which the warrant is offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal advisor.

REGULATORY RELIEF

The OSC Staff has notified the Corporation that it is currently of the view that Mr. Eric Silver, a director of the Corporation, is a promoter of the Corporation within the meaning of applicable securities laws. Pursuant to section 58(5) of the *Securities Act* (Ontario) and Part 8 of National Instrument 44-101 – *Short Form Prospectus Distributions*, the Director has consented to Mr. Silver not signing a Certificate of Promoter for this short form prospectus in accordance with the requirement under section 58(6) of the *Securities Act* (Ontario). Neither Mr. Silver nor any of his affiliates will receive, directly or indirectly, any proceeds of the Offering. The Corporation has been advised by the OSC that the issuance of a receipt by or on behalf of the applicable Canadian Securities Administrators by the OSC for this short form prospectus will evidence the granting of this consent. Neither the Corporation nor Mr. Silver admit that Mr. Silver is a promoter of the Corporation.

CONTRACTUAL RIGHT OF RESCISSION

Pursuant to the terms of the Agency Agreement and the subscription agreements between the Corporation and the purchasers of Special Warrants, the Corporation has granted each holder of a Special Warrant a contractual right of rescission of the prospectus-exempt transaction under which the Special Warrant was initially acquired. The contractual right of rescission provides that in the event that a holder of a Special Warrant who acquires Unit Shares

or Warrants upon the deemed exercise of the Special Warrant as provided for in this Prospectus is, or becomes, entitled under applicable securities legislation to the remedy of rescission because this Prospectus or an amendment to this Prospectus contains a misrepresentation,

- (a) the holder is entitled to rescission of both the holder's exercise deemed exercise of its Special Warrants and the private placement transaction under which the Special Warrants were initially acquired;
- (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the Corporation or the Agents, as the case may be, on the acquisition of the Special Warrants; and
- (c) if the holder is a permitted assignee of the interest of the original Special Warrant subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

The contractual rights of action described above are in addition to and without derogation from any other right or remedy that a purchaser of Special Warrants may have at law.

CERTIFICATE OF THE CORPORATION

Dated: September 28, 2018

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Ontario, British Columbia and Alberta.

"Ben Ward "
Ben Ward
Chief Executive Officer and Director

"Scott Langille"
Scott Langille
Chief Financial Officer

On behalf of the Board of Directors

"Michael Stein"
Michael Stein
Director

"Paul Pathak"
Paul Pathak
Director

CERTIFICATE OF THE AGENTS

Dated: September 28, 2018

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Ontario, British Columbia and Alberta.

CANACCORD GENUITY CORP.

"Steve Winokur"
Steve Winokur
Director, Investment Banking

GMP SECURITIES L.P.

"Steve Ottaway"
Steve Ottaway
Managing Director, Investment Banking

TAB 4



Maricann Group Inc.

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

For the Three and Nine Months Ended September 30, 2018 and 2017

MARICANN GROUP INC.

Management's Discussion and Analysis For the Three and Nine Months Ended September 30, 2018 and 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 three and nine months ended September 30, 2018. Throughout this MD&A, unless otherwise specified, "Maricann", "the Company", "we", "us" or "our" refer to Maricann Group Inc. The Company is a publicly traded company listed on the Canadian Securities Exchange ("CSE") under the symbol "WAYL" and on the OTCMKTS under the symbol "MRRCF" and was continued under the Business Corporations Act (Ontario) and is domiciled in Canada. The Company's head office, registered and records office address is located at 3 – 845 Harrington Court, Burlington, Ontario, L7N 3P3. The Company's operating production address is 150 8th Concession Road, Langton, Ontario, NOE 1G0.

The effective date of the MD&A is November 28, 2018. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company and notes thereto for the three and nine months ended September 30, 2018 and 2017, and related notes thereto ("Interim Financial Statements") and the audited financial statements of the Company and notes, and MD&A related thereto for the year ended December 31, 2017. This MD&A was prepared with reference to National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators.

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

The Company's condensed interim consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada for publicly accountable enterprises, as set out in the *CPA Canada Handbook – Accounting*, which incorporates International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"] using International Accounting Standard 34, Interim Financial Reporting ["IAS 34"]. The policies set out below have been consistently applied to all periods presented unless otherwise noted.

The Company's condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited financial statements as at and for the year ended December 31, 2017.

IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the amount of revenue and expenses incurred during the reporting period. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

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

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

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

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

OVERVIEW OF THE COMPANY

Company Background

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

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

As of the date hereof, the Licenses are three of 132 licenses issued by Health Canada under the Cannabis Act for all of Canada, and three of 60 licenses issued for Ontario. Of the 132 licenses issued for all of Canada, the License is one of 67 licenses permitted to produce and sell marijuana, one of 29 licenses permitted to produce and sell cannabis oil, and two of 11 licenses to produce and sell cannabis starting materials, including seeds and clones.

Since commencing operations at its main facility located at 150 8th Concession Road, Langton, Ontario in April 2013, the Company has continued to expand production of the main facility. In early 2016, the Company acquired 97.5 acres of property adjacent to the main facility to strategically support further expansion. **Construction efforts on phase one of a multi-phase expansion began in November 2016.**

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

In April 2017, the Company obtained a 95% controlling interest in MGMBH through its wholly owned subsidiary MBV as part of the Company's continued expansion effort into the German market. The Company together with its joint venture partner, has submitted applications to the German government authority, in conjunction with its medical plant partner, and submitted applications for wholesale narcotics licenses for the purpose of import and distribution of dried medicinal cannabis under the authority of the Free State of Saxony (Sachsen) and the Federal Institute for Drugs and Medical Devices (BfArM). In March 2018, all tenders were revoked by the BfArM, including the Company's tender. The Company plans to participate in a new tender process with a submission deadline of December 11, 2018.

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

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

Brand Portfolio

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

SOLARA C:

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

KIWI:

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

NORTHERN HARVEST:

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

HIGH TIDE:

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

LOST AT SEED:

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

RARE DANKNESS:

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

Corporate Strategy

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

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

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

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

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

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

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

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

BUSINESS TRANSITION

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

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

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

Controlled or jointly controlled subsidiaries

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

Company Products

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

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

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

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

DESCRIPTION OF THE BUSINESS**Developing a diversified global sales and distribution network***Canadian adult-use recreational market*

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

Industry and Market Trends and Regulatory Developments

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

Legalization of Regulated Recreational Cannabis in Canada

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

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

Transition of Licenses under the Cannabis Act

As of October 17, 2018, license holders are primarily regulated under the Cannabis Act. The Cannabis Act generally provides that licenses issued under the ACMPR that were in force immediately before the commencement date of the Cannabis Act are deemed to be licenses issued under the corresponding provisions of the Cannabis Act and any such licenses will continue in

force until they are revoked or expire. In particular, a license for production and sale of dried cannabis flower, cannabis resin, cannabis seeds, cannabis plants and cannabis oil under the ACMPR are deemed to be, as applicable, licenses for cultivation, processing and sale for medical purposes under the Cannabis Act, provided that the license holder met certain requirements. The licenses under the ACMPR were subject to these transition provisions and the Company's licenses were continued as licenses to cultivate, licenses for processing and licenses for sale for medical purposes under the Cannabis Act. The Company has also received the necessary excise duty license from the Canada Revenue Agency.

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

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

Provincial Distribution Frameworks for Regulated Recreational Cannabis

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

LEGALIZATION/PERMISSIBILITY OF CANNABIS IN INTERNATIONAL JURISDICTIONS

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

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

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

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

Key Developments During Q3 2018

(i) Products

On November 30, 2017, Maricann began production of four types of all-natural cannabis oil capsules. The benefit of Maricann Capsules is the ability to deliver medication to patients in the consistent dosages and easy-to-use format consistent with other pharmaceutical products. The vegan capsules are produced in 15 mg and 25 mg cannabidiol (CBD) and 5 mg and 10 mg THC capsules for optimal patient control and compliance. On July 27, 2018, the Company's first and second licenses were amended to allow for the sale of encapsulated cannabis oil.

(ii) Mariplant GmbH

On April 18, 2018 the Company announced that the first seeds were planted on the contract farmed 405 acre agricultural land in Saxony, Germany through Mariplant GmbH, which will be focused on nutraceutical non-THC cannabis. On August 3, 2018, Mariplant GmbH commenced the harvest of approximately 165 hectares (~405 acres) of hemp. Mariplant GmbH planted five approved cultivars included in the European Union list of approved hemp. This inaugural harvest utilized new proprietary harvesting and drying systems, designed to optimize yield from industrial hemp. Final product CBD content is expected to vary between the different strains, providing sampling for next year's crop. Third party extraction in Germany commenced on August 21, 2018. In October 2018, the Company completed its hemp harvest, harvesting 135 of the 165 hectares planted. The amount of dry hemp flowers recovered and suitable for processing into resin totalled 120,615 kg. The increase in yields is attributable to proprietary and customized harvesting equipment and new drying systems, complete with automatic sorting equipment. A total of 13,000 kg of dried hemp flowers have been extracted to date, from which 1,205 kg of resin has been produced for further distillation, to date with 3,300 kg yet to be extracted. Current wholesale market price for CBD distillate in Europe is 9,000 - 12,000 EUR per kg.

(iii) Finance raising

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

(iv) Malta

On May 16, 2018, the Company announced that it has entered into a non-binding letter of intent to acquire 100% of the issued and outstanding shares of Medican Holdings Ltd ("Medican") of the Republic of Malta. Following discussions with Malta Enterprise, the government entity responsible for the issuance of such licenses, the Company has submitted its own application for a license and has terminated its letter of intent to acquire Medican. Maricann has received confirmation from Malta Enterprise in the form of a Letter of Intent, to move ahead with licensing of finished goods production facilities for medical cannabis. Malta comprises an integral part of Maricann's long-term development strategy, with finished goods manufacturing, including its patented VesiSorb CBD and THC softgels to take place in Malta. VesiFact produces the world's first dosage controlled soft gel capsules with enhanced bio-availability and rapid onset. Malta Enterprise has approved Maricann's application to set up a business in Malta to manufacture finished dose medical cannabis. This license allows Maricann to supply its Maltese operation with raw materials that will then undergo advanced post processing to create pure cannabis distillates, allowing for true pharmaceutical manufacturing. Commercial production of distillates is integral for the Company, as it advances the timeline for delivery of its full suite of products to those European markets where such products are legal. The Company has received an initial allocation of 2,750 square metres of industrial space. The approval in Malta is conditional on a number of items including (i) operation of the business in compliance with applicable laws, (ii) compliance with certain reporting requirements, (iii) the Company's Malta subsidiary reaching an employment level of at least 28 full-time equivalent employees within three years from the start of operations, (iv) the Company's Malta subsidiary investing at least €9.5 million in improvements to the site, plant, machinery and equipment within three years from the allocation of the applicable site and (v) the Company obtaining a licence from the Medicines Authority.

(v) Provincial Supply Agreements

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

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

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

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

- VESIsorb® formulation specifically adapted for cannabinoids;
- Standardized CBD product with measured and proven stability data; and
- Formulation with a strategic CBD:BCP (beta-caryophyllene) ratio of 4:1

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

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

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

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

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

(ix) Launches Kiwi – Simplifying Cannabis for Recreational Consumers

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

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

The Company announced that it intends to change its name to Wayland Group Corp. In the interim, the Company commenced operating through its subsidiaries under the business name "Wayland Group". In anticipation of the proposed name change, the Company also announced that, effective September 25, 2018, its ticker symbol on the Canadian Securities Exchange changed to "WAYL". The corporate renaming to Wayland Group supports the Company's ongoing global expansion and

development of both medical and non-medical consumer brands. The Company's leadership team remains committed to foundational values of superior quality and world-class innovation at this milestone for the organization.

Events subsequent to September 30, 2018

(i) Cannamedical

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

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

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

(iii) Bought deal Financing

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

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

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

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

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

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

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

(v) Definitive Agreement for Italian Joint Venture

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

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

(vi) The Company enters the United Kingdom

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

INTERNATIONAL DEVELOPMENT

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

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

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

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

CORPORATE POSITION ON CONDUCTING BUSINESS IN THE UNITED STATES

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

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

Overall Financial Performance

	For the three months ended September 30,				For the nine months ended			
	2018	2017	Change	Change	2018	2017	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Revenue	225,122	721,035	(495,913)	-69%	1,983,600	2,525,804	(542,204)	-21%
Gross profit	862,030	225,207	636,823	283%	(2,121,211)	337,910	(2,459,121)	-728%
Expenses	13,357,665	5,605,138	(7,752,527)	-138%	31,737,591	20,726,415	(11,011,176)	-53%
Insurance proceeds and other revenue	(345,661)	-	345,661		(345,661)	-	345,661	
Non cash fair value change in convertible debenture related to changes in value of common shares	-	-	-	-100%	-	37,176,990	37,176,990	100%
Net loss	(12,149,974)	(5,379,931)	(6,770,043)	126%	(33,513,141)	(57,565,495)	24,052,354	42%
Net (loss) income per share, basic	(0.09)	(0.08)	(0.00)	0%	(0.26)	(1.01)	0.75	-74%
Net (loss) income per share, diluted	(0.09)	(0.07)	(0.01)	11%	(0.26)	(1.01)	0.75	-74%
Weighted average number of outstanding shares, basic and diluted	134,890,901	68,524,779	(66,366,122)	-97%	127,602,909	57,246,888	70,356,021	123%
	As at							
	September 30, 2018	December 31, 2017	Change	Change				
	\$	\$	\$	%				
Total Assets	155,028,492	93,332,797	61,695,695	66%				
Total Liabilities	30,918,509	31,810,788	(892,279)	-3%				

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

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

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

SUMMARY OF QUARTERLY RESULTS

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

	FY 2018			FY 2017				FY 2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	225,122	1,157,887	1,758,478	696,942	721,035	661,602	1,143,167	1,304,031
Net Loss	(12,149,974)	(9,933,150)	(21,495,730)	(9,447,378)	(5,379,931)	14,704,707	(66,890,272)	(5,517,816)
Income (loss) per share - basic	(0.09)	(0.07)	(0.11)	(0.10)	(0.08)	0.22	(1.53)	(0.15)
Loss per share - diluted	(0.09)	(0.07)	(0.11)	(0.10)	(0.08)	0.20	(1.53)	(0.15)

The net loss for the quarters ended September 30, June 30 and March 31, 2018 was primarily attributable to increased general and administrative expenses and share-based compensation.

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

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

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

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

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

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

Revenues

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

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

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

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

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

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

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 previous fair value increase associated with biological assets that were transferred to inventory upon harvest.
- Fair value adjustment on growth of biological assets – represents the estimated fair value less cost to sell of biological assets as at the reporting date.

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

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

We expect net cost of sales to vary from year to year based on the number of pre-harvest plants, the strains being grown, and where the pre-harvest plants are in the grow cycle at the end of the year.

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

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

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

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

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

Gross (loss) profit

Gross profit was \$862,030 and negative \$2,121,211 for the three and nine months ended September 30, 2018, respectively, and positive \$225,207 and \$337,910 for the three and nine months ended September 30, 2017. The overall decrease was

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

Expenses

General and administrative

General and administrative expenses were \$9,313,149 and \$22,141,541 for the three and nine months ended September 30, 2018, respectively, compared to \$3,958,243 and \$9,751,889 for the three and nine months ended September 30, 2017 representing an increase of \$12,389,652 or 127% for the nine months ended September 30, 2018. The increase year over year represents the Company's efforts to bring more labour and talent into the Company, increased travel, increased corporate activity, business development, investor relations and maintenance costs as well as other overhead associated with the growth including contactors, professional fees and increased site security.

Sales and marketing

Sales and marketing expenses were \$1,785,245 and \$2,300,876 for the three and nine months ended September 30, 2018, respectively, compared to \$660,617 and \$2,630,990 for the three and nine months ended September 30, 2017 representing a decrease of \$330,114 or 13% for the nine months ended September 30, 2018. The decrease for the nine months ended September 30, 2018 is due to a recovery of stock-based compensation due to a forfeiture of stock options of \$639,853 and a decrease in the fair value of cash settled options of \$286,485.

Share-based compensation

Share based compensation of \$509,589 and \$2,330,259 for the three and nine months ended September 30, 2018, respectively, compared to \$717,814 and \$3,106,482 for the three and nine months ended September 30, 2017 represented a decrease of \$776,223 or 25% for the nine months ended September 30, 2018. The decrease is mainly due to the vesting conditions of stock options granted in prior periods and a decrease in the amount of stock options issued during the nine months ended September 30, 2018.

Amortization and depreciation

Depreciation expense was \$1,768,177 and \$4,907,758 for the three and nine months ended September 30, 2018 compared to \$266,944 and \$704,049 for the three and nine months ended September 30, 2017, representing an increase of \$4,203,709 or 597% for the nine months ended September 30, 2018. The increase was the result of the addition of new greenhouse space, increased capacity in the processing facility and amortization of the intangible assets.

Listing Expense

Listing expense was nil and \$4,486,850 for the three and nine months ended September 30, 2017. The costs incurred relate to the costs associated with the reverse-take-over transaction (the "RTO") between Maricann Inc. and Danbel Ventures Inc. in April 2017.

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

During the nine months ended September 30, 2017, the fair value of the Convertible Debenture was revalued based on the equity raise on March 3, 2017 at \$2.85 per share. The fair value of the Debenture instrument based on \$2.85 per share for 22,500,000 shares was \$64,125,000. The fair value of the warrants was \$18,665,740 determined based on the Black-Scholes option pricing model. It is noted that the increase in the fair value of the debenture instrument and the warrants were as a result of an increase in the value of share price of the Company. As a result, the Company recorded a non-cash fair value gain on convertible debt related to share issuance of \$nil during the three months ended September 30, 2018 and a loss of \$37,176,990 during the nine months ended September 30, 2018.

Net Loss and comprehensive loss

Given that we are a start-up company in a growth phase, it was expected that the Company would not generate net income in its early years. The need to invest in both human capital as well as having higher operations costs in keeping pace with the quickly growing revenues has been essential to ensure that the current and, potentially more importantly, future market opportunity can be capitalized upon. Net loss for the three and nine months ended September 30, 2018 was \$12,149,974 and \$33,513,141, respectively compared to net income of \$5,379,931 and net loss of \$57,565,495 for the three and nine months ended September 30, 2017, respectively. The decrease in net loss is mainly a result of a non-cash fair value loss on convertible debt and warrants related to share issuance of \$37,176,990, go public listing expenses incurred of \$4,486,850 during the nine months ended September 30, 2017 and offset by a general and administrative expenses increase of \$12,389,651.

Loss per Share

Basic and diluted loss per share is calculated by dividing the net loss attributable to Common Shareholders of the Company by the weighted average number of Common Shares outstanding during the period. Diluted loss per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other potentially dilutive securities. The weighted average number of Common Shares used as the denominator in calculating diluted loss per share excludes unissued common Shares related to stock options and other rights to shares, warrants, compensation options and convertible debentures as they are anti-dilutive. Basic and diluted loss per share for the three and nine months ended September 30, 2018 was \$0.09 and \$0.26 per share, respectively, as compared to income per share of \$0.08 and loss per share of \$1.01 for the three and nine months ended September 30, 2017.

Total Assets

Total assets increased to \$155,028,492 as at September 30, 2018 from \$93,332,797 as at December 31, 2017. The increase is the result of a number of elements including property, plant and equipment which increased 173% from \$28,438,345 to \$77,518,919. The majority of this increase related to upgrades/expansion to the growing and processing facilities at the Company's Langton, Ontario facility and the acquisition of the Naunhof facility in Dresden, Germany. Current and non-current other assets increased 328% to \$18,629,912 from \$4,348,773, as the Company made deposits for construction materials and equipment for the purposes of the Langton facility expansion as well as for the purpose of the expected German expansion. Cash decreased to \$13,999,602 from \$24,572,873 as at December 31, 2017 due to the above noted capital expenditures and operating loss, which was offset by the SW Offering financing of \$40,250,000 in gross proceeds completed in January 2018 and the August SW Offering financing of \$37,401,760 in gross proceeds completed in August 2018.

Total Liabilities

Total liabilities as at September 30, 2018 were \$30,918,509 as compared to \$31,810,788 as at December 31, 2017. The main decrease is due in large part to conversion of \$9,537,000 of the convertible debenture to Common Shares. The decrease overall is then offset by an increase in accounts payable attributable to the substantial operational and capital costs associated with growing the Company's capacity and operational workforce.

Liquidity and Capital Resources

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

For the nine-month period ended September 30, 2018, the Company generated revenues of \$1,983,600 from operations and has financed its operations and met its capital requirements primarily through the SW Offering and the August SW Offering, stock option and warrant exercises. The Company's objectives when managing its liquidity and capital resources are to generate sufficient cash to fund the Company's operating and working capital requirements. During the nine months ended September 30, 2018, the Company completed a SW Offering raising \$40,250,000 in gross proceeds, the Company completed the August SW Offering raising \$37,401,760 in gross proceeds, received proceeds from exercise of stock options and warrants of \$2,097,277, repaid \$119,133 in lease obligations to meet its current and anticipated future obligations.

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

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

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

Operating Activities

For the nine-months ended September 30, 2018, cash flow used in operating activities was \$27,938,275 compared to \$13,340,516 for the nine months ended September 30, 2017. The increase in cash flow used in operations is \$14,597,759 or 109%. The increase in cash flow used in operations is due to higher net losses of the period net of the non-cash fair value change in convertible debenture and warrant liability related to changes in the value of Common Shares.

Investing Activities

For the nine months ended September 30, 2018, the Company had used cash of \$56,274,856 related to investing activities as compared to \$9,228,628 for the nine months ended September 30, 2017. Investing activities during the period relate to building and other facility upgrades and the purchase of production equipment, computers and furniture as well as advancements towards investments of the German subsidiary.

Financing Activities

Cash flows provided by financing activities for the nine months ended September 30, 2018 were \$73,988,022 compared to \$7,049,213 for the nine months ended September 30, 2017, an increase of \$66,938,809 or 950%. The increase in cash provided by financing activities is primarily due to an issuance of Special Warrants in January 2018, net of issuance costs, of \$37,794,030, an issuance of Special Warrants in August 2018, net of issuance costs of \$35,300,269, proceeds received on exercise of stock options and warrants of \$2,097,277 and offset by interest payments of \$2,002,196 on the convertible debentures and repayment of capital leases of \$119,133.

Share Capital

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

Outstanding Share Data

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

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

Commitments and Contingent Liabilities

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 September 30, 2018, December 31, 2017 and September 30, 2017, the Company has not recognized any contingent liabilities.

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

Commitments

The Company's production facility at 150 8th Concession, Langton, Ontario under an operating lease arrangement expires on October 31, 2023 and the Company has administrative offices under operating lease arrangements until 2023. The Company has the right under a production facilities lease arrangement to extend the leases by another five years. The following table presents the minimum payments due over the next five years and thereafter until the termination of the leasing arrangement.

	\$
2018	191,924
2019	552,120
2020	534,003
2021	546,464
2022	532,644
2023 and beyond	229,050
	<u>2,586,205</u>

Off-Balance Sheet Arrangements

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

Transactions and balances with related parties

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

- [i] During the year ended December 31, 2017, the Company incorporated Maricann GmbH and Mariplant GmbH, limited liability entities in Germany. The Company through its wholly owned subsidiary Maricann B.V. owns 95% of the issued and outstanding shares of the entities, while the remaining 5% non-controlling interest is retained by a key management employee of the newly incorporated subsidiaries. This 5% non-controlling interest can be put to the Company for redemption at €5,000 in certain circumstances and therefore has been classified as a liability. In addition, the key management employee is entitled to a profit share of 5% subject to certain adjustments provided the individual continues to provide employee services to the Company. Maricann GmbH and Mariplant GmbH serves to allow the Company to expand in to the German market.
- [ii] During January 2017, the Company entered into an agreement with an operator of a clinical network, who is a shareholder of the Company, to provide assessment and education with respect to medical cannabis for the Company. As at December 31, 2017, the amount provided to this related party was \$125,000. The loan bears interest at 6% per annum and is due in January 2018. The balance was collected in January 2018.
- [iii] During the year ended December 31, 2017, the Company entered into a reservation agreement to acquire for €3,000,000 [\$4,560,600] an entity in Germany. Such entity holds a property in Naunhof, Germany that the Company intends to utilize in the event of obtaining required licenses in Germany to cultivate and distribute cannabis for medical purposes. An entity jointly owned by the CEO of the Company and a key management employee of the Company's German subsidiaries held pre-emptive rights over this property. In entering into a reservation agreement, the Company paid another entity affiliated with the Company's CEO €410,000 (\$767,944) to acquire these pre-emptive rights. During the nine month period ended September 30, 2018, the Company acquired this German entity, Proimaging.

Management compensation

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

Compensation expense for the Company's key management personnel for the three and nine months ended September 30, 2018 and 2017 is as follows:

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

Risk Factors

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

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

Financial Risk Factors

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

Other Risk Factors

- *Regulatory Regime*
- *Reliance on Licenses and Renewals*
- *Changes in Laws, Regulations and Guidelines*
- *Limited Operating History*
- *Volatility of Industry Conditions*
- *Access to Additional Financing*
- *Dependence on Senior Management and Key Personnel*
- *Competition*
- *Risks Inherent in the Agricultural Business*
- *Vulnerability to Rising Energy Costs*
- *Risks of Foreign Operations*
- *Expansion of Facilities*
- *Environmental Regulations and Risks*
- *Constraints on Marketing Products*
- *Agreements and Contracts*
- *Operating Risks and Insurance*
- *Uninsured or Uninsurable Risk*
- *Unfavourable Publicity or Consumer Perception*
- *Regulatory Scrutiny of Company's Interests in the United States*
- *Reliance on Key Business Inputs*
- *Sufficiency of Insurance*
- *Product Liability*
- *Intellectual Property*
- *Application of VESIsorb® Technology*
- *Vesifact Patent Licenses*
- *Potential General Litigation*
- *Product recalls*
- *Fraudulent or Illegal activity by its Employees, Contractors and Consultants*
- *Reliance on the Main Facility*
- *Management of Growth*
- *Acquisition and Development Risks*
- *Issuance of Debt*
- *Dilution*
- *Sources, Pricing and Availability of Equipment and Equipment Parts*
- *Price Volatility of Securities*
- *Reputational Risk to Third Parties*
- *Conflicts of Interest*
- *Dividends*
- *Breaches of Security at its facilities, or in Respect of Electronic Documents and Data Storage and May Face Risks Related to Breaches of Applicable Privacy Laws*
- *History of Losses*
- *Adverse Media Coverage*

A more detailed description of the various risks associated with the Company can be found under the heading "Risk Factors" in our latest AIF, the Management Discussion and Analysis for the year ended December 31, 2017 and the Final Short Form Prospectus dated October 24, 2018.

Company Outlook

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

Critical Accounting Estimates

The Company's significant accounting policies under IFRS are contained in the Statements (refer to Note 4 to the unaudited condensed interim consolidated financial statements and the Audited Annual Consolidated Financial Statements for the year ended December 31, 2017). Certain of these policies involve critical accounting estimates as they require management to make particularly subjective or complex judgments, estimates and assumptions about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

New standards, interpretations and amendments adopted by the Company

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

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

IFRS 9 Financial Instruments ["IFRS 9"]

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

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

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

(ii) Amortized cost

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

(iii) Fair value through profit or loss

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

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

(iv) Impairment of financial assets

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

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

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

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

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

(i) Revenue recognition

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

Amendments to IFRS 2 Share-based Payment

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

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

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

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

IFRS 16 – Leases ["IFRS 16"]

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

IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on its condensed interim consolidated financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

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

Subsequent Events

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

LIMITATIONS OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Condensed interim consolidated financial statements
[Unaudited, expressed in Canadian dollars]

Maricann Group Inc.

For the three and nine months ended September 30, 2018 and 2017

Maricann Group Inc.

Condensed interim consolidated statements of financial position

[Unaudited]

[Expressed in Canadian dollars]

As at

	September 30, 2018	December 31, 2017
	\$	\$
Assets		
Current		
Cash	13,999,602	24,572,873
Trade and other receivables	419,743	64,609
Inventories <i>[note 5]</i>	4,256,118	1,235,239
Biological assets <i>[note 6]</i>	951,491	430,001
Other current assets <i>[note 7]</i>	5,159,393	3,580,829
Total current assets	24,786,347	29,883,551
Other non-current assets <i>[note 7]</i>	13,470,519	767,944
Loan receivable	451,664	376,912
Property, plant and equipment, net <i>[note 8]</i>	77,518,919	28,438,345
Intangible assets, net <i>[note 10]</i>	30,097,626	33,866,045
Goodwill <i>[note 10]</i>	8,703,417	—
Total assets	155,028,492	93,332,797
Liabilities and shareholders' equity		
Current		
Trade and other payables	14,489,215	7,614,815
Deferred revenue	30,587	41,224
Current portion of finance leases	182,120	4,077
Current portion of Convertible debentures <i>[note 11]</i>	1,931,670	—
Total current liabilities	16,633,592	7,660,116
Finance leases	261,490	—
Convertible debentures <i>[note 11]</i>	14,023,427	24,150,672
Total liabilities	30,918,509	31,810,788
Commitments and contingencies <i>[note 15]</i>		
Shareholders' equity		
Share capital <i>[note 12]</i>	180,802,196	123,743,858
Contributed surplus <i>[note 12]</i>	17,271,503	15,525,257
Special warrants <i>[note 12]</i>	34,676,653	—
Warrants <i>[note 12]</i>	6,524,799	3,556,411
Accumulated other comprehensive loss	(382,363)	(33,853)
Deficit	(114,782,805)	(81,269,664)
Total shareholders' equity	124,109,983	61,522,009
Total liabilities and shareholders' equity	155,028,492	93,332,797

Subsequent events *[note 16]*

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

Approved on behalf of the Board:

(Signed) Paul Pathak
Director

(Signed) Ben Ward
Director

Maricann Group Inc.

Condensed interim consolidated statements of (loss) and comprehensive (loss)

[Unaudited]

[Expressed in Canadian dollars]

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	\$	\$	\$	\$
Revenue	225,122	721,035	1,983,600	2,525,804
Cost of sales - production costs <i>[note 5]</i>	2,067,801	859,332	6,469,128	2,654,723
Gross (loss) profit before fair value adjustments	(1,842,679)	(138,297)	(4,485,528)	(128,919)
Fair value adjustment on inventory sold	(98,305)	(671,331)	(1,397,545)	(1,701,007)
Fair value adjustment on growth of biological assets <i>[note 6]</i>	2,803,014	1,034,835	3,761,862	2,167,836
Gross profit (loss)	862,030	225,207	(2,121,211)	337,910
Expenses				
General and administrative <i>[note 12]</i>	9,313,148	3,958,243	22,141,540	9,751,889
Sales and marketing <i>[note 12]</i>	1,785,245	660,617	2,300,876	2,630,990
Share-based compensation <i>[note 12]</i>	509,589	717,814	2,330,259	3,106,482
Amortization, depreciation and accretion <i>[notes 8 and 10]</i>	1,768,177	266,944	4,907,758	704,049
Loss before the undernoted items	(12,514,129)	(5,378,411)	(33,801,644)	(15,855,500)
Finance expense	(18,494)	1,520	(5,087)	46,155
Listing expense <i>[note 3]</i>	—	—	—	4,486,850
Transaction costs	—	—	62,245	—
Insurance proceeds	(306,928)	—	(306,928)	—
Other revenue	(38,733)	—	(38,733)	—
Non-cash fair value change in convertible debenture and warrants liability related to changes in value of common shares	—	—	—	37,176,990
Net (loss) for the period	(12,149,974)	(5,379,931)	(33,513,141)	(57,565,495)
Other comprehensive (loss)				
Exchange differences on foreign operations	(215,947)	(27,013)	(348,510)	(21,128)
Total comprehensive (loss) for the period	(12,365,921)	(5,406,944)	(33,861,651)	(57,586,623)
Net (loss) per share, basic <i>[note 13]</i>	(0.09)	(0.08)	(0.26)	(1.01)
Weighted average number of common shares outstanding				
Basic and diluted	134,890,901	68,524,779	127,602,909	57,246,888

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

Maricann Group Inc.

Condensed interim consolidated statements of changes in shareholders' equity

[Unaudited]

[Expressed in Canadian dollars]

Nine months ended September 30, 2018 and 2017

	Common shares #	Share capital \$	Special Warrants		Warrants		Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total shareholders' equity \$
			Number of common shares issuable on exercise #	Special Warrants \$	Number of common shares issuable on exercise #	Warrants \$				
As at December 31, 2016	41,230,604	8,991,682	—	—	—	—	2,101,153	—	(14,328,994)	(3,236,159)
Net loss for the period	—	—	—	—	—	—	—	—	(57,565,495)	(57,565,495)
Exercise of stock options by non-employee	818,278	727,230	—	—	—	—	(550,830)	—	—	176,400
Issuance of common shares to key employee	3,720,695	2,439,000	—	—	—	—	(2,439,000)	—	—	—
Issuance of common shares, net of issuance costs	3,510,585	8,953,982	—	—	—	—	—	—	—	8,953,982
Share-based compensation	—	—	—	—	—	—	4,308,332	—	—	4,308,332
Forfeiture of stock options by employee	—	—	—	—	—	—	(31,877)	—	—	(31,877)
Convertible debenture conversion	22,500,000	48,375,000	—	—	—	—	—	—	—	48,375,000
Warrant reclassification	—	—	—	—	11,250,000	11,301,990	—	—	—	11,301,990
Issuance of shares to Danbel on RTO	1,250,279	3,563,295	—	—	—	—	—	—	—	3,563,295
Exercise of warrants	431,000	971,741	—	—	(431,000)	(432,992)	—	—	—	538,749
Issuance of warrants	—	—	—	—	450,000	242,373	—	—	—	242,373
Other comprehensive income - foreign exchange	—	—	—	—	—	—	—	(21,128)	—	(21,128)
As at September 30, 2017	73,461,441	74,021,930	—	—	11,269,000	11,111,371	3,387,778	(21,128)	(71,894,489)	16,605,462
As at December 31, 2017	105,070,023	123,743,858	—	—	11,588,500	3,556,411	15,525,257	(33,853)	(81,269,664)	61,522,009
Net loss for the period	—	—	—	—	—	—	—	—	(33,513,141)	(33,513,141)
Exercise of stock options [note 12]	122,040	90,204	—	—	—	—	(72,204)	—	—	18,000
Share-based compensation [note 12v]	—	—	—	—	—	—	2,061,591	—	—	2,061,591
Convertible debenture conversion [note 11]	5,960,625	10,626,377	—	—	—	—	(1,089,377)	—	—	9,537,000
Exercise of warrants [note 12]	1,564,914	3,586,116	—	—	(1,564,914)	(1,488,839)	—	—	—	2,097,277
Issuance of special warrants, net of issuance costs [note 12]	—	—	20,125,000	35,771,009	—	—	—	—	—	35,771,009
Exercise of special warrants [note 12]	21,131,250	31,563,782	(20,125,000)	(35,771,009)	10,565,625	4,207,227	—	—	—	—
Issuance of compensation options [note 12]	—	—	—	—	—	—	2,646,637	—	—	2,646,637
Issuance of warrants	—	—	—	—	87,108	250,000	(250,000)	—	—	—
Issuance of special warrants, net of issuance costs [note 12]	—	—	23,376,100	34,676,653	—	—	—	—	—	34,676,653
Exercise of compensation options [note 12]	799,800	1,109,175	—	—	—	—	(209,400)	—	—	899,775
Issuance of common shares as compensation [note 12]	433,000	1,405,090	—	—	—	—	409,284	—	—	1,814,374
Acquisition of Haxxon AG [note 9]	3,848,505	6,696,399	—	—	—	—	230,910	—	—	6,927,309
Issuance of common shares in settlement of contingent consideration [note 9]	953,604	1,981,195	—	—	—	—	(1,981,195)	—	—	—
Other comprehensive loss - exchange differences on foreign operations	—	—	—	—	—	—	—	(348,510)	—	(348,510)
As at September 30, 2018	139,883,761	180,802,196	23,376,100	34,676,653	20,676,319	6,524,799	17,271,503	(382,363)	(114,782,805)	124,109,983

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

Maricann Group Inc.**Condensed interim consolidated statements of cash flows**

[Unaudited]

[Expressed in Canadian dollars]

For the nine months ended September 30,

	2018	2017
	\$	\$
Operating activities		
Net loss for the period	(33,513,141)	(57,565,495)
Add (deduct) items not involving cash		
Non-cash interest	23	6,013
Non-cash fair value change in convertible debenture and warrants liability related to changes in value of common shares	—	37,176,990
Unrealized gain from changes in fair value of biological assets	(3,761,862)	(2,167,836)
Share-based compensation expense	2,330,259	3,106,482
Cash-settled options expense (gain)	(286,485)	791,926
Share-based compensation expense to non-employees	1,545,707	1,229,465
Issuance of shares to Danbel on RTO	—	3,563,295
Amortization, depreciation and accretion	4,907,758	704,049
	<u>(28,777,741)</u>	<u>(13,155,111)</u>
Changes in non-cash working capital balances related to operations		
Trade and other receivables	(355,134)	12,578
Inventories	(2,765,451)	(535,516)
Biological assets	3,260,254	1,719,505
Other assets	(1,493,179)	(2,779,632)
Trade and other payables	2,203,613	1,477,731
Deferred revenue	(10,637)	(80,071)
Cash used in operating activities	<u>(27,938,275)</u>	<u>(13,340,516)</u>
Investing activities		
Purchase of and deposit on property, plant and equipment	(40,192,133)	(8,268,025)
Purchase of other non-current assets	(13,470,519)	(604,422)
Advancement for investments	—	(125,000)
Advance on loan receivable	(75,100)	—
Business Combination (net of cash acquired)	(2,537,104)	—
Net cash outflow on acquisition of subsidiary	—	(231,181)
Cash used in investing activities	<u>(56,274,856)</u>	<u>(9,228,628)</u>
Financing activities		
Proceeds from issuance of common shares	—	9,136,869
Issuance of Special warrants, net of issuance costs [note 12]	73,094,299	—
Proceeds from exercise of stock options	18,000	176,393
Proceeds from exercise of warrants	2,097,277	538,749
Proceeds from exercise of compensation options	899,775	—
Repayment on borrowings	—	(2,687,092)
Interest paid on convertible debentures	(2,002,196)	—
Repayment of obligations under finance leases	(119,133)	(115,706)
Cash provided by financing activities	<u>73,988,022</u>	<u>7,049,213</u>
Net decrease in cash during the period	(10,225,109)	(15,519,931)
Effect of foreign exchange on cash	(348,162)	(21,128)
Cash, beginning of period	24,572,873	16,192,662
Cash, end of period	<u>13,999,602</u>	<u>651,603</u>

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

1. Nature of operations

Maricann Group Inc. ["Maricann" or the "Company"] was continued under the laws of the Province of Ontario, Canada. The Company's shares are listed on the Canadian Securities Exchange [the "Exchange"] under the symbol "WAYL" and on the OTCMKTS under the symbol "MRRCF". The Company is the resulting entity following the April 20, 2017 reverse takeover transaction between Maricann Inc. and Maricann Group Inc., formerly Danbel Ventures Inc. ["Danbel"], whereby Maricann Inc. was amalgamated with a wholly-owned subsidiary of Danbel and all the shares of Maricann Inc. were exchanged for shares of Danbel and the resulting entity became known as Maricann Group Inc. See Note 3.

The Company's wholly-owned subsidiary, Maricann Inc. is licensed to produce and sell medical marijuana under the Cannabis Act. Maricann Inc. received its first license from Health Canada under the Marijuana for Medical Purposes Regulations on March 27, 2014. Maricann Inc. received an updated license [the "License"] under the ACMPR on November 8, 2017, which expires on October 9, 2020. On September 5, 2017, Maricann Inc. received a second site license for its Burlington location. On April 20, 2018, Maricann Inc. received its third site license for its 138 8th Concession Road, Langton, Ontario location. The Company's head office, registered and records office 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. On April 20, 2018, Maricann Inc. received its third site license for its 138 8th Concession Road, Langton, Ontario location.

2. Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada for publicly accountable enterprises, as set out in the *CPA Canada Handbook – Accounting*, which incorporates International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"] using International Accounting Standard 34, Interim Financial Reporting ["IAS 34"]. The policies set out below have been consistently applied to all periods presented unless otherwise noted.

These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited financial statements as at and for the year ended December 31, 2017.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on November 27, 2018.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries, Maricann Inc. [wholly-owned], Maricann B.V. [wholly-owned], Nanoleaf Technologies Inc. [wholly-owned], Haxxon AG [wholly-owned], Proimaging AG [wholly-owned], Mariplant GmbH [95% owned] and Maricann GmbH [95% owned]. All significant intercompany balances and transactions were eliminated on consolidation. Subsidiaries are entities the Company controls when it is exposed, or has rights, to variable returns from its

involvement in the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

These condensed interim consolidated financial statements are presented in Canadian dollars unless otherwise noted. The functional currency of Maricann B.V., Mariplant GmbH, Proimaging AG and Maricann GmbH is the European Euro, the functional currency of Haxxon AG is the Swiss Franc and the functional currency of Maricann and its remaining subsidiaries is the Canadian dollar.

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position dates are translated into Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized through profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. The assets and liabilities of foreign operations are translated into Canadian dollars at year-end exchange rates. Revenue and expenses, and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from translating foreign operations are recognized in other comprehensive loss and accumulated in shareholders' equity.

Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for biological assets, which are measured at fair value, as explained in the accounting policies below. Historical cost is generally based upon the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these condensed interim consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, *Share-based payments* and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2, *Inventories* or value in use in IAS 36, *Impairment of Assets*.

Use of judgments, estimates and assumptions

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

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- *Valuation of the fair value less costs to sell of biological assets and agricultural produce*

Biological assets, consisting of medical cannabis plants and agricultural produce, are measured at fair value less costs to sell up to the point of harvest. The determination of the fair values of the biological assets requires the Company to make assumptions with respect to how market participants would estimate fair value. These assumptions primarily relate to the level of effort required to bring the biological assets up to the point of harvest, costs to convert the harvested medical cannabis to finished goods and sell, sales price, risk of loss and expected yield from the medical cannabis plants.

- *Useful lives and impairment of property, plant and equipment*

Depreciation of property, plant and equipment is dependent upon management's estimate of the assets' useful lives, which requires judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of these assets.

- *Share-based compensation*

In calculating the share-based compensation expense, key estimates such as the value of the common shares, the rate of forfeiture of options granted, the expected life of the option, the volatility of the value of the Company's common shares and the risk-free interest rate are used.

- *Convertible debentures and warrants (issued in 2016)*

The Company determined that the convertible debentures and warrants issued on December 15, 2016 did not meet the IFRS definition of equity due to the variability of the convertible debentures conversion ratio and the number of shares issuable on exercise of warrants if the Company fails to go public by a specified date. The convertible debenture conversion ratio and number of shares issuable on exercise of the warrants adjusts by 10% in this circumstance. Accordingly, the convertible debentures and warrants are treated as financial liabilities measured at fair value through profit or loss. The fair values of the convertible debentures and warrants are classified as Level 3 in the fair value hierarchy. Given the convertible debentures and warrants were issued shortly before year end, their issue price was considered the best estimate of fair value at December 31, 2016.

- *Convertible debentures and warrants (issued in 2017)*

The Company determined that the convertible debentures and warrants issued on October 27, 2017 [note 11] comprised of a compound financial instrument and warrant equity instruments. IFRS requires the proceeds from such issuances to be bifurcated between their liability and equity components. The Company first allocates the proceeds of such issuances to the convertible debentures and warrants based on the fair values of these instruments, with the amount allocated to warrants included within shareholders' equity as

Warrants. The proceeds allocated to the convertible debentures are then further allocated between financial liability and the equity conversion feature by determining the fair value of the financial liability and applying the residual to the equity conversion feature. The determination of such allocations involves the use of estimates.

- *Convertible instruments*

Convertible notes are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. The identification of convertible notes components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the financial liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

- *Business combinations and asset acquisitions*

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgement. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition. [Note 9]

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

The initial measurement of assets acquired and liabilities assumed in an asset acquisition is determined based on an allocation of the purchase consideration, which can be comprised of cash or cash equivalents and the fair value of other consideration given to acquire the asset at the time of its acquisition. In the event that the consideration includes share-based consideration, the Company considers the specific requirements of IFRS 2, *Share-based payments* ("IFRS 2"). Contingent consideration, if any, is measured at its acquisition date fair value and included as part of the consideration transferred in acquiring the asset. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37, as appropriate, with the corresponding gain or loss being recognized in profit or loss. Determining the fair value of contingent consideration requires management to make certain estimates.

- *Intangible assets, other than goodwill*

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The cost of intangible assets acquired in an asset acquisition are initially measured using an allocation of the purchase consideration using a relative fair value approach.

The useful lives of intangible assets are assessed as either finite or indefinite. The Company does not have any indefinite life intangible assets. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the remaining amortization period or method, as appropriate, and are treated as changes in accounting estimates. Useful lives and the recoverable amount of intangible assets depend on management's estimates and require judgement.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the condensed interim consolidated statements of loss and comprehensive loss when the asset is derecognized.

- *Goodwill and intangible asset impairment*

The Company performs an annual test for goodwill impairment in the fourth quarter for each of the cash generating units (CGUs with goodwill allocated), and whenever events or circumstances make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Determining whether an impairment has occurred requires valuation of the respective CGU, which is estimated using a discounted cash flow method. When available and as appropriate, the comparative market multiple is used to corroborate discounted cash flow results. In applying this methodology, a number of factors, including actual operating results, future business plans, economic projections and market data. The Company tests intangible assets with indefinite lives annually for impairment using a fair value method such as discounted cash flows.

3. Maricann's reverse takeover ["RTO"]

On March 3, 2017, the Company entered into a definitive agreement with Maricann Inc. to combine Maricann Inc. and Danbel via the amalgamation of a wholly-owned subsidiary of Danbel ["Danbel Subco"] and Maricann Inc. which constituted a reverse takeover of Danbel. The resulting company [the "Resulting Issuer"] continues to operate as Maricann Group Inc., and trades publicly on the Exchange under the symbol "MARI".

The agreement setting out the terms of the transaction, included the following:

- (i) The outstanding liabilities of Danbel were settled by way of issuing 5,500,000 shares of Danbel prior to the consolidation of shares by Danbel;
- (ii) All outstanding options of Danbel were exercised prior to the consolidation of shares. Total number of options outstanding were 360,000 options with an exercise price of \$0.05 per share. These were exercised by December 31, 2016, and converted into Danbel common shares;
- (iii) Prior to the transaction, Danbel consolidated its share capital on a 9.22-to-1 basis [the "Consolidation"]. The total number of Danbel shares outstanding is 11,527,716 Pre-Consolidation. Post-Consolidation, total number of Danbel shares was 1,250,279;
- (iv) 22,500 units ["Units"] with each Unit comprised of one senior unsecured convertible debenture with a principal amount of \$1,000 [a "Debenture"] and 500 common share purchase warrants [the "Warrants"] of Maricann Inc. were automatically converted into 22,500,000 common shares of Maricann prior to the RTO. 11,250,000 warrants associated with the Units were exchanged for 11,250,000 post-consolidation warrants of the Resulting Issuer;
- (v) 900,000 Compensation Options of Maricann Inc. were exchanged for 900,000 post-Consolidation Compensation Options of the Resulting Issuer; and
- (vi) 3,720,695 common shares of Maricann Inc. were issued to a key employee of Maricann Inc. prior to the transaction [note 12[iv]].

In conjunction with the RTO transaction, on March 3, 2017, Maricann Inc. completed a financing of \$10,005,167, by issuing 3,510,585 shares of Maricann Inc. at \$2.85 per share. Maricann Inc. paid issuance costs of \$868,298 and issued 130,380 compensation options with an exercise price of \$2.85 per share.

On April 20, 2017, Maricann Inc. and Danbel Subco completed the amalgamation under the amalgamation agreement under the Business Corporations Act (Ontario).

Prior to the closing of the RTO:

- (i) The convertible debentures of 22,500 units, converted into 22,500,000 common shares of Maricann Inc.
- (ii) 3,720,695 common shares of Maricann Inc. were issued to a key employee. Related compensation expense of \$1,640,000 was recorded in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2017.
- (iii) The outstanding liabilities of Danbel were settled by way of issuing 5,500,000 shares of Danbel, and Danbel consolidated its share capital on a 9.22-to-1 basis. The total number of shares outstanding of Danbel was 11,527,716 pre-consolidation. Post-consolidation, total number of shares outstanding of Danbel was 1,250,279.

Pursuant to the closing of the RTO:

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

On closing of the RTO, the shareholders of Maricann Inc. held 71,266,984 (or 98%) of the common shares of the Resulting Issuer, while shareholders of Danbel held 1,250,279 (or 2%) of the common shares of the Resulting Issuer. Since Danbel did not meet the definition of a business under IFRS 3 – *Business Combinations* (“IFRS 3”), the acquisition was accounted for as the purchase of Danbel’s assets by the Company. The consideration paid was determined as equity-settled share-based payment under IFRS 2, at the fair value of the equity of Maricann Inc. retained by the shareholders of Danbel based on the fair value of the Maricann Inc. common shares on the date of closing of the RTO, which was determined to be \$2.85 per share based on the most recent equity raise on March 3, 2017.

The Company recorded a listing expense of nil for the three and nine months ended September 30, 2018, respectively (2017 - \$nil and \$4,486,850). The Company recorded a listing expense of \$4,486,850 in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2017. The details of the listing expense are as follows:

	\$
Fair value of consideration paid:	
1,250,279 common shares of Maricann at \$2.85 per share	3,563,295
Fair value of net assets of Danbel acquired by Maricann	(379)
	3,562,916
Other transaction costs:	
Professional fees	589,583
Filing and listing fees	334,351
RTO listing expense	4,486,850

The net assets of Danbel were included at their carrying value of \$379 which approximates their fair value as follows:

	\$
Cash	379
Fair value of net assets acquired	379

4. Significant accounting policies

These condensed interim consolidated financial statements have been prepared following the same accounting policies used in the preparation of the audited financial statements of the Company for the year ended December 31, 2017.

New standards, interpretations and amendments adopted by the Company

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

IFRS 9 Financial Instruments ["IFRS 9"]

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

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

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

(ii) Amortized cost

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

(iii) Fair value through profit or loss

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

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

(iv) Impairment of financial assets

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

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

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

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

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

(i) Revenue recognition

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

Amendments to IFRS 2 Share-based Payment

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

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

IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (“IFRIC 22”) was issued in December 2016 and is effective for annual periods beginning on or after January 1, 2018 and may be applied retrospectively or

prospectively. IFRIC 22 addresses which foreign exchange rate to use to measure a foreign currency transaction when advance payments are made, or received and non-monetary assets or liabilities are recognized prior to recognition of the underlying transaction. IFRIC 22 does not relate to goods or services accounted for at fair value or at the fair value of consideration paid or received at a date other than the date of initial recognition of the non-monetary asset or liability, or to income taxes, insurance contracts or reinsurance contracts. The foreign exchange rate on the day of the advance payment is used to measure the foreign currency transaction. If multiple advance payments are made or received, each payment is measured separately.

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

IFRS 16 – Leases [“IFRS 16”]

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

IFRIC 23 Uncertainty over Income Tax Treatments

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

5. Inventories

	September 30, 2018	December 31, 2017
	\$	\$
Finished goods – dry cannabis	2,447,475	184,470
Finished goods – cannabis oils	154,111	51,483
Work-in progress – dry cannabis	1,137,804	940,249
Work-in progress – cannabis oils	142,657	59,037
Gel capsules	305,150	-
Supplies inventory	68,921	
	4,256,118	1,235,239

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

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

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

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

6. Biological assets

Biological assets are comprised of:

	September 30, 2018	December 31, 2017
	\$	\$
Cannabis plants	314,796	430,001
Hemp plants	636,695	-
	951,491	430,001

The changes in the carrying value of biological assets, which consist of cannabis on plants and hemp plants, are as follows:

	\$
Balance at December 31, 2016	189,683
Net increase in fair value less costs to sell due to biological transformation	2,370,735
Transferred to inventory upon harvest	(2,130,417)
Balance at December 31, 2017	430,001

Net increase in fair value less costs to sell due to biological transformation	3,691,563
Fair value of biological assets acquired	20,723
Transferred to inventory upon harvest	<u>(3,190,796)</u>
Balance at September 30, 2018	<u>951,491</u>

Biological assets are measured at fair value less costs to sell until harvest. All production costs related to biological assets are expensed as incurred. All direct and indirect costs related to both biological assets and inventory are included in the 'cost of sales – production costs' line on the statements of loss and comprehensive loss except for depreciation expense which is disclosed as a separate line in the statements of loss and comprehensive loss and disclosed separately by class in the Property, plant and equipment note.

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. 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 or retail hemp flower market. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

Cannabis plants

The cannabis plant model utilizes the following significant assumptions:

	Assumption	September 30, 2018		December 31, 2017	
		Range	Average	Range	Average
[i]	Weighted average of expected loss of plants until harvest [a]	10-38%	26%	8% - 31%	24%
[ii]	Expected yields for cannabis plants (average grams per plant)	30 grams per plant	30 grams per plant	10 – 34.3 grams per plant	27 grams per plant
[iii]	Expected number of growing weeks	9 - 20 weeks	16 weeks	12 - 26 weeks	18 weeks
[iv]	Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end	N/A	52%	N/A	44%
[v]	Estimated selling price (per gram) [b]	\$3.08 - \$7.30	\$3.95	\$6 - \$15	\$8.76
[vi]	After harvest cost to complete and sell (per gram)	\$2.22	\$2.22	\$4.79 - \$5.76	\$5.37
[vii]	Reasonable margin on after harvest costs to complete and sell (per gram)	\$0.27	\$0.27	\$0.48 - \$0.62	\$0.55

[a] Weighted average of expected loss of plants until harvest represents loss via plants that do not survive to the point of harvest. It does not include any financial loss on a surviving plant.

[b] The estimated selling price (per gram) for September 30, 2018 represents the average contractual sales price for the Company's various strains sold as recreational products. For December 31, 2017, the estimated selling price (per gram) represents the average historical price for the Company's various strains sold as medical products.

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.

The following table presents the effect of 10% positive change and 10% negative change on the fair valuation of cannabis plants biological assets as at September 30, 2018 and December 31, 2017.

Assumption	10% change as at September 30, 2018 \$	10% change as at December 31, 2017 \$
Weighted average of expected loss of plants until harvest	7,868	9,996
Expected yields for cannabis plants	31,480	40,093
Expected number of growing weeks	4,212	76,105
Estimated selling price	89,768	176,756
After harvest cost to complete and sell	58,288	162,784
Reasonable margin on after harvest costs to complete and sell	6,297	20,548

The Company estimates the harvest yields for medical cannabis at various stages of growth. As of September 30, 2018, it is expected that the Company's cannabis plants biological assets will yield approximately 320,559 grams [December 31, 2017 – 437,499 grams] of 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.

Hemp plants

The hemp plants model utilizes the following significant assumptions:

	Assumption:	September 30, 2018	December 31, 2017
[i]	Weighted average of expected loss of plants until harvest [a]	2%	-
[ii]	Expected yields for hemp plants (average grams per plant)	12.5 grams per plant for indoor plants and 896	-

		KG per hectare for outdoor plants	
[iii]	Expected number of growing weeks	16 - 19 weeks	-
[iv]	Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end	43% for indoor plants and 89% for outdoor plants	-
[v]	Estimated selling price (per gram) [b]	\$3.09 per gram for indoor plants and \$16.21 per KG for outdoor plants	-
[vi]	After harvest cost to complete and sell (per gram)	\$0.09 per gram for indoor plants and \$5.65 per KG for outdoor plants	-

[a] Weighted average of expected loss of plants until harvest represents loss via plants that do not survive to the point of harvest. It does not include any financial loss on a surviving plant.

[b] The estimated selling price (per gram) represents the average historical sales price for products sold as retail products.

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.

The following table presents the effect of 10% positive/negative change in each input on the fair value of hemp plants biological assets as at September 30, 2018 and December 31, 2017:

Assumption	10% change as at September 30, 2018 \$	10% change as at December 31, 2017 \$
Weighted average of expected loss of plants until harvest	710	-
Expected yields for hemp plants	63,848	-
Weighted average number of growing weeks completed as a percentage of total growing weeks	49,986	-
Estimated selling price	67,633	-
After harvest cost to complete and sell	6,961	-

The Company estimates the harvest yields for hemp plants at various stages of growth. As of September 30, 2018, it is expected that the Company's hemp plant biological assets will yield approximately 264,600 grams [December 31, 2017 – nil] of hemp flower when harvested.

7. Other assets

The Company's other current assets include the following:

	September 30, 2018	December 31, 2017
	\$	\$
Prepayments and deposits	3,158,940	432,128
Input tax receivable	2,000,453	3,148,701
	5,159,393	3,580,829

The Company's other non-current assets include the following:

	September 30, 2018	December 31, 2017
	\$	\$
Prepayments and deposits	-	767,944
Deposits made for equipment	13,470,519	-
	13,470,519	767,944

Other non-current assets include Nil [December 31, 2017 – €530,000 (\$767,944)] of amounts paid for the purpose of acquiring an option to purchase property in Germany for €3,000,000 [\$4,506,000]. The option to purchase property in Germany is a related party transaction between Maricann and another company that is affiliated with an executive of the Company [note 14]. During the period ended September 30, 2018, the Company completed the purchase of the property in Germany. [note 9]

8. Property, plant and equipment

	Furniture and fixtures	Computer equipment	Agricultural equipment	Leasehold improvements	Land	Production Equipment	Building	Vehicles	Construction in Progress	Assets under Capital lease	Total
Cost	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
As at December 31, 2016	53,727	357,535	776,656	5,365,491	1,245,968	—	—	—	692,077	—	8,491,454
Additions	90,447	253,916	686,343	1,234,066	—	—	—	—	19,997,962	—	22,262,734
As at December 31, 2017	144,174	611,451	1,462,999	6,599,557	1,245,968	—	—	—	20,690,039	—	30,754,188
Additions	1,189,764	2,996,818	4,615,012	102,247	302,597	67,289	8,019,743	549,641	31,667,795	557,843	50,068,750
As at September 30, 2018	1,333,938	3,608,269	6,078,010	6,701,804	1,548,565	67,289	8,019,743	549,641	52,357,834	557,843	80,822,937

	Furniture and fixtures	Computer equipment	Agricultural equipment	Leasehold improvements	Land	Production Equipment	Building	Vehicles	Construction in Progress	Assets under Capital lease	Total
Accumulated depreciation	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
As at December 31, 2016	22,561	168,983	115,756	1,021,870	—	—	—	—	—	—	1,329,170
Depreciation	22,308	154,788	117,241	692,336	—	—	—	—	—	—	986,673
As at December 31, 2017	44,869	323,771	232,997	1,714,206	—	—	—	—	—	—	2,315,843
Depreciation	51,662	184,492	131,200	597,391	—	561	21,612	—	—	1,258	988,175
As at September 30, 2018	96,531	508,263	364,197	2,311,597	—	561	21,612	—	—	1,258	3,304,018

	Furniture and fixtures	Computer equipment	Agricultural equipment	Leasehold improvements	Land	Production Equipment	Building	Vehicles	Construction in Progress	Assets under Capital lease	Total
Net book value	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
As at December 31, 2017	99,305	287,680	1,230,002	4,885,351	1,245,968	—	—	—	20,690,039	—	28,438,345
As at September 30, 2018	1,237,408	3,100,006	5,713,813	4,390,207	1,548,565	66,729	7,998,131	549,641	52,357,834	556,585	77,518,919

The Company is constructing a 225,000 square foot production facility in Langton, Ontario. Property, plant and equipment includes \$63,495,530 [December 31, 2017 – \$21,936,007] of expenditures related to the construction of this facility and expansion of German facilities, which is not currently being amortized. Amortization will commence when construction is complete and the facility is available for its intended use.

Borrowing costs of \$1,070,361 and \$3,343,621 for the three and nine months ended September 30, 2018 [2017 – \$nil] were capitalized as land and buildings during the three and nine months ended September 30, 2018.

9. Acquisitions

(a) Acquisition of Nanoleaf Technologies Inc. [the "Acquisition"]

On October 27, 2017, the Company completed the acquisition of all the issued and outstanding shares of Nanoleaf Technologies Inc. ["Nanoleaf"]. Nanoleaf is a biotech company with licensing rights to patented nano-technology for ingestible cannabinoid delivery called VESIsorb ®. The transaction was accounted for as an asset acquisition.

The Company acquired all of the common shares of Nanoleaf for a total consideration of \$33,439,714 consisting of:

	\$
Consideration	
18,333,319 common shares ⁽¹⁾	24,566,648
Contingent consideration	7,273,066
Cash	1,600,000
	<u>33,439,714</u>

⁽¹⁾ 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 weighted average price of Maricann common shares for the preceding 20-day period [the "Adjustment VWAP"] is less than \$2.10 per share, the Company will issue incremental shares to the Nanoleaf vendors ["Adjustment Shares"] in accordance with the following formula:

$$(\$38,500,000 / \text{Adjustment VWAP}) - \text{Number of Closing Shares issued}$$

The Adjustment VWAP is subject to a minimum of \$1.40 per Maricann share, resulting in a maximum number of Adjustment Shares of approximately 9,200,000. During the nine-months ended September 30, 2018, the Company issued 953,604 Adjustment Shares with a value of \$1,981,195 to the Nanoleaf shareholders, this value was reallocated from contributed surplus to share capital.

The initial 18,333,319 common shares issued pursuant to the acquisition agreement were valued based on the closing share price of the Company on October 27, 2017, which was \$1.34.

The contingent consideration was valued using a model to simulate the share price at the expiry date using the following parameters:

Time to expiry	0.49 years
Share price at onset	\$1.34
Volatility	68.9%
Risk free interest rate	1.25%

The model simulated multiple trials and the mean was used for purpose of valuing the contingent consideration which was recorded to contributed surplus as at December 31, 2017.

The allocation of the consideration to the fair value of the net assets acquired at the date of acquisition is as follows:

	\$
Other assets – Input tax receivable	56,357
Intangible asset – Intellectual property	33,383,357
	33,439,714

(b) Haxxon AG [“Haxxon”]

On May 10, 2018, the Company, through its wholly-owned subsidiary, Maricann B.V., completed the acquisition of Haxxon, a Swiss company that cultivates female hemp cannabis flowers, with less than 1% THC to the Swiss market. The Company acquired all of the issued and outstanding shares of Haxxon for aggregate consideration of \$9,476,109. The transaction was accounted for as a business combination.

	\$
Consideration:	
Cash (CHF2,000,000)	2,548,800
3,848,505 common shares	6,696,399
Contingent consideration ⁽¹⁾	230,910
	9,476,109

⁽¹⁾ Contingent consideration payable of \$230,910 represents the value of 132,707 common shares that are issuable after the second anniversary of the closing of the transaction, provided certain representations and warranties of the seller remain in good standing. The contingent consideration was recorded to contributed surplus on the condensed interim consolidated statement of financial position as at September 30, 2018 as the number of common shares issuable is fixed.

The allocation of the consideration to the fair value of the net assets acquired and liabilities assumed at the date of acquisition is as follows:

	\$
Cash	11,696
Prepaid expenses and deposits	85,385
Inventories	255,428
Biological assets	19,881
Property and equipment	594,141
Accounts payable and other payables	(193,839)
Goodwill	8,703,417
	9,476,109

Goodwill represents expected synergies, estimated income, future growth, and other intangibles that do not qualify for separate recognition. The Company estimates \$nil goodwill to be deductible for tax purposes.

Net cash outflow on acquisition of Haxxon was as follows:

	\$
Cash consideration	2,548,800
Less: cash acquired	(11,696)
	2,537,104

During the nine months ended September 30, 2018, acquisition related costs of \$62,245 have been excluded from the consideration transferred and have been recognized as an expense in the current period.

For the nine months ended September 30, 2018, Haxxon accounted for \$126,402 in net income since May 10, 2018. This amount included revenues of \$184,558.

The purchase price allocation is based on management's preliminary assessment of the fair value of the assets acquired and liabilities assumed at the date of acquisition and is subject to change. Management expects to complete the assessment within the next fiscal year.

(c) Proimaging AG ["Proimaging"]

On August 15, 2018, the Company completed the acquisition of all the issued and outstanding shares of Proimaging AG ["Proimaging"]. Proimaging is a Swiss company with title to a 400,000 square foot proposed clean-room cultivation, processing and extraction plant located in Ebersbach, Germany. The facility is comprised of multiple individual clean rooms that are ideal for cultivation of cannabis. The transaction was accounted for as an asset acquisition.

The Company acquired all of the common shares of Proimaging for a total consideration of €3,410,000 (\$5,062,340) consisting of:

	\$
Consideration	
Cash	5,062,340

The allocation of the consideration to the fair value of the net assets acquired at the date of acquisition is as follows:

	\$
Cash	24,588
Working capital	157,420
Equipment	82,487
Land	302,597
Building	4,495,248
	5,062,340

10. Intangible assets and Goodwill

A continuity of the intangible assets for the nine months ended September 30, 2018 is as follows:

	Balance at December 31, 2017	Acquisition Additions	Amortization	Balance at September 30, 2018
Cost	\$	\$	\$	\$
Intellectual property <i>[note 9]</i>	32,588,515	—	(3,576,789)	29,011,726
Exclusivity agreement <i>[i]</i>	1,277,530	—	(191,630)	1,085,900
Total	33,866,045	—	(3,768,419)	30,097,626

[i] In December 2017, the Company entered into an exclusivity agreement [the “RD Agreement”] with Rare Dankness LLC [“RD”] to bring certified strains and cannabis products to Canada. The RD Agreement provides the Corporation with exclusive distribution and retail rights for the Canadian markets for specified Rare Dankness Genetics and Products for a five-year term, subject to the Company meeting minimum wholesale targets each year or paying an exclusivity fee and a right of first refusal to act as RD’s exclusive distributor for such products in Europe. The RD Agreement is subject to a one-time non-refundable payment of USD\$500,000 [\$627,530], which was paid as at September 30, 2018. RD shall be entitled to 50% of all profits on wholesale sales of products by the Company. Additionally, the Company is to issue three tranches of \$250,000 in common share purchase options on execution of the RD Agreement and on each of the first and second anniversaries. The first tranche has been issued as at September 30, 2018. The Company has capitalized the fair value of the three \$250,000 tranches using a discount rate of 18%. The exercise price of such options will be equal to the greater of the price of Maricann common shares at market close on the principal exchange on which the common shares trade on the date of issuance or the day prior to the date of issuance. Options shall vest on the date that is four months following the issuance date. The Company has capitalized \$1,227,530 to intangible assets, of which \$650,000 has correspondingly been recorded as an increase to contributed surplus in 2017 representing the present value of the \$750,000 of common share purchase options to be issued.

A continuity of the goodwill for the nine months ended September 30, 2018 is as follows:

	Balance at December 31, 2017	Acquisition Additions	Balance at September 30, 2018
	\$	\$	\$
Haxxon AG <i>[note 9]</i>	—	8,703,417	8,703,417
	—	8,703,417	8,703,417

11. Convertible debentures and warrants

	2017 Debentures
Convertible debentures (issued in 2017)	\$
Balance, as at December 31, 2016	—
Convertible debentures and warrants issued	31,000,000
Less: Equity component of convertible debenture [i]	(3,797,580)
Less: Warrants [ii]	(2,086,074)
Less: Deferred financing fees on financial liability	(1,696,518)
Accretion and accrued interest	730,844
Balance, as at December 31, 2017	24,150,672
Less: Conversion of convertible debentures	(9,537,000)
Less: Interest paid	(2,002,730)
Accretion and accrued interest	3,344,155
Balance, as at September 30, 2018	15,955,097
Current as at September 30, 2018	(1,931,670)
Long term as at September 30, 2018	14,023,427

[i] Within shareholders' equity, the equity component of convertible debentures is presented net of issuance costs of \$256,561.

[ii] Within shareholders' equity, the warrants associated with the convertible debentures (issued in 2017) is presented net of issuance costs of \$140,933.

The liability component of the convertible notes was valued using Company specific interest rates assuming no conversion features existed. The debt component is accreted to its fair value over the term to maturity as a non-cash interest charge and the equity component is presented in contributed surplus.

During the nine months ended September 30, 2018, the Company paid interest of \$2,002,730 (2017 – nil) and issued 5,960,625 (2017 – nil) common shares on partial conversion of \$9,537,000 (2017 – nil) convertible debentures. As at September 30, 2018, the remaining principal amount outstanding is \$21,463,000.

12. Share capital

Authorized

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.

Reconciliation of the Company's share capital is as follows:

	Common shares	
	#	\$
Balance, as at December 31, 2016	41,230,604	8,991,682
Common shares issued	63,839,419	114,752,176
Balance, as at December 31, 2017	105,070,023	123,743,858
Common shares issued	34,813,738	57,058,338
Balance, as at September 30, 2018	139,883,761	180,802,196

- [i] On January 9, 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. 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 "Special Warrant 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 Special Warrant Units issuable upon exercise of the Special Warrants; and (ii) May 10, 2018. Each Special Warrant entitles the holder thereof to one Special Warrant Unit consisting of 1.05 common shares of the Company and 0.525 of a common share purchase warrant of the Company. Each full 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. Insiders of the Company or their associates participated in the SW Offering for an aggregate amount of \$929,500. On Closing, the Company paid the agent a commission of \$1,941,900 and legal fees and expenses of \$513,970. The issued 970,950 compensation options at a fair value of \$2,023,021. The compensation options have the same terms as the Special Warrants and expire on January 9, 2020, subject to adjustment in certain events. The fair value of the compensation options at the date of grant was estimated as \$2.08 per compensation options based on the following weighted average assumptions: stock price volatility – 88.69%; risk-free interest rate – 1.79%; dividend yield - 0%; and expected life - 2 years. A receipt for the final prospectus was obtained on March 28, 2018. On April 4, 2018, the Special Warrants were exercised into Units of the Company and as a result the Company issued 21,131,250 common shares and 10,565,625 common share purchase warrants of the Company. The issued 10,565,625 warrants were attributed a fair value of \$4,213,367 net of issuance costs of \$527,568. The fair value of the warrants at the date of grant was estimated as \$0.96 per warrant based on the following weighted average assumptions: stock price volatility – 96.81%; risk-free interest rate – 1.94%; dividend yield - 0%; and expected life – 2.77 years.
- [ii] On January 26, 2018, 122,040 common shares were issued on the exercise of 122,040 stock options for gross proceeds of \$18,000. Non-cash compensation charges of \$72,204 were reclassified from contributed surplus to share capital on the exercise of these stock options.

- [iii] During the nine-month period ended September 30, 2018, 1,435,500 warrants were exercised at \$1.25 for gross proceeds of \$1,794,510, 24,414 warrants were exercised at \$2.30 for gross proceeds of \$56,152 and 105,000 warrants were exercised at \$2.35 for gross proceeds of \$246,750. An amount of \$1,488,839 was reclassified from contributed surplus to share capital.
- [iv] During the nine-month period ended September 30, 2018, the Company issued 433,000 common shares at a fair value of \$1,405,090 to consultants pursuant to consulting agreements, of this amount \$1,242,090 was recognized within production costs during the nine months ended September 30, 2018 and \$163,000 was included within general and administrative on the consolidated statement of loss and comprehensive loss for the year ended December 31, 2017. Non-cash compensation charges of \$163,000 were reclassified from contributed surplus to share capital on the issuance of these common shares.
- [v] During the nine-month period ended September 30, 2018, the Company issued 5,960,625 common shares on partial conversion of \$9,537,000 convertible debentures. An amount of \$1,089,377 was reclassified from contributed surplus to share capital upon the conversion.
- [vi] During the nine-month period ended September 30, 2018, the Company issued 953,604 Adjustment Shares valued at \$1,981,195 to the Nanoleaf shareholders *[note 9]*.
- [vii] On May 10, 2018, the Company issued 3,848,505 common shares of the Company at a fair value of \$6,696,399 pursuant to the acquisition of Haxxon. *[note 9]*.
- [viii] During the nine-month period ended September 30, 2018, 799,800 common shares were issued upon the exercise of compensation options for gross proceeds of \$899,775. An amount of \$209,400 was reclassified from contributed surplus to share capital.
- [ix] During the nine-month period ended September 30, 2018, the Company closed a private placement offering (the "August SW Offering") of special warrants (the "August Special Warrants") for aggregate gross proceeds of \$37,401,760. Pursuant to the August SW Offering, the Company issued 23,376,100 August Special Warrants, at a price of \$1.60 per August Special Warrant. Each August Special Warrant 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 obtained receipt from the applicable securities regulatory authorities (the "Securities Commissions") for a (final) prospectus (the "Qualifying Prospectus") qualifying distribution of the Units issuable upon exercise of the Special Warrants; and (ii) the date that is four months and one day after the closing of the offering, subject to adjustment in certain events. Each August Special Warrant, entitles the holder thereof to one Unit consisting of one common share of the Company (each, a "Common Share") and one Common Share purchase warrant of the Company (a "Warrant"). Each Warrant is exercisable to acquire one Common Share at a price of \$1.75 per Common Share until August 10, 2020, subject to adjustment in certain events. In connection with the August SW Offering, the agents received a cash commission and 930,680 compensation warrants. Each compensation warrant entitles the holder thereof to acquire one Unit at a price of \$1.60 per Unit until August 10, 2020, subject to adjustment in certain events. In connection with the completion of the offering, two officers entered into securities lending agreements pursuant to which they lent (together, the "Loans") two of the subscribers in the offering an aggregate of 2,708,000 freely-tradeable common shares (the "Loaned Shares") until the date that is four months and one day following closing of the offering (the "Securities Lending"). As collateral for the Securities Lending, the borrowers of the Loaned Shares have pledged a total of 2,708,000 Special Warrants which they acquired in connection with the Offering. In connection with the provision of the Loans, the Issuer has agreed to pay the officers an aggregate fee in an amount equal to \$216,640, to be allocated between such officers pro rata based on the number of Loaned Shares lent by each of them pursuant to the Securities Lending agreements. On Closing, the Company paid the agent a commission of \$1,489,088 and legal fees and expenses of \$103,637. The issued 930,680 compensation options at a fair value of \$623,616.

The compensation options have the same terms as the Special Warrants and expire on August 10, 2020, subject to adjustment in certain events. The fair value of the compensation options at the date of grant was estimated as \$0.67 per compensation option based on the following weighted average assumptions: stock price volatility – 76.41%; risk-free interest rate – 2.10%; dividend yield - 0%; and expected life - 2 years. A receipt for the final prospectus was obtained on October 2, 2018. On October 4, 2018, the Special Warrants were exercised into Units of the Company and as a result the Company issued 23,376,100 common shares and 23,376,100 common share purchase warrants of the Company.

Share options

The Company has established a stock option plan [the “Option Plan”] for directors, officers, employees and consultants of the Company. The Company’s Board of Directors determines, among other things, the eligibility of individuals to participate in the Option Plan and the term, vesting period, and the exercise price of options granted to individuals under the Option Plan.

Each share option converts into one common share of the Company on exercise. No amounts are paid or payable by the individual on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The Company’s Option Plan provides that the number of common shares reserved for issuance may not exceed 10% of the aggregate number of common shares that are outstanding unless the Board of Directors shall have increased such limit by a resolution. If any options are exercised, terminate, expire, or are cancelled as contemplated by the Option Plan, the number of options so exercised, terminated, expired, or cancelled shall again be available under the Option Plan.

[i] *Share-based payment arrangements*

As at September 30, 2018, the Company had the following share-based payment arrangements:

[a] Equity-settled arrangements

Grant date/individual entitled	Number of instruments	Vesting conditions	Contractual life of option
<i>Options granted to employees and outstanding as at September 30, 2018</i>			
On October 2, 2017	250,000	50% vesting upon six months other 50% upon twelve months from start of employment	3 years
On December 7, 2017	125,000	25% vesting quarterly from start of employment	5 years
On December 15, 2017	2,333,334	One third on date of grant, one third on first and second anniversaries	5 years
On December 19, 2017	155,000	25% vesting quarterly starting March 19, 2018	5 years
On January 8, 2018	280,000	25% vesting quarterly from start of employment	5 years
On January 15, 2018	80,000	25% vesting quarterly from start of employment	5 years
<i>Options granted to non-employees and outstanding as at September 30, 2018</i>			
On December 6, 2017	150,000	Fully vested	3 years
On December 19, 2017	314,417	Fully vested	5 years
On December 19, 2017	157,209	Fully vested	5 years
On January 15, 2018	36,385	Fully vested	5 years
Total share options	3,881,345		

[b] Cash-settled arrangements

Grant date/individual entitled	Number of instruments	Vesting conditions	Contractual life of option
<i>Options granted to non-employees</i>			
On January 1, 2016	305,100	1 year of service from grant date	4 years
Total share options	305,100		

[ii] *Measurement of fair values*

The fair value of share options granted during the nine-month periods ended September 30, 2018 and 2017 was estimated at the date of grant using the Black-Scholes option pricing model using the following inputs:

Employee options

	Equity-settled arrangements	
	September 30, 2018	September 30, 2017
Employee options		
Grant date fair value [weighted average]	\$2.31	n/a
Exercise price [weighted average]	\$3.33	n/a
Expected dividend yield	0%	n/a
Risk-free interest rate [weighted average]	1.98%	n/a
Expected option life in years [weighted average]	5.00	n/a
Expected volatility [weighted average]	88.89%	n/a

Non-employee options

	Equity-settled arrangements		Cash-settlement arrangements	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Non-employee options				
Grant date fair value [weighted average]	\$2.16	\$2.37	n/a	\$1.90
Exercise price [weighted average]	\$3.10	\$0.90	n/a	\$0.62
Expected dividend yield	0%	0%	n/a	0%
Risk-free interest rate [weighted average]	1.99%	0.75%	n/a	0.75%
Expected option life in years [weighted average]	5.00	2	n/a	4
Expected volatility [weighted average]	89.24%	98.89%	n/a	94.17%

Expected volatility was estimated by considering the historical volatility of the Company and of other companies that the Company considers comparable that have trading and volatility history. The expected option life represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on the government of Canada bonds with a remaining term equal to the expected life of the options.

[iii] Reconciliation of outstanding equity-settled share options

	Options Issued #	Weighted average exercise price \$
Outstanding as at December 31, 2016	3,426,883	0.26
Options issued	4,664,804	2.08
Options exercised	(2,915,841)	0.20
Options expired	(330,117)	0.44
Options forfeited	(266,963)	1.00
Outstanding as at December 31, 2017	4,578,766	1.90
Options issued	396,385	3.30
Options exercised	(122,040)	0.15
Options forfeited	(971,766)	1.48
Outstanding as at September 30, 2018	3,881,345	2.20

The following table is a summary of the Company's share options outstanding as at September 30, 2018:

Exercise price \$	Options outstanding #	Expiry date	Weighted average remaining contractual life [years]	Options exercisable #
1.52	250,000	October 2, 2020	2.01	125,000
2.18	150,000	December 6, 2020	2.18	150,000
2.14	125,000	December 7, 2022	4.19	93,750
2.13	2,333,334	December 15, 2022	4.21	1,000,000
2.05	626,626	December 19, 2022	4.22	587,876
3.39	280,000	January 8, 2023	4.28	140,000
3.10	116,385	January 15, 2023	4.30	76,385
2.20	3,881,345		4.00	2,173,011

[iv] Share-based awards

Employee

In August and October 2016, the Company entered into an arrangement with a key management employee to issue 4,960,926 common shares of the Company upon meeting certain market and non-market conditions.

There are three tranches as follows:

- 30% and 45% of the award vests based on securing certain additional minimum investments in common shares at certain specified minimum pre-money valuations.
- 25% of the award vests upon final inspection and approval by the applicable municipal authorities on Phase 1 of the expansion plan. During the nine-months ended September 30, 2018, the vesting of this award was accelerated.

The grant date fair value was \$0.66 per share and reflects the high probability of meeting market conditions present in the first two tranches. As at September 30, 2018, 1,240,231 [December 31, 2017 – 1,240,231] share-based awards were outstanding. Subsequent to September 30, 2018, these common shares were issued to the key management employee.

Non-employee

In November 2017, the Company entered into an arrangement with a non-employee to provide consulting services with respect to manage and coordinate all elements of the Company's business related to cultivation, harvesting and processing of cannabis for \$375,000 on an annual basis. In addition to the annual consideration, the consultant is entitled to common shares of the Company as follows: 334,000 upon executing of the agreement (issued in December 2017); 333,000 on January 18, 2018 (issued) and 333,000 on January 18, 2019. For the nine-month period ended September 30, 2018, the Company issued 333,000 common shares and recognized an expense of \$1,242,090 within production costs with a corresponding amount in share capital. The consultant is also entitled to certain additional cash payments based on cannabis yield.

[v] Share-based compensation expense

Employee options

The Company recognized \$509,589 and \$2,330,259 [three and nine months ended September 30, 2017 - \$749,691 and \$3,138,359] of share-based compensation expense to employees during the three and nine-months ended September 30, 2018 with a corresponding amount recognized as a contributed surplus. See above per "Measurement of Fair Values" for significant assumptions used.

Non-employee options

The Company recognized \$71,343 of share-based compensation to non-employees during the three-months ended September 30, 2018 and \$156,044 of share-based compensation to non-employees during the nine months ended September 30, 2018 [three and nine months ended September 30, 2017 – \$308,744 and expense of \$1,531,547]. Of this amount, a recovery of \$215,142 [2017 – expense of \$791,926] are cash settled options, accordingly has been accounted for as a liability to the Company, the balance of \$371,186 [2017 – \$739,621] are equity-settled awards with a corresponding amount recognized as contributed surplus. The nature of the services by the Company related to professional services and the amount has been expensed within the Company's sales and marketing expenses. See above per "Measurement of Fair Values" for significant assumptions used. In addition, during the nine-month period ended September 30, 2018, 305,100 options valued at \$639,853 were forfeited and were reversed from contributed surplus.

[vi] Liabilities arising from cash-settled options

Details of the liabilities arising from the cash-settled options are as follows:

	September 30, 2018	December 31, 2017
	\$	\$
Total carrying amount of liability	414,291	629,434
Total intrinsic value of liabilities for vested options	394,294	610,915

[vii] Compensation warrants

During the year ended December 31, 2017, the Company granted 250,000 compensation Warrants valued at \$92,469 for services received. The compensation Warrants are exercisable into common shares of the Company, at a price of \$2.00 per share for a period of two years. The fair value of these compensation Warrants at the date of grant and issuance was estimated using the Black-Scholes option pricing model at \$0.37 per Warrant, based on the following weighted average assumptions: expected annualized volatility of 64.52%; risk-free interest rate of 1.09%; expected dividend yield of 0%; expected life of two years. The Company has further committed to issue an additional 250,000 compensation Warrants in eight months under the same terms subject to meeting service obligations. During the three and nine months ended September 30, 2018, the Company recognized \$nil and \$23,117 (2017 - \$nil) as consulting expense within general and administrative expenses on the condensed interim consolidated statements of loss and comprehensive loss for 250,000 warrants to be issued related to the additional Warrants. As at September 30, 2018, \$184,938 (December 31, 2017 - \$161,821) was recognized in contributed surplus.

During the year ended December 31, 2017, the Company also granted 200,000 compensation Warrants valued at \$76,666 for services received. The compensation Warrants are exercisable into common shares of the Company, at a price of \$2.00 per share for a period of two years. The fair value of these compensation Warrants at the date of grant and issuance was estimated using the Black-Scholes option pricing model at \$0.38 per Warrant, based on the following weighted average assumptions: expected annualized volatility of 64.13%; risk-free interest rate of 1.10%; expected dividend yield of 0%; expected life of two years. The Company has further committed to issue an additional 200,000 compensation Warrants in eight months under the same terms subject to meeting service obligations. During the three and nine months ended September 30, 2018, the Company recognized \$nil and \$19,167 (2017 - \$nil) as consulting expense within general and administrative expenses on the condensed interim consolidated statements of loss and comprehensive loss for 200,000 warrants to be issued related to the additional Warrants. As at September 30, 2018, \$153,332 (December 31, 2017 - \$134,166) was recognized in contributed surplus.

[viii] Share purchase warrants

Each whole warrant entitles the holder to purchase one common share of the Company. A summary of the status of the warrants outstanding follows:

	Warrants classified as equity #	Weighted average exercise price \$
Balance, as at December 31, 2016	—	—
Issued	21,403,000	1.74
Exercised	(9,814,500)	1.25
Balance, as at December 31, 2017	11,588,500	2.16
Issued	10,652,733	2.35
Exercised	(1,564,914)	1.34
Balance, as at September 30, 2018	20,676,319	2.32

The following table summarizes the warrants that remain outstanding as at September 30, 2018:

Exercise Price \$	Warrants #	Expiry Date
2.00	250,000	June 29, 2019
2.00	200,000	July 1, 2019
2.30	9,678,586	October 27, 2020
2.87	87,108	January 2, 2020
2.35	10,460,625	January 9, 2021
	20,676,319	

[ix] Compensation options

A summary of the status of the compensation options outstanding follows:

	Compensation options #	Weighted average exercise price \$
Balance, as at December 31, 2016 ⁽¹⁾	900,000	1.00
Issued	727,873	2.40
Exercised	(500,100)	1.00
Balance, as at December 31, 2017	1,127,773	1.96
Issued	1,901,630	1.98
Exercised	(399,900)	1.00
Balance, as at September 30, 2018	2,629,503	2.10

⁽¹⁾ Each compensation option entitles the holder to purchase one common share and one share purchase warrant of the Company at \$1.25 per whole warrant for a period of two years.

13. (Loss) per share

(Loss) per common share represents net (loss) for the period divided by the weighted average number of common shares outstanding during the period.

Diluted (loss) per share is calculated by dividing the applicable net (loss) by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period.

For all periods presented, diluted loss per share equals basic loss per share due to the anti-dilutive effect of the dilutive securities.

14. Related parties

Transactions and balances with related parties

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

- [i] During the year ended December 31, 2017, the Company incorporated Maricann GmbH and Mariplant GmbH, limited liability entities in Germany. The Company through its wholly owned subsidiary Maricann B.V. owns 95% of the issued and outstanding shares of the entities, while the remaining 5% non-controlling interest is retained by a key management employee of the newly incorporated subsidiaries. This 5% non-controlling interest can be put to the Company for redemption at €5,000 in certain circumstances and therefore has been classified as a liability. In addition, the key management employee is entitled to a profit share of 5% subject to certain adjustments provided the individual continues to provide employee services to the Company. Maricann GmbH and Mariplant GmbH serves to allow the Company to expand in to the German market.
- [ii] During January 2017, the Company entered into an agreement with an operator of a clinical network, who is a shareholder of the Company, to provide assessment and education with respect to medical cannabis for the Company. As at December 31, 2017, the amount provided to this related party was \$125,000. The loan bears interest at 6% per annum and is due in January 2018. The balance was collected in January 2018.
- [iii] During the year ended December 31, 2017, the Company entered into a reservation agreement to acquire for €3,000,000 [\$4,560,600] an entity in Germany. Such entity holds a property in Naunhof, Germany that the Company intends to utilize in the event of obtaining required licenses in Germany to cultivate and distribute cannabis for medical purposes. An entity jointly owned by the CEO of the Company and a key management employee of the Company's German subsidiaries held 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. During the nine month period ended September 30, 2018, the Company acquired this German entity, Proimaging. [see note 9].

Management compensation

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

Compensation expense for the Company's key management personnel for the three and nine months ended September 30, 2018 and 2017 is as follows:

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

15. Commitments and contingencies

Commitments

The Company's production facility at 150 8th Concession, Langton, Ontario under an operating lease arrangement expires on October 31, 2023 and the Company has administrative offices under operating lease arrangements until 2023. The Company has the right under a production facilities lease arrangement to extend the leases by another five years. The following table presents the minimum payments due over the next five years and thereafter until the termination of the leasing arrangement.

	\$
2018	191,924
2019	552,120
2020	534,003
2021	546,464
2022	532,644
2023 and beyond	229,050
	2,586,205

Contingencies

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.

16. Subsequent events

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

TAB 5



WAYLAND

Wayland Group Announces Changes to the Board of Directors

TORONTO, Feb. 21, 2019 -- Wayland Group Corp. (CSE:WAYL) (FRANKFURT: 75M) (OTCQB:MRRCF) ("Wayland" or the "Company") announces the following change to its Board of Directors.

Michael Stein has resigned as Director of Wayland Group Corp. Wayland would like to thank Mr. Stein for his many contributions to the Company and wishes him well in his future endeavors.

About Wayland Group

Wayland is a vertically integrated cultivator and processor of cannabis. The Company was founded in 2013 and is based in Burlington, Ontario, Canada and Munich, Germany, with production facilities in Langton, Ontario where it operates a cannabis cultivation, extraction, formulation, and distribution business under federal licenses from the Government of Canada. The Company also has production operations in Dresden, Saxony, Germany, Regensdorf, Switzerland and, Alessandria, Piedmont, Italy. Wayland will continue to pursue new opportunities globally, including the consummation of its previously announced transactions in the United Kingdom, Australia, Colombia, and Argentina, in its effort to enhance lives through cannabis.

Forward Looking Information

This news release includes forward-looking information and statements, which may include, but are not limited to, information and statements regarding or inferring the future business, operations, financial performance, prospects, and other plans, intentions, expectations, estimates, and beliefs of the Company. Forward-looking information and statements involve and are subject to assumptions and known and unknown risks, uncertainties, and other factors which may cause actual events, results, performance, or achievements of the Company to be materially different from future events, results, performance, and achievements expressed or implied by forward-looking information and statements herein. Although the Company believes that any forward-looking information and statements herein are reasonable, in light of the use of assumptions and the significant risks and uncertainties inherent in such information and statements, there can be no assurance that any such forward-looking information and statements will prove to be accurate, and accordingly readers are advised to rely on their own evaluation of such risks and uncertainties and should not place undue reliance upon such forward-looking information and statements. Any forward-looking information and statements herein are made as of the date hereof, and except as required by applicable laws, the Company assumes no obligation and disclaims any intention to update or revise any forward-looking information and statements herein or to update the reasons that actual events or results could or do differ from those projected in any forward looking information and statements herein, whether as a result of new information, future events or results, or otherwise, except as required by applicable laws.

The Canadian Securities Exchange has not reviewed, approved or disapproved the content of this news release

For more information about Wayland, please visit our website at www.waylandgroup.com

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c/o Wayland
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80333 Munich



WAYLAND

Wayland Group Announces Changes to the Board of Directors

TORONTO, Feb. 22, 2019 -- Wayland Group Corp. (CSE:WAYL) (FRANKFURT: 75M) (OTCQB:MRRCF) ("Wayland" or the "Company") announces the following change to its Board of Directors.

Eric Silver has resigned as Director of Wayland Group Corp. Wayland would like to thank Mr. Silver for his many contributions to the Company and wishes him well in his future endeavors.

About Wayland Group

Wayland is a vertically integrated cultivator and processor of cannabis. The Company was founded in 2013 and is based in Burlington, Ontario, Canada and Munich, Germany, with production facilities in Langton, Ontario where it operates a cannabis cultivation, extraction, formulation, and distribution business under federal licenses from the Government of Canada. The Company also has production operations in Dresden, Saxony, Germany, Regensdorf, Switzerland and, Allesandria, Piedmont, Italy. Wayland will continue to pursue new opportunities globally, including the consummation of its previously announced transactions in the United Kingdom, Australia, Colombia, and Argentina, in its effort to enhance lives through cannabis.

Forward Looking Information

This news release includes forward-looking information and statements, which may include, but are not limited to, information and statements regarding or inferring the future business, operations, financial performance, prospects, and other plans, intentions, expectations, estimates, and beliefs of the Company. Forward-looking information and statements involve and are subject to assumptions and known and unknown risks, uncertainties, and other factors which may cause actual events, results, performance, or achievements of the Company to be materially different from future events, results, performance, and achievements expressed or implied by forward-looking information and statements herein. Although the Company believes that any forward-looking information and statements herein are reasonable, in light of the use of assumptions and the significant risks and uncertainties inherent in such information and statements, there can be no assurance that any such forward-looking information and statements will prove to be accurate, and accordingly readers are advised to rely on their own evaluation of such risks and uncertainties and should not place undue reliance upon such forward-looking information and statements. Any forward-looking information and statements herein are made as of the date hereof, and except as required by applicable laws, the Company assumes no obligation and disclaims any intention to update or revise any forward-looking information and statements herein or to update the reasons that actual events or results could or do differ from those projected in any forward looking information and statements herein, whether as a result of new information, future events or results, or otherwise, except as required by applicable laws.

The Canadian Securities Exchange has not reviewed, approved or disapproved the content of this news release

For more information about Wayland, please visit our website at www.waylandgroup.com

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TAB 6



WAYLAND

Wayland Group Announces Anticipated Delay in Annual Filings

TORONTO, April 23, 2019 -- Wayland Group Corp. (CSE:WAYL) (FRANKFURT: 75M) (OTCQB:MRRCF) ("Wayland" or the "Company") announced today that it anticipates a delay in filing its audited annual financial statements for the year ended December 31, 2018, the related management's discussion and analysis and certificates of its CEO and CFO (collectively, the "Required Filings") with Canadian securities regulators until after the April 30, 2019 filing deadline. The additional time is required to permit the Company's auditors, MNP LLP, to complete its review and enquiries in connection with the audit of the Company's 2018 financial statements. The Company and its auditors are working diligently, and the Company intends to make the Required Filings as soon as possible and it expects to make these filings by no later than June 14, 2019.

In connection with this anticipated delay, the Company has applied for a customary management cease trade order (the "MCTO") relating to the trading by the Company's CEO and CFO and each other member of the Company's board in securities of the Company from the Ontario Securities Commission, the Company's principal regulator in Canada. If granted, the MCTO should not affect the ability of other shareholders to trade in the securities of the Company.

If the MCTO is granted, the Company intends to comply with the provisions of the alternative information guidelines set out in Canadian National Policy 12-203 *Management Cease Trade Orders* ("NP 12-203") by providing bi-weekly updates by way of news release until the Required Filings have been made.

About Wayland Group

Wayland is a vertically integrated cultivator and processor of cannabis. The Company was founded in 2013 and is based in Burlington, Ontario, Canada and Munich, Germany, with production facilities in Langton, Ontario where it operates a cannabis cultivation, extraction, formulation, and distribution business under federal licenses from the Government of Canada. The Company also has production operations in Dresden, Saxony, Germany, Regensdorf, Switzerland and, Allessandria, Piedmont, Italy. Wayland will continue to pursue new opportunities globally in its effort to enhance lives through cannabis.

Forward Looking Information

This news release includes forward-looking information and statements, which may include, but are not limited to, information and statements regarding or inferring the future business, operations, financial performance, prospects, and other plans, intentions, expectations, estimates, and beliefs of the Company including, without limitation, the Company's anticipated delay in making the Required Filings, the date by which the Company intends to make the Required Filings, the Company's application for a customary MCTO, the expected absence of an impact on the ability of other securityholders to trade in the Company's securities and the Company's intention to comply with the provisions of the alternative information guidelines. Forward-looking information and statements involve and are subject to assumptions and known and unknown risks, uncertainties, and other factors which may cause actual events, results, performance, or achievements of the Company to be materially different from future events, results, performance, and achievements expressed or implied by forward-looking information and statements herein. Although the Company believes that any forward-looking information and statements herein are reasonable, in light of the use of assumptions and the significant risks and uncertainties inherent in such information and statements, there can be no assurance that any such forward-looking information and statements will prove to be accurate, and accordingly readers are advised to rely on their own evaluation of such risks and uncertainties and should not place undue reliance upon such forward-looking information and statements. Any forward-looking information and statements herein are made as of the date hereof, and except as required by applicable laws, the Company assumes no obligation and disclaims any intention to update or revise any forward-looking information and statements herein or to update the reasons that actual events or results could or do differ from those projected in any forward looking information and statements herein, whether as a result of new information, future events or results, or otherwise, except as required by applicable laws.

The Canadian Securities Exchange has not reviewed, approved or disapproved the content of this news release

For more information about Wayland, please visit our website at www.waylandgroup.com

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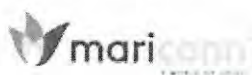
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TAB 7



Maricann Provides Equity Financing Update

Special Committee of Independent Directors Reviewing Trading Activity by Maricann Directors and Matters Involving its Chief Executive Officer

Raymond Stone and Neil Tabatznik Resign As Directors

Paul Pathak Appointed Interim Chairman of the Board

Not for dissemination or distribution in the United States or through U.S. newswire services.

TORONTO, Feb. 28, 2018 -- Maricann Group Inc. (CSE:MARI)(OTCQB:MRCCF)(FRANKFURT:75M), "**Maricann**" or the "**Company**") announced today that it has been advised orally by the underwriters that they are not prepared to proceed with the previously announced bought deal offering of 17,500,000 units of the Company, for gross proceeds of \$70,000,000 (the "**Offering**"). The Company has not received an official notice of termination of the Offering.

The Company also announces the resignations of Raymond Stone and Neil Tabatznik as directors and the appointment of Paul Pathak as interim chairman of the board.

The Company also announced that the Ontario Securities Commission ("**OSC**") has advised it that the OSC is conducting a review of the timing and reporting of certain trades in securities of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised by Messrs. Stone and Tabatznik and Eric Silver or their respective associates and affiliates or by other persons otherwise directly or indirectly related to them, as the case may be, that were effected prior to the announcement of the Offering. Messrs. Stone, Tabatznik and Silver have advised the Company that they are fully cooperating with the OSC in its review.

By letter dated February 8, 2018, Staff of the OSC also advised that Ben Ward is the subject of an investigation into his activities while he was CEO of Canadian Cannabis Corp., a company wholly unrelated to the Company. Prior to this, the Company was unaware of the matter. The Company is unaware of any facts that could reasonably lead it to conclude that this investigation has had, or will have, any impact on the ability of Mr. Ward to properly and effectively carry out his duties as CEO or director of the Company. Staff of the OSC have advised the Company that they are unable to provide it with any further information at this time. Mr. Ward has advised the Company that he is subject to the same restrictions under applicable securities law. The Company is advised by Mr. Ward that he is fully cooperating with the investigation and that he believes that he has acted at all times in a manner that is compliant with applicable securities law.

In connection with these matters, the Maricann board of directors established a special committee of independent directors that has full authority to review these trades and the OSC investigation involving Mr. Ward and any related matters and to make recommendations to the board on appropriate steps to be taken in response. The special committee became aware of the trades involving persons related to Mr. Silver only recently and is only beginning its review of that situation. The special committee retained Osler, Hoskin & Harcourt LLP to act as its independent legal counsel in connection with these matters.

On behalf of the special committee, director Paul Pathak said, "We have heard from many significant shareholders of the Company about their concerns with these matters, and we share them. In these circumstances, we appreciate Messrs. Stone and Tabatznik having resigned. The special committee's review is ongoing, but we are committed to providing the stakeholders of the Company with a further update on its review shortly."

As a result of these developments, the Company will not be in a position to file a final prospectus and obtain a receipt therefor for the qualification of the units underlying the 20,125,000 special warrants issued on January 9, 2018 before the deadline of 5:00 p.m. on February 27, 2018. Although the Company plans to file an amended preliminary prospectus and continue to seek qualification of the units underlying the special warrants, each unexercised special warrant will thereafter entitle the holder to receive, upon the exercise thereof, for no additional consideration, 1.05 units (instead of one (1) unit) provided, however, that any fractional entitlement to such units will be rounded down to the nearest whole unit.

About Maricann Group Inc.

Maricann is a vertically integrated producer and distributor of marijuana for medical purposes. The company was founded in 2013 and is based in Toronto, Canada and Munich, Germany, with production facilities in Langton, Ontario, Canada where it operates a medicinal cannabis cultivation, extraction, formulation and distribution business under federal licence from the Government of Canada and Dresden, Saxony, Germany. Maricann is currently undertaking an expansion of its cultivation and support facilities in Canada in a 942,000 sq. ft. (87,515 sq. m) build out, capable of producing 95,000 kg of dry cannabis flower per year to support existing and future patient growth.

For more information about Maricann, please visit our website at www.maricann.ca

Forward Looking Information

Certain statements in this document, contain forward-looking statements which can be identified by the use of forward-looking terminology such as “believes”, “expects”, “may”, “desires”, “will”, “should”, “projects”, “estimates”, “contemplates”, “anticipates”, “intends”, or any negative such as “does not believe” or other variations thereof or comparable terminology. No assurance can be given that potential future results or circumstances described in the forward-looking statements will be achieved or will occur. By their nature, these forward-looking statements, necessarily involve risks and uncertainties, including those discussed herein, that could cause actual results to significantly differ from those contemplated by these forward-looking statements. Such statements reflect the view of the Company with respect to the qualification of the special warrants and other future events, and are based on information currently available to the Company and on assumptions, which it considers reasonable. Management cautions readers that the assumptions relative to the future events, several of which are beyond Management’s control, could prove to be incorrect, given that they are subject to certain risk and uncertainties, and that actual results may differ materially from those projected. Factors which could cause results or events to differ from current expectations include, among other things: the outcome of the special committee’s review, the OSC’s review and any regulatory investigation; fluctuations in operating results; the impact of general economic, industry and market conditions; the ability to recruit and retain qualified employees; fluctuations in cash flow; increased levels of outstanding debt and obligations under a capital lease; expectations regarding market demand for particular products and the dependence on new product development; the impact of market change; and the impact of price and product competition. Management disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking information.

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The Canadian Securities Exchange has not reviewed, approved or disapproved the content of this news release.

TAB 8



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Maricann Group Inc.
c/o Scott Langille, CFO
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Re: Internal control observations

Dear Mr. Langille

In planning and performing our audit procedures for Maricann Group Inc. (the "Company") in connection with the audit of the Company's consolidated financial statements for the year-ended December 31, 2017, we noted certain matters involving internal control over financial reporting and its operation that we consider to be either deficiencies in internal control or opportunities for improvement in the Company's control environment.

The following suggestions, which resulted from our observations in performing our audit, are provided to you to assist in improving procedures and controls for the Company. The purpose of communication of our observations is not to be critical of any individual or group of individuals at the Company

The letter is not a communication on internal control under professional auditing standards and, accordingly, does not contain an opinion, a disclaimer of opinion, or an expression of negative assurance on the Company's design or operating effectiveness of internal control.

We restrict the letter solely for the information and use of management and if desired, those charged with governance.

Regards

Chartered Professional Accountants
Licensed Public Accountants

cc: Ben Ward, CEO
Audit Committee of the Board of Directors
Financial statement close process – Accrual Process

Observation

Each reporting period, the Company is required to estimate its accrued liability for services and goods received but not invoiced. In performing our audit, we noted significant differences in management's process for estimating the accruals related to construction in process. As part of our audit, management was not able to provide evidence to support its accrual provision. For example, for the



vendor Gerrie Electric Wholesale Limited, management had accrued for 95% of the total amount of an expected milestone 2 invoice for \$737,733. Based on our audit procedures, which included direct inquiry with the vendor, we were advised that as at December 31, 2017, 40% of the work pertaining to this invoice was performed in fiscal 2017.

As such, management had over accrued by \$521,162. We noted that the operations team in Langton had not effectively communicated the actual progress and project costs incurred to date to the finance team which resulted in an inaccurate estimate of accruals recorded by management.

Recommendation

To address the completeness risk of the accrual estimate, the finance team and operations should implement a process whereby the Company is able to obtain a greater degree of information from its vendor for purpose of estimating its liability for financial reporting purposes. In addition, we recommend a process whereby budget to actual expenditures are monitored to better ascertain overruns and estimates of the associated liability. At a minimum, management should make inquiries with all significant construction vendors regarding the progress of work performed and whether any overruns are to be expected. Management should adjust their estimated construction in progress accrual accordingly.

Management Response

Maricann has hired a Plant Controller starting mid-April at the Langton facility. This individual will work directly with the operations and construction teams in developing a more detailed and accurate month-end and quarter end closing process including cut-off procedures related to expenses and established payables and accrued liabilities. Additionally, the Company has approved a 2018 budget which will be tracked against actual expenditures.



Officer Expenses (Approval Process)

Observation

The Company has incurred significant officer expenses in fiscal 2017. As part of our audit, we reviewed expense reports of all officers and directors (Benjamin Ward, James Hyssen, Jeff Ayotte, Jeremy Blummer, Terry Fretz, John Bonin, Peter Saunders, Alexandre Sibilev, Stephen Lem, Raymond Stone, Bill Tyler and Steven Bennett). Certain expense reports were also associated with one of the 12 corporate American Express Cards held by executives and officers of the Company (see other management letter point). In performing our review, we noted that not all expense reports were signed off by the individuals and in certain cases did not have evidence of a reviewer.

Recommendation

Management should implement a formal process outlining the corporate policy for a proper review and approval process in a manner such that two individuals are not providing reciprocal sign offs. In considering other companies and their practice, a consideration for the Company is to have a member of the Board review and approve the CEO's expense reports. In addition, we recommend a process whereby the Board of Directors are provided with a summary of expense reports of executives by individual and by nature of expense.

Management Response

Since starting in Q4/17 the CFO and Controller have developed and implemented new expense policy guidelines. All expense reports are now reviewed in detail by Finance and compared to the new expense policy. In 2018 all CEO expenses are being sent to the Chair of the Board for approval after review by Finance. In 2018 we can provide a summary of company officer expenses to the Board on a quarterly basis.



Expense Policy (Travel Policy)

Observation

Maricann is in a growth and development stage in its business. As such, officers of the company are required to travel extensively. For the audit period, we noted that management does not have a formal expense policy outlining guidance for travel and entertainment related expenses (automobile rentals, meals, hotels, etc.). Based on our review of expense reports, expensed items noted include \$7,000 on an Oktoberfest event and a \$14,000 dinner in New York.

Recommendation

Management should have a formal document outlining the travel and entertainment policy. This policy should be circulated company-wide including all executives to allow for consistency and reasonableness of travel expenses. Amounts outside of set amounts per the policy should be declined absent a reasonable explanation.

Management Response

Since starting in Q4/17 the CFO and Controller have developed and implemented a new expense policy. All expense reports are now reviewed in detail by Finance and compared to the guidelines in the new expense policy.



Officer Expense (AMEX Corporate Card)

Observation

Officers and senior management of the Company have been provided corporate American Express cards in their names for business related expenses which Maricann is liable for. Management does not currently have a formal policy for specified AMEX use. From an access perspective, EY noted five out of twelve cards were assigned to management that are not officers (Graham Farrell, Geoff Kosar, Andy Schinke, Veronica Lesch, Dan Healey, David Miller and David Urwin). EY noted that the corporate cards have a large credit limit associated with them. EY noted several instances where credit card statements were paid before submission of a supporting expense report as well as instances where the attached report was not approved.

Recommendation

Management should implement a formal documented policy available to all card holders to ensure consistency and accuracy of expenses. Authorization levels should be communicated to all employees and enforced to control the approval authority of management and executives. Management should obtain an understanding of the expenses and an approved expense report prior to reimbursement of expenses.

In addition, with respect to the 12 corporate American Express cards, the Company should consider the need and requirement for having 12 corporate American Express cards and which executives should have them.

Management Response

The Company uses American Express cards due to its banking relationship with Pace Credit Union. Finance only issues cards to frequent travellers and persons at locations for small operating expenses required to be paid by credit card. The American Express credit limit is for the group of cards and not individual cards. The American Express card is subject to the Company's newly instituted travel and expense policy, effective Q4, 2017.



Security – Information Technology

Observation:

IT security is essential to Maricann functionality as customer data is stored and processed through a central server. This information is highly confidential as customer names, addresses, prescriptions and dosages are stored within the database. EY noted that Maricann had been subject to a security breach in the current year, due to an employee opening an external email. This resulted in the intruder being able to access Maricann services and lock out the Company's IT system. Maricann was then forced to make a payment in the amount of 2 bitcoins (\$1,826 in total) to receive the key to unlock the system. EY inquired with Stephen Lam (VP of IT) who explained that the impacted server did not hold any client information or other data held under the Ample Organics system which is hosted on a separate server. Cyber security and access authorization is of high concern due to the confidentiality and data privacy of Maricann's clients. Maricann advised us that no information was accessed through the running of a script on their internal servers.

Recommendation

Cyber security training related to phishing tactics can be provided to all employees to mitigate the risk of being breached. This would be a proactive approach to educate employees and strengthen the company culture related to systems security. The Company also needs to consider outside service providers and what protocols they may have with respect to ensuring data security and integrity of Maricann's data (i.e. Ample Organics - an offsite data storage provider).

Management Response

The following steps were taken after the incident:

1. A current backup of data was performed; scanned for any malware/virus threat; and stored offline
2. The main server was rebuilt from scratch to get rid of any underlying malware
3. All windows servers have current anti-virus software installed and operational
 1. All windows servers have anti-malware detection software installed and operationalMigrated users off GoDaddy and utilized Office365 where enhanced email and attachment scanning is performed by Microsoft
4. Auto notification of suspected email activity to users to make them aware and vigilant of situations.
5. Modified users so they do not have administrative rights to machines or network and are unable to install software.
6. Firewalls utilize advanced scanning and malware detection.
7. All company-issued computers have anti-virus and anti-malware software installed and on scheduled scans.
8. Introduction of an appliance or cloud-based service to further scan all incoming / outgoing emails in addition to Microsoft's own scanning processes in place. This is currently under review.

Also, Maricann has engaged Deloitte LLP in Q1/18 to perform an ERP system selection process. This process will include a review of system security and employee training related to the ultimate system selected.



Laws and Regulations – Health Canada Reports

Observation:

Management is required to comply with Health Canada through the filing of the Licence Producers Reporting Requirements Report in regards to product destruction and collection of waste. Through our inspection of Maricann's Health Canada submission, EY noted that management had understated the amount of waste destroyed reported to Health Canada during the year due to human error. Maricann's internal schedule is based on the amounts required by the Health Canada waste forms which were signed by two RPIC (Responsible Persons in Charge) at the designation and time of destruction at the Langton facility. These reports indicate and confirm the weight of destroyed products. Based on our review of the November 2017 submission, Marijuana waste was under reported by 12,885g and the quantity of Oils destroyed for January and March 2017 were not reported at all (totalling 1,832g and 784g respectively).

Recommendation

EY recommends a review process/control wherein an individual will record the initial amount from the Maricann internal schedule to the formal report. A second individual, preferably someone outside of the compliance group (i.e. finance) should perform a second review of the submission to ensure consistency with the underlying data.

Management Response

Maricann has hired a Plant Controller starting mid-April at the Langton facility. We will discuss the observation above with the Regulatory Affairs and Compliance Officer and develop a process which will involve the Plant Controller.



Journal Entry Approval

Observation

The journal entries represent the reported activities of the Company for the year. Based on our review of the financial statement close process, the Company does not have a formal process of JE approval and has not established a formal process for journal entry posting. Rabea Asad (Financial Analyst), David Miller (Controller), and Beverly Wong (bookkeeper) have the ability to post entries to record expenses and various activities for the year.

Recommendation:

Segregation of duties and approval threshold levels should be implemented to ensure that journal entries posted are accurate and to mitigate the risk of management override.

Management Response

All journal entries are posted by the Financial Analyst. In 2018 all journal entries (excluding re-occurring or immaterial items) will be reviewed and approved by the Controller.



Payroll Process

Observation

The payroll process is management's way to effectively track the time and allocation of resources towards business activities. Through our payroll testing, EY noted that management had included various expenses through payroll including car allowances and had informal communication surrounding recorded leave. Timesheets were often difficult to locate for pay periods in the beginning of the year.

Recommendation

Management should continue to implement a more formal timesheet process for recording and reporting hours during the pay period. Management should record excused leave in their records with supporting documentation and proper authorization.

Management Response

With a Plant Controller starting mid-April at the Langton facility, Maricann will implement a formal timesheet process and work closely with Human Resources and Payroll to ensure the new process works effectively.



Third Party Firm Engagement

Observation

Management engaged a third party to help calculate the estimated patient loyalty liability and the fair value of biological assets and inventory. EY noted that the inputs and assumptions used in their valuations were not consistent with facts and circumstances associated with the Company. Based on our audit procedures, we noted several differences in the valuation of such estimates.

Recommendation

While we understand that facts and circumstances necessitated the need to engage a third party, we recommend that the Company make efforts to bring all accounting functions "in house". Irrespective of whether any accounting function is provided by an outside party, management and the Board of Directors is ultimately responsible for the accuracy of such amounts.

Management Response

With the hiring of a Controller in Q4/17 and a Plant Controller in mid-April/18, Maricann will ensure Finance is responsible for the patient loyalty liability and fair value of biological assets and inventory.

TAB 9



Ontario

Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22^e étage
20 rue Queen ouest
Toronto ON M5H 3S8

Website: www.osc.gov.on.ca

Facsimile cover page

Date: April 06, 2018 Number of pages (including cover page): 4

To: Name: Scott Langille, Chief Financial Officer
Company: MariCann Group Inc.
Fax number: 844 291-7222

From: Name: Tamara Driscoll

Section/Branch: Team A, Corporate Finance

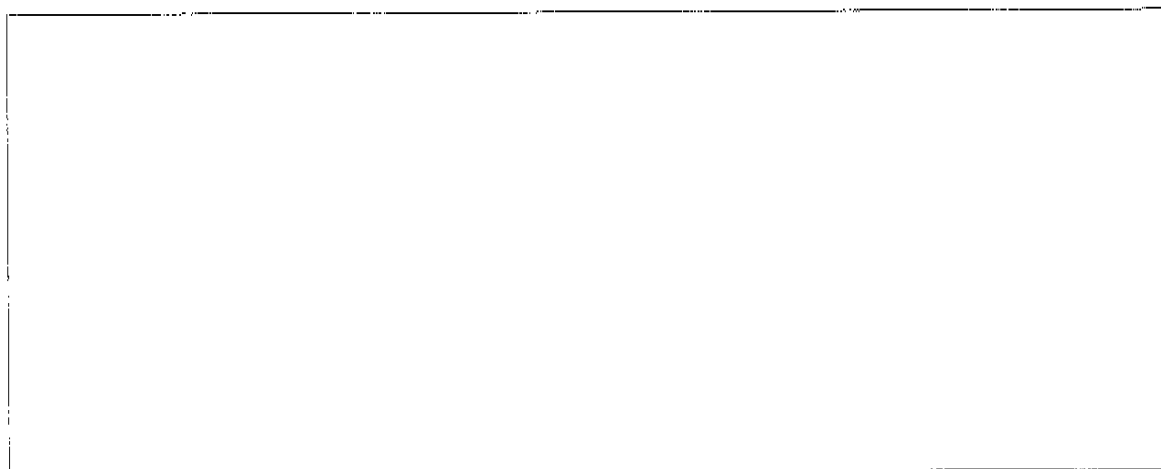
E-mail: tdriscoll@osc.gov.on.ca

Phone number: 416-596-4292

Facsimile number: 416-593-8252

Urgent For review Please comment Please reply FYI

Subject: Continuous Disclosure Review of MariCann Group Inc.



In the event of incomplete transmission, please telephone at

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MGI-BUR RECEIVED: 2018-04-06 15:41:44 (GMT -05:00)

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Ontario

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Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street
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22^e étage
20 rue Queen ouest
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Telephone: 416-596-4292
Fax No: 416-593-8252
Email: tdriscoll@osc.gov.on.ca

April 5, 2018

Scott Langille, Chief Financial Officer
Maricann Group Inc.
845 Harrington Court, Unit 3
Burlington, Ontario
Canada L7N 3P3

Dear Mr. Langille,

The Corporate Finance branch of the Ontario Securities Commission has recently selected the Company for an issue oriented review of its continuous disclosure record. For more information on the nature and purpose of the OSC's continuous disclosure review program, please consult CSA Staff Notice 51-312 *Harmonized Continuous Disclosure Review Program*. While the Company has been selected for a review, note that responsibility for complying with applicable securities legislation, policies and practices remain with issuers and their advisors. Our review does not in any way detract from such responsibility.

Our review is being conducted under section 20.1 of the Securities Act (Ontario). Commission staff will not put the information you provide in response to this request on the public file. The information that is provided will only be disclosed as permitted by the Securities Act (Ontario), or as otherwise required by law.

On the basis of this review, we have the following questions:

Fair value disclosures for biological assets

1. Paragraph 91 of IFRS 13 *Fair Value Measurements* notes that the objective of fair value disclosures is to help users of the company's financial statements assess (a) the valuation techniques and inputs used to develop the fair value measurements; and (b) for recurring fair value measurements using level 3 inputs, the effect of the measurements on profit/loss or other comprehensive income for the period. Staff note that the disclosures provided in Note 7 of the Company's December 31, 2016 annual financial statements (the **Annual Financial Statements**) regarding the fair value measurement of its biological assets are not sufficient in detail to satisfy the disclosure requirements of IFRS 13 (see paragraphs 92 and 93), including the following:

- i. a description of the valuation techniques, processes and policies used in the fair value measurement (paragraphs 93(d) and (g) of IFRS 13);
- ii. quantitative information about the significant unobservable inputs used in the fair value measurement (paragraph 93(d) of IFRS 13); and
- iii. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs (paragraph 93(h) of IFRS 13).

Please confirm that future financial statement filings will include additional disclosure to remedy these deficiencies. Please provide this draft disclosure in your response.

2. As an entity involved in the cultivation and distribution of marijuana, the Company's statement of

profit and loss includes the following amounts:

- Fair value gains/losses related to growth, or changes in fair value, of biological assets; and
- The component of the cost of finished goods inventory sold during the period which originally arose by virtue of fair value accounting for biological assets.

Staff are of the view that separate quantification and disclosure of both of the above amounts (either on the face of the statement of profit and loss, or in the financial statement notes) is necessary for readers of the financial statements to understand a licensed marijuana producer's financial performance, and in particular its gross margin, since this separate quantification facilitates an understanding of the total aggregate impact of fair value accounting for biological assets on the statement of profit and loss.

We have the following comments:

- a) Please confirm whether the Company has separately disclosed and quantified both of the above amounts in its continuous disclosure such that readers can determine the total aggregate impact of fair value accounting for biological assets on the Company's statement of profit and loss. If it has, provide a reference to such disclosure.
- b) If the Company has not separately disclosed and quantified both of the above amounts in its continuous disclosure, please confirm that it will do so on a prospective basis. Please provide sample disclosure in your response which illustrates how the Company's continuous disclosure for the period ended September 30, 2017 would have appeared had this information been provided in those filings. Please ensure that your response includes a quantification of both of the above noted amounts for the period ended September 30, 2017.

Cost of sales

3. We have the following comments with respect to the Company's calculation of cost of sales in its income statement for the period ended September 30, 2017:

- a) Please provide a complete list detailing the specific individual types of costs, by their nature (e.g., the cost of water, salaries for personnel involved in growing marijuana plants, etc.) included in the determination of cost of sales.
- b) For each specific individual type of cost noted in your response to part (a) above, please indicate what percentage of the total related costs of this nature incurred by the Company are included in the calculation of cost of sales (as opposed to being excluded by virtue of being recorded below gross profit on the income statement, for example).

4. We note that, whereas IAS 2 *Inventories* requires the capitalization of overheads to inventory, IAS 41 *Agriculture* does not require the capitalization of overheads to biological assets. Please confirm whether there are any costs related to biological assets (such as, but not limited to, the cost of water, salaries for personnel involved in growing marijuana plants, etc.) which are expensed directly to inventory production costs (or any other line on the income statement) as they are incurred, as opposed to being initially capitalized to biological assets. Please confirm whether the Company capitalizes (as opposed to directly expensing to inventory production costs) all costs related to both biological assets and inventory.

Related party transactions

5. The Company's disclosure of its related party transactions in its September 30, 2017 interim MD&A (the **Q3 MD&A**) does not meet the requirements of Form 51-102F1. Specifically, the disclosure:

- does not identify the name of the related party. The disclosure provided for the Maricann GmbH transaction notes that "the remaining 5% non-controlling interest is retained by a key management employee" but does not identify the name of that employee, as required by Item 1.9 of Form 51-102F1; and
- does not discuss all of the related party transactions that are described in Note 17 to the September 30, 2017 interim financial statements. These statements indicate that the Company entered into an agreement with an operator of a clinical network with an associated

affiliate, however this transaction is not discussed in the Q3 MD&A.

Please confirm that future MD&A filings will provide all of the disclosure required by Form 51-102F1 in respect of the Company's related party transactions.

Forward-looking Information

6. Page 8 of the Company's Q3 MD&A states "we're on track to meet our cost objective of less than \$1.34 per gram produced." Additionally, page 20 of the December 31, 2016 MD&A states that, "the company expects that its new lines of product, along with expanded marketing efforts will result in 100% year on year growth again in 2017."

These comments appear to be forward-looking information, subject to the requirements of Part 4A of NI 51-102. Please confirm that future filings (MD&A, press releases, etc.) where forward-looking information is provided will also discuss the material factors and assumptions used to develop this information.

Langton facility expansion announcement

7. The Company's May 24, 2017 press release regarding the planned expansion of the Company's Langton growing facility included statements that "the expansion will drive \$80 million in additional annual revenues" and "yield and production will increase 500%". As noted in Staff Notice 51-342 *Staff Review of Issuers Entering into Medical Marijuana Business Opportunities*, announcements about significant events and business developments are often material information to investors. It is important to ensure that these announcements contain balanced disclosure about any associated risks, uncertainties or barriers to achieving the events being announced. Additionally, these comments appear to be forward-looking information, subject to the requirements of Part 4A of NI 51-102. We have the following comments:

-
- a) Please confirm that the Company will comply with the requirements of Part 5.8 of NI 51-102 to update this forward-looking information in future MD&A.
 - b) Please discuss whether any material factors and assumptions were used to develop this forward-looking information.

Please email your response to tdriscoll@osc.gov.on.ca by **April 19, 2018**. Please forward promptly to each member of the Company's audit committee a copy of this letter. Please also forward to each member of the audit committee a copy of the Company's response. We also request that a copy of this letter and the Company's response be forwarded to the Company's auditors. Please confirm specifically in your response that this has been done.

Note that we may have additional questions on the information you provide or upon further consideration of the information reviewed to date. After we have reviewed your response, we will write again with supplemental questions or confirm the completion of our review.

If you are considering filing a prospectus in the near term, please inform the writer at the earliest opportunity. Please note that the issues raised in this letter will be taken into consideration when determining whether a receipt should be issued. Consequently, unresolved issues may delay the prospectus receipt.

If you have any questions relating to the above, please contact the writer.

Yours truly,

" Tamara Driscoll "

Tamara Driscoll
Accountant, Corporate Finance

" Jonathan Blackwell "

Jonathan Blackwell
Senior Accountant, Corporate Finance

TAB 10

To: Ben Ward[ben@maricann.com]; Paul Pathak[PPathak@ChitizPathak.com]; eric@silverhealthcare.ca[eric@silverhealthcare.ca]; michael.stein@rogers.com[michael.stein@rogers.com]
Cc: Bhupinder Brar[bbrar@maricann.ca]; Scott Langille[slangille@maricann.ca]; Terry Fretz[tfretz@maricann.ca]; Sabine Frisch[sfrisch@maricann.ca]
From: Gerhard Müller[gerhard@mueller-wp.de]
Sent: Fri 9/14/2018 4:49:50 PM (UTC)
Subject: AW: COLMED_20180719_DEBIDA DILIGENCIA_DUE DILIGENCE_07

I had a quick review of the DD report and I do have the following initial questions:

1. There is no reference to historical financial statements – sometimes it is mentioned that business has not started yet and therefore no tax declarations have been submitted. Is the company already active or is it still a shelf– if yes we should review their historic financial statements.
2. Sometimes there is a reference to a business plan that is, however, never explained in detail. Do you know whether such a plan exists and if yes we should evaluate it.
3. Do you know who the persons are that engaged Baker&Tilly for this DD review – it looks to me that it is a seller's DD that is not really focused on highlighting the risks for a possible purchaser.
4. As the DD has a date of July 19, 2018 there needs to be an update

Looking forward to discuss it tonight

Gerhard

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Von: Ben Ward <ben@maricann.com>

Gesendet: Freitag, 14. September 2018 14:32

An: Paul Pathak <PPathak@ChitizPathak.com>; eric@silverhealthcare.ca; Gerhard Müller <gerhard@mueller-wp.de>; michael.stein@rogers.com; Ben Ward <ben@maricann.com>

Cc: Bhupinder Brar <bbrar@maricann.ca>; Scott Langille <slangille@maricann.ca>; Terry Fretz <tfretz@maricann.ca>; Sabine Frisch <sfrisch@maricann.ca>

Betreff: COLMED_20180719_DEBIDA DILIGENCIA_DUE DILIGENCE_07

Please find attached a full legal due diligence for a purchase of a full Colombian licence and operation for THC production.

It is recommended the company purchase COLMED Pharma for 22 MM CAD in stock.

This will be coupled with a 50 MM CAD capital raise.

Please review and indicate if you are available for a call today at 3 PM EST or 5 PM EST.

This is a competitive situation, time is of the essence.

Comps have been sold for 97 MM CAD to Canopy. I will forward their basic deck under separate cover

Thx,

Ben Ward

CEO, Maricann Group Inc.

t: 1-866-627-4226

e: ben@maricann.com |w: maricann.com

a: 3-845 Harrington Court, Burlington, Ontario, Canada L7N 3P3



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.....

TAB 11



Ben Ward

CEO

✉ ben@waylandgroup.com

🌐 waylandgroup.com

☎ +1.289.288.6274 x6280

1.866.627.4226

📍 3-845 Harrington Court

Burlington, Ontario, Canada L7N 3P

3

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From: Brian Tario <Brian.Tario@mnp.ca>

Sent: Friday, March 29, 2019 3:16:19 PM

To: Ben Ward

Cc: Paul Pathak

Subject: Wayland Group Inc.

Good afternoon Ben

I am Brian Tario a Partner in the Toronto Forensics group at MNP. As you know we have been engaged by the Board to conduct a review of concerns they have. On that note we would like to attend your offices on Tuesday morning to acquire images of computers, server(s) and personal devices.

Ben can you provide me with detail as to the computer equipment you and your EA have as that will allow us to attend with the equipment, we need. Can you also advise if the server is on site or located in a remote location and what type of server it is?

If you have any questions, please let me know and I will be happy to answer them.

Regards

Brian

Brian Tario, CFI
BUSINESS ADVISOR, FORENSICS AND LITIGATION SUPPORT SERVICES

DIRECT 416.444.4191
PH. 807.623.2141
FAX 807.622.1282
CELL 403.680.7171
TOLL FREE 1.866.623.2141
1205 Amherst Circle
Suite 210
Thunder Bay, ON
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TAB 12

To: Paul Pathak[PPathak@ChitizPathak.com]
Cc: Matthew McLeod[matthew.mcleod@waylandgroup.com]; Clay Horner[hbstrategicadvisors@gmail.com]; Gerhard Müller[gerhard@mueller-wp.de]; Jon MacNeil[Jon.MacNeil@mnp.ca]; Tanya Knight[Tanya.Knight@mnp.ca]
From: Jeremy Cole[/O=MNP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=13802F4EE216445B838D7BC1E7400ABD-JEREMY COLE]
Sent: Mon 6/24/2019 2:29:08 PM (UTC)
Subject: RE: Audit update

Paul,

My time in the days since our call (including over this past weekend) has been dominated by chasing down any and all conceivable steps or additional procedures which could be performed which would allow us to avoid resigning as Waylands auditor. The situation was examined from all angles, with openness to novel approaches not previously entertained. I am confident that we left no stone unturned.

I know this news may be difficult to receive, but there is no way for MNP to get the comfort we need in order to complete the audit.

There are two separate sources of concern, both of which amount to what are described under the Canadian Auditing Standards as "exceptional circumstances" which may bring into question an auditor's ability to continue: (1) a complete lack of confidence in the integrity of management (the "Management Issue"), and (2) concern arising from the entity's failure to take appropriate action regarding fraud (the "Governance Issue").

Canadian Auditing Standards recognize that the auditor's ability to continue performing the audit can also be brought into question by "exceptional circumstances" involving those charged with governance. CAS 240 (identical to IAS 240) attempts to illustrate what amounts to exceptional circumstances with the following examples:

"The entity does not take the appropriate action regarding fraud that the auditor considers necessary in the circumstances, even where the fraud is not material to the financial statements;

The auditor's consideration of the risks of material misstatement due to fraud and the results of audit tests indicate a significant risk and pervasive fraud; or

The auditor has significant concern about the competence or integrity of management or those charged with governance."

The board's response to the revelations of the facts underlying the Management Issue was inappropriate. This is an issue that fundamentally cannot be addressed by any number of forensic or other specialist examination. There simply are no steps which could mitigate fully against the auditor's concern over the appropriateness of the board's prior response(s) to the fraud perpetrated by management.

There is no consideration of the public interest in this case which weighs in favour of continuing on as auditors. To the contrary, we are confident that the public interest is served by our compliance with their clear direction in this case.

A letter formally communicating our resignation will follow shortly.

I'm sorry we don't have better news for you.

Jeremy Cole, CPA, CA, CBV

EXECUTIVE VICE PRESIDENT - ON, QC & ATLANTIC CANADA

DIRECT 416.260.3514

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Toronto, ON, M5H 2G4

jeremy.cole@mnp.ca

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MNP PROUDLY CELEBRATES THE CANADIAN ENTREPRENEURIAL DRIVE

From: Paul Pathak <PPathak@ChitizPathak.com>

Sent: June 24, 2019 8:59 AM

To: Jeremy Cole <Jeremy.Cole@mnp.ca>

Cc: Matthew McLeod <matthew.mcleod@waylandgroup.com>; Clay Horner <hbstrategicadvisors@gmail.com>; Gerhard Müller <gerhard@mueller-wp.de>; Jon MacNeil <Jon.MacNeil@mnp.ca>; Tanya Knight <Tanya.Knight@mnp.ca>; Tina Yao <Tina.Yao@mnp.ca>

CNTRL00220927

Subject: Re: Audit update

Jeremy,
Can we please hear from you today?
Thanks,
Paul



Paul Pathak

Phone: 416.644.9964

Fax: 416.368.0300

PPathak@ChitizPathak.com

77 King Street West, TD North Tower
Suite 700, P.O. Box 118
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On Jun 20, 2019, at 6:43 PM, Jeremy Cole <Jeremy.Cole@mnp.ca> wrote:

Hi Everyone

Still working on this, hope to update you all tomorrow.

Regards

Jeremy Cole, CPA, CA, CBV

EXECUTIVE VICE PRESIDENT - ON, QC & ATLANTIC CANADA

<image009.jpg>

DIRECT 416.260.3514

CELL 416.998.1524

TOLL FREE 1.877.251.2922

Suite 300 - 111 Richmond Street West

Toronto, ON, M5H 2G4

jeremy.cole@mnp.ca

<image010.jpg>

From: Jeremy Cole

Sent: June 20, 2019 4:50 PM

To: Matthew McLeod <matthew.mcleod@waylandgroup.com>

Cc: Clay Horner <hbhstrategicadvisors@gmail.com>; Gerhard Müller <gerhard@mueller-wp.de>; Paul Pathak <PPathak@chitizpathak.com>; Jon MacNeil <Jon.MacNeil@mnp.ca>; Tanya Knight <Tanya.Knight@mnp.ca>; Tina Yao <Tina.Yao@mnp.ca>

Subject: RE: Audit update

Hi Matthew

Sorry for the delay, still working internally on this.

Regards

Jeremy Cole, CPA, CA, CBV

EXECUTIVE VICE PRESIDENT - ON, QC & ATLANTIC CANADA

<image009.jpg>

DIRECT 416.260.3514

CELL 416.998.1524

TOLL FREE 1.877.251.2922

Suite 300 - 111 Richmond Street West

Toronto, ON, M5H 2G4

jeremy.cole@mnp.ca

<image010.jpg>

From: Matthew McLeod <matthew.mcleod@waylandgroup.com>

Sent: June 20, 2019 2:27 PM

To: Jeremy Cole <Jeremy.Cole@mnp.ca>

Cc: Clay Horner <hbhstrategicadvisors@gmail.com>; Gerhard Müller <gerhard@mueller-wp.de>; Paul Pathak <PPathak@chitizpathak.com>; Jon MacNeil <Jon.MacNeil@mnp.ca>; Tanya Knight <Tanya.Knight@mnp.ca>; Tina Yao <Tina.Yao@mnp.ca>

Subject: Re: Audit update

When will we get this update? I presume in the next two hours.

Matthew McLeod

President

—
matthew.mcleod@waylandgroup.com

—
waylandgroup.com

—
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2381 Bristol Circle, Suite 102

Oakville, Ontario, Canada L6H 5S9

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On Jun 19, 2019, at 5:09 PM, Jeremy Cole <Jeremy.Cole@mnp.ca> wrote:

Hi Everyone

I need to cancel the call tomorrow. I will update everyone tomorrow as to our progress internally.

Thanks

Jeremy Cole, CPA, CA, CBV

EXECUTIVE VICE PRESIDENT - ON, QC & ATLANTIC CANADA

<image001.jpg>

DIRECT 416.260.3514

CELL 416.998.1524

TOLL FREE 1.877.251.2922

Suite 300 - 111 Richmond Street West

Toronto, ON, M5H 2G4

jeremy.cole@mnp.ca

<image002.jpg>

-----Original Appointment-----

From: Matthew McLeod <matthew.mcleod@waylandgroup.com>

Sent: June 19, 2019 9:43 AM

To: Matthew McLeod; Clay Horner; Gerhard Müller; Paul Pathak; Jeremy Cole; Jon MacNeil; Tanya Knight; Tina Yao

Subject: Audit update

When: June 20, 2019 9:00 AM-9:30 AM (UTC-05:00) Eastern Time (US & Canada).

Where: dial-in below

My Conference Room: 483-058-687

My Organizer Pin: 6755870

Canada 1 888 299 2873

Germany 0 800 723 5123

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TAB 13

November 7, 2019

SENT VIA E-MAIL: Scott.Langille@waylandgroup.com; Matthew.Mcleod@waylandgroup.com

PRIVILEGED AND CONFIDENTIAL

Mr. Matthew McLeod (CEO) & Mr. Scott Langille (CFO)
Wayland Group Corp.
D102-2381 Bristol Circle
Oakville, Ontario L6H 5S9

Dear Mr. Langille and Mr. McLeod:

Re: Named Insured: Wayland Group Corp. ("Wayland")
Insurer: The Guarantee Company of North America ("GCNA")
Policy: Public Corporation and Executive Liability Insurance Policy – 0113442-1
Policy Period: July 18, 2019 to July 18, 2020
Limits of Liability:

1. \$5,000,000 Limit of Liability for each **Policy Period** under **Insuring Agreements A, B and C**
2. \$250,000 Limit of Liability for each **Policy Period** under **Insuring Agreement D i)**
3. \$50,000 Limit of Liability for each **Policy Period** under **Insuring Agreement D ii)**
4. \$5,000,000 Limit of Liability for each **Claim** for **Wrongful Employment Practice**
5. \$5,000,000 Aggregate Limit of Liability for each **Policy Period** under **Insuring Agreements A, B, C, D i) and D ii)** including **Wrongful Employment Practice**
6. \$1,000,000 **Additional Limit of Liability** for **Insured Persons** only under **Insuring Agreement A**

Retentions:

1. \$150,000 for each **Loss** under **Insuring Agreement B**
2. \$150,000 for each **Loss** under **Insuring Agreement C**
3. \$150,000 for each **Investigation Costs Amount** under **Insuring Agreement D i)**
4. \$150,000 for each **Preliminary Investigation Costs Amount** under **Insuring Agreement D ii)**
5. \$250,000 for each **Loss** under **Insuring Agreements B, C, D i) and D ii)** where such **Loss** is **Based Upon** a **Claim** brought in any jurisdiction other than Canada

Matters:



1. Jon-Erik and Nicole Dillon v. Wayland Group Corp. (Court File No.: 500-06-001020-193, Montreal, Quebec) ["Dillon Class Action"];
2. Jonathan A. Lubus v. Wayland Group Corp. et al. (Court File No.: CV-19-00000114-0000, Toronto, Ontario) ["Lubus Class Action"];
3. Ontario Securities Commission ("OSC") Investigation into Wayland, September 23, 2019 (Toronto, Ontario) ["OSC Investigation"].

Executive Summary

We are counsel for GCNA. This letter is a response by GCNA to your demand for coverage and payment under the **Policy**. For clarity, in this coverage opinion, all words as defined in the **Policy** are capitalized and in boldface font.

Our coverage opinion is based on information available to us so far (that is, the Statements of Claim and the September 23, 2019 letter from the OSC, putting Wayland on notice of the OSC's investigation), the **Policy**, and on certain assumptions as indicated. As we obtain additional or revised information, we may revise our views.

Wayland and Mr. Ward are **Insureds** under the Policy. The remaining Defendants are not **Insureds** and as such are not entitled to coverage under the **Policy**. The proposed class actions engage **Insuring Agreements A, B, and C**. The OSC Investigation engages **Insuring Agreement D(ii)**.

It is the **Insurer's** position that:

- there is no coverage to Wayland and Mr. Ward for the proposed class actions as the allegations of misrepresentation result from, in part, the non-disclosure of the Failure-to-File Cease Trade Order issued by the OSC, as per **Endorsement No. 8** of the **Policy**; and that non-disclosure is part of a **Claim**.
- as per **Endorsement No. 8**, there is inadequate information at this time to determine coverage to **Wayland** for **Preliminary Investigation Costs Amounts** resulting from the OSC Investigation, as we do not know if, or when, the Failure-to-File issue became part of the OSC's Investigation.

The Class Actions

I – The Dillon Class Action

This is a proposed class action brought by the Plaintiffs, Jon-Erik Dillon and Nicole Dillon, on behalf of certain Quebec residents, who acquired Wayland's securities, on or after January 26, 2018, and who held some or all of those common shares until after the release of at least one of the Public Corrective Disclosures (i.e. material facts released between October 2018 and August 2019 concerning the Langton facility expansion).¹

The Plaintiffs assert two causes of action:

¹ Dillon Class Action at para. 3(a).



1. a claim under Title VIII, Chapter II, Division I of the Quebec *Securities Act*, R.S.Q. c. V – 1.1, as amended (“QSA”), against Wayland for releasing prospectuses dated October 15 and 24, 2018, which contained misrepresentations;
2. a claim under Title VIII, Chapter II, Division II of the QSA against Wayland for releasing disclosure documents and statements to class members, between January 2018 to May 2019, which contained misrepresentations.²

The Defendant, Wayland, is a Canadian cannabis producer, which, at all material times, was in the process of expanding its main production facility in Langton, Ontario (the “Langton Facility”).³

Wayland is alleged to have made misrepresentations to the class members regarding the Langton Facility expansion, including, *inter alia*, that the expansion was fully funded from prior public offerings, and that cannabis in excess of 95,000 kg would be produced as a result of the expansion.⁴

Between October 1, 2018 to August 2, 2019, however, Wayland’s disclosure documents revealed, *inter alia*, that:

- the expansion of the Langton Facility will be delayed and was not fully-funded;
- it would not achieve the production or revenue targets that Wayland had represented it would achieve in 2019;
- its shares were subject to a failure to file cease trade order issued by the OSC;
- its auditors and board members were resigning under suspicious circumstances.⁵

Consequently, Wayland’s stock prices significantly decreased in value, causing economic harm to class members. As a result, the Plaintiffs seek, *inter alia*, the following:

1. an order granting the Plaintiffs’ action against the Defendant in respect of the rights of action asserted under Title VII, Chapter II, Divisions I and II of the QSA, and the related provisions of Quebec securities legislation, including Section 225.4 of the QSA and article 1457 of the Civil Code of Quebec;
2. a declaration that Wayland negligently released its disclosure documents and other statements to the public, which contained misrepresentations;
3. a declaration that Wayland breached section 73 of the QSA and the related securities legislation in Quebec;
4. a declaration that Wayland is vicariously liable for the acts and omissions of its employees, directors and officers;
5. damages in a sum to be determined;
6. an order that the Defendant pay the Plaintiffs and Class Members compensatory damages for all monetary loss;

² Dillon Class Action at para. 2.

³ Dillon Class Action at para. 4.

⁴ Dillon Class Action at para. 5.

⁵ Dillon Class Action at para. 6.



7. interest and additional indemnity provided for in the Civil Code of Quebec and with full costs, including expert fees, notice fees, and fees relating to administering the plan of distribution of the recovery in this action.⁶

II – The Lubus Class Action

The Plaintiff, Jonathan A. Lubus, brings this proposed class action against Wayland, Benjamin Allan Ward, Canaccord Genuity Corp. (“Canaccord”), and GMP Securities L.P (“GMP”).

Mr. Ward was Wayland’s President, Chief Executive Officer and Director from April 2017 until his resignation on August 2, 2019.⁷ Mr. Ward is alleged to have made or authorized the making of the misrepresentations that were released by Wayland during the Class Period (i.e. January 26, 2018 to August 2, 2019).⁸

Canaccord is an investment bank headquartered in Vancouver, British Columbia. It served as the co-lead selling agent for Wayland’s impugned private placement and as the lead underwriter for Wayland’s impugned prospective offering.⁹

GMP is an investment bank headquartered in Toronto, Ontario. It served as the co-lead selling agent for Wayland’s private placement, which closed on August 10, 2018, and it acted as part of the syndicate of underwriters for Wayland’s prospectus offering, which closed on October 31, 2018.¹⁰

The Plaintiff asserts three causes of action:

1. on behalf of himself, a claim for secondary market negligent misrepresentation at common law against the Corporate Defendants (i.e. Wayland and Mr. Ward) for releasing documents and/or statements to the Class Members between January 2018 to May 2019, which contained misrepresentations;
2. on behalf of the Class, a claim under section 130(1) of the Ontario *Securities Act*, R.S.O. 1990 c. S. 5, as amended (“OSA”), and the equivalent provisions in the securities legislation across Canada, against the Defendants for the misrepresentations contained in Wayland’s prospectuses dated October 15 and 24, 2018;
3. on behalf of himself and the Class, a claim under section 138.3 of the OSA (and the equivalent provisions in the securities legislation across Canada) against Wayland and Mr. Ward for releasing documents and/or statements to the Class Members between January 2018 to May 2019, which contained misrepresentations.¹¹

Prior to and during the Class Period, Wayland made representations to Class Members, particulars of which include that the expansion of the Langton Facility was fully funded, and that additional cannabis would be produced in 2019 as a result of the Langton Facility Expansion.¹²

⁶ Dillon Class Action at para. 3.

⁷ Lubus Class Action at para. 12.

⁸ Lubus Class Action at para. 14.

⁹ Lubus Class Action at para. 15.

¹⁰ Lubus Class Action at para. 16.

¹¹ Lubus Class Action at para. 2.

¹² Lubus Class Action at para. 5.



In a series of disclosure documents between October 1, 2018 to August 2, 2019, Wayland revealed, *inter alia*, that:

- the expansion of the Langton Facility was not fully-funded and would be delayed;
- it would not achieve the production or revenue targets that Wayland had represented it would achieve in 2019;
- its shares were subject to a failure to file cease trade order issued by the OSC;
- its auditors and board members were resigning or fired under suspicious circumstances.¹³

Once these alleged misrepresentations came to light, Wayland's stock prices significantly decreased in value, causing harm to Class Members. As a result, the Plaintiff seeks, *inter alia*, the following:

1. a declaration that Wayland negligently released disclosure documents/statements, which contained misrepresentations;
2. a declaration that Mr. Ward intentionally released the aforesaid statements, which contained misrepresentations;
3. a declaration that the Defendants breached section 75 of the OSA and the comparable provisions of the securities legislation across Canada;
4. a declaration that the Defendants are liable to the Plaintiff and the Class pursuant to sections 130(1) and 138.3 of the OSA and the comparable provisions of the securities legislation across Canada;
5. a declaration that Wayland is vicariously liable for the acts and omissions of its employees, officers and directors, including Mr. Ward; and,
6. damages in a sum to be determined.¹⁴

III – OSC Investigation

By letter dated September 23, 2019, Jasmine Khan of the OSC advised Scott Langille, Wayland's Chief Financial Officer, that the OSC is making "inquiries" about Wayland. As such, Ms. Khan asked Wayland to provide information about the following:

1. Details of the circumstances under which each of MNP LLP, Ben Ward, and the various Wayland directors resigned;
2. The status of the preparation of Wayland's outstanding financial statements and related materials;
3. Copies of all interim and annual financial statements, whether audited or not, for the year ended December 31, 2018, onwards;
4. General ledger entries for all cash accounts, with accompanying transaction descriptions, from the time of the last audit onwards;

¹³ Lubus Class Action at para. 6.

¹⁴ Lubus Class Action at para. 3.



5. Copies of all asset valuation reports, whether internal or external, issued after December 31, 2017;
6. Copies of board meeting minutes during which any sale of Wayland's assets was discussed, as well as copies of any reports or presentations to the board;
7. A timeline of the development and expansion of the Langton Facility, including milestones such as announcement, delays, completion and funding status.

Coverage Analysis

(a) Insured

Wayland and Mr. Ward are **Insured** and **Insured Persons** under the **Policy**, a category defined to include the **Corporation** (i.e. Wayland), and directors and officers of the **Corporation** (i.e. Mr. Ward).¹⁵ Canaccord and GMP are not **Insureds** – and therefore are not entitled to coverage – under the **Policy**.

(b) Claims

The **Policy** defines **Claims** to include, *inter alia*, the following:

- a civil suit against the **Insured Persons**, or solely with respect to **Insuring Agreement C**, the **Corporation**, claiming **Damages** caused by a **Wrongful Act**, or seeking any other non-monetary remedy or relief with respect to a **Wrongful Act**.
- an **Inquiry Based Upon a Wrongful Act** by an **Insured Person**, or solely with respect to **Insuring Agreement C**, by the **Corporation**.
- a **Securities Claim** (i.e. **Claim Based Upon** the purchase or sale of, or offer to purchase or sell, any securities issued by the **Corporation**).¹⁶

With respect to Wayland:

- **Wrongful Act** means “any actual or alleged negligent act, error, omission, misstatement, misleading statement, neglect or breach of duty ... in regards to a **Securities Claim**” (i.e. a claim based upon the purchase and sale of securities issued by Wayland).¹⁷
- **Inquiry** means any inquiry, investigation or commission **Begun** pursuant to **Statute** during the **Policy Period** which an **Insured Person** reasonably believes may lead to disclosures or findings that are relevant to the civil, penal or criminal liability of an **insured Person** or of the **Corporation**.¹⁸

With respect to Mr. Ward:

- **Wrongful Act** means “any actual or alleged negligent act, error, omission, misstatement, misleading statement, neglect or breach of duty... in the discharge of [his] legal duties solely in [his] capacity as [an] **Insured Person**”.¹⁹

¹⁵ The Policy, Section II, Definitions: 22 and 23.

¹⁶ The Policy, Section II, Definitions: 8(b), (d), and (h).

¹⁷ The Policy, Section II, Definitions: 45.

¹⁸ The Policy, Section II, Definitions: 20.

¹⁹ The Policy, Section II, Definitions: 45.



As alleged in the two proposed class actions, Wayland and Mr. Ward's misconduct falls within the scope of **Wrongful Act** and under the definition of a **Securities Claim**. The two proposed class actions, therefore, satisfy the definition of a **Claim** as per the **Policy**. Similarly, the OSC Investigation falls within the scope of an **Inquiry Based Upon a Wrongful Act**, as defined in the **Policy**.

(c) Insuring Agreements

The class actions and the OSC Investigation engage four of the **Policy's** insuring agreements, which addresses coverage for **Loss (i.e. Damages & Defence Costs)** and for a **Preliminary Investigation**:

- Section I(a): coverage for **Loss** that Mr. Ward is required to pay, except for such **Loss** that the **Corporation** is required or permitted by law to indemnify Mr. Ward;
- Section I(b): coverage for **Loss** that the **Corporation** may be required or permitted by law to indemnify Mr. Ward, subject to a **Retention** of \$150,000 for each **Loss**;
- Section I(c): coverage for **Loss** that the **Corporation** shall become legally obligated to pay resulting from a **Securities Claim**, subject to a **Retention** of \$150,000 for each **Loss**;
- Section I(d)(ii): coverage for **Preliminary Investigation Costs Amounts** (i.e. fees for legal services rendered to the **Insureds** and related expenses incurred by the **Insureds** solely in response to a **Preliminary Investigation** of any **Securities Violation**), subject to a **Retention** of \$150,000 for each **Preliminary Investigation Costs Amount**;
- **Preliminary Investigation** is defined to include any investigation commenced by the **Insureds** arising from a formal written request for the **Insureds** to produce information in any form, relating to a **Securities Violation** by an **Enforcement Authority** (i.e. the OSC).

Assuming that Wayland is indemnifying Mr. Ward, then there is coverage for Wayland under **Insuring Agreement B**, subject to a **Retention** of \$150,000 for each **Loss**.

However, if Wayland is not indemnifying Mr. Ward, then Mr. Ward, as an **Insured Person**, will be covered under **Insuring Agreement A**, with no applicable **Retention**. In addition, since the two proposed class actions are each a **Securities Claim** under the **Policy**, there is direct coverage for Wayland under **Insuring Agreement C** for **Claims** directly against Wayland, subject to a **Retention** of \$150,000 for each **Loss**.

Damages, with respect to Mr. Ward, include direct compensatory civil damages that Mr. Ward is legally liable to pay as a result of a judgment or settlement, including punitive damages, pre-and-post judgment interest and legal fees and expenses.²⁰

With respect to Wayland, **Damages** – in this case – are defined to be limited to and solely the result of a **Securities Claim**, and also include any amount attributable to violations of Section 130 or 130.1 of the Ontario *Securities Act*, R.S.O. 1990, c. S.5 or any similar provision of any provincial **Statute**.²¹

(d) Limit of Liability

²⁰ The Policy, Section II, Definitions: 11(a).

²¹ The Policy, Section II, Definitions: 11(b).



Such *prima facie* coverage is, of course, subject to the terms and conditions of the **Policy**, including the exclusions (discussed below).

In the event of coverage, the maximum aggregate limit of liability is \$5,000,000 for **Loss** arising from all **Claims** and for **Preliminary Investigation Costs** incurred during the **Policy Period**, subject to an additional \$1,000,000 in coverage for Mr. Ward under **Insuring Agreement A** only.

(e) Exclusions

Pursuant to **Section IV** and **Endorsement No. 8** of the **Policy**, under **Insuring Agreements A, B, C** and **D**, the **Insurer** shall have no obligation to defend any **Insured** or to make any payment for **Preliminary Investigation Costs** or **Loss** in connection with any **Claim** or **Preliminary Investigation**:

where all or part of such **Claim**, **Derivative Demand** or **Preliminary Investigation** is **Based Upon** (i.e. based upon, resulting from, arising out of or in any way involving or alleging, directly or indirectly) or is in any manner related to:

- the 2018 investigation by the Ontario Securities Commission of certain directors for trading in securities of Maricann,
- the subsequent cancellation of a financing deal as a result of the Ontario Securities Commission investigation,
- the failure to disclose that Ben Ward was under investigation by the Ontario Securities Commission,
- the “Failure-to-File Cease Trade Order” issued by the Ontario Securities Commission dated May 6, 2019.²²

As per **Endorsement No. 8**, there is no coverage for Wayland and Mr. Ward for the proposed class actions as the allegations of misrepresentation result from, in part, the non-disclosure of the Failure-to-File Cease Trade order issued by the OSC.

Section IV (11) of the **Policy**, moreover, excludes coverage for **Loss** (i.e. **Damages** and **Defence Costs**) in connection with any **Claim** or **Preliminary Investigation Based Upon** Wayland’s issuance or transfer of shares.²³ However, this exclusion does not apply to the **Insured Person** (i.e. Mr. Ward), nor does it apply to **Defence Costs** or **Preliminary Investigation Costs** for Wayland in connection with a **Securities Claim**. Rather, it only excludes coverage for Wayland with respect to its **Damages** resulting from the proposed class actions.

With respect to the OSC Investigation, as per **Endorsement No. 8**, if any part of the Preliminary Investigation by the OSC was with respect to “Failure to File Cease Trade Order”, then there is no

²² The Policy, Endorsement No. 8.

²³ The Policy, Section IV (11).



coverage. For the moment, we simply need more information regarding what the OSC was investigating and when.

However, once again as per the **Policy**, there is clearly no coverage for the following:

- **Investigation Costs Amounts** where any part of the Preliminary Investigation is with respect to Wayland's failure to disclose the "Failure-to-File Cease Trade Order" issued by the OSC, as per **Endorsement No. 8**.
- **Defence Costs** (i.e. amounts incurred in accordance with **Section VII** of this **Policy** for the defence or legal representation of **Insureds** in respect of **Claims**).
- **Investigation Costs** (i.e. costs incurred in accordance with **Section VII** of this **Policy** by the **Corporation** or its Board of Directors in connection with investigation of any **Derivative Demand**).
- Costs of services rendered by accountants.
- Wages, fees, benefit costs, travel and accommodation expenses of **Insured Persons** or **Employees** of the **Corporation** or any other internal costs of the **Corporation**.
- Fees for services rendered or expenses incurred before the **Preliminary Investigation** commenced or after it ceased.
- The costs of remediation or future compliance.
- The costs of any routine or regularly scheduled regulatory or internal supervision, inspection, compliance, review, examination, production or audit.²⁴

GCNA's position is based on the information provided to date and is subject to further evaluation as additional information becomes available. GCNA reserves its right to assert additional terms and provisions under the **Policy** and at law which may become applicable as new information is learned. No subsequent action, if any, that may be taken by GCNA is to be construed as a waiver of any position set forth in this letter or any right otherwise available to GCNA pursuant to the **Policy** or applicable law.

Yours very truly,

Ricketts Harris LLP

Gary H. Luftspring

²⁴ The Policy, Section II, Definitions: 32.



TAB 14

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF WAYLAND GROUP CORP., NANOLEAF
TECHNOLOGIES INC., AND MARICANN INC.**

Applicants

**AFFIDAVIT OF JOHN KENNEDY FITZGERALD
(RESPONSE TO SISP, KERP AND STAY EXTENSION MOTION)**

I, John Kennedy FitzGerald, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. I am the Chief Executive Officer and President of Cryptologic Corp. (“**Cryptologic**”) and have served in this role since March 29, 2018, as such, I have personal knowledge of the matters deposed to herein. Where I have relied on other sources for information, I have so stated and I believe them to be true.

2. This affidavit is sworn in response to a motion being brought by Wayland Group Corp. (“**Wayland**”), Maricann Inc. (“**Maricann**”) and Nanoleaf Technologies Inc. (“**Nanoleaf**” and, together with Wayland and Maricann, collectively, the “**CCAA Applicants**”) returnable on January 13, 2020 seeking, among other things, (i) approval of a proposed sale and investment solicitation process (the “**Proposed SISP**”) and (ii) approval of a proposed key

employee retention plan (the “**Proposed KERP**”) and creation of a priority charge over the assets of the CCAA Applicants in favour of the beneficiaries of the Proposed KERP (the “**Proposed KERP Charge**”).

3. For the reasons set out below, Cryptologic (the second-priority secured creditor of the CCAA Applicants) opposes the Proposed KERP. In the alternative, if the Court approves the Proposed KERP, Cryptologic opposes the Proposed KERP Charge ranking in priority to the security held by Cryptologic.

4. Cryptologic does not believe that the CCAA Applicants have provided sufficient justification – or in fact any real justification – as to why the Proposed KERP is appropriate and why the intended beneficiaries of the Proposed KERP are necessary and critical. If the CCAA Applicants are unable to determine or unable to demonstrate at this time who is essential, the Proposed KERP should not be approved or should, at a minimum, only be considered when that justification can be provided to the Court and the stakeholders.

5. In particular, the CCAA Applicants have provided no evidence to justify the Proposed KERP in favour of the current chief executive officer (“**CEO**”) and Cryptologic does not believe that the Proposed KERP in favour of the CEO is justified or appropriate considering, among other reasons, that the CCAA Applicants have, with approval of the Court, retained and are paying the former president and CEO as a chief restructuring officer (“**CRO**”) to essentially perform the exact same role as the current CEO.

Background to Cryptologic's Debt and Security

6. Pursuant to an Amended and Restated Loan Agreement and LOI Amendment Agreement dated as of September 17, 2019 (the "**Amended Bridge Loan Agreement**") between Cryptologic and each of the CCAA Applicants, the CCAA Applicants are indebted to Cryptologic in the amount of \$6,250,000, plus accrued and accruing interest, fees and other amounts payable thereunder and plus any amounts that may become payable pursuant to the "Non-Completion Fee" thereunder.

7. All amounts owing to Cryptologic are secured against the assets, property and undertaking of each of the CCAA Applicant, which security ranks second in priority behind the CCAA Applicants obligations pursuant to a Secured Trust Indenture made as of October 27, 2017 (the "**Indenture**") between Maricann and TSX Trust Company (the "**Indenture Trustee**") with respect to the issuance of certain 9.0% Secured Convertible Debentures by Maricann (the "**Secured Debentures**").

8. The \$6,250,000 principal amount owing under the Amended Bridge Loan Agreement is comprised of: (i) the aggregate amount of \$6,000,000 in principal bridge loans advanced by Cryptologic to the CCAA Applicants since August 2019 as discussed further below; (ii) the amount of \$150,000 advanced to the CCAA Applicants requested by the CCAA Applicants to fund certain critical expenses for which the CCAA Applicants did not have sufficient funds to satisfy; and (iii) the amount of \$100,000 requested by the CCAA Applicants to fund professional retainers for their counsel, Osler Hoskin & Harcourt LLP, and PricewaterhouseCoopers Inc. which were required for a potential filing by the CCAA Applicants under the CCAA.

9. On or about August 9, 2019, Cryptologic and the CCAA Applicants entered into the Loan Agreement and LOI Amendment Agreement pursuant to which Cryptologic provided a revolving term loan in the maximum aggregate amount of \$5,000,000 to Maricann (the “**Original Bridge Loan**”). The Original Bridge Loan was made in connection with a non-binding letter of intent dated August 2, 2019 (the “**LOI**”) pursuant to which Cryptologic intended to pursue a transaction to acquire an interest in the CCAA Applicants’ Canadian cannabis business. At the time of entering into the LOI, Cryptologic had conducted no diligence other than based on the publicly available information on the CCAA Applicants and the LOI contemplated significant due diligence to be conducted by Cryptologic.

10. However, at the time of granting the Original Bridge Loan, Cryptologic was unaware of certain significant liabilities owing by the CCAA Applicants for which a portion of the proceeds of the Original Bridge Loan were used to pay, including outstanding fees owing to directors (approximately \$300,000), outstanding legal fees (approximately \$300,000), director and officer insurance premiums (approximately \$950,000) and interest owing under the Indenture (approximately \$960,000), all exceeding \$2.5 million. Certain of those amounts were in fact paid by the CCAA Applicants without Cryptologic’s prior consent or approval.

11. By September 2019, the CCAA Applicants required further funding, including in order to pay the premiums owing for the director and officer insurance and the directors and officer threatened to resign *en masse* if such premiums were not funded and paid.

12. On or about September 17, 2019, Cryptologic and the CCAA Applicants entered into the Amended Bridge Loan Agreement pursuant to which Cryptologic may make available a series of additional term loans of \$1,000,000 up to an aggregate principal amount,

including the existing \$5,000,000 Original Bridge Loan, of \$25,000,000 on the terms and conditions set out in the Amended Bridge Loan Agreement.

13. An additional \$1,000,000 was advanced by Cryptologic to the CCAA Applicants pursuant to the Amended Bridge Loan Agreement to pay the director and officer insurance premiums.

14. Unfortunately, as Cryptologic's diligence on the CCAA Applicants progressed, it became clear that certain significant misrepresentations or incorrect information had been made or provided to Cryptologic in connection with Cryptologic entering into the LOI and granting the Original Bridge Loans – both in relation to the financial state of the CCAA Applicants and the state and future prospects of the CCAA Applicants' business.

15. In the circumstances, it was becoming evident that Cryptologic's initial understanding and assessment of the CCAA Applicants and their business was incorrect and that some restructuring process would be required for the CCAA Applicants. Cryptologic was therefore unwilling to continue to fund the CCAA Applicants outside of a formal process. Despite its concerns and the issues raised through its due diligence, Cryptologic was willing to continue to support the CCAA Applicants and a potential restructuring process.

16. Therefore, the \$150,000 and \$100,000 advances made by Cryptologic noted in paragraph 8 above were provided as emergency funds required by the CCAA Applicants in light of their then dire financial situation. They were funded by Cryptologic in the expectation that the CCAA Applicants would be required to seek CCAA protection and in the context that Cryptologic was actively supporting the CCAA Applicants efforts in that regard, including Cryptologic's intention to provide the CCAA Applicants with DIP financing to support their CCAA

restructuring. In addition, the \$100,000 funded for professional fee retainers was funded by Cryptologic on the basis that those monies would be refunded once a DIP was in place, which has not occurred.

17. In that regard, Cryptologic provided offers of DIP financing to the CCAA Applicants, the details of which were filed with the Court as part of Confidential Appendix A to the Third Affidavit of Matthew McLeod sworn on December 15, 2019 (the “**Third McLeod Affidavit**”).

18. Ultimately, the CCAA Applicants selected an amended DIP facility commitment letter from House of Turlock (the “**House of Turlock DIP**”), which was approved by the Court on December 16, 2019.

19. While I believe that Cryptologic’s DIP proposal provided the CCAA Applicants with superior financial terms compared to the House of Turlock DIP, Cryptologic did not oppose the CCAA Applicants selection of the House of Turlock DIP over Cryptologic’s offer and the creation of the DIP Charge ahead of Cryptologic’s security. Based on the materials filed with the Court, the interest under the House of Turlock DIP appeared fairly reasonable (even though in excess of the interest offered under Cryptologic’s DIP proposal) and the cash flow projection filed with the Court which would be funded by the House of Turlock DIP were consistent with the cash flow projections that Cryptologic had agreed to fund under Cryptologic’s DIP proposal.

20. Cryptologic was however concerned that the House of Turlock DIP contemplated the possibility that the CCAA Applicants would be seeking to develop a key employee retention plan which Cryptologic was concerned with and hence was not willing to

commit to. However, given that no particular key employee retention plan was proposed for approval at that time, Cryptologic simply reserved its rights in that regard.

The Proposed KERP is Not Justified or Appropriate

21. Cryptologic does not believe that the Proposed KERP is justified or appropriate and should not be approved by the Court – or at least at this time. In the alternative, Cryptologic opposes the imposition of the Proposed KERP Charge in priority to the security held by Cryptologic.

No Evidence of Necessity

22. There is no evidence whatsoever that the beneficiaries of the Proposed KERP are key or necessary for the CCAA Applicants' business or the CCAA process.

23. There is also no evidence provided by the CCAA Applicants that failing to provide the Proposed KERP would create a risk that the beneficiaries of the Proposed KERP will seek or be able to obtain alternative employment such that there is a risk of losing them – other than Mr. McLeod's own self-serving statement that he is only willing to continue to serve as CEO if he is included in the Proposed KERP (which I address further below). In that regard, attached at Exhibit "A" to this affidavit are certain recent news articles discussing the dire state of the cannabis industry, including commentary that significant layoffs have been occurring and will continue to occur in the industry.

24. There is no evidence as to why Mr. McLeod is necessary and critical (even assuming risk of departure is real) given that it is my understanding that Mr. McLeod does not

have any critical role under the CCAA Applicants' cannabis licenses¹ and given that the CCAA Applicants have retained and are paying the former president and CEO of the company to perform the same role as Mr. McLeod and the CCAA Applicants also continue to have the benefit of the Board of Directors.

25. It is noteworthy that the CRO was not retained for "restructuring" expertise but was instead retained for his expertise and experience as president and CEO – for which he had almost four years of experience at the CCAA Applicants, compared to Mr. McLeod's much more limited experience.² Mr. McLeod began as Wayland's general counsel in November 2018 and, I understand, became the CEO because the company's then CEO was involved in a significant investigation by the Ontario Securities Commission relating to matters unrelated to Wayland.

26. In addition, the CRO's role was justified as the same role that one would expect of a CEO.

27. The Third Affidavit of Matthew McLeod sworn on December 15, 2019 in support of the appointment of the CRO stated:

24. Mr. Fretz is familiar with the Applicants' operations and business. He was formerly the CEO, COO and President of the Wayland Group (and its predecessor, Maricann Group Inc.) from March 2015 to February 2019. Before joining the Wayland Group, Mr. Fretz served as President and General Manager of Watson Pharmaceuticals – Canada and, prior to that, he was integral in establishing and running two privately held generic pharmaceutical companies that were subsequently acquired by publicly traded multinationals.

¹ It is my understanding that Mr. McLeod applied for Health Canada licensing security clearances but has not yet received such approvals.

² According to the Fourth Affidavit of Matthew McLeod sworn January 7, 2020, at paragraph 1, Mr. McLeod served as CEO of Wayland since August 2, 2019, and previously served as President (as of April 23, 2019) and as General Counsel and Vice President of Operations and Compliance (as of November 19, 2018).

25. If appointed as CRO, Mr. Fretz's mandate will include, among other things, reviewing the financial, liquidity and operational challenges facing the Wayland Group, assisting in the preparation of cash flows and reports to the DIP Lender, advising the board of directors and management of Wayland, assisting in discussions with stakeholders, overseeing the implementation of the SISP, and directing implementation of any restructuring activities.

28. Given that the CCAA Applicants have retained their former president and CEO as a CRO (at a cost of \$1,100 plus HST per day), Cryptologic fails to understand why it is necessary to pay a retention bonus to Mr. McLeod and the CCAA Applicants have provided no justification or evidence to support why that is necessary or important.

The CRO Approval Mechanism is not Sufficient

29. While I note that the Proposed KERP contemplates that the CRO (with the consent of the Monitor) will need to approve the employees' eligibility for a KERP bonus, Cryptologic does not believe that is a satisfactory substitute for actually demonstrating the need to provide a KERP to Mr. McLeod for the following reasons:

- (a) A determination whether an employee is necessary and deserving of a KERP bonus should be made by the Court when there is an opportunity for the stakeholders (including Cryptologic as the second secured creditor) to see and comment on the justification for doing so. Creditors like Cryptologic will be the parties that bear the financial impact of the Proposed KERP.

- (b) The CRO is the former president and CEO of the CCAA Applicants and not, for example, a third-party restructuring professional. He presumably has historical and current relationships with some or all of the potential KERP beneficiaries and is therefore not necessarily “independent” of the beneficiaries such that he should perform the function of determining KERP eligibility in the place of the Court.

- (c) If the intended beneficiaries of the Proposed KERP are, in fact, essential and necessary, it is not clear why that is not known (and explainable) now and must instead be determined at a later time by the CRO. Either the beneficiaries of the Proposed KERP are critical or they are not. If the necessity or eligibility of such employees cannot be determined until later, then the approval of the Proposed KERP is by definition premature and should be deferred until those facts are known and can be justified to the stakeholders and the Court.

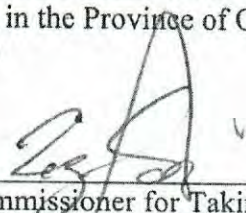
No Consultation with Cryptologic

30. Despite Cryptologic having expressed its concern regarding creating a KERP for the CEO (in light of the retention of the CRO) early on in the CCAA process, the CCAA Applicants did not consult with Cryptologic with respect to any of the proposed terms thereof and the CCAA Applicants did not provide Cryptologic with any details of the Proposed KERP prior to serving their motion seeking approval of the Proposed KERP.

Other Matters

31. Finally, I have noted from the Third Report of the Monitor dated January 8, 2020 filed in connection with the CCAA Applicants' motion that it appears that certain additional fees of a "financial advisor to the DIP Lender" are being paid as well as "fees of counsel to the Debenture Holders". The potential payment of such fees raise significant concern for Cryptologic. However, Cryptologic is seeking further detail and information from the CCAA Applicants and the Monitor. Depending on the answers to those inquiries, this may be a matter that Cryptologic seeks to have addressed at a later date.

SWORN BEFORE ME at the City of
Toronto, in the Province of Ontario on January
10, 2020



Commissioner for Taking Affidavits
(or as may be)

Mohammad Reza Sarsangi, B
Commissioner, etc., Province of
Ontario, while a Student-at-Law.
Expires May 10, 2021.



JOHN KENNEDY FITZGERALD

This is Exhibit "A"
to the affidavit of **John Kennedy
Fitzgerald** sworn before me this 10th day
of January 2020

.....
A Commissioner for Taking Affidavits, etc.

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News

Major Weed Companies Are Cutting Hundreds of Jobs as the Industry Struggles

Mass layoffs, executive firings, and scandals suggest Canada's weed honeymoon might be coming to an end.

By [Anne Gaviola](#)

Oct 25 2019, 1:13pm [f](#) [t](#) [s](#)





HEXO'S CANNABIS FACILITY IN MASSON ANGERS, QUEBEC. PHOTO BY THE CANADIAN PRESS/ADRIAN WYLD

The Canadian weed company that's going to destroy **\$77 million worth of illegal cannabis plants and inventory**, is slashing the jobs of a quarter of its workforce. It is the second major cannabis company to announce hundreds of layoffs this week amid a big downturn in the weed industry, a year after recreational pot was legalized.

CannTrust Holdings today announced that it is temporarily cutting 140 positions as it works to comply with Health Canada regulations. The licenced producer is dealing with an illicit weed scandal that forced out its CEO and raised questions about how the legal cannabis industry operates.

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The scandal involved illegal grow rooms hidden behind fake walls, which produced at least five metric tons of pot, some of which was exported outside Canada. High-ranking CannTrust employees reportedly knew about the illegal grow op and didn't stop it.



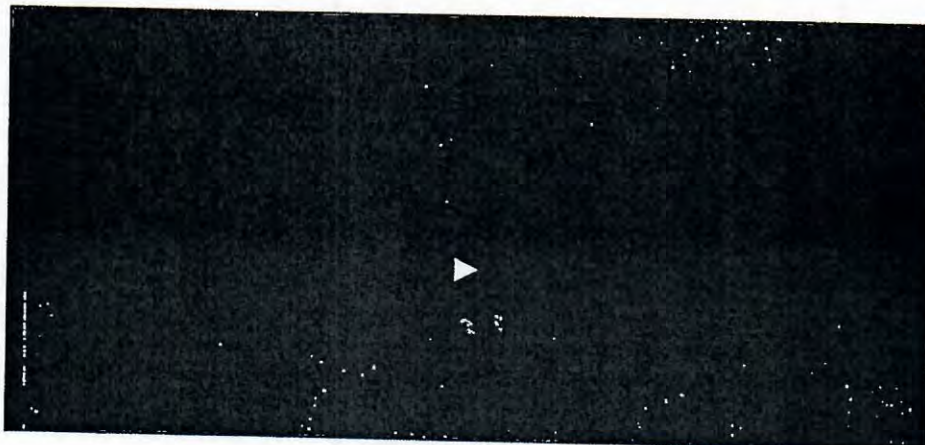
Robert Marcovitch, interim CEO, CannTrust, told VICE via email that downsizing was a "difficult decision." He wrote that "reducing the company's current operating expenses supports our financial sustainability, and places us in the best position to fully resume production upon the reinstatement of our licenses. We look forward to rehiring at that time, and once again delivering high-quality, innovative products to both our customers and patients."

The CannTrust cuts will happen in phases until the end of the year. The layoffs will result in monthly savings of about \$400,000 and cost as much as \$800,000 in severance payments if employees aren't called back within the next 9 months. These are estimates though, because it all depends on when, or if, Health Canada reinstates CannTrust's licences, which were suspended after the discovery of its illegal weed production.

Quebec-based licensed producer Hexo this week **announced that it is laying off 200 people**, roughly 20 percent of staff, including executives. In a **press release** Hexo's CEO Sebastien St.-Louis described the move as something the company has to do to be profitable in the long-run.

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He also said that the day of the announcement was his "hardest day" at Hexo and it was "extremely difficult to say goodbye to trusted colleagues."



Many of the affected employees were originally part of the Newstrike Brands company, which was backed by The Tragically Hip. Hexo bought Newstrike in May in a **\$260 million deal**.

Cannabis stocks—which were on a tear between 2016 and the first few months of this year—**have been beaten down over the past six months**.

It's not all bad news though. Cannabis stocks across the board are struggling, but there are some companies that are growing as Canada's edibles, drinkables and topicals market starts to roll out. On Tuesday, **James E. Wagner Cultivation Corporation (JWC) held a job fair** for the 400 positions it's looking to fill; an estimated 800 people attended.

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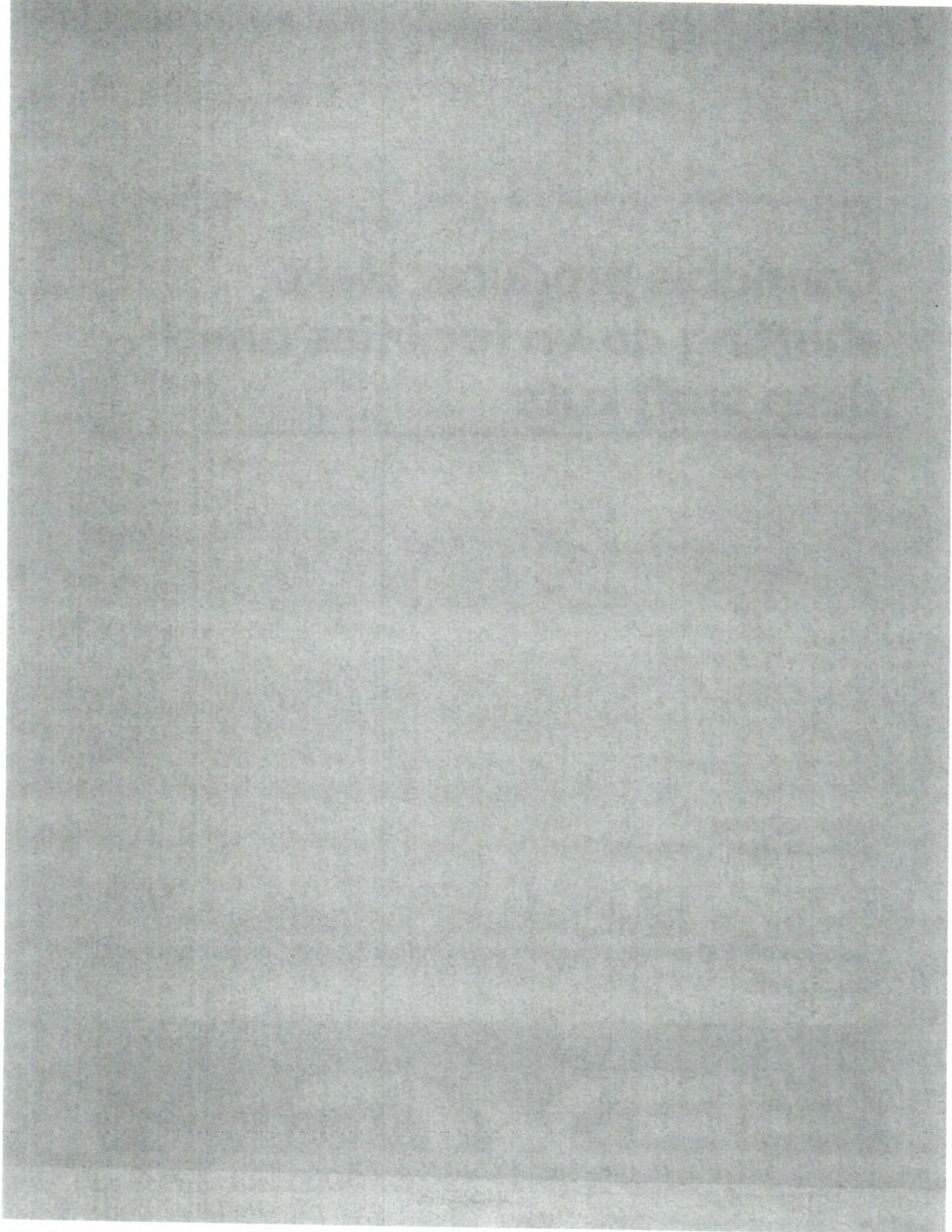


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Cannabis producer Hexo shutting down facilities amid deep staff cuts



By Max A. Cherney

Published: Oct 28, 2019 7:48 a.m. ET

10

Aa 

Hexo lays off 200 employees, shuts down indoor growing operations near Niagara Falls





Hexo's CFO resigned earlier in October.

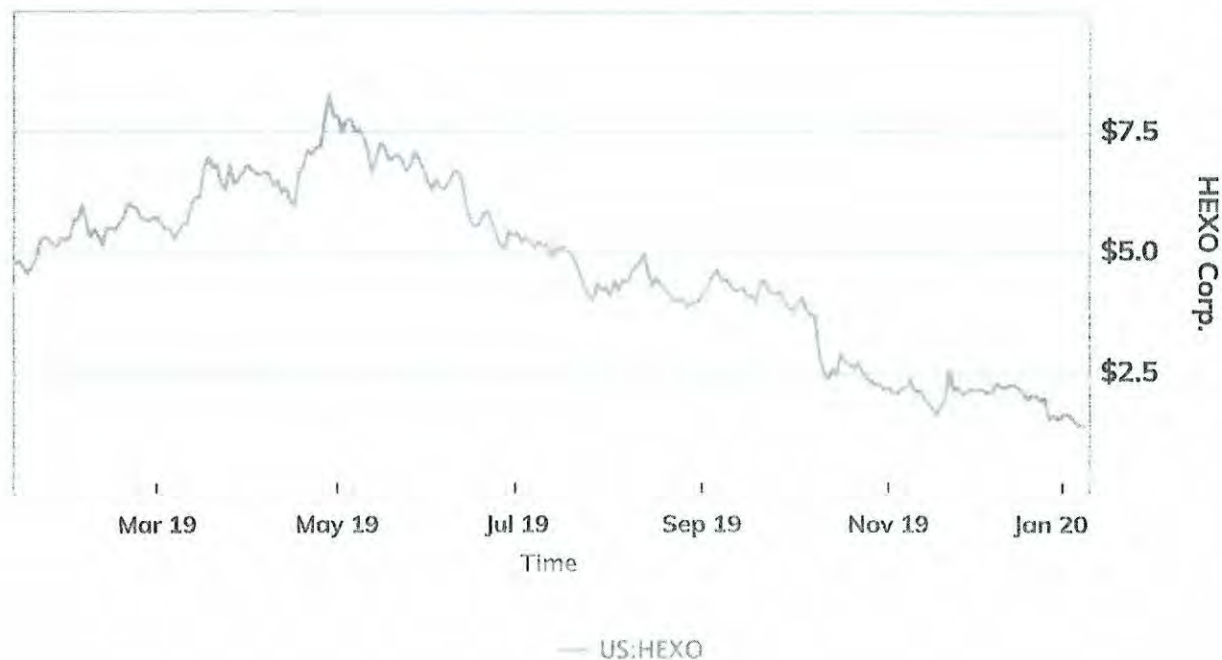
Cannabis producer Hexo Corp. will shut down several facilities it operates near Niagara Falls, Ontario, as a result of 200 layoffs it announced Thursday, according to people familiar with the matter.

Hexo **HEXO, +1.46%** **HEXO, +1.68%** did not respond to phone and email requests for comment. It was not immediately clear what the impact of the Ontario facilities' closure will be on the company's operations. The Ontario facilities were once operated by Newstrike Brands, which Hexo acquired in the spring. Hexo had 822 employees as of April 30, according to its last **quarterly filing**, and added about 250 more when its Newstrike acquisition closed in May.

The shutdown and layoffs at Hexo arrive amid a broad downturn in the sector, as cannabis companies in Canada struggle to meet investor expectations and, in some cases, their own — as in Hexo's case. The dearth of retail weed stores remains an **ongoing issue in Canada** as the first anniversary of legal, recreational pot rolled by on Oct. 17. **Wall Street analysts have also tamped down expectations** for the past several weeks, issuing a wave of price target reductions.

Hexo stock closed down 6.3% in regular trading and fell 2% during the after-hours session.

U.S. traded shares of Hexo have dropped 41% in the past three months, as the benchmark S&P 500 index SPX, +0.49% has fallen 0.5%. The ETFMG Alternative Harvest Fund, +0.21% has fallen 29% in the past three months and the Horizons Marijuana Life Sciences Index ETF HMLSF, +0.24% dropped 33.5% in the same period.



The closure was also reported by The Hamilton Spectator, which said the layoffs occurred at a site with two greenhouses in production in Beamsville, Ontario, and another two greenhouses under construction. The newspaper said 100 layoffs occurred at the site.

Hexo's layoffs announced Thursday included the chief manufacturing officer, Arno Groll, and the chief marketing officer, Nick Davies.

The facility shutdown occurred the day after the Quebec-based licensed cannabis producer said it was raising C\$70 million (\$53.5 million) in convertible debentures

through a private placement and that it was postponing its earning call until Tuesday.

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10 Aa

Hexo is now expected to report July-quarter results Monday, with a conference call scheduled for Tuesday at 8:30 a.m. Eastern.

According to analysts polled by FactSet, Hexo is expected to report losses of C\$0.06.

Hexo is expected to report sales of C\$15 million, up from C\$1.4 million in the year-ago period. Earlier in October, Hexo issued a revenue warning, telling investors that it now expected revenue for the July quarter of C\$14.5 million to C\$16.5 million, well below the then-consensus of C\$24.8 million. Hexo also rescinded its fiscal 2020 financial outlook and did not offer a replacement.

Hexo's chief financial officer resigned at the beginning of October.

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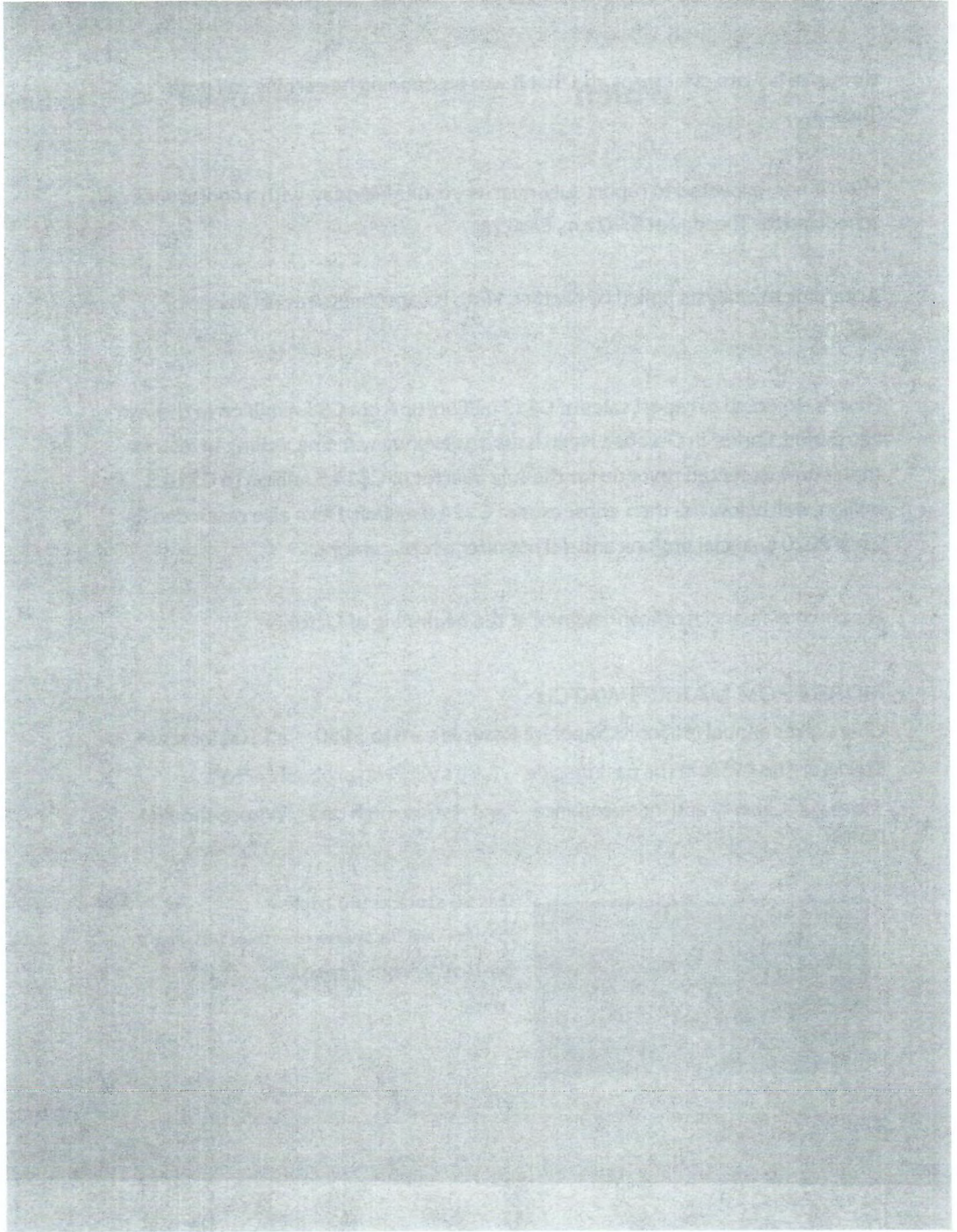
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Experts suggest recent marijuana industry layoffs are part of a reality check; more job cuts expected


Published November 6, 2019 | By [John Schroyer](#) ([/about-us/staff/#editorial-staff](#))

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Anyone paying attention to cannabis business headlines has noticed what on its face seems a disturbing trend: At least half a dozen large companies recently announced layoffs, perhaps

suggesting there's financial trouble surrounding the marijuana industry.

But those headlines don't reveal the full story, several industry watchers told *Marijuana Business Daily*.

Rather, recent layoffs are a signal that cannabis is an ever-emerging modern industry, with all the trappings and pitfalls of mainstream businesses.

And just like any other industry, a lack of profits or poor managerial decisions can lead to exactly these types of staffing rollbacks for several



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MID=172085&plid=1088840&setID=299585&channelID=0&CID=359418&banID=519829409&PID=0&textadID=0&tc: companies in quick succession, experts noted.

They added that more are likely to occur, even as other companies staff up in coming months.

“The reality of the cannabis industry right now is that it’s not a gold mine,” California attorney Joe Rogoway said.

“Businesses have to make money. That’s the bottom line. And we have a whole lot of businesses in the cannabis industry that have not been making money.”

Instances of recent staffing contractions include:

- Canadian cannabis producer Hexo laid off 200 employees (<https://www.marketwatch.com/story/cannabis-producer-hexo-shutting-down-facilities-amid-steep-staff-cuts-2019-10-24>) late last month.
- Another Canadian marijuana producer, CannTrust, let 180 workers go (<https://mjbizdaily.com/embattled-canadian-marijuana-firm-canntrust-lays-off-180/>) in September.
- California-based marijuana tech company Weedmaps laid off more than 100 employees (<https://mjbizdaily.com/cannabis-advertising-firm-weedmaps-cuts-100-plus-jobs-in-response-to-slow-adult-use-market-rollouts/>) in October.
- Pax Labs, a California vape pen manufacturer, gave out pink slips to 65 workers (<https://mjbizdaily.com/cannabis-vaporizer-company-pax-labs-fires-25-of-workers-after-missing-revenue-projections/>) in October.
- Another California ancillary company, delivery tech firm Eaze, also laid off 36 employees

(<https://www.sfchronicle.com/business/article/Pot-delivery-company-Eaze-lays-off-36-workers-14493533.php>) in October.

- Oregon cultivation operation Golden Leaf Holdings in April cut its workforce by approximately 20% (<https://www.bizjournals.com/portland/news/2019/04/15/top-oregon-cannabis-employer-cuts-workforce-by.html>) – about 33 employees.

That adds up to more than 600 cannabis employees out of work, amid what until recently was often viewed as a burgeoning global industry with nothing but profits for all entrants.

Layoffs started in 2018

Cannabis businesses began to let more employees go in earnest over a year ago, several sources noted.

But not many industry observers picked up on it immediately because the majority of announcements involved smaller companies that either went out of business with zero fanfare or had to scale back workforces in much fewer numbers than the half dozen more well-known businesses mentioned above.

Kara Bradford, co-founder of Viridian Staffing in Seattle that helps MJ businesses find workers, believes the real number of laid-off workers over the past 12 months in the cannabis space is much more likely in the thousands, not the hundreds – and other experts agree with her.

The layoffs trend has shifted from state to state, based on how many people Bradford has had come to her looking for work – from Washington state to Oregon to California over the past few years – but there isn't a common thread that was easy to pick out as far as why companies were cutting costs.

"There are so many different things that keep causing these companies to struggle," Bradford said.

"I think maturation has quite a bit to do with it. We've been in a bubble ... and I think maybe that bubble has popped and we're leveling out."

Right now, Bradford said, California is in the hot seat for employee rollbacks, and she and other sources said they expect to see more such headlines in coming months.

No warning bells

Several experts, however, said the trend of layoffs isn't cause for concern but simply a reminder that careful financial calculation remains necessary.

"The reality is, a lot of people are hiring based on what they think will occur. So you can't really blame companies for not having extremely dialed-in hiring practices on where they need people and how," said Mitch Baruchowitz, managing partner at Merida Capital in New York.

"This is still an industry being built without a real rulebook."

And as an investor, Baruchowitz said, he'd prefer that companies make tough choices – such as having to cut staff strategically – rather than ignoring problematic financials until their coffers run dry.

"When a business goes through a significant shock, I would rather they worry less about how it looks to the market and more about what they do to survive," Baruchowitz said.

"If you're making decisions that are smart business decisions, the optics will eventually come around to be perfectly fine."

He also emphasized there isn't a solid common thread among the six headline-making instances – such as Hexo, Weedmaps and Golden Leaf Holdings – other than they all perhaps are having to dial back their expectations about how their respective markets are performing.

"The way to look at it is, companies are now trying to grow responsibly rather than at all costs. And that's a natural response to capital efficiency declining," Baruchowitz said.

"Long or intermediate or even short term, that can be a very healthy thing. It's a forest fire that clears the decks for the next round of growth."

More layoffs likely, but so are acquisition opportunities

"We're at the beginning of a cycle right now, not at the end of it," Rogoway, the California attorney, predicted. "There's going to be ongoing news of layoffs, of companies that have to shutter facilities, of distressed sales of companies that go into some type of receivership."

"We're going to see a new iteration of ... businesses that were able to get a bunch of capital, buy a bunch of other businesses and spread themselves out way too thin, (that) are going to get burned by that."

Baruchowitz, Bradford and others also said they don't expect layoff headlines to cease suddenly – and if anything, they're expecting more.


But that doesn't mean plenty of companies won't be hiring, such as Illinois-based Cresco Labs, which recently announced it's [beefing up its staff](https://mjbizdaily.com/cresco-labs-growing-jobs-in-illinois-as-adult-use-marijuana-looms/) (<https://mjbizdaily.com/cresco-labs-growing-jobs-in-illinois-as-adult-use-marijuana-looms/>) by another 300 in preparation for the start of rec MJ sales in 2020.


The current business cycle in and of itself is likely to provide more opportunities overall, Rogoway said.

"There will be a lot of businesses that went through the acquisition and entitlement processes for their facilities, and they've burned through all their cash, and they have to get rid of that facility, and there are going to be folks waiting to take that on," he noted.


John Schroyer can be reached at johns@mjbizdaily.com (<mailto:johns@mjbizdaily.com>).

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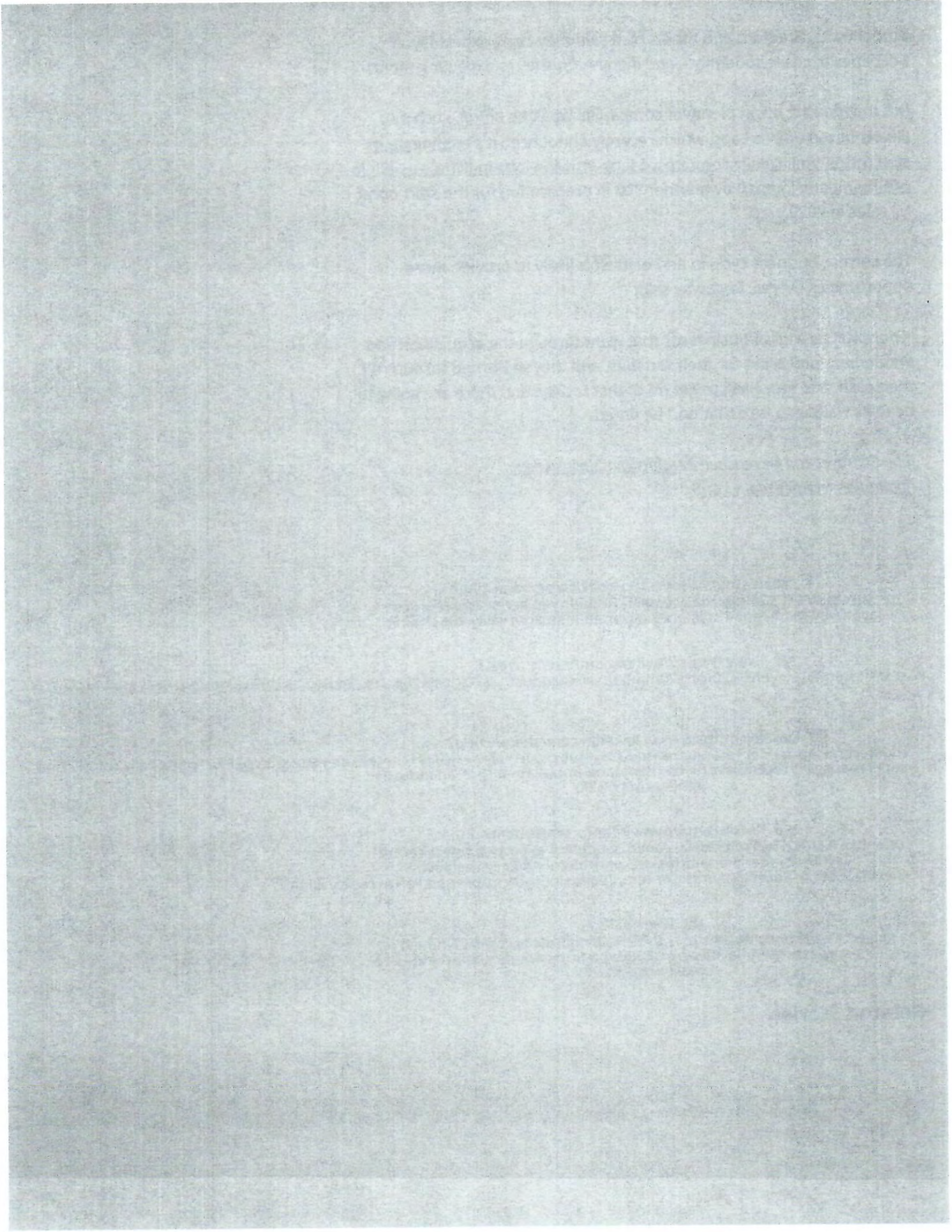
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Building a new industry from scratch is hard': Cannabis firms brace for more spilled blood in 2020

The new year is likely to kick off with a wave of bankruptcies and consolidations as struggling pot companies run out of cash

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BLOOMBERG NEWS
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December 11, 2019
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 Comment

As the cannabis industry comes off an annus horribilis, things are expected to get worse before they get better in 2020.

The new year is likely to kick off with a wave of bankruptcies and consolidations as struggling pot companies run out of cash. But, for those that survive long enough, bipartisan support for U.S. legalization could jump-start a turnaround heading into the November election.

crisis in the U.S. added to concerns about the sector's prospects.



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"Cannabis is just a little baby, it's barely able to sit up yet or roll over," said Paul Rosen, managing director of BreakWater Venture Capital and a co-founder of the company that became Cronos Group Inc. "The takeaway of the last six months is that building a new industry from scratch is hard and you're going to have some skid-outs, you're going to have some blood spilled. It's natural."

Stocks lost about two-thirds of their value from their March highs to their November lows, making it difficult for all but the strongest pot companies to raise money.

"Some of these companies don't have a future," Rosen said. "I won't name names but I think we're going to see in Canada and to some degree in the States full-blown, wipe-out failures."

Consolidation is also likely, but not necessarily to the benefit of the companies being acquired, said Troy Dayton, CEO of cannabis investment and research firm Arcview Group.

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I think we're going to see in Canada and to some degree in the States full-blown, wipe-out failures

- Paul Rosen, managing director of BreakWater Venture Capital



"You're going to have opportunities for distressed-asset deals," Dayton said. "We're going to start seeing a lot of roll-up strategies, collecting companies for pennies on the dollar."

Expect the volatility to continue in the first half of 2020 with some clear winners beginning to emerge by the second half, according to Brendan Kennedy, chief executive officer of Tilray Inc.

The biggest catalyst to watch will be U.S. politics. Seven to nine Republican states including Idaho, Wyoming, North Dakota and Missouri are likely to hold

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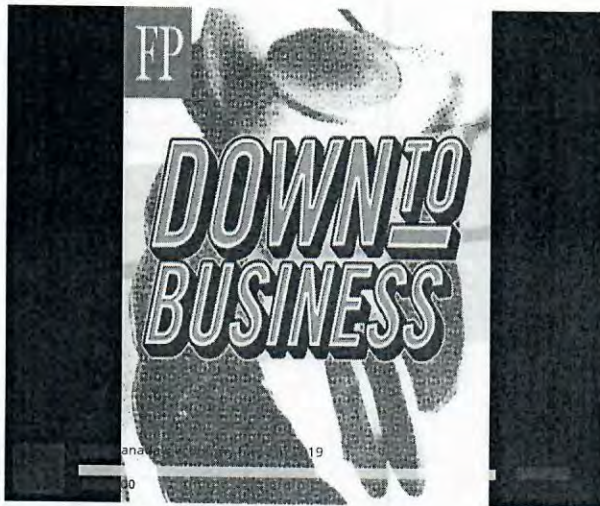
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frame of mind," he said. "That's the beginning of the end" for federal prohibition.



The Secure and Fair Enforcement Banking Act, which would pave the way for financial institutions to do business with cannabis companies, could also boost stocks if passes, Rosen said.

It would signal to investors that "the water is warm enough but there's still meat on the bone in that we don't have legal cannabis yet," he said. "It would be in my opinion the perfect time for risk-on money but not reckless money to come in."

In Canada, the introduction of more retail outlets and new form factors like edibles, beverages and vapes should eventually boost companies' sales and margins and put them on a faster path to profitability, but analysts believe it could be several months before the benefits are reflected in earnings reports.

One thing is certain: whatever 2020 holds, pot stocks will continue to be volatile.

"I'm an inveterate bull and I do think 2020 is going to be comeback year," Rosen said. "But as long as we're an industry that doesn't have dozens of years of earnings and we're still making forecasts about events not fully realized, we're going to be subject to potential volatility."

[Bloomberg.com](https://www.bloomberg.com)

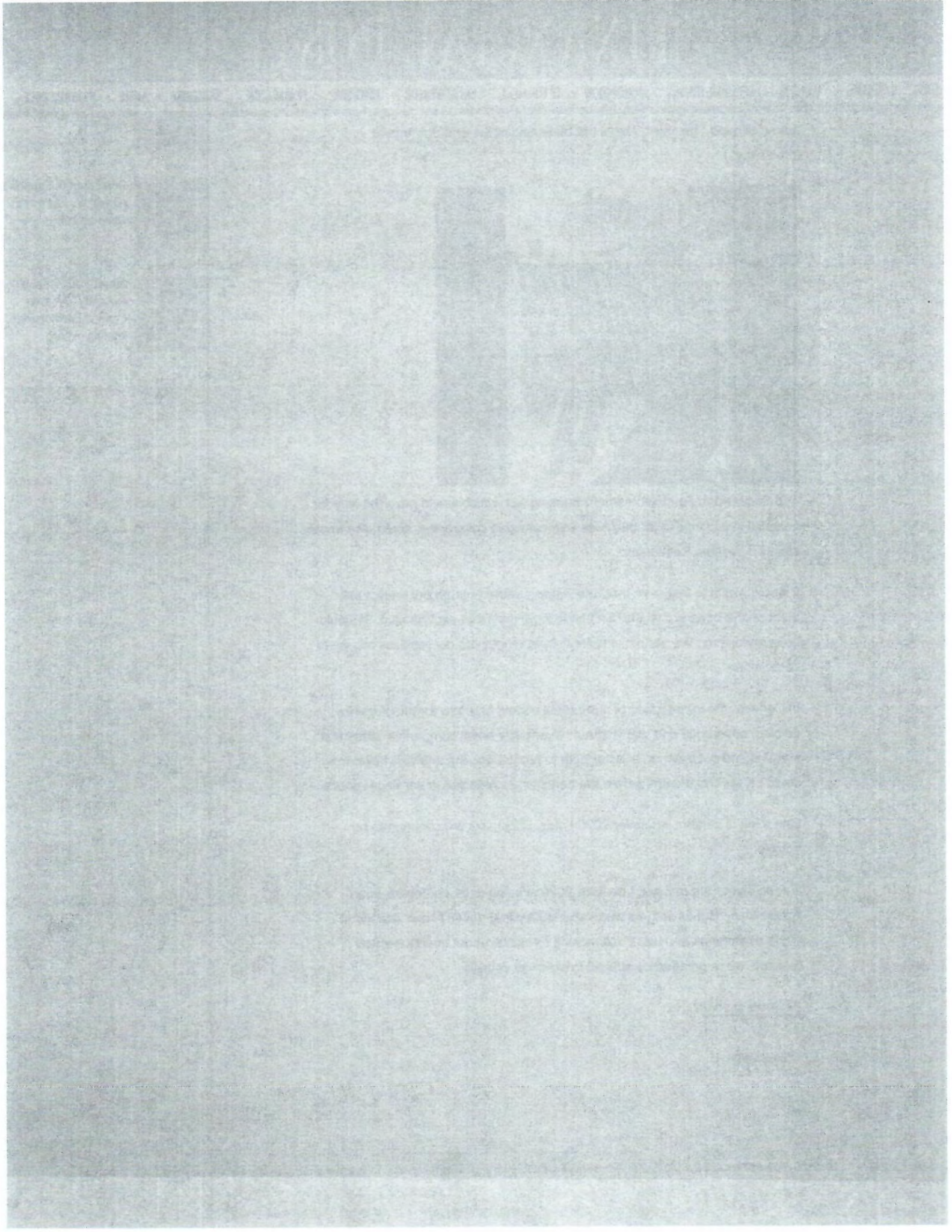
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Cannabis industry insiders are bracing for a slew of bankruptcies in the coming year as small and medium-sized companies low on cash struggle to raise funds in the downtrodden sector.

"We have had a busy few years, but next year we're going to be busy for a different reason — we expect a few million dollars in legal fees from insolvencies and consolidation," said Ranjeev Dhillon, a partner at McCarthy Tetrault LLP and the firm's cannabis group lead.

Dhillon says that his team is already seeing companies that are heading down that path.

"Companies that cannot distinguish their brands and don't have the money to keep up operations on existing facilities will not be able to carry forward," he told the Financial Post in an interview. "The only kind of money you can raise right now, if at all, is debt."

Feeling burned: The first year of legal cannabis has been a complete disaster for investors

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Cannabis 2.0 regime slow to get rolling as stores expect product delays to last until January

Brutal week for weed casts chill over prospects for Cannabis 2.0

'It's messy': How investors can play the legalization of cannabis edibles

There are currently more than 200 cannabis companies either in the cultivation, processing or extraction businesses, primarily supplying a domestic market that has yet to cross the \$1 billion mark in annual sales.

Although cannabis sales have been increasing on a monthly basis since legalization in October 2018, inventory has been growing much more quickly, resulting in oversupply and declining prices.

That dynamic, coupled with a slow rollout in the number of cannabis stores in Ontario — which, to a large extent, choked the supply chain — has led to consecutive quarters of weak revenue for many licensed producers.

"We are definitely going to see some companies struggle. We've already seen two companies file for bankruptcy protection, and they certainly won't be the last," said Greg Engel, CEO of Organigram Holdings Inc., which has also been hit by slumping sales.

In December, Wayland Group Corp., one of the first pot companies to obtain a cultivation licence, filed for creditor protection. Two months earlier, DionyMed Brands Inc. had entered into receivership after failing to repay debt.

"Companies that don't have a good cost structure will be in a really difficult position. It's not about growing cannabis anymore, it's about how efficient you are as a consumer packaged goods producer," Engel added.

It's not about growing cannabis anymore, it's about how efficient you are as a consumer packaged goods producer

- Greg Engel, CEO of Organigram Holdings



For Narbe Alexandrian, CEO of Canopy Rivers Inc., the venture capital arm of Canopy Growth Corp., the ongoing lack of institutional investor interest is the sector's biggest red flag going into 2020.

"There's just no money coming in, so if you have a low cash balance, you might be in trouble," Alexandrian said. "We haven't seen the blood on the streets yet."

Quebec licensed producer Hexo Corp. saw its stock price plunge 20 per cent over the holiday period after it announced a discounted equity raise of US\$25 million on Dec. 26. The company issued 15 million new shares at a price that was approximately 14 per cent below its closing price before markets closed on Christmas Eve.

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A Hexo Corp. greenhouse in Gatineau, Quebec. *Chris Roussakis/Bloomberg files*

Pablo Zuanic, an analyst with Cantor Fitzgerald called the deal "surprising."

"Given the company had raised \$70 million in convertible debentures after the October quarter, and had entered into an after-market facility to raise equity, we wonder about the need for these extra \$32 million proceeds," he wrote in a note to clients.

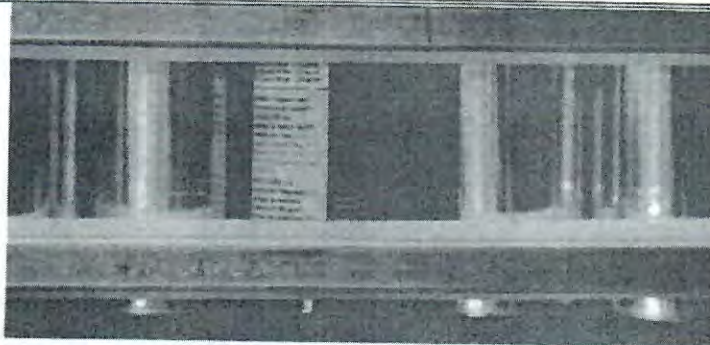
CIBC pot analyst John Zamparo had earlier forecast that Hexo's "burn rate" of approximately \$45 million per quarter suggested that the company would need additional funds by June 2020, or risk operating with just \$5 million in cash.

Though he declined to name specific companies that could possibly face bankruptcy in 2020, McCarthy's Dhillon said that he "wouldn't be surprised if some of the more well-known licensed producers run into major cash issues."

"You might be able to borrow money, but it will be very restricted, onerous terms. I think that's when you'll start seeing the private equity players and hedge funds get more involved because they'll be able to strip these companies of assets that don't make sense and restructure," Dhillon added.

The rollout of major new product lines as part of the legalization of edibles presents a significant risk to producers.

Most of the major licensed producers — Canopy Growth Corp., Hexo and Tilray — have invested heavily in cannabis-infused drinks that will hit the market in the first quarter of 2020, but some industry observers are predicting that beverages might be a failed venture altogether.



Cannabis-infused drinks production at Canopy Growth's Smith Falls, Ont., facility. *Julie Oliver, Postmedia files*

"When you look at the established markets in the U.S. — California, Oregon and Colorado — beverages are just two per cent of those markets. They never really took off," said Jerome Hass of Lightwater Partners Ltd.

Hass believes that certain licensed producers are vastly overstating the impact beverages will have on overall sales. He says his company invested in a small brewery in Waterloo, Ont., that he once thought would be a "perfect play" for cannabis-infused drinks.

"They had a canning facility, and excess capacity so we thought these guys would be a prime beneficiary of cannabis 2.0. But management recently told us they spoke to a number of major LPs about the process of making cannabis drinks and decided the opportunity wasn't worth their time," Hass said.

A key aspect to the success of cannabis-infused drinks and edibles are the onset and offset times — how long it will take for the consumer to feel the "high" from the product, and subsequently, to sober up.

"Most companies are making gummies, chocolates, candies, drinks. So where the true innovation comes in will be who masters the onset and offset," said Alexandrian, though he admits that many companies have been spreading themselves too thin in the race to offer up a variety of cannabis 2.0 products.

"I'm not sure yet what products will do well. It's too early to tell. But the test for the industry going forward, next year and beyond, will be which companies can survive as consumer packaged goods companies. They need to be dead-set focused on how to deliver the best experience for the consumer. Those are the companies to invest in," he said.

Financial Post

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IN THE MATTER OF THE *COMPANIES CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, C. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF WAYLAND GROUP CORP., MARICANN INC. AND NANOLEAF TECHNOLOGIES INC.

Court File No: CV-19-00632079-00CL

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Lawyers for Cryptologic Corp.

TAB 15




Acquisition or Investment Opportunity

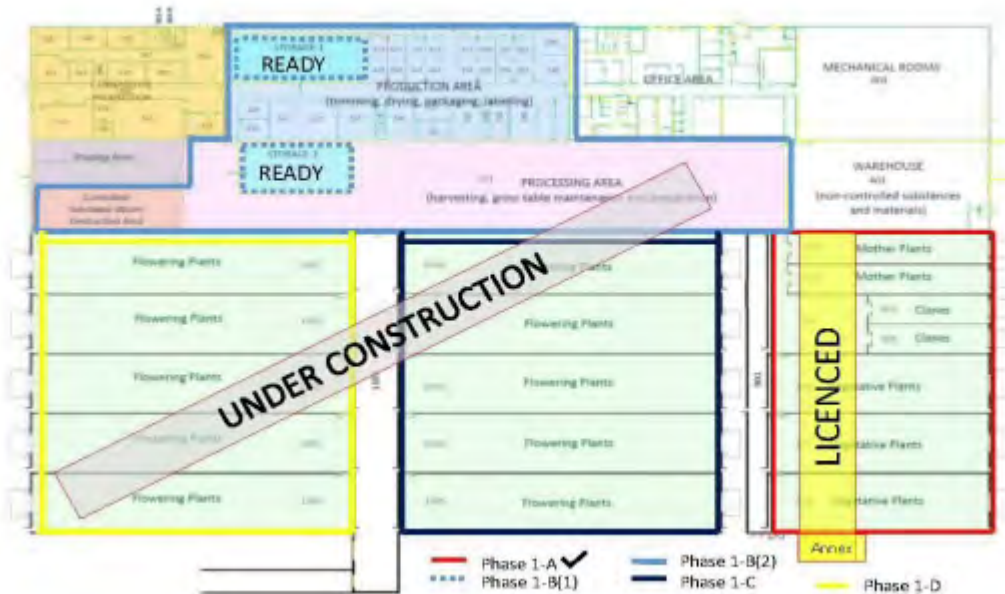
An established Licensed Producer with a robust portfolio of vertically integrated Cannabis assets across 8 countries in 3 continents

INVESTMENT OVERVIEW

- Turn key manufacturing facilities (owned & leased), BRC compliant, which already meet Health Canada regulations, with a full production staff complement in place.
- Adjacent facility at 65% completion, which will offer additional rooms and growing production capacity of 30,000 to 34,000 kg, which will be fully licensed.
- One of only five EU GMP certified Cannabis Companies in the world.
- Wayland has supply agreements with 4 provincial governments in Canada: BC, AB, MB, and ON, and contracts with a significant importer and distributor of medical cannabis based in Cologne, Germany.
- Owns multiple market rights for use of VesiSorb nanotechnology, a unique cannabinoid delivery mechanism with a range of product applications.
- With its current platform, and the anticipated completion of Phase 1 (as further described on page 2), the facility will have the capability to achieve annual production volume in excess of 30,000 kilograms of dried flower.
- Immediate access to a fully functional, licensed production operation.

KEY INVESTMENT HIGHLIGHTS

Current Annual Production Capacity	□ 7,500 kg on current P1 licensed capability
Phase 1 65% completed	217,000 sq ft of grow and production <30,000 to 34,000 kg
Phase 2	Add'l 189,000 sqft +50,000 kg
Regulations	Fully Health Canada compliant
Facility Certifications	BRC, GACP, HASIP, GMP All processes are compliant with the industry's most stringent and prestigious regulations and certifications
Portfolio Certifications	



Acquisition or Investment Opportunity



GROWTH POTENTIAL & INVESTMENT	
No Further Capex Invested	7,500 kg per annum
Phase 1B \$12.5 million	An additional 2,000 to 2,500 kg per annum, for a total of ~10,000 kg per annum 90,000 sq ft production area for drying, packaging and processing
Phase 1C \$3.1 million	An additional 10,000 to 12,000 kg per annum for a total of ~22,000 kg per annum +5 additional growing rooms
Phase 1D \$4.9 million	An additional 10,000 to 12,000 kg per annum for a total of ~34,000 kg per annum +5 additional growing rooms
Total Phase 1	<ul style="list-style-type: none"> • 15 growing rooms • 3 ancillary rooms for mother and clones • 90,000 sq ft production area for drying, processing and packaging • 30,000 – 34,000 kg per annum

SISP Milestone Dates	
Commencement of SISP	January 13, 2020
Phase 1 Non-binding LOI submission	February 21, 2020 – 5:00pm EST
Stalking Horse	Opportunity for parties to enter into a Stalking Horse Agreement prior to the commencement of Phase 2.
Phase 2 Formal Binding Offers	March 13, 2020 – 5:00pm EST

For more information contact

Wayland Group Corp.

Matthew McLeod, CEO
 P| +1 289 288 6274 x6259
 E| matthew.mcleod@waylandgroup.com

OR

PricewaterhouseCoopers Inc. LIT, in its capacity as CCAA Monitor for Wayland Group Corp., et al. and not in its personal capacity

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Wilson Kwan, LIT
 Vice-President

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PRODUCT TYPES

There is an attractive opportunity to manufacture a full range of medical and recreational cannabis products.

- THC | Oil, Dried Flower
- CBD | Oil, Dried Flower, Capsules
- Balanced | Oil, Dried Flower
- Resin and Oil Products via CO2 extraction

Strong brand awareness with specific product labels: Kiwi, Northern Harvest, and High Tide.

The Wayland Group produces high quality cannabis flower, meetings specifications and market demand in both Canadian and German markets.

PricewaterhouseCoopers Inc. LIT ("PwC Inc.") is a member firm of the PricewaterhouseCoopers global network of firms (the "PwC Network"). PwC Inc. is not engaged in the practice of public accountancy.

No representation or warranty of any kind, express or implied, is given by PwC Inc., any other firm within the PwC Network, the Wayland Group, their respective members, partners, directors, employees, representatives, affiliates or agents as to the accuracy, completeness or fitness for any purpose of the information contained in this profile (the "Profile"). The only representations and warranties that will have any legal or binding effect are those made by the parties to the proposed transaction in a definitive, written agreement, subject to such limitations and restrictions as may be specified therein.

Neither the Profile nor any of the information contained in it shall be deemed to be a contract or offer for the sale of Wayland or any part of Wayland or its assets, nor does the Profile constitute a solicitation or offer to buy or sell any securities, futures, options or other financial instruments or investments, or the provision of any investment advice or service. All information in the Profile is provided for informational purposes only. PwC Inc., each other firm within the PwC Network, the Wayland Group and each of their respective members, partners, directors, employees, representatives, affiliates and agents accept no liability of any kind for the Profile and disclaim all responsibility for the consequences of any person acting, or refraining from acting, in reliance on the Profile. This Profile is strictly for the use of institutional investors outside of the United States of America, and is provided on the condition that there be no copying, communication, dissemination or distribution of the Profile to or within in the USA. © 2020 PricewaterhouseCoopers Inc. LIT All rights reserved.

TAB 16

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities in those jurisdictions. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any applicable state securities laws. Accordingly, the securities offered hereby may not be offered or sold in the United States of America (the “United States” or the “U.S.”) or for the benefit of U.S. Persons (as defined under the U.S. Securities Act) unless an exemption from such registration is available. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See “Plan of Distribution”.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Maricann Group Inc. at 845 Harrington Court, Unit 3, Burlington, Ontario, L7N 3P3, telephone 289-288-6274, and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

New Issue

March 28, 2018



MARICANN GROUP INC.

21,131,250 Common Shares and 10,565,625 Warrants issuable upon deemed exercise of 20,125,000 Special Warrants

This short form prospectus (the “**Prospectus**”) is being filed by Maricann Group Inc. (the “**Corporation**”) to qualify the distribution of 21,131,250 units (the “**Units**”) of the Corporation, each Unit being comprised of one common share in the capital of the Corporation (a “**Unit Share**”) and one-half of one common share purchase warrant of the Corporation (each whole common share purchase warrant, a “**Warrant**”) upon the deemed exercise of 20,125,000 special warrants (the “**Special Warrants**”) of the Corporation. The Special Warrants were issued on January 9, 2018 (the “**Closing Date**”) to purchasers resident in British Columbia, Alberta, Saskatchewan, Ontario and New Brunswick (in addition to purchasers resident in jurisdictions outside of Canada) on a private placement basis at a price of \$2.00 per Special Warrant (the “**Offering Price**”), for aggregate gross proceeds to the Corporation of \$40,250,000, (the “**Offering**”). The Special Warrants were issued pursuant to the terms of a special warrant indenture dated January 9, 2018 (the “**Special Warrant Indenture**”) between the Corporation and TSX Trust Company, as special warrant agent thereunder (the “**Special Warrant Agent**”), and an agency agreement dated January 9, 2018 (the “**Agency Agreement**”) among the Corporation, Eight Capital, as sole bookrunner and co-lead agent, Canaccord Genuity Corp., as co-lead agent, and Industrial Alliance Securities Inc. (collectively, the “**Agents**”). The Offering Price and other terms of the Offering were determined by arm’s length negotiations between the Corporation and the Agents. See “*Plan of Distribution*”.

The Warrants will be issued pursuant to the terms of a warrant indenture dated January 9, 2018 (the “**Warrant Indenture**”) between the Corporation and TSX Trust Company, as warrant agent thereunder (the “**Warrant Agent**”). Each Warrant entitles the holder thereof to purchase one common share in the capital of the Corporation (a “**Warrant Share**”) at a price of \$2.35 per Warrant Share until 5:00 p.m. (Toronto time) on January 9, 2021, subject to adjustment in certain events. See “*Description of Securities Being Distributed*”.

The outstanding common shares of the Corporation (the “**Common Shares**”) are listed for trading on the Canadian Securities Exchange (the “**CSE**”) under the symbol “MARI”, on the OTCQB under the symbol “MRRCF”, and on the Frankfurt Stock Exchange under the symbol “75M”. On December 11, 2017, the last trading day before the announcement of the Offering, the closing price of the Common Shares on the CSE was \$2.13. The Corporation has made the required filings to the CSE to list the Unit Shares and Warrant Shares. Listing will be subject to the fulfilment of all the listing requirements of the CSE.

There is no market through which the Special Warrants or the Warrants may be sold, and purchasers may not be able to resell the Special Warrants or the Warrants acquired pursuant to the Offering. This may affect the pricing of the Special Warrants and the Warrants in the secondary markets, the transparency and availability of trading prices, the liquidity of the Special Warrants and the Warrants and the extent of issuer regulation.

The Special Warrants are not available for purchase pursuant to this Prospectus and no additional funds are to be received by the Corporation from the distribution of the Units upon the deemed exercise of the Special Warrants.

	Price to the Public ⁽¹⁾	Agents' Commission ⁽²⁾	Net Proceeds to the Corporation ⁽³⁾⁽⁴⁾
Per Special Warrant	\$2.00	\$0.095	\$1.905
Total	\$40,250,000	\$1,941,900	\$38,308,100

Notes:

- (1) The Offering Price was determined by arm's length negotiation between the Corporation and the Agents.
- (2) In consideration for the services rendered by the Agents in connection with the Offering, the Corporation paid to the Agents an aggregate cash commission of \$1,941,900 (the "**Agents' Commission**"), representing approximately 5.0% of the gross proceeds of the sale of Special Warrants, other than an aggregate of 980,000 Special Warrants which were sold to certain purchasers agreed upon by the Corporation and the Agents (the "**President's List Purchasers**") in respect of which a reduced commission of 1.5% applied. In addition, the Agents were issued an aggregate of 970,950 compensation warrants (the "**Compensation Warrants**"), representing approximately 5.0% of the Special Warrants sold pursuant to the Offering (excluding 980,000 Special Warrants sold to the President's List Purchasers, for which the Agents received Compensation Warrants representing 1.5% of the Special Warrants sold to the President's List Purchasers). Each Compensation Warrant is non-transferable and exercisable to acquire one unit of the Corporation (each, a "**CW Unit**") at a price of \$2.00 per CW Unit, until 5:00 p.m. (Toronto time) on January 9, 2020, subject to adjustment in certain events. Each CW Unit consists of one Common Share (each, a "**CW Share**") and one-half of one common share purchase warrant (each whole common share purchase warrant, a "**CW Warrant**"). Each CW Warrant is exercisable to acquire one Common Share (each, a "**CW Warrant Share**") at a price of \$2.35 per CW Warrant Share, until 5:00 p.m. (Toronto time) on January 9, 2021. The Compensation Warrants and CW Units issuable upon exercise of the Compensation Warrants are not qualified by this Prospectus. See "*Plan of Distribution*".
- (3) After deducting the Agents' Commission in the amount of \$1,941,900 but before deducting the expenses of the Offering and the qualification for distribution of the Units, estimated to be \$400,000.
- (4) The distribution of the Units upon the deemed exercise of the Special Warrants will not result in any proceeds being received by the Corporation.

Each Special Warrant will be deemed to be automatically exercised on behalf of, and without any further action or payment required on the part of, the holder thereof at 5:00 (Toronto time) on the date (the "**Deemed Exercise Date**") that is the earlier of: (i) the third business day after the date a receipt (a "**Receipt**") is issued for a final prospectus (the "**Qualification Date**") qualifying the distribution of the Unit Shares and the Warrants by the securities regulatory authorities in the provinces of British Columbia, Alberta, Saskatchewan, Ontario and New Brunswick (the "**Qualifying Jurisdictions**"); and (ii) May 10, 2018. See "*Plan of Distribution*" and "*Description of Securities Being Distributed*".

Each Special Warrant was originally exercisable to acquire one Unit of the Corporation. As the Qualification Date did not occur on or before February 27, 2018 (the "**Qualification Deadline**"), each Special Warrant now entitles the holder thereof to receive upon the deemed exercise, for no additional consideration (the "**Penalty Provision**"), 1.05 Units (instead of 1.0 Unit) in accordance with the terms of the Special Warrant Indenture. This Prospectus qualifies the distribution of: (i) the 1,006,250 Unit Shares (the "**Penalty Shares**"); and (ii) the 503,125 Warrants (the "**Penalty Warrants**") issuable pursuant to the Penalty Provision, for a total of 21,131,250 Unit Shares and 10,565,625 Warrants. Unless the context otherwise requires, all references herein to the "**Offering**", "**Units**", "**Unit Shares**", and "**Warrants**" includes the Penalty Shares and Penalty Warrants issued in connection with the Penalty Provision. See "*Plan of Distribution*". The Corporation has agreed with the Agents to continue to use its best efforts to obtain the Receipt as soon as possible following the Qualification Deadline until such time as all the Special Warrants are deemed to have been exercised.

The Corporation has not authorized anyone to provide purchasers with information different from that contained or incorporated by reference in this Prospectus. An investment in the securities of the Corporation is highly speculative and involves significant risks that should be carefully considered by prospective investors before purchasing such securities. The risks outlined in this Prospectus and in the documents incorporated by reference herein should be carefully reviewed and considered by prospective investors in connection with an investment in such securities. See "*Risk Factors*" and "*Cautionary Statement Regarding Forward Looking Information*". Potential investors are advised to consult their own legal counsel and other professional advisers in order to assess income tax, legal and other aspects of this investment.

The Offering was conducted through the book-based system and the Special Warrants (other than those issued to a U.S. purchaser that received a definitive certificate) were issued in registered form to CDS Clearing and Depository Services Inc. (“CDS”) and deposited with CDS on the Closing Date. The Unit Shares and Warrants issued upon the deemed exercise of the Special Warrants will also be held by CDS and a purchaser of the Special Warrants (other than the U.S. purchaser that received a definitive certificate) will not receive definitive certificates representing the Unit Shares and Warrants. See “*Plan of Distribution*”.

Unless otherwise indicated, all references to dollar amounts in this Prospectus are to Canadian dollars. Readers should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the cover page of this Prospectus.

Reference to “United States” or “U.S.” are references to the United States of America.

Investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding or disposing of the Special Warrants, the Unit Shares and the Warrants, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires the Special Warrants, the Unit Shares or the Warrants.

Certain legal matters in connection with the Offering and this Prospectus have been or will be reviewed on behalf of the Corporation by Cassels Brock & Blackwell LLP and on behalf of the Agents by DLA Piper (Canada) LLP.

The Corporation’s head and registered office is located at 845 Harrington Court, Unit 3, Burlington, Ontario, L7N 3P3.

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ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

One of the Corporation's directors, Gerhard Müller, resides outside of Canada. Mr. Müller has appointed Cassels Brock & Blackwell LLP as agents for service of process at the following address: 40 King Street West, Suite 2100, Toronto, Ontario M5H 3C2. Investors are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person who resides outside of Canada, even if that person has appointed an agent for service of process. See "*Risk Factors*".

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain information contained in this Prospectus and the documents incorporated by reference herein may constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. Such forward-looking information is based upon the Corporation's and its management's current internal predictions, expectations, beliefs, plans, projections, objectives, goals, strategies, assumptions, priorities, intentions or estimates. Forward-looking information can often be identified by forward-looking words or phrases such as "believes", "expects", "anticipates", "intends", "plans", "estimates", "schedules", "forecasts", "budgets", "proposes", or variations or comparable language of such words, and phrases or statements stating that certain actions, events or results "may", "could", "would", "should", "might" or "will" occur, be taken or be achieved or other connotations or such words or phrases or other similar expressions concerning matters that are not historical facts. Forward-looking information may also include, without limitation, any statement relating to future events, conditions or circumstances. The Corporation cautions the reader not to place undue reliance upon any such forward-looking information.

Forward-looking information does not constitute historical fact but rather reflects the current expectations of the Corporation regarding future results or events based on information that is currently available. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the results, performance, achievements, predictions, forecasts, projections and other forward-looking information will not occur or will differ materially from such anticipated results, performance, achievements, predictions, forecasts, projections or other forward-looking information. Forward-looking information in this Prospectus and the documents incorporated by reference herein includes, but is not limited to, statements with respect to:

- the Corporation's expectations regarding its revenue, expenses and operations;
- the Corporation's anticipated cash needs and its needs for additional financing;
- the Corporation's integration of its acquisitions;
- uncertainties with respect to completing the Haxxon Transaction (as defined herein);
- the Corporation's plans, budget and costs for, and timing of, the expansion of Site 138 (as defined herein) in Langton, Ontario;
- the Corporation's future growth plans, including, but not limited to, its 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;
- the Corporation's ability to attract new customers and develop and maintain relationships with existing customers;
- the Corporation's expectations with respect to increased production capacity and timing and quantum of distribution activities;
- plans with respect to the payment of dividends;
- the Corporation's ability to identify, attract, hire, train, motivate and retain personnel;
- the Corporation's technology and data, and expected uses and benefits;
- general economic, business and political conditions;
- stock market volatility;
- anticipated costs and ability to achieve goals including production capacity;
- the use of net proceeds of the Offering, including but not limited to, in respect of the Expansion (as defined herein);
- the ability of the Corporation to renew its licenses from Health Canada and obtain additional licenses elsewhere;
- compliance with regulatory requirements as set out by ACMPR (as defined herein) and Health Canada;
- the outcome of the regulatory investigation related to the Chief Executive Officer of the Corporation and other matters as discussed under "*Other Information*";
- medical benefits, viability, safety, efficacy, and social acceptance of cannabis;

- the impact and expected timing of certain changes in cannabis laws and regulations in the jurisdictions in which the Corporation operates;
- the Corporation's competitive position and its expectations regarding competition in the cannabis industry; and
- anticipated trends and challenges in the Corporation's industry, its business and the markets in which it operates.

Although the Corporation believes that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. The Corporation cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither the Corporation nor any other person assumes responsibility for the accuracy or completeness of the forward-looking information. Some of the risks and other factors, some of which are beyond the Corporation's control, which could cause results to differ materially from those expressed in the forward-looking information contained in this Prospectus, include, but are not limited to construction delays; weather issues affecting crops; delays in getting required permits; changes in laws; regulatory hurdles; fluctuations in operating results; the impact of general economic, industry and market conditions; social acceptance risks associated with cannabis products; the ability to recruit and retain qualified employees; risks of litigation; fluctuations in cash flow; increased levels of outstanding debt and obligations under a capital lease; inherent uncertainties in estimations regarding market demand for particular products and the dependence on new product development; the impact of market change; and the impact of price and product competition and such other risks and uncertainties set forth under "*Risk Factors*" in this Prospectus and in the AIF (as defined herein), as well as other documents incorporated by reference herein.

The forward-looking information contained in this Prospectus is presented as of the date of this Prospectus and, accordingly, is subject to change after such date. Forward-looking information is disclosed for the purpose of providing information about management's current expectations and plans and allowing investors and others to gain a better understanding of the Corporation's operating environment. The Corporation does not intend or undertake to publicly update any forward-looking information included in this Prospectus, whether as a result of new information, future events or otherwise, except in accordance with applicable Canadian securities laws.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with the securities commissions or similar regulatory authorities in Canada. The Corporation is permitted to "incorporate by reference" such information, which means that the Corporation can disclose important information to you by incorporating certain documents into this Prospectus. Information that is incorporated by reference is an important part of this Prospectus. Copies of the Corporation's documents incorporated by reference may be obtained on request without charge from the Secretary of the Corporation by telephone at 289-288-6274, and are also accessible at www.sedar.com.

The following documents of the Corporation, which have been filed with the applicable securities commissions or similar regulatory authorities in Canada, are incorporated by reference into and form an integral part of this Prospectus:

- the annual information form of the Corporation dated January 19, 2018 for the year ended December 31, 2016 (the "**AIF**");
- the audited consolidated financial statements of Danbel (as defined herein) for the year ended December 31, 2016, together with the auditor's report thereon and the notes thereto;
- the audited consolidated financial statements of Danbel for the year ended December 31, 2015, together with the auditor's report thereon and the notes thereto appended to the Form 2A Listing Statement of Danbel dated April 7, 2017;
- Danbel's management's discussion and analysis for the year ended December 31, 2016;
- the unaudited condensed interim consolidated financial statements of the Corporation for the period ended September 30, 2017 and 2016, together with the notes thereto;
- the Corporation's management's discussion and analysis for the period ended September 30, 2017 and 2016;
- the audited annual financial statements of RTO Acquirer (as defined herein) for the year ended December 31, 2016, together with the auditor's report thereon and the notes thereto, filed on May 10, 2017⁽¹⁾;
- the management's discussion and analysis of RTO Acquirer for the year ended December 31, 2016, filed on May 10, 2017⁽¹⁾;

- the audited annual financial statements of the RTO Acquirer for the year ended December 31, 2015 and the comparative financial statements for the year ended December 31, 2014, together with the auditor’s report thereon and the notes thereto, appended to the Listing Statement on Form 2A of Danbel dated April 7, 2017;
- the management information circular dated March 13, 2017 of Danbel in respect of the meeting of shareholders held on April 13, 2017;
- the Corporation’s management information circular dated November 10, 2017 in respect of the Corporation’s meeting of shareholders held on December 15, 2017;
- the material change report dated March 6, 2017 with respect to the Corporation entering into a binding definitive agreement in connection with the RTO (as defined herein);
- the material change report dated April 27, 2017 with respect to the completion of the RTO;
- the material change report dated April 27, 2017 with respect to the Common Shares beginning trading on the CSE and the completion of the RTO;
- the material change report dated May 2, 2017 with respect to the Corporation establishing Maricann GmbH, a new subsidiary in Germany;
- the material change report dated September 1, 2017 with respect to the Corporation entering into a share purchase agreement in connection with the Acquisition (as defined herein);
- the material change report dated November 3, 2017 with respect to the closing of a private placement offering of convertible debenture units and the Acquisition;
- the business acquisition report dated January 10, 2018 with respect to the acquisition of NanoLeaf Technologies Inc. (the “**Acquisition**”);
- the material change report dated January 16, 2018 with respect to the closing of the Offering;
- the material change report dated January 31, 2018 with respect to the announcement of the Bought Deal Offering (as defined herein); and
- the material change report dated March 2, 2018 with respect to the announcement of the termination of the Bought Deal Offering, the resignations of Neil Tabatznik (as a director and Chairman of the board of directors of the Corporation (the “**Board**”)) and Raymond Stone (as a director of the Corporation), and the appointment of Paul Pathak as the interim Chairman of the Board.

Note:

- (1) The RTO Acquirer was Maricann Inc. References to “Maricann Group Inc.” in the audited annual financial statements of the RTO Acquirer for the year ended December 31, 2016 and the corresponding management’s discussion and analysis of the RTO Acquirer for the year ended December 31, 2016 shall be understood as references to Maricann Inc., except in note 3 and note 22 to the audited annual financial statements of the RTO Acquirer for the year ended December 31, 2016.

Any material change reports (excluding confidential material change reports), annual information forms, interim consolidated financial statements and related management’s discussion and analysis, annual audited consolidated financial statements (including the independent auditor’s report thereon) and related management’s discussion and analysis, business acquisition reports, information circulars and certain other disclosure documents, of the type referred to in section 11.1 of Form 44-101F1 of National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated in a short form prospectus, filed by the Corporation with any securities commissions or similar regulatory authority in Canada after the date of this Prospectus and prior to the termination of the distribution of the Unit Shares and Warrants are deemed to be incorporated by reference into this Prospectus. The documents incorporated or deemed to be incorporated herein by reference contain meaningful and material information relating to the Corporation and readers should review all information contained in this Prospectus and the documents incorporated or deemed to be incorporated by reference herein.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this Prospectus is deemed to be modified or superseded, for purposes of this Prospectus, to the extent that a statement contained in this Prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Prospectus modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

MARKETING MATERIALS

Any “template version” of any “marketing materials” (each as defined in National Instrument 41-101 – *General Prospectus Requirements*) filed under the Corporation’s profile on SEDAR at www.sedar.com after the date of this Prospectus and before the termination of the distribution under the Offering will be deemed to be incorporated by reference into this Prospectus.

SUMMARY DESCRIPTION OF BUSINESS

Corporate Structure

The Corporation was incorporated as “Augusta Technologies Inc.” on December 19, 1996 pursuant to Articles of Incorporation issued under the *Business Corporations Act* (Alberta). On December 21, 1998, the Corporation changed its name to “Danbel Industries Corporation” and continued into the Province of Ontario on December 24, 1998. The Corporation changed its name to “Danbel Ventures Inc.” (“**Danbel**”) on December 1, 2011. Maricann Inc. was incorporated pursuant to Articles of Incorporation issued under the *Business Corporations Act* (Ontario) (the “**OBCA**”) on April 25, 2013.

On April 20, 2017, Maricann Inc. (also referred to herein as the “**RTO Acquirer**”) completed a reverse takeover of Danbel. (the “**RTO**”). Pursuant to the RTO, 2563554 Ontario Inc., a wholly-owned subsidiary of Danbel, merged with Maricann Inc. and the combined entity became a wholly-owned subsidiary of the Corporation. In connection with the RTO, the Corporation completed a consolidation (the “**Consolidation**”) of its Common Shares on the basis of one post-consolidation Common Share for every 9.22 pre-consolidation Common Shares. Upon completion of the RTO, Common Shares were issued to former shareholders of Maricann Inc., on a one-for-one basis and the business and shareholders of Maricann Inc. became the business and shareholders of the Corporation. The Corporation filed Articles of Amendment on April 20, 2017 to change its name to “Maricann Group Inc.”

The chart below indicates the inter-corporate relationships of the Corporation and its significant subsidiaries (and includes their jurisdiction of incorporation in parenthesis) as of the date hereof.

Name of Subsidiary	Jurisdiction of Incorporation, Continuance, Formation or Organization	Percentage of Voting Securities Owned	Holder of Outstanding Voting Securities
Maricann Inc.	Ontario, Canada	100%	Maricann Group Inc.
NanoLeaf Technologies Inc.	Ontario, Canada	100%	Maricann Group Inc.
Maricann B.V.	Netherlands	100%	Maricann Inc.
Maricann GmbH	Bavaria, Germany	95% 5%	Maricann B.V. INEG Holding UG ⁽¹⁾
Mariplant GmbH	Saxony, Germany	95% 5%	Maricann B.V. INEG Holding UG ⁽¹⁾

Note:

(1) INEG Holdings is wholly-owned by the General Manager of Maricann GmbH.

The Common Shares are listed under the symbol “MARI” on the CSE.

The head and registered office of the Corporation is located at 845 Harrington Court, Unit 3, Burlington, Ontario. The Corporation’s website is www.maricann.com.

Description of the Business

The Corporation is a vertically integrated medical marijuana company, operating a cultivation, extraction and distribution business. The Corporation, through its wholly-owned subsidiary Maricann Inc., 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 Ontario.

The Corporation currently conducts all of its active business through Maricann Inc. Maricann Inc. is a licensed Medical Marijuana producer (a “**Licensed Producer**”) as regulated by Health Canada under the *Access to Cannabis for Medical Purposes Regulation* (“**ACMPR**”). Maricann Inc. first received its cultivation license on March 27, 2014 and its full Health Canada sales license to produce and distribute medical marijuana on December 12, 2014. Maricann Inc. commenced sales of medical cannabis in December 2014 and cannabis oil production and sales in May 2016 and October 2016, respectively. All of its licences were renewed on November 28, 2017, with an expiry date of October 9, 2020. All current marijuana activities of Maricann Inc. are conducted at Site 150 (as defined herein), which holds the current license under the ACMPR. On September 5, 2017, Maricann Inc. received a second site license for its Burlington, Ontario location (License No. 10-MM0808/2017). In November 2017, Maricann Inc. received a new licence that removes annual production limits on approved medical cannabis products in its Langton, Ontario Site 150 facility (License No. 10-MM0804/2017). This licence increases permitted capacity to 6,250,000 grams on site at any one time. This is an increase from the previous annual licence that limited production to a total of 1,282,000 grams (930kg of dried marihuana and 352 kg of cannabis oil) per year. The Corporation has submitted a new (separate) licence application for Site 138 (discussed below).

Maricann Inc.’s current licensed facility is located at 150, 8th Concession Road, Langton, Ontario (“**Site 150**”). The Corporation is currently building a new facility at 138, 8th Concession Road, Langton, Ontario (“**Site 138**”). Site 150 is currently leased pursuant to the Site 150 Lease (as defined herein), whereas Site 138 is owned by the Corporation. Additionally, the Corporation has a corporate office located at 845 Harrington Court, Unit 3, Burlington, Ontario. This location is leased.

Maricann Inc. currently occupies and conducts operations at Site 150, as tenant, pursuant to a lease agreement dated September 20, 2013 (the “**Site 150 Lease**”). The Site 150 Lease carries a five-year term, subject to certain adjustments, which commenced on November 1, 2013 and expires on October 31, 2018. Pursuant to the Site 150 Lease, Maricann Inc. currently makes monthly rent payments to the Site 150 landlord of \$6,250 (excluding additional payments owing pursuant to the Site 150 Lease in respect of, among other things, certain applicable taxes and operating costs), and is obligated to make such payments, subject to certain adjustments, until the expiration of the Site 150 Lease. The Site 150 Lease provides Maricann Inc. with the right to extend the term of the Site 150 Lease for two further periods of five years each, commencing on the day following the last day of the term of the Site 150 Lease or the preceding extension term, subject to certain conditions. The Site 150 Lease includes standard default provisions relating to, among other things, failures of Maricann Inc. to complete payments owing and other performance obligations under the Site 150 Lease. See “*Risk Factors*”.

The Corporation conducts business in Canada and Germany. CSA Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* (“**SN 51-352**”), as revised on February 8, 2018, provides specific disclosure expectations for issuers that currently have, or are in the process of developing, marijuana-related activities in U.S. states where such activity has been authorized within a state regulatory framework. Currently, the Corporation does not intend to carry on business in the United States or invest, directly or indirectly, in any business that derives revenue, directly or indirectly, from the sale of cannabis or cannabis products in the United States or in any jurisdiction where the sale of cannabis is unlawful under applicable laws.

Maricann Inc. is party to certain exclusivity agreements with U.S. based companies that may themselves participate in the U.S. cannabis market. Under such agreements, Maricann Inc. does not invest in or provide goods or services to an entity directly involved in the U.S. marijuana industry, nor does it do so in an indirect or ancillary manner. Instead, under such agreements, Maricann Inc. is provided with the right to act as the exclusive distributor and retailer of the brand names of the respective counterparties in Canada in accordance with the Health Canada license held by Maricann Inc. under the ACMPR. These agreements do not involve the Corporation, Maricann Inc. or their subsidiaries in any U.S. activities respecting cannabis.

Recent Developments

On October 27, 2017, the Corporation announced that it completed the Acquisition, pursuant to which it acquired 100% of the issued and outstanding shares of NanoLeaf Technologies Inc. (“**NanoLeaf**”), a biotech company possessing certain rights by means of a sub-license to a number of internationally patented technologies that provide pharmaceutical, nutraceutical, cosmetic and functional beverage drug delivery formulations. Pursuant to the Acquisition, NanoLeaf shareholders received \$38.5 million in consideration for their shares in the capital of NanoLeaf, which amount was satisfied by delivery of approximately 18.3 million Common Shares at a deemed value of \$2.10 per Common Share (subject to adjustment as set forth in the share purchase agreement dated October

27, 2017 in respect of the Acquisition). The Corporation also loaned NanoLeaf \$1.6 million in cash to settle existing liabilities of NanoLeaf in advance of completing the Acquisition, resulting in deemed total Acquisition consideration of \$40.1 million.

NanoLeaf licensed the rights to the proprietary and patented VESIsorb® technology. The Corporation believes VESIsorb® will be critical to the Corporation's strategy for product development and formulation of finished dose products. The Corporation intends to utilize VESIsorb® in topical, ingestible (beverages, edibles, capsules and mucosal sprays) products. The Corporation estimates that utilization of the VESIsorb® technology will result in a lesser requirement of active pharmaceutical ingredient (“**API**”) (cannabinoids, terpenoids, flavinoids) by approximately 75% on average due to API being absorbed to the blood stream through the lining of the stomach and the intestines, rather than first pass metabolism in the liver.

The Corporation plans to invest approximately \$500,000 for regulatory approvals and analytical testing of formulations, including recording of stability data for end product, of the VESIsorb® technology. The Corporation plans to also licence VESIsorb® to other companies in the cannabis sector for product categories in which the Corporation chooses not to participate. The Corporation has contract manufactured 10,000 units of 30 capsules with 25 mg of CBD from SourceOne for distribution in the European Union as a food supplement. See also “*Risk Factors*”.

On October 27, 2017, the Corporation completed a brokered private placement of \$31,000,000 aggregate principal amount of convertible debenture units (the “**Convertible Debenture Units**”) at a price of \$1,000 per Convertible Debenture Unit (the “**October 2017 Financing**”). Each Convertible Debenture Unit was comprised of \$1,000 principal amount of 9.0% secured convertible debentures due October 27, 2020 (the “**Convertible Debentures**”) and 313 common share purchase warrants of the Corporation (the “**Unit Warrants**”). Convertible Debentures sold to insiders as part of the October 2017 Financing, 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 Unit Warrant is exercisable to acquire one Common Share (a “**Warrant Share**”) until October 27, 2020 at an exercise price of \$2.30 per Warrant Share, subject to adjustment in certain events. As consideration for their services in connection with the October 2017 Financing, the agents received compensation warrants with the same terms as the Unit Warrants.

On November 6, 2017, the Corporation announced that it and a national provider that services over 2,000 pharmacies across Canada (the “**Counterparty**”) entered into a definitive agreement to create a pharmacy services program designed to enable pharmacists to counsel and appropriately educate patients in relation to medicinal cannabis. The joint initiative aims to position pharmacies to be a preferred access point for medicinal cannabis based on pharmacists’ role in working with physicians and patients in understanding the multi-synchronistic opportunities in multi-medication patients.

On November 8, 2017, the Corporation announced that Health Canada had granted Maricann Inc. a new licence that removed annual production limits on approved medical cannabis products in the Corporation’s Langton, Ontario facility. This new licence increases capacity to 6,250,000 grams on site at any one time. This is an increase from its previous annual licence that limited production to a total of 1,282,000 grams (930kg of dried marihuana and 352 kg of cannabis oil) per year and is valid until October 9, 2020.

On November 20, 2017, the Corporation announced that it had commenced production of encapsulated cannabis oil, following receipt of its production license from Health Canada on November 17, 2017. The Corporation expects patients to be able to order oil capsules starting in the first quarter of 2018, subject to Health Canada’s issuance of the required license to sell. See “*Risk Factors*” in the AIF.

On December 12, 2017, the Corporation announced that it signed a definitive agreement with Lovell Drugs Limited (“**Lovell Drugs**”) to be the exclusive provider of medicinal cannabis products to its pharmacies. Lovell Drugs is, in partnership with the Corporation, implementing a medical cannabis education and access program for its pharmacists and allied community physicians in an effort to facilitate the counselling and fulfillment of medical cannabis to its patients. The Corporation fulfills prescriptions directly to Lovell Drugs’ patients through the existing ACMPR. Lovell Drugs has already begun sending patients to Maricann Inc. for registration. The first patient registration was fulfilled in December 2017. The term of the agreement is four years, with an option to extend

another three years if the parties thereto mutually agree. Pursuant to the terms of the agreement, Lovell Drugs receives a percentage of the Corporation's product sale revenue generated from patients acquired and serviced from Lovell Drugs' retail pharmacies. As part of the development of medical cannabis content, the Corporation has agreed to provide funding of up to \$15,000 for initiatives to support continuing education for Lovell Drugs personnel and their patients.

On January 2, 2018, the Corporation announced that it entered into an exclusivity agreement (the "**RD Agreement**") with Rare Dankness LLC ("**RD**") to bring certified strains and cannabis products to Canada. The RD Agreement provides the Corporation with exclusive distribution and retail rights for the Canadian markets for specified Rare Dankness Genetics and Products for a five year term, subject to the Corporation meeting minimum wholesale targets each year or paying an exclusivity fee and a right of first refusal to act as RD's exclusive distributor for such products in Europe.

On January 9, 2018, the Corporation closed the Offering. As consideration for their services in connection with the Offering, the Agents received a cash commission and the Compensation Warrants.

On January 11, 2018, the Corporation provided an operational update following the closing of the Offering, including the announcement of: (i) Phase One construction on the Corporation's Site 138 facility in Langton, Ontario progressing on schedule and within 2% of budget, with initial production capacity anticipated to be 22,500 kg per year; (ii) Phase Two and Phase Three construction having commenced; with a target capacity of 95,000 kg per year; and (iii) expectations for receiving certain licenses and certifications to allow the Corporation to export packaged dry cannabis flowers and distribute 25mg CBD VesiSorb capsules to Germany in 2018.

On January 24, 2018, the Corporation announced that it signed a non-binding term sheet for a proposed acquisition of all the issued and outstanding common shares of Haxxon AG ("**Haxxon**") and all of its affiliates and subsidiaries, for an aggregate purchase price of CHF 8,000,000 (\$10,912,000⁽¹⁾), of which CHF 2,000,000 (\$2,728,000⁽¹⁾) will be payable in cash and CHF 6,000,000 (\$8,184,000⁽¹⁾) payable in Common Shares at the 20-day volume weighted average trading price of the Common Shares prior to the closing of the transaction (the "**Haxxon Transaction**"). 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, if completed, will allow the Corporation to produce Low THC Strains in Switzerland, which would then be manufactured into finished products. The completion of the Haxxon Transaction is subject to due diligence, the entering into of definitive binding documentation and obtaining all required approvals. The Corporation was initially granted a period of exclusivity until March 30, 2018 to complete its due diligence and enter into a definitive agreement in respect of the Haxxon Transaction, which has been extended until April 15, 2018.

Haxxon currently cultivates Low THC Strains and produces cannabis products with a content of less than 1% THC, which are not subject to the *Federal Act on Narcotics and Psychotropic Substances* (the "**Swiss Narcotics Act**") in Switzerland. Upon the completion of the Haxxon Transaction, if and when completed, the Corporation's current intentions are that Haxxon will continue to limit its commercial activities in Switzerland to cannabis products, in the form of cigarettes, with less than 1% THC.

On February 2, 2018, the Corporation entered into an underwriting agreement (the "**Underwriting Agreement**") with Eight Capital, Canaccord Genuity Corp., GMP Securities Inc., Industrial Alliance Securities Inc., and Clarus Securities Inc. (collectively, the "**Underwriters**") pursuant to which the Underwriters agreed to purchase 17,500,000 units of the Corporation (the "**BD Units**") on a "bought deal" basis pursuant to the filing of a short form prospectus, subject to all required regulatory approvals, at a price of \$4.00 per BD Unit for gross proceeds of up to \$70,000,000 (the "**Bought Deal Offering**").

On February 12, 2018, the Corporation appointed Geoff Kosar as Vice-President, Sales & Marketing.

On February 27, 2018, Neil Tabatznik resigned as a director of the Corporation and as the Chairman of the Board, Raymond Stone resigned as a director of the Corporation and Paul Pathak was appointed as the interim Chairman of the Board. See "*Other Information*".

On March 1, 2018, the Corporation announced the termination of the Bought Deal Offering.

On March 19, 2018, the Corporation entered into employment agreements with its senior executives and set their compensation and employment framework to ensure their retention for 2018 and onward. Pursuant to such agreements, commencing January 1, 2018 and reviewable annually, the annual base salary for Mr. Ben Ward (CEO) is \$400,000 and for each of Mr. Scott Langille (CFO) and Mr. Terry Fretz (President) is \$300,000. Each of the foregoing executives is entitled to a bonus equal to 100% of annual base salary, subject to the achievement of performance targets to be set by the Board. An aggregate of 2,850,000 options of the Corporation will be made available for issuance to the foregoing executives, to be granted at an exercise price to be determined when the officers and directors of Corporation are no longer subject to a blackout period, with such options to be subject to vesting in three equal tranches, one-third upon grant and the two other tranches on the first and second anniversary of the grant.

The employment agreements provide protection to the foregoing officers in the event (an “**Adverse Event**”) of: (i) termination of employment by the Corporation other than for just cause, disability or death; (ii) termination of employment by the executive for good reason (such as constructive dismissal); or (iii) upon the occurrence of a “change of control” of the Corporation. A “change of control” includes: (i) (a) the acquisition, by a person or a group of persons acting jointly or in concert (“**Acquirer(s)**”), of Common Shares or securities convertible into Common Shares of the Corporation which, assuming the conversion of the convertible securities of the Acquirer(s), would entitle the Acquirer(s) to beneficially own Common Shares of the Corporation that would entitle the Acquirer(s) to cast more than 50% of all the votes cast attaching to all Common Shares of the Corporation to elect members of the Board, and (b) the exercise of voting power over all and any such Common Shares so as to cause or result in the election of such number of directors, who were not incumbent directors, as would constitute the majority of the Board; or (ii) the purchase of all, or substantially all of the assets of the Corporation. Upon the occurrence of an Adverse Event, the executive shall be entitled to, among other things: (i) an amount for all accrued base salary and accrued and unused vacation pay; (ii) an amount in respect to annual base salary for a period of 18 months in the case of Messrs. Ward and Fretz and 14 months in the case of Mr. Langille; (iii) an amount equal to the prior three (3) years (or lesser if three (3) years have not passed) average bonuses; and (iv) the acceleration of all options held by the executive, with such options to continue until the earlier of their expiry date and 12 months following the Adverse Event.

On March 23, 2018, the Corporation announced that it received an occupancy permit from Norfolk County for Phase 1 of the Expansion (as defined herein) of Site 138 in Langton, Ontario.

Additional information in respect of the Corporation’s business is available in the AIF and other documents incorporated by reference herein.

Note:

(1) Based on the Bank of Canada daily exchange rate on March 26, 2018 of CHF 1.00 to \$1.3640.

REGULATORY FRAMEWORK

Regulatory Framework in Canada

Summary of the ACMPR

The ACMPR replaced the *Marihuana for Medical Purposes Regulations* (the “**MMPR**”) as the governing regulations in respect of the production, sale and distribution of medical cannabis and related oil extracts. The ACMPR effectively combines the regulations and requirements of the MMPR, the *Marihuana Medical Access Regulations* and the section 56 exemptions relating to cannabis oil under the *Controlled Drugs and Substances Act* into one set of regulations. In addition, among other things, the ACMPR sets out the process patients are required to follow to obtain authorization from Health Canada to grow cannabis and to acquire seeds or plants from Licensed Producers to grow their own cannabis. Under the ACMPR, patients have three options for obtaining cannabis:

- (a) they can continue to access quality-controlled cannabis by registering with Licensed Producers;
- (b) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or
- (c) they can designate someone else to produce it for them.

With respect to items (b) and (c) above, starting materials, such as plants or seeds, must be obtained from Licensed Producers. It is possible that (b) and (c) could significantly reduce the addressable market for the Corporation's products and could materially and adversely affect the business, financial condition and results of operations of the Corporation. That said, management of the Corporation believes that many patients may be deterred from opting to proceed with options (b) or (c) since such steps require applying for and obtaining registration from Health Canada to grow cannabis, as well as the incurring of the up-front costs of obtaining equipment and materials to produce cannabis.

Reporting Requirements under the ACMPR

As described under the ACMPR (see Part 1, Division 5 of the ACMPR), Licensed Producers are required to keep records of, among other things, their activities with cannabis, including all transactions (sale, exportation, and importation), all fresh or dried marijuana or cannabis oils returned from clients, and an inventory of cannabis (e.g. seeds, fresh harvested marijuana, dried marijuana, packaged marijuana, packaged marijuana seeds, cannabis oil, marijuana plants destined to be sold or provided). All records have to be kept for a period of at least two years, in a format that will be easily auditable, and must be made available to Health Canada upon request. All communications regarding reports for healthcare licensing authorities, including both those sent and received, are also subject to this two year requirement.

A Licensed Producer must provide Health Canada with a case report for each serious adverse reaction to fresh or dried marijuana or cannabis oil within 15 days of the Licensed Producer becoming aware of the reaction. A Licensed Producer must annually prepare and maintain a summary report that contains a concise and critical analysis of all adverse reactions that have occurred during the previous 12 months (the serious adverse reaction reports and the summary reports must be retained by the Licensed Producer for a period of 25 years after the day on which they were produced).

Health Canada released an Information Bulletin titled, "Licensed Producers' Reporting Requirements" to provide an overview of the information Licensed Producers must provide to Health Canada on a monthly basis. Licensed Producers must provide the following information to the Office of Controlled Substances for the previous month on or before the 15th day of each month:

- With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the amounts produced, as well as the amounts received from another Licensed Producer as follows:
 - total amount produced in the reporting period;
 - amount released for sale in the reporting period;
 - amount of fresh and dried marijuana produced in the reporting period and intended for extraction activities; and
 - amount received from other Licensed Producers during the reporting period;
- With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the total amount sold or transferred to the following during the reporting period:
 - registered clients;
 - other Licensed Producers; and
 - licensed dealers;
- Number of clients registered;
- Number of clients registered by province or territory of residence;
- Number of refused registrations and refusals to fill order;
- With respect to fresh and dried marijuana and cannabis oil, Licensed Producers must report as of the final day of the reporting period the amounts held in inventory as follows:
 - total amount held in inventory;
 - amount intended for sale but not yet approved held in inventory;
 - amount approved for sale held in inventory;
 - amount of samples in inventory; and
 - amount of fresh and dried marijuana intended for extraction activities held in inventory;
- With respect to cannabis seeds and marijuana plants, Licensed Producers must report:
 - the total number of plants held in inventory;
 - the number of plants destined to be sold as starting material held in inventory;

- the total weight of seeds held in inventory; and
 - the number and weight of seeds destined to be sold as starting material held in inventory;
- Licensed producers must also include in their report the total amounts ready to be destroyed, but still held in inventory on the final day of the reporting period;
- Total amount of cannabis imported during the reporting period;
- Total amount of cannabis exported during the reporting period;
- Total amount of cannabis lost or stolen during the reporting period;
- With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the total amount:
 - that was destroyed during the reporting period; and
 - of waste (e.g., plants, leaves, twigs) destroyed during the reporting period;
- With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the total amount returned from clients during the reporting period;
- Licensed Producers must report the total number of shipments sent to the following during the reporting period:
 - registered clients;
 - registered clients for interim supply;
 - other Licensed Producers; and
 - licensed dealers;
- Licensed Producers must report the total number of shipments sent to the following in each province and territory:
 - registered clients;
 - registered clients for interim supply;
 - other Licensed Producers; and
 - licensed dealers;
- Average daily amount of marijuana for medical purposes authorized;
- Median daily amount of marijuana for medical purposes authorized;
- Average shipment size sent to registered clients during the reporting period;
- Median shipment size sent to registered clients during the reporting period;
- List of ten highest unique daily authorized amounts and the frequency with which they occur;
- List of daily authorized amounts in specified increments:
 - 0 to 1 grams;
 - 1.1 to 2 grams;
 - 2.1 to 3 grams;
 - 3.1 to 4 grams;
 - 4.1 to 5 grams;
 - 5 to 10 grams;
 - 10 to 15 grams; and
 - >15 grams,
- Total number of shipments to registered clients per each 10 gram interval between 0 and 150 grams;
- List of all health care practitioners who have completed medical documents for cannabis for medical purposes for registered clients and their location;
- List of all nurse practitioners who have completed medical documents for cannabis for medical purposes for registered clients and their location;
- Cannabis with which they are conducting R&D activities; and
- Activities with respect to cannabis products, other than marijuana or cannabis oil (e.g. cannabis resin).

Recent Regulatory Developments

On December 13, 2016, the Task Force on Cannabis Legalization and Regulation (the "**Task Force**"), which was established by the Canadian Federal Government to seek input on the design of a new system to legalize, regulate and restrict access to cannabis, published its report outlining its recommendations. On April 13, 2017, the Canadian Federal Government released Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts* ("**Bill C-45**"), which proposes the enactment of the *Cannabis Act* (Canada) to regulate the production, distribution and sale of cannabis for unqualified adult use. On November 27, 2017, the House of Commons passed Bill C-45, and on December 20, 2017, the Prime Minister communicated that the Canadian Federal Government intends to legalize cannabis in the summer of 2018, despite previous reports of a

July 1, 2018 deadline. The impact of such regulatory changes on the Corporation's business is unknown, and the proposed regulatory changes may not be implemented at all. See "*Risk Factors - Changes in Laws, Regulations and Guidelines*".

On September 8, 2017, the Ontario government announced its proposed retail and distribution model of legalized recreational cannabis to be modelled on the current Liquor Control Board of Ontario ("**LCBO**") framework. On December 12, 2017, the Ontario government passed the *Cannabis Act, 2017* (Ontario), which will regulate the lawful use, sale and distribution of recreational cannabis by the federal government's summer 2018 legalization deadline. The *Cannabis Act, 2017* (Ontario) is expected, among other matters, to:

- create a new provincial retailer, overseen by the LCBO, to manage the distribution of recreational cannabis through stand-alone stores and an LCBO-controlled online order and distribution service, which together, will comprise the only channels through which consumers will be able to legally purchase recreational cannabis in Ontario;
- set a minimum age of 19 to use, buy, possess and cultivate cannabis in Ontario; and
- ban the use of cannabis in public places, workplaces and motor vehicles in Ontario, as is the case with alcohol.

Other details of Ontario's approach will be set out in regulations to the *Cannabis Act, 2017* (Ontario) to be developed for public comment.

Only Ontario, British Columbia, Alberta, Québec, and New Brunswick have introduced cannabis regulations; however, every province and territory, other than Nunavut, has made an announcement regarding plans for regulating recreational cannabis.

On November 21, 2017, Health Canada released a consultation paper entitled "Proposed Approach to the Regulation of Cannabis" (the "**Proposed Regulations**"). Recognizing the federal government's commitment to bringing the *Cannabis Act* (Canada) into force no later than the summer of 2018, the Proposed Regulations, among other things, seek to solicit public input and views on the appropriate regulatory approach to a recreational cannabis market by building upon established regulatory requirements that are currently in place for medical cannabis.

Interested stakeholders were invited to share their views on the Proposed Regulations until January 20, 2018. Health Canada is now expected to publish a summary of the comments received as well as a detailed outline of any changes to the regulatory proposal.

The Proposed Regulations are divided into the following seven major categories:

1. Licenses, Permits and Authorizations;
2. Security Clearances;
3. Cannabis Tracking System;
4. Cannabis Products;
5. Packaging and Labelling;
6. Cannabis for Medical Purposes; and
7. Health Products and Cosmetics Containing Cannabis.

Licenses, Permits and Authorizations

The Proposed Regulations would establish different types of authorizations based on the activity being undertaken and, in some cases, the scale of the activity. Rules and requirements for different categories of authorized activities are intended to be proportional to the public health and safety risks posed by each category of activity. The types of proposed authorizations include: (i) cultivation; (ii) processing; (iii) sale to the public for medical purposes and non-medical purposes in provinces and territories that have not enacted a retail framework; (iv) analytical testing; (v) import/export; and (vi) research.

Cultivation licenses would allow for both large-scale and small-scale (i.e. micro) growing of cannabis, subject to a stipulated threshold. Industrial hemp and nursery licenses would also be issued as a subset of cultivation licenses. Health Canada is considering a number of options for establishing and defining a "micro-cultivator" threshold, such

as plant count, size of growing area, total production, or gross revenue. Part of the stated purpose of the Proposed Regulations is to solicit feedback from interested stakeholders regarding the most appropriate basis for determining what such threshold should be.

The Proposed Regulations provide that all licenses issued under the *Cannabis Act* (Canada) would be valid for a period of no more than five years and that no licensed activity could be conducted in a dwelling-house. The Proposed Regulations would also permit both outdoor and indoor cultivation of cannabis. The implications of the proposal to allow outdoor cultivation are not yet known, but such a development could be significant as it may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices as capital expenditure requirements related to growing outside are typically much lower than those associated with indoor growing.

Security Clearances

It is proposed that select personnel (including individuals occupying a "key position", directors, officers, large shareholders and individuals identified by the Minister of Health) associated with certain licences issued under the *Cannabis Act* (Canada) would be obliged to hold a valid security clearance issued by the Minister of Health. The Proposed Regulations would enable the Minister of Health to refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption or violent offences. This is the approach in place today under the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes.

Health Canada acknowledges in the Proposed Regulations that there are individuals who may have histories of non-violent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) who may seek to obtain a security clearance so they can participate in the legal cannabis industry. Under the new set of rules, the Minister of Health would be authorized to grant security clearances to any individual on a case-by-case basis. Part of the purpose of the Proposed Regulations is to solicit feedback from interested parties on the degree to which such individuals should be permitted to participate in the legal cannabis industry.

Cannabis Tracking System

As currently proposed under the *Cannabis Act* (Canada), the Minister of Health would be authorized to establish and maintain a national cannabis tracking system. The purpose of this system would be to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. The Proposed Regulations would provide the Minister of Health with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister.

Cannabis Products

The Proposed Regulations would permit the sale to the public of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds. It is proposed that the sale of edible cannabis products and concentrates (such as hashish, wax and vaping products) would only be permitted within one year following the coming into force of the *Cannabis Act* (Canada).

The Proposed Regulations acknowledge that a range of product forms should be enabled to help the legal industry displace the illegal market. Additional product forms that are mentioned under the Proposed Regulations include three "pre-rolled" cannabis and vaporization cartridges manufactured with dried cannabis. Specific details related to these new products are to be set out in a subsequent regulatory proposal.

Packaging and Labeling

The Proposed Regulations would set out requirements pertaining to the packaging and labelling of cannabis products. Such requirements would promote informed consumer choice and allow for the safe handling and transportation of cannabis. Consistent with the requirements under the ACMPR, the Proposed Regulations would require all cannabis products to be packaged in a manner that is tamper-evident and child-resistant.

While minor allowances for branding would be permitted, Health Canada is proposing strict limits on the use of colours, graphics, and other special characteristics of packaging, and products would be required to be labelled with specific information about the product, contain mandatory health warnings similar to tobacco products, and be marked with a clearly recognizable standardized cannabis symbol.

Cannabis for Medical Purposes

The proposed medical access regulatory framework would remain substantively the same as currently exists under the ACMPR, with proposed adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system.

Health Products and Cosmetics Containing Cannabis

Health Canada is proposing a scientific, evidenced-based approach for the oversight of health products with cannabis that are approved with health claims, including prescription and non-prescription drugs, natural health products, veterinary drugs and veterinary health products, and medical devices. Under the Proposed Regulations, the use of cannabis-derived ingredients (other than certain hemp seed derivatives containing no more than 10 parts per million THC) in cosmetics, which is currently prohibited, is proposed to be permitted and subject to provisions of the *Cannabis Act* (Canada).

Activities Outside of Canada

The Corporation only conducts business in jurisdictions outside of Canada where such operations are legally permissible in accordance with the laws of the jurisdiction and Canadian regulatory obligations. The Corporation has planned activities in Germany and, if the acquisition of Haxxon is completed, may have activities in Switzerland. The Haxxon Transaction is at an early stage and there is no assurance it will be completed. The following table outlines, in a summary form, the regulatory status of cannabis in those jurisdictions, as well as the activities of the Corporation or its local affiliate or future affiliate conducts:

Country	Regulatory Status and Framework	Corporate Activities
Germany	<p>Federally legal for medicinal use.</p> <ul style="list-style-type: none"> • Cannabis containing less than 0.2% THC can be cultivated by registered growers upon approval by the Ministry of Agriculture. • Cannabis containing greater than 0.2% THC can only be cultivated and distributed with the approval of the Ministry of Health. • As of March 2017, the German government enacted the new “cannabis as medicine” law, allowing the medical use of the cannabis plant, <i>Cannabis sativa</i>. • The prescription, distribution and import of medical cannabis is overseen by an authority within the Ministry of Health, the Federal Institute for Drugs and Medical Devices (the “BfArM”). • BfArM issues import permits for the import of medical cannabis for distribution through pharmacies. • With the legalization of cannabis, the BfArM established a cannabis agency to organize and control the cultivation of cannabis for medical use. As a result, BfArM, is carrying out a tender process to identify suppliers to cultivate medical cannabis within Germany. 	<p>Maricann GmbH has submitted materials to the BfArM to become a licensed producer and wholesaler of cannabis as part of the current tender process taking place in Germany.</p>
Switzerland	<p>Federally legal for medicinal and scientific use.</p> <ul style="list-style-type: none"> • Cannabis containing less than 1.0% THC is not subject to the federal Swiss Narcotics Act and is considered to be legal. No license is required under the Swiss Narcotics Act to cultivate or sell products containing cannabis with less than 1% THC, however, such products are subject to general regulations and the Federal Office of Public Health [FOPH], the Federal Food Safety and Veterinary Office [FSVO] and Swissmedic, the Swiss Agency for Therapeutic Products) are responsible for control, depending on the products’ classification. For smoked tobacco substitutes, which are the products sold by Haxxon, 	<p>The Corporation has entered into a non-binding term sheet in respect of the Haxxon Transaction, which, if completed, will allow the Corporation to produce Low THC Strains in Switzerland.</p>

Country	Regulatory Status and Framework	Corporate Activities
	<p>they are subject to the Tobacco Products Ordinance, and must satisfy applicable requirements to smoked tobacco products they replace, including health and safety, reporting requirements to the FOPH, packaging information requirements, business and tax registration.</p> <ul style="list-style-type: none"> • Cannabis containing greater than 1.0% THC is generally prohibited from being cultivated and distributed, subject to obtaining an exceptional license. • The Federal Office of Public Health grants such exceptional licenses pursuant to the following activities: (i) the development of medicinal products; (ii) for restricted medical use (on prescription from a medical doctor); or (iii) scientific research purposes. • An exceptional license for cultivation, import, production, or distribution of cannabis may be granted by the Federal Office of Public Health if such cannabis is an active ingredient in a medicinal product authorized by the Swiss Agency for Therapeutic Products. • Without such exceptional license, any commercial activities in connection with cannabis or other products containing greater than 1% THC is prohibited in Switzerland. 	

CONSOLIDATED CAPITALIZATION

As at September 30, 2017, the Corporation had 73,461,441 Common Shares, 11,269,000 common share purchase warrants and 2,777,123 options outstanding. Other than as described below, there have been no material changes in the consolidated share and loan capital of the Corporation since September 30, 2017, the date of the Corporation's most recent unaudited condensed interim consolidated financial statements:

- On October 27, 2017, the Corporation issued 18.3 million Common Shares at a deemed value of \$2.10 per Common Share (subject to certain adjustments) to the shareholders of NanoLeaf as consideration for acquiring the outstanding NanoLeaf shares under the Acquisition. See "*Summary Description of the Business – Recent Developments*".
- On October 27, 2017, the Corporation issued 31,000 Convertible Debenture Units in the October 2017 Financing. As consideration for their services in connection with the October 2017 Financing, the agents received 597,493 compensation warrants with the same terms as the Unit Warrants. See "*Summary Description of the Business – Recent Developments*."
- On December 18, 2017, the Corporation announced that, in accordance with the terms of a warrant indenture dated December 15, 2016, the expiry date of 11,250,000 common share purchase warrants issued pursuant to the warrant indenture would be accelerated to January 17, 2018 (the "**Warrants Acceleration**"). Since September 30, 2017, 10,819,000 Common Shares have been issued at a price of \$1.25 per Common Share upon exercise of such common share purchase warrants. All common share purchase warrants issued pursuant to the warrant indenture were exercised prior to January 17, 2018.
- On January 9, 2018, the Corporation issued 20,125,000 Special Warrants pursuant to the Offering. As consideration for their services in connection with the Offering, the Agents received 970,950 Compensation Warrants.
- See also "*Prior Sales*".

USE OF PROCEEDS

The net proceeds to the Corporation from the sale of the Special Warrants, after deducting the aggregate Agents' Commission and the expenses of the Offering and the qualification for distribution of the Units estimated to be \$350,000, are \$37,958,100. The Corporation will not receive any additional proceeds from the deemed exercise of

the Special Warrants. At closing of the Offering, the Corporation received \$38,188,180 of the proceeds of the Offering after deducting the Agents' Commission and the Agents expenses. As at the date hereof, the current cash balance of the Corporation is approximately \$43.0 million and the Corporation has no cash equivalents.

The net proceeds from the Offering will be used primarily to fund the expansion of the Corporation's Site 138 facility in Langton, Ontario (the "**Expansion**") as follows:

<u>Use of Proceeds</u>	<u>Allocated Funds(\$)</u>
Expansion:	
630,000 square feet grow facility shell	\$12,000,000
90,000 square feet production facility shell	1,500,000
Concrete foundations	7,200,000
Operational and automation equipment	6,300,000
Enterprise Resource Planning (ERP) systems	1,000,000
Central utilities plant	2,000,000
Brand development and corporate marketing initiatives for medical and recreational markets:	\$4,750,000
Working capital and general corporate purposes:	\$3,208,100
Total:	\$37,958,100

All of the net proceeds of the Offering to be used in connection with the Expansion will be spent at Site 138.

The Corporation currently has negative operating cash flow and it is expected that a portion of the net proceeds from the Offering may be used to fund such negative operating cash flow. See "*Risk Factors*". Pending the use of the proceeds described above, the Corporation may invest all or a portion of the proceeds of the Offering in short-term, high quality, interest bearing corporate, government-issued or government-guaranteed securities.

Although the Corporation intends to use net proceeds of the Offering as stated above, there may be circumstances where, for business and operations reasons, a reallocation of funds may be necessary, as may be determined at the discretion of management of the Corporation. See "*Risk Factors*".

Business Objectives

The Expansion is in addition to the Corporation's current 42,000 sq. ft existing operations and its fully funded Phase 1 217,000 sq.ft production facility expansion, including a natural gas co-generation facility to produce 2.9 MW of electricity, 3,406,000 litre water cistern, boilers for ambient and water heating, and CO2 scrubbing equipment to provide additional CO2 for plants. Management expected the Phase 1 expansion to be complete in the second quarter of 2018. Standard mechanical and final electrical permits will be required. The Corporation has submitted a new (separate) licence application under the ACMPR for Site 138.

The Expansion represents the second and third phases of the Corporation's expansion plans. The utilities plant is targeted for completion in the second quarter of 2018 and ERP systems in the third quarter. Standard Ontario Energy Board and high voltage Hydro One permits will be required to complete the utilities plant.

Completion of the grow facility shell (Phase 2) and production facility shell (Phase 3) (including concrete foundations), along with the installation of operational equipment, are targeted for the fourth quarter of 2018. Construction permits will be required and new expansion areas will need to be approved by Health Canada to be added to the Corporation's license through the license amendment application process.

Upon completion of the Expansion in full, the Corporation targets an annual production capacity in excess of 95,000 kg/year from 942,000 sq.ft. of combined operations. With the Canadian and global cannabis markets rapidly expanding, the Corporation's goal is to bring cultivation expertise and required scale, through the Expansion, to

match demand, provided through relationships with some of Canada's largest pharmacy groups, and international pharmacy distributors.

In support of its objective, the Corporation also plans to spend a portion of the net proceeds of the Offering on brand development and marketing initiatives for the medical cannabis market and the Canadian recreational cannabis market, if and when legalized. See "*Recent Regulatory Developments*".

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Authorized Share Capital

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series, which may contain the rights, privileges and restrictions as determined by the Board. As at March 26, 2018, there were a total of 112,174,991 Common Shares issued and no preferred shares issued and outstanding.

Special Warrants

The Special Warrants were issued pursuant to and are governed by the Special Warrant Indenture. The following summary of certain provisions of the Special Warrant Indenture does not purport to be complete and is qualified in its entirety by reference to the provisions of the Special Warrant Indenture, a copy of which is available at www.sedar.com or which may be obtained on request without charge from the Corporation at 845 Harrington Court, Unit 3, Burlington, Ontario.

As a Receipt for the final prospectus was not obtained on or before the Qualification Deadline, pursuant to the Special Warrant Indenture and the Penalty Provision, each Special Warrant will automatically be exercised into 1.05 Units (in lieu of 1.0 Unit) on behalf of, and without any further action or payment required on the part of, the holder thereof at 5:00 (Toronto time) on the Deemed Exercise Date (the "**Deemed Exercise Time**"), being the earlier of: (i) the Qualification Date, being the third business day after the date a Receipt is issued for a final prospectus qualifying the distribution of the Unit Shares and the Warrants issuable upon exercise of the Special Warrants by the securities regulatory authorities in each of the Qualifying Jurisdictions; or (ii) May 10, 2018. The Corporation has agreed with the Agents to continue to use its commercially reasonable best efforts to obtain the Receipt as soon as possible following the Qualification Deadline until such time as the Special Warrants are deemed to have been exercised.

The Special Warrant Indenture provides for adjustment in the number of Units issuable upon the deemed exercise of the Special Warrants upon the occurrence of certain events prior to the Deemed Exercise Time, including: (i) the subdivision, re-division or change of the outstanding Common Shares into a greater number of Common Shares; (ii) the reduction, combination or consolidation of the outstanding Common Shares into a lesser number of Common Shares; (iii) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares as a stock dividend; (iv) the fixing of a record date for the distribution to all or substantially all of the holders of the outstanding Common Shares of rights, options or warrants under which such holders are entitled, for a period expiring not more than 45 days after such record date, to subscribe for or acquire Common Shares (or securities exchangeable for or convertible into Common Shares) at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the Current Market Price (as such term is defined in the Special Warrant Indenture) for the Common Shares on such record date; and (v) the fixing of a record date for the issuance or distribution to all or substantially all of the holders of the Common Shares of (a) securities of the Corporation including rights, options or warrants to acquire shares of any class or securities exchangeable for or convertible into or exchangeable into any such shares or property or assets and including evidence of its indebtedness; or (b) any property or other assets.

The Special Warrant Indenture also provides for adjustments in the number of Units issuable upon the deemed exercise of the Special Warrants prior to the Deemed Exercise Time, in the event of the following additional events: (i) a reclassification of the Common Shares, a change in the Common Shares into other shares or securities, or a capital reorganization of the Corporation other than as described in the foregoing, including for certainty a liquidation, dissolution or winding up of the Corporation, a consolidation, amalgamation, arrangement or merger of the Corporation with or into any other body corporate, trust, partnership or other entity; or (ii) a transfer, sale or conveyance of the property and assets of the Corporation as an entirety or substantially as an entirety to any other body corporate, trust, partnership or other entity.

Notwithstanding the foregoing, no adjustment shall be made in the acquisition rights attached to the Special Warrants if the issue of Common Shares is being made pursuant to or in connection with: (i) any stock option plan, share incentive plan or restricted share plan or share purchase plan in force from time to time for directors, officers, employees, consultants or other service providers of the Corporation, which plan has been approved by the Board; or (ii) the exchange, retraction or redemption or satisfaction of existing securities and instruments issued at the Closing Date.

The Corporation has agreed that so long as any Special Warrants remain outstanding it will give not less than 14 calendar days' prior written notice in the manner provided for in the Special Warrant Indenture to the Special Warrant Agent, each holder of Special Warrants and to the Agents of any event which requires an adjustment pursuant to the Special Warrant Indenture. Such notice is to contain the particulars of such event in reasonable detail and, if determinable, the required adjustment. The Corporation has further agreed that it shall promptly, as soon as the adjustment calculations are reasonably determinable, file a certificate of the Corporation with the Special Warrant Agent, on which the Special Warrant Agent may act and rely, showing how such adjustment are to be computed and give notice to the holders of Special Warrants and the Agents of such adjustment computation.

No fractional Unit will be issuable upon the deemed exercise of any Special Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Special Warrants do not have any voting or pre-emptive rights or any other rights that a holder of Common Shares would have.

From time to time, the Corporation and the Special Warrant Agent may amend or supplement the Special Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Special Warrants. Any amendment or supplement to the Special Warrant Indenture that adversely affects the interests of the holders of the Special Warrants may only be made by "extraordinary resolution", which is defined in the Special Warrant Indenture as a resolution proposed to be passed as an extraordinary resolution at a meeting duly convened for that purpose and held in accordance with the provisions of the Special Warrant Indenture, and carried by not less than 66 2/3% of the votes cast on such resolution. A quorum for such meeting shall consist of two or more persons present in person and owning or representing by proxy not less than 25% of the aggregate number of the then outstanding Special Warrants.

Common Shares

Holders of Common Shares are entitled to receive notice of any meetings of shareholders of the Corporation and to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive on a pro rata basis such dividends, if any, as and when declared by the Board at its discretion from funds legally available therefor and upon the liquidation, dissolution or winding up of the Corporation are entitled to receive on a pro rata basis the net assets of the Corporation after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Warrants

The Warrants will be issued pursuant to the terms of the Warrant Indenture. The following summary of certain provisions of the Warrant Indenture does not purport to be complete and is subject in its entirety to the detailed provisions of the Warrant Indenture, a copy of which is available at www.sedar.com or may be obtained on request without charge from the Corporation at 845 Harrington Court, Unit 3, Burlington, Ontario. A register of holders of Warrants will be maintained at the principal offices of the Warrant Agent in Toronto, Ontario.

Each whole Warrant will entitle the holder to purchase one Warrant Share at a price of \$2.35 per Warrant Share, subject to adjustment in certain circumstances, by no later than 5:00 p.m. (Toronto time) on January 9, 2021, after which time the Warrants will expire and become null and void.

The Warrant Indenture provides for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Common Share upon the occurrence of certain events, including: (i) the subdivision, re-division or change of the outstanding Common Shares into a greater number of Common Shares; (ii) the reduction, combination or consolidation of the outstanding Common Shares into a lesser number of Common

Shares; (iii) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares as a stock dividend or other distribution (other than upon exercise of Warrants); (iv) the fixing of a record date for the distribution to all or substantially all of the holders of the outstanding Common Shares of rights, options or warrants under which such holders are entitled, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the Current Market Price (as such term is defined in the Warrant Indenture), for the Common Shares on such record date; and (v) the fixing of a record date for the issuance or distribution to all or substantially all of the holders of the Common Shares of: (a) securities of any class, whether of the Corporation or any other trust (other than Common Shares), (b) rights, options or warrants to subscribe for or purchase Common Shares (or other securities convertible into or exchangeable for Common Shares), (c) evidences of its indebtedness, or (iv) any property or other assets.

The Warrant Indenture also provides for adjustments in the class and/or number of securities issuable upon exercise of the Warrants and/or exercise price per security in the event of the following additional events: (i) reclassifications of the Common Shares or a capital reorganization other than as described above; (ii) consolidations, amalgamations, arrangements, or mergers of the Corporation with or into another entity; or (iii) the sale or conveyance of the property or assets of the Corporation as an entirety or substantially as an entirety to any other entity.

Notwithstanding the foregoing, no adjustment shall be made in the acquisition rights attached to the Warrants if the issue of Common Shares is being made pursuant to the Warrant Indenture or in connection with: (i) any share incentive plan or restricted share plan or share purchase plan in force from time to time for directors, officers, employees, consultants or other service providers of the Corporation; or (ii) the satisfaction of existing instruments issued at the Closing Date.

The Corporation has agreed that, so long as any Warrant remains outstanding, it will give notice to the Warrant Agent and to the holders of Warrants of its intention to fix a record date that is prior to the expiry date of the Warrants for any matter for which an adjustment may be required pursuant to the Warrant Indenture. Such notice is to specify the particulars of such event and the record date for such event, provided that the Corporation shall only be required to specify in the notice such particulars of the event as shall have been fixed and determined on the date on which the notice is given. The notice is to be given, in each case, not less than 14 days prior to such applicable record date. If notice has been given and the adjustment is not then determinable, the Corporation shall promptly, after the adjustment is determinable, file with the Warrant Agent a computation of the adjustment and give notice to the holders of Warrants of such adjustment computation.

No fractional Warrant Shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights that a holder of Common Shares would have.

From time to time, the Corporation and the Warrant Agent may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by “extraordinary resolution”, which is defined in the Warrant Indenture as a resolution proposed at a meeting of holders of Warrants duly convened for that purpose and held in accordance with the provisions of the Warrant Indenture at which there are present in person or by proxy holders of Warrants holding at least 10% of the aggregate number of all then outstanding Warrants and passed by the affirmative votes of holders of Warrants holding not less than 66 2/3% of the aggregate number of all then outstanding Warrants represented at the meeting and voted on the poll upon such resolution. A quorum for such meeting shall consist of holders of Warrants present in person or by proxy and holding at least 10% of the aggregate number of all the then outstanding Warrants.

PRIOR SALES

The following table sets out the details concerning the Common Shares, and securities convertible into Common Shares, issued by the Corporation during the 12-month period prior to the date of this Prospectus. See “*Prior Sales*” in the AIF for additional information with respect to issuances of securities of Maricann Inc.

Date of Issuance	Security	Number of Securities	Issue/Exercise Price Per Security
April 20, 2017	Common Shares ⁽¹⁾	71,266,984	N/A

Date of Issuance	Security	Number of Securities	Issue/Exercise Price Per Security
April 20, 2017	Warrants ⁽¹⁾	11,250,000	\$1.25
April 20, 2017	Options ⁽¹⁾	4,819,036	Range \$0.0655 - \$1.25
April 20, 2017	Compensation Options ⁽²⁾	900,000	\$1.00
April 20, 2017	Compensation Options ⁽¹⁾	130,380	\$2.85
April 28, 2017	Common Shares ⁽³⁾	305,100	\$0.07
May 1, 2017	Common Shares ⁽⁴⁾	87,500	\$1.25
May 2, 2017	Common Shares ⁽⁴⁾	7,500	\$1.25
May 5, 2017	Common Shares ⁽⁴⁾	5,000	\$1.25
May 8, 2017	Common Shares ⁽⁴⁾	45,000	\$1.25
May 17, 2017	Common Shares ⁽⁴⁾	35,000	\$1.25
June 6, 2017	Common Shares ⁽⁴⁾	125,000	\$1.25
June 7, 2017	Common Shares ⁽⁴⁾	11,000	\$1.25
June 19, 2017	Common Shares ⁽³⁾	208,078	\$0.66
June 22, 2017	Common Shares ⁽⁴⁾	2,500	\$1.25
July 26, 2017	Common Shares ⁽⁴⁾	57,500	\$1.25
July 28, 2017	Common Shares ⁽⁴⁾	5,000	\$1.25
August 22, 2017	Common Shares ⁽⁴⁾	12,500	\$1.25
August 23, 2017	Common Shares ⁽⁴⁾	37,500	\$1.25
October 2, 2017	Options	250,000	\$1.52
October 6, 2017	Common Shares ⁽⁴⁾	200,000	\$1.25
October 13, 2017	Common Shares ⁽⁴⁾	125,000	\$1.25
October 27, 2017	Convertible Debentures ⁽⁵⁾	31,000	\$1,000
October 27, 2017	Warrants ⁽⁵⁾	9,703,000	\$2.30
October 27, 2017	Compensation Warrants ⁽⁵⁾	597,493	\$2.30
October 27, 2017	Common Shares ⁽⁶⁾	18,333,319	N/A
October 30, 2017	Common Shares ⁽³⁾	266,963	\$1.00
November 13, 2017	Common Shares ⁽⁴⁾	50,000	\$1.25
November 14, 2017	Common Shares ⁽³⁾	1,830,600	\$0.07
November 15, 2017	Common Shares ⁽⁴⁾	12,500	\$1.25
November 22, 2017	Common Shares ⁽⁴⁾	55,000	\$1.25

Date of Issuance	Security	Number of Securities	Issue/Exercise Price Per Security
November 23, 2017	Common Shares ⁽⁴⁾	125,000	\$1.25
November 23, 2017	Common Shares ⁽⁷⁾	460,000	N/A
November 24, 2017	Common Shares ⁽⁴⁾	17,500	\$1.25
November 28, 2017	Common Shares ⁽⁴⁾	367,500	\$1.25
November 29, 2017	Common Shares ⁽⁴⁾	62,500	\$1.25
December 1, 2017	Common Shares ⁽⁴⁾	1,688,000	\$1.25
December 1, 2017	Common Shares ⁽⁸⁾	100,200	\$1.00
December 4, 2017	Common Shares ⁽⁴⁾	126,000	\$1.25
December 5, 2017	Common Shares ⁽⁴⁾	2,500	\$1.25
December 6, 2017	Common Shares ⁽⁴⁾	22,500	\$1.25
December 6, 2017	Common Shares ⁽⁸⁾	399,900	\$1.00
December 6, 2017	Common Shares ⁽⁹⁾	399,900	\$1.25
December 6, 2017	Options	150,000	\$2.18
December 7, 2017	Common Shares ⁽⁴⁾	50,000	\$1.25
December 7, 2017	Options	125,000	\$2.14
December 11, 2017	Common Shares ⁽⁴⁾	2,500	\$1.25
December 14, 2017	Common Shares ⁽⁴⁾	2,015,000	\$1.25
December 15, 2017	Common Shares ⁽⁴⁾	6,500	\$1.25
December 15, 2017	Options	3,000,000	\$2.13
December 19, 2017	Common Shares ⁽⁴⁾	75,000	\$1.25
December 19, 2017	Options	626,626	\$2.05
December 20, 2017	Common Shares ⁽⁴⁾	47,500	\$1.25
December 21, 2017	Common Shares ⁽⁴⁾	2,149,500	\$1.25
December 21, 2017	Common Shares ⁽⁹⁾	100,200	\$1.25
December 27, 2017	Common Shares ⁽⁴⁾	727,500	\$1.25
December 28, 2017	Common Shares ⁽⁴⁾	538,500	\$1.25
December 28, 2017	Common Shares ⁽⁷⁾	334,000	N/A
December 29, 2017	Common Shares ⁽⁴⁾	917,500	\$1.25
January 2, 2018	Common Shares ⁽⁴⁾	35,000	\$1.25
January 2, 2018	Warrants ⁽¹⁰⁾	87,108	\$2.87

Date of Issuance	Security	Number of Securities	Issue/Exercise Price Per Security
January 3, 2018	Common Shares ⁽⁷⁾	100,000	N/A
January 4, 2018	Common Shares ⁽⁴⁾	227,500	\$1.25
January 4, 2018	Common Shares ⁽¹¹⁾	16,589	\$2.30
January 5, 2018	Common Shares ⁽⁴⁾	67,500	\$1.25
January 8, 2018	Common Shares ⁽⁴⁾	10,000	\$1.25
January 8, 2018	Options	280,000	\$3.39
January 9, 2018	Common Shares ⁽⁴⁾	62,500	\$1.25
January 9, 2018	Special Warrants ⁽¹²⁾	20,250,000	\$2.00
January 9, 2018	Compensation Warrants ⁽¹²⁾	970,950	\$2.00
January 10, 2018	Common Shares ⁽⁴⁾	487,500	\$1.25
January 11, 2018	Common Shares ⁽⁴⁾	5,000	\$1.25
January 11, 2018	Common Shares ⁽⁴⁾	119,000	\$1.25
January 15, 2018	Common Shares ⁽⁴⁾	111,500	\$1.25
January 15, 2018	Options	116,385	\$3.10
January 16, 2018	Common Shares ⁽⁴⁾	62,500	\$1.25
January 17, 2018	Common Shares ⁽⁴⁾	247,500	\$1.25
January 22, 2018	Common Shares ⁽⁷⁾	333,000	N/A
January 26, 2018	Common Shares ⁽³⁾	122,040	\$0.15
March 7, 2018	Common Shares ⁽¹³⁾	219,375	\$1.60
March 8, 2018	Common Shares ⁽¹³⁾	83,464	\$1.60
March 8, 2018	Common Shares ⁽¹³⁾	583,750	\$1.60
March 9, 2018	Common Shares ⁽¹³⁾	3,820,625	\$1.60
March 13, 2018	Common Shares ⁽¹³⁾	15,625	\$1.60
March 19, 2018	Common Shares ⁽¹³⁾	375,000	\$1.60

Notes:

- (1) Issued in connection with the RTO in exchange for Maricann Inc. securities.
- (2) Issued in connection with the RTO in exchange for Maricann Inc. securities and exercisable for one Common Share and one common share purchase warrant, each such common share purchase warrant being exercisable to acquire one Common Share at an exercise price of \$1.25 per Common Share.
- (3) Common Shares issued upon exercise of the Options issued on April 20, 2017.
- (4) Common Shares issued upon exercise of the common share purchase warrants issued on April 20, 2017.
- (5) Issued in connection with the October 2017 Financing.
- (6) Common Shares issued as consideration in the Acquisition.
- (7) Common Shares issued in connection with consultant services provided to the Corporation. An additional 333,000 Common Shares will be issued on January 18, 2019 (subject to certain conditions) as consideration for such consulting services provided to the Corporation.
- (8) Common Shares issued upon exercise of Compensation Options issued on April 20, 2017.

- (9) Common Shares issued upon exercise of the common share purchase warrants issued upon exercise of the Compensation Options issued on April 20, 2017.
- (10) Warrants issued upon the signing of an exclusivity agreement with RD in consideration of exclusive distribution rights for RD products, exercisable until January 2, 2020. \$250,000 in additional warrants calculated based on the then market price and exercisable at the then market price are issuable on each of the first and second anniversary of the exclusivity agreement with RD.
- (11) Common Shares issued in connection with the exercise of Unit Warrants issued on October 27, 2017.
- (12) Special Warrants and Compensation Warrants issued in connection with the Offering.
- (13) Common Shares issued upon conversion of the Convertible Debentures issued in connection with the October 2017 Financing.

TRADING PRICE AND VOLUME

The Common Shares are currently listed on the CSE under the trading symbol “MARI”. The Common Shares are also posted for trading under the symbol “MRRCF” on the OTCQB and on the Frankfurt Stock Exchange under the symbol “75M”. The following table sets forth the reported intraday high and low prices and the trading volume for the Common Shares on the CSE on a monthly basis since commencement of trading on April 24, 2017 to the date of this Prospectus.

Month	High (\$) ⁽¹⁾	Low (\$) ⁽¹⁾	Volume ⁽²⁾
March 1 – 27, 2018	2.910	1.740	34,819,002
February 2018	3.500	1.700	50,417,135
January 2018	4.480	2.610	70,478,252
December 2017	2.770	1.950	31,156,933
November 2017	2.700	1.320	29,110,972
October 2017	1.730	1.180	10,725,094
September 2017	1.530	1.040	8,260,906
August 2017	1.750	1.160	5,181,015
July 2017	1.780	1.270	4,617,623
June 2017	1.820	1.410	6,821,364
May 2017	2.150	1.350	8,217,222
April 2017	2.650	1.820	10,307,261

Notes:

- (1) High and low daily trading prices in the month.
- (2) Total volume traded in the month.

PLAN OF DISTRIBUTION

This Prospectus is being filed in the Qualifying Jurisdictions to qualify the distribution of 21,131,250 Unit Shares and 10,565,625 Warrants issuable upon the deemed exercise of 20,125,000 Special Warrants.

On the Closing Date and pursuant to the terms of the Agency Agreement, the Corporation completed the Offering of an aggregate of 20,125,000 Special Warrants at the Offering Price pursuant to prospectus exemptions under applicable securities legislation in the Qualifying Jurisdictions (and in jurisdictions outside of Canada in compliance with laws applicable therein). Pursuant to the Agency Agreement, the Agents agreed to offer for sale, on a “best efforts” private placement basis, 20,125,000 Special Warrants at the Offering Price. Pursuant to the Agency Agreement, the Corporation paid the Agents’ Commission of \$1,941,900 and provided reimbursement for certain expenses incurred in connection with the Offering by the Agents. In addition, the Agents were issued 970,950 Compensation Warrants in the aggregate, representing approximately 5.0% of the Special Warrants sold pursuant to the Offering (excluding 980,000 Special Warrants sold to the President’s List Purchasers, for which the Agents received Compensation Warrants representing 1.5% of such Special Warrants). Each Compensation Warrant is non-transferable and exercisable into one CW Unit at a price of \$2.00 per CW Unit, until 5:00 p.m. (Toronto time) on January 9, 2020. Each CW Unit consists of one CW Share and one-half of one CW Warrant. Each CW Warrant is exercisable into one CW Warrant Share at a price of \$2.35 per CW Warrant Share, until 5:00 p.m. (Toronto time) on January 9, 2021. The Compensation Warrants and CW Units issuable upon exercise of the Compensation Warrants are not qualified by this Prospectus.

The Offering Price and other terms of the Offering were determined by negotiation between the Corporation and the Agents. Other than the Agents’ Commission and Compensation Warrants, the Agents has not and will not receive

any other fee or commission from the Corporation in connection with the completion of the Offering or the deemed exercise of the Special Warrants.

The Special Warrants were issued pursuant to the terms of the Special Warrant Indenture. Each Special Warrant entitles the holder thereof to receive 1.05 Units (in lieu of 1.0 Unit, pursuant to the Penalty Provision), subject to adjustment in certain circumstances as set forth in the Special Warrant Indenture, upon the deemed exercise of the Special Warrants on the Deemed Exercise Date without payment of any additional consideration or further action on the part of the holders thereof.

Pursuant to the Agency Agreement, the Corporation agreed to use its commercially reasonable efforts to prepare and file this Prospectus under the applicable securities laws in each of the Qualifying Jurisdictions, to satisfy all comments from the regulators in each of the Qualifying Jurisdictions and to obtain a Receipt for a final prospectus qualifying the distribution of the Unit Shares and Warrants in each of the Qualifying Jurisdictions by February 27, 2018. As a Receipt was not obtained on or before the Qualification Deadline, each Special Warrant entitles the holder thereof to receive 1.05 Units per Special Warrant (in lieu of 1.0 Unit) upon deemed exercise of the Special Warrants. This Prospectus also qualifies the distribution of, upon the deemed exercise of the Special Warrants, the Penalty Shares and Penalty Warrants. The Corporation has agreed with the Agents to continue to use its commercially reasonable best efforts to obtain the Receipt as soon as possible following the Qualification Deadline until such time as the Special Warrants are deemed to have been exercised.

The Special Warrants, the Unit Shares, the Warrants and the Warrant Shares have not been, and will not be, registered under the U.S. Securities Act or any state securities laws and the Warrants may not be exercised by or on behalf of a U.S. Person or a person in the United States unless an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available. Accordingly, the Unit Shares, the Warrants and the Warrant Shares will bear appropriate legends evidencing the restrictions on the offering, sale and transfer of such securities.

The Offering was conducted through the book-based system and the Special Warrants (other than those issued to one U.S. purchaser that received a definitive certificate) were issued in registered form to CDS and deposited with CDS on the Closing Date. The Unit Shares and Warrants issued upon deemed exercise of the Special Warrants will also be held by CDS and a purchaser of the Special Warrants (other than the U.S. purchaser that made a specific request in this regard and received a definitive certificate) will not receive definitive certificates representing the Unit Shares and Warrants.

Pursuant to the Agency Agreement, the Corporation has agreed, for a period of 120 days from the Closing Date, not, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Corporation, without the prior written consent of Eight Capital (such consent not to be unreasonably withheld or delayed), other than in conjunction with: (i) the grant of stock options and other similar issuances pursuant to the stock option plans and other employee incentive plans of the Corporation; (ii) issuances in connection with the exchange, transfer, conversion or exercise rights of existing outstanding options, warrants, convertible debentures and other securities or existing commitments to issue securities; (iii) the issuance of securities as consideration pursuant to an arm's length acquisition; and (iv) the issuance of securities to finance acquisitions as part of the Corporation's European expansion strategy, provided that such financings do not exceed \$50 million in aggregate gross proceeds and that any Common Shares, or securities convertible, exercisable or exchangeable for Common Shares issued in such financings shall not be freely tradable in Canada prior to the Special Warrants having been exercised and the Unit Shares and Warrants issued upon such exercise being freely tradable.

Pursuant to the Agency Agreement, the Corporation has also agreed to indemnify the Agents, their respective affiliates and their respective directors, officers, employees and partners against certain liabilities, including liabilities under Canadian securities legislation or to contribute to payments the Agents may have to make because of such liabilities.

The outstanding Common Shares are currently listed on the CSE under the symbol "MARI", on the OTCQB under the symbol "MRRCF", and on the Frankfurt Stock Exchange under the symbol "75M". On December 11, 2017, the last trading day before the announcement of the Offering, the closing price of the Common Shares on the CSE was

\$2.13. The Corporation has made the required filings to the CSE to list the Unit Shares and Warrant Shares. Listing will be subject to the fulfilment of all the listing requirements of the CSE.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Cassels Brock & Blackwell LLP, counsel to the Corporation, and DLA Piper (Canada) LLP, counsel to the Agents, the following is a general summary, as of the date hereof, of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the “**Tax Act**”) generally applicable to a beneficial owner of Special Warrants who acquires Units, consisting of Unit Shares and Warrants, pursuant to the deemed exercise of Special Warrants. For purposes of this summary, references to Common Shares include Unit Shares and Warrant Shares unless otherwise indicated. This summary applies only to persons who, for the purposes of the application of the Tax Act and at all relevant times: (i) deal at arm’s length and are not affiliated with the Corporation or the Agents; and (ii) hold the Special Warrants, and will hold any Common Shares and Warrants as capital property. Persons meeting such requirements are referred to as a “**Holder**” or “ **Holders**” herein, and this summary only addresses such Holders. Special Warrants, Common Shares and Warrants will generally be capital property to a Holder unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder (i) that is a “financial institution”, as defined in the Tax Act for the purpose of the mark-to-market rules; (ii) an interest in which would be a “tax shelter investment”, as defined in the Tax Act; (iii) that is a “specified financial institution”, as defined in the Tax Act; (iv) that has made an election under the Tax Act to determine its Canadian tax results in a foreign currency; (v) that enters into, with respect to their Special Warrants, Common Shares or Warrants, a “derivative forward agreement” (as defined in the Tax Act); or (vi) that is a corporation resident in Canada and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Special Warrants, Common Shares or Warrants, controlled by a non-resident corporation for purposes of foreign affiliate dumping rules in section 212.3 of the Tax Act. Such Holders should consult their own tax advisors with respect to their own particular circumstances.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the “**Regulations**”), all specific proposals to amend the Tax Act or the Regulations that have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”), and counsel’s understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”). No assurance can be given that the Proposed Amendments will be enacted in the form proposed, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account or anticipate any changes in law, administrative policy or assessing practice, whether by legislative, regulatory, administrative, governmental or judicial decision or action, nor does it take into account the tax laws of any province or territory of Canada or of any jurisdiction outside of Canada, which may differ significantly from the Canadian federal income tax considerations discussed herein.

The Proposed Amendments do not include, and this summary does not take into account, the consultation paper released on July 18, 2017 by the Minister of Finance (Canada) which proposes that the tax treatment of passive investment income earned through a private corporation be changed. On October 18, 2017 the Government of Canada announced its intention to move forward with a variation of these passive investment measures and is expected to introduce proposed amendments to the Tax Act in the 2018 federal budget. Holders should consult their own tax advisors concerning the possible impact of such proposals in their circumstances.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, Holders should consult their own tax advisors having regard to their own particular circumstances.

Acquisition of Unit Shares and Warrants Pursuant to Special Warrants

A Holder of a Special Warrant will not realize any gain or loss upon the acquisition of a Unit Share and one-half of one Warrant pursuant to the provisions of the Special Warrant Indenture. Holders will be required to allocate on a reasonable basis their cost of the Special Warrant between the Unit Share and one-half of one Warrant in order to determine their respective costs for purposes of the Tax Act.

The Holder’s adjusted cost base of the Unit Share comprising a part of each Unit will be determined by averaging the cost allocated to the Unit Share with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

Exercise or Expiry of Warrants

No gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging such cost with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition. The expiry of an unexercised Warrant will generally result in a capital loss to the Holder equal to the adjusted cost base of the Warrant to the Holder immediately before its expiry. See the discussion below under the heading "**Taxation of Capital Gains and Capital Losses**".

Holders Resident in Canada

This section of the summary applies to a Holder who, at all relevant times, is, or is deemed to be, resident in Canada for the purposes of the Tax Act (a "**Resident Holder**"). Persons who are residents of Canada for purposes of the Tax Act and whose Common Shares do not otherwise qualify as capital property may in certain circumstances make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Common Shares, and every other "Canadian security" (as defined in the Tax Act) owned by them in the taxation year of the election and in all subsequent taxation years, be deemed to be capital property. Persons whose Common Shares might not otherwise be considered to be capital property should consult their own tax advisors concerning this election. Such election is not available in respect of Special Warrants or Warrants.

Dispositions of Common Shares and Warrants

Upon a disposition or deemed disposition of a Common Share or a Warrant (other than a disposition arising on the exercise or expiry of a Warrant), a capital gain (or loss) will generally be realized by a Resident Holder in the year of disposition to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Common Share or the Warrant, as the case may be, to the Resident Holder immediately before the disposition. Any such capital gain (or capital loss) will be subject to the treatment described below under the heading "*Taxation of Capital Gains and Capital Losses*".

Taxation of Capital Gains and Capital Losses

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized in the year by such Resident Holder. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following taxation year against taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on a disposition of Common Shares may, in certain circumstances, be reduced by the amount of dividends received or deemed to have been received by it on such Common Shares to the extent and under the circumstances specified in the Tax Act. Similar rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable for a refundable tax on "aggregate investment income" (as defined in the Tax Act), which includes amounts in respect of taxable capital gains.

Dividends

Dividends received or deemed to be received by a Resident Holder on the Common Shares will be included in computing the Resident Holder's income for purposes of the Tax Act. In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit provisions where the Corporation provides notice to the recipient designating the dividend as an "eligible dividend" for purposes of the Tax Act. There may be limitations on the ability of the Corporation to designate dividends as "eligible dividends".

Dividends received or deemed to be received on the Common Shares by a Resident Holder that is a corporation will generally be deductible in computing its taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Resident Holder that is a corporation as proceeds of disposition of a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a “private corporation” (as defined in the Tax Act) or any other corporation controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay a refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Common Shares to the extent that such dividends are deductible in computing the Resident Holder’s taxable income. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

Alternative Minimum Tax

Capital gains realized and dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to an alternative minimum tax under the Tax Act. Resident Holders should consult their own tax advisors with respect to the application of minimum tax.

Holders Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act: (i) is not, and is not deemed to be, resident in Canada; and (ii) does not use or hold the Common Shares or Warrants in connection with carrying on a business in Canada (a “**Non-Resident Holder**”). This summary does not apply to a Non-Resident Holder that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere or that is an “authorized foreign bank” (as defined in the Tax Act) and such Non-Resident Holders should consult their own tax advisors.

Dividends

Dividends paid or credited or deemed under the Tax Act to be paid or credited by the Corporation to a Non-Resident Holder on the Common Shares will be subject to Canadian withholding tax at the rate of 25%, subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled under any applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident. For example, where a Non-Resident Holder is a resident of the United States, is fully entitled to the benefits under the *Canada-United States Tax Convention (1980)*, as amended, and is the beneficial owner of the dividend, the applicable rate of Canadian withholding tax is generally reduced to 15%.

Dispositions of Common Shares and Warrants

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition or deemed disposition of a Common Share or Warrant unless the Common Share or Warrant (as applicable) is, or is deemed to be, “taxable Canadian property” of the Non-Resident Holder for the purposes of the Tax Act and the Non-Resident Holder is not entitled to an exemption under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

Generally, a Common Share or Warrant (as applicable) will not constitute taxable Canadian property of a Non-Resident Holder provided that the Common Shares are listed on a “designated stock exchange” for the purposes of the Tax Act (which currently includes the CSE), unless at any time during the 60 month period immediately preceding the disposition, (i) at least 25% of the issued shares of any class or series of the capital stock of the Corporation were owned by or belonged to any combination of (a) the Non-Resident Holder, (b) persons with whom the Non-Resident Holder did not deal at arm's length, and (c) partnerships in which the Non-Resident Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships; and (ii) at such time, more than 50% of the fair market value of such shares was derived, directly or indirectly, from any combination of real or immovable property situated in Canada, “Canadian resource property” (as defined in the Tax Act), “timber resource property” (as defined in the Tax Act), or options in respect of, interests in, or for civil law rights in such properties, whether or not such property exists.

In cases where a Non-Resident Holder disposes (or is deemed to have disposed) of a Common Share or Warrant that is taxable Canadian property to that Non-Resident Holder and the Non-Resident Holder is not entitled to an exemption

under an applicable income tax convention, the consequences described above under the headings “*Holders Resident in Canada — Dispositions of Common Shares and Warrants*” and “*— Taxable Capital Gains and Capital Losses*” will generally be applicable to such disposition. Such Non-Resident Holders should consult their own tax advisors.

ELIGIBILITY FOR INVESTMENT

In the opinion of Cassels Brock & Blackwell LLP, counsel to the Corporation, and DLA Piper (Canada) LLP, counsel to the Agents, based on the current provisions of the Tax Act and the Regulations, each of the Unit Shares, Warrant Shares and Warrants, if issued on the date hereof, would be a “qualified investment” under the Tax Act for a trust governed by a “registered retirement savings plan”, a “registered retirement income fund”, a “registered disability savings plan”, a “registered education savings plan”, and a “tax-free savings account” (collectively, “**Registered Plans**”) and a “deferred profit sharing plan” (“**DPSP**”), all as defined in the Tax Act, provided that in the case of the Warrants, the Corporation is not a person who is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the particular Registered Plan or DPSP and any person who does not deal at arm’s length with that person.

Notwithstanding the foregoing, if a Unit Share, Warrant Share or Warrant is a “prohibited investment” for a Registered Plan for the purposes of the Tax Act, the annuitant or subscriber under, or the holder of, the Registered Plan (as applicable) (the “**Controlling Individual**”) may be subject to a penalty tax under the Tax Act. A Unit Share, Warrant Share or Warrant will not be a prohibited investment, provided that the applicable Controlling Individual: (i) deals at arm’s length with the Corporation for the purposes of the Tax Act; and (ii) does not have a “significant interest” in the Corporation (within the meaning of the Tax Act). Generally, a Controlling Individual will not have a significant interest in the Corporation, provided that the Controlling Individual, together with the persons with whom the holder Controlling Individual does not deal at arm’s length, does not own, and is not deemed to own pursuant to the Tax Act, directly or indirectly, 10% or more of the issued shares of any class in the capital of the Corporation or of any other corporation that is related to the Corporation for the purposes of the Tax Act. In addition, the Unit Shares and the Warrant Shares will not be a prohibited investment for a Registered Plan if such securities are “excluded property” for such Registered Plan for the purposes of the Tax Act, as applicable. **Persons who intend to hold Unit Shares, Warrant Shares or Warrants in a trust governed by a Registered Plan should consult their own tax advisors with respect to the application of these rules in their particular circumstances.**

RISK FACTORS

Investors should carefully consider the risks set out below and other information contained in or incorporated by reference in this short form prospectus, including those risks contained in the AIF under the heading “*Risk Factors*”. The operations of the Corporation are highly speculative and notably involve risks inherent to the cannabis industry and the markets in which the Corporation’s business operates. The risks and uncertainties set out below relating to the Offering and the additional risks and uncertainties incorporated by reference herein are not the only ones facing the Corporation. Additional risks and uncertainties not currently known to the Corporation, or that the Corporation currently deems immaterial, may also impair the Corporation’s operations. If any of the risks actually occur, the Corporation’s business, operating results and financial condition could be materially adversely affected. As a result, the trading price of the Common Shares could decline and investors could lose part or all of their investment. The Corporation’s business is subject to significant risks and past performance is no guarantee of future performance.

Certain Risks Related to the Offering

Use of Proceeds

The Corporation currently intends to allocate the net proceeds received from the Offering as described under “*Use of Proceeds*” in this Prospectus. However, management will have discretion in the actual application of the net proceeds and may elect to allocate proceeds differently from as described under “*Use of Proceeds*” if it is believed it would be in the best interests of the Corporation to do so as circumstances change. The failure by management to apply these funds effectively could have a material adverse effect on the Corporation’s business, operating results and financial condition.

Additional Financing

Depending on its ability to achieve its goals, the Corporation may need to raise further equity and/or debt financing to fund the deployment of its solutions on a global stage and the expansion of its client base. The success and the pricing of any such equity and/or debt financing will be dependent upon the prevailing market conditions at that time. If additional capital is raised by an issue of securities, this may have the effect of diluting shareholders’

interests in the Corporation. Any debt financing, if available, may involve financial covenants which limit the Corporation's operations. If the Corporation requires additional capital and is unable to obtain it, there may be a possibility that it will not be able to complete the full deployment of its solutions and the full implementation of its business plan, which would have a materially adverse effect on its business, operating results and financial condition.

Market Price of Securities

There can be no assurance that an active market for the Common Shares or Warrants will be sustained after the Closing Date or the Qualification Date. Securities of small-cap and mid-cap companies have experienced substantial volatility in the recent past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. The price of the Common Shares is also likely to be significantly affected by short-term changes in the Canadian dollar, and the Corporation's financial condition or results of operations as reflected in its financial statements. Other factors unrelated to the performance of the Corporation that may have an effect on the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning the business of the Corporation may be limited if investment banks with research capabilities do not follow the Corporation's securities; lessening in trading volume and general market interest in the Corporation's securities may affect an investor's ability to trade significant numbers of Common Shares; the size of the Corporation's public float may limit the ability of some institutions to invest in the Corporation's securities; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Corporation's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of the Corporation. Class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Corporation may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Dilution to Common Shares

The increase in the number of Common Shares and Warrants issued and outstanding as a result of the deemed exercise of Special Warrants, and the sale of the Common Shares and Warrants thereafter, may have a depressive effect on the price of the Common Shares. In addition, as a result of such additional Common Shares and Warrant Shares, the voting power of the Corporation's existing shareholders will be diluted.

Negative Operating Cash Flow

The Corporation reported negative cash flow from operations for the year ended December 31, 2016 and for the nine month period ended September 30, 2017. It is anticipated that the Corporation will continue to report negative operating cash flow in future periods. It is expected that a portion of the net proceeds from the Offering will be used for working capital to fund negative operating cash flow. See "Use of Proceeds".

Inability to Enforce Legal Rights

One director of the Corporation, Gerhard Müller, resides outside of Canada, in Germany. Although he has appointed Cassels Brock & Blackwell LLP as his agent for service of process in Canada, it may not be possible for investors to enforce judgments in Canada against him. The Corporation has subsidiaries are organized under the laws of foreign jurisdictions. Given that the Corporation has and plans to own certain assets that are or will be located outside of Canada, investors may have difficulty in enforcing against foreign assets of the Corporation, any judgments obtained by the Canadian courts or Canadian securities regulatory authorities and predicated on the civil liability provisions of Canadian securities legislation or otherwise. Similarly, in the event a dispute arises from the Corporation's foreign operations, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada.

Market for the Special Warrants and the Warrants

There is no market through which the Special Warrants or Warrants may be sold and purchasers may not be able to resell the Special Warrants or the Warrants acquired pursuant to the Offering. This may affect the pricing of the

Special Warrants or the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity and the extent of issuer regulation. An investment in the Special Warrants, the Common Shares, the Warrants and the Warrant Shares should only be made by those persons who can afford the loss of their entire investment.

A positive return in an investment in the Common Shares or the Warrants is not guaranteed

There is no guarantee that an investment in the Common Shares or the Warrants will earn any positive return in the short term or long term. A purchase under the Offering involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Units is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Shareholders Rights

Holders of Warrants will not be entitled to any rights with respect to the Common Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Common Shares, other than as set out in the Warrant Indenture), but if a holder of Warrants subsequently exercises its Warrants into Common Shares, such holder will be subject to all changes affecting the Common Shares. Rights with respect to the Common Shares will arise only if and when the Corporation delivers Common Shares upon the exercise of a Warrant.

Certain Risks Related to the Business of the Corporation

Reliance on License and Renewals

The Corporation'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 Corporation. 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 Corporation'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 Corporation would be materially adversely affected. In addition, the Corporation 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 Corporation'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 Corporation will be successful in obtaining such approvals or maintaining such approvals if granted. If such approvals are not obtained then the Corporation will not be able to execute on certain aspects of its business plan which may have a negative impact on the Corporation.

Changes in Laws, Regulations and Guidelines

The Corporation'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, the Corporation is currently in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Corporation could have a material adverse effect on the business, results of operations and financial condition of the Corporation. In particular, any amendment to or replacement of the ACMPR, including the enactment of the proposed *Cannabis Act* (Canada), may cause adverse effects to the Corporation's operations.

On April 13, 2017, the Canadian Federal Government put forward proposed legislation, the *Cannabis Act* (Canada), 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* (Canada) is to come into effect no later than the summer of 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* (Canada) coming into force. Licensed Producers will be deemed to be licensed under the *Cannabis Act* (Canada) 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 Corporation should be comparable to other companies in the same business as the Corporation.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Corporation 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 Corporation'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 Corporation's products alone or in combination with other medications or substances could occur. The Corporation may be subject to various product liability claims, including, among others, that the Corporation'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 the Corporation could result in increased costs, could adversely affect the Corporation'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 Corporation. There can be no assurances that the Corporation 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 Corporation's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Corporation's products are recalled due to an alleged product defect or for any other reason, the Corporation could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Corporation 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 Corporation 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 Corporation's significant brands were subject to recall, the image of that product and the Corporation could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Corporation's products and could have a material adverse effect on the results of operations and financial condition of the Corporation. Additionally, product recalls may lead to increased scrutiny of the Corporation's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Litigation

The Corporation is or may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business and other activities which could adversely affect its business. For example, the Corporation recently received an amended statement of claim from a financial advisory firm which alleges that the Corporation has breached a right of first refusal under an advisory agreement entered into between the Corporation and the claimant as a result of entering into the Offering and the Bought Deal Offering. The claimant claims damages in

excess of \$3,000,000 and ownership to certain compensation warrants. The Corporation filed a statement of defence dated February 8, 2018 and intends to vigorously defend the claim.

Should any litigation in which the Corporation becomes involved be determined against the Corporation such a decision could adversely affect the Corporation's ability to continue operating and the market price for the Common Shares and could use significant resources. While the Corporation has insurance that may cover the costs and awards of certain types of litigation, the amount of insurance may not be sufficient to cover any costs or awards. Substantial litigation costs or an adverse result in any litigation may adversely impact the Corporation's business, operating results or financial condition. Even if the Corporation is involved in litigation and wins, litigation can redirect significant Corporation resources. Litigation may also create a negative perception of the Corporation's brand.

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 Corporation, 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 Corporation 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 Corporation's market share and demand for products.

There is potential that the Corporation 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 Corporation. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Corporation.

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

Reliance on One Facility

The Corporation's activities and resources have been primarily focused on its main facility in Langton, Ontario and this is expected to continue for the foreseeable future. Adverse changes or developments affecting the facility, 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 Corporation'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 Corporation's ability to continue operating under its licenses or the prospect of renewing its licenses.

Reliance on Site 150 Lease

The Corporation's activities and resources have been primarily focused on its main facility at Site 150 in Langton, Ontario, which Maricann Inc. occupies pursuant to the Site 150 Lease. This is expected to continue until Site 138 is fully permitted and the Expansion completed. 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 Corporation's business, financial condition and prospects.

Intellectual Property

In October 2017, the Corporation acquired NanoLeaf, a biotech company with certain licensing rights to patented nano-technology for ingestible medicine delivery called VESIsorb®. VESIsorb® is a technology in the delivery of lipophilic (fat soluble) drugs, used by leading global pharma majors in non-cannabinoid applications. 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. NanoLeaf has licensed certain exclusive rights to the VESIsorb® technology which is patented in several jurisdictions. The term of the agreement is 20 years, extendable for a further 10 years. It should be noted that 20 years likely extends beyond the lifespan of most

or all of the licensed patents. The Corporation has engaged with pharmacy companies to distribute its products in primary and exclusive relationships. The Corporation intends to work with Vesifact AG (“**Vesifact**”), the producer of VESIsorb®, to apply the VESIsorb® technology to the Corporation’s products.

The Corporation 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 Corporation’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 Corporation will be able to commercialize the use of VESIsorb® with its products.

As a sub-licensee of the VESIsorb® technology and other Vesifact patents, there can be no assurance that the Corporation, 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.

Reliance on Key Personnel

The Corporation’s success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a negative impact on the Corporation’s business, financial condition, results of operations and prospects. The contributions of the existing management team to the immediate and near term operations of the Corporation are likely to be of importance to the Corporation. As discussed under “*Other Information*”, the OSC (as defined herein) has advised that Ben Ward is the subject of an investigation into his activities while he was CEO of Canadian Cannabis Corp., a company wholly unrelated to the Corporation. In addition, as discussed under “*Other Information*” the OSC is also reviewing certain trades made by two former directors (or associates or affiliates thereof) and investigating certain trades by an associate or affiliate or other persons otherwise directly or indirectly related to a current director of the Corporation. 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 Corporation, on the Corporation and/or on the public perception of the Corporation. Public companies in the cannabis sector are highly regulated and any negative outcome in respect of the foregoing investigations and/or reviews may require changes to the composition of management and/or the board of directors of the Corporation 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 Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

Adverse Media Coverage

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

INTEREST OF EXPERTS

The auditors of Danbel, HS & Partners LLP, Chartered Professional Accountants, have audited the annual financial statements of Danbel for the year ending December 31, 2016. Prior thereto, Ernst & Young LLP were the auditors of Danbel and audited Danbel’s annual financial statements for the year ended December 31, 2015. HS & Partners LLP, Chartered Professional Accountants is independent within the meaning of the Chartered Professional

Accountants Handbook of Ontario. As of the date this Prospectus, HS & Partners LLP, Chartered Professional Accountants did not own or have any registered or beneficial interests, direct or indirect, in any securities or the property of the Corporation.

The auditors of NanoLeaf, MNP LLP, Chartered Professional Accountants, have audited the financial statements of NanoLeaf for the period ended September 30, 2017 incorporated by reference herein. MNP LLP is independent within the meaning of the Chartered Professional Accountants Handbook of Ontario. As of the date this Prospectus, MNP LLP, Chartered Professional Accountants did not own or have any registered or beneficial interests, direct or indirect, in any securities or the property of the Corporation.

The auditors of the RTO Acquirer, Ernst & Young LLP, Chartered Accountants audited the financial statements of the RTO Acquirer for the years ending December 31, 2016, 2015 and 2014 and are independent within the meaning of the Chartered Professional Accountants Handbook of Ontario. As of the date this Prospectus, Ernst & Young LLP, Chartered Accountants are also the current auditors of the Corporation and have confirmed that they are independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

Certain legal matters relating to this Offering and Canadian legal matters will be passed upon on behalf of the Corporation by Cassels Brock & Blackwell LLP. DLA Piper (Canada) LLP is the Agents' counsel with respect to the "*Canadian Federal Income Tax Considerations*" and "*Eligibility for Investment*" sections herein. As at the date of this Prospectus, the partners and associates of Cassels Brock & Blackwell, LLP and DLA Piper (Canada) LLP own, each as a group, directly or indirectly, less than one percent of the outstanding securities of the Corporation or of any associate or affiliate of the Corporation.

OTHER INFORMATION

The information with respect to executive compensation for the year ended December 31, 2016 included in the documents incorporated by reference herein relates to compensation paid to executives of Danbel and precedes the RTO. It is therefore not reflective of executive compensation that might be paid to executives of the Corporation for subsequent years, which will be reflective of its business and consistent with industry standards. See "*Summary Description of the Business- Recent Developments*".

By letter dated February 8, 2018, Staff of the Ontario Securities Commission (the "**OSC**") advised that Ben Ward is the subject of an investigation into his activities while he was CEO of Canadian Cannabis Corp., a company wholly unrelated to the Corporation. Prior to this, the Corporation was unaware of the matter. The Corporation is unaware of any facts that could reasonably lead it to conclude that this investigation has had, or will have, any impact on the ability of Mr. Ward to properly and effectively carry out his duties as CEO or director of the Corporation. Staff of the OSC have advised the Corporation that they are unable to provide it with any further information at this time. Mr. Ward has advised the Corporation that he is subject to the same restrictions. The Corporation is advised by Mr. Ward that he is fully cooperating with the investigation and that he believes that he has acted at all times in a manner that is compliant with applicable securities law.

The OSC has also advised that the Enforcement Branch of the OSC is conducting a review of the timing and reporting of certain trades in securities of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised by Raymond Stone and Neil Tabatznik or their respective associates and affiliates or by other persons otherwise directly or indirectly related to them, as the case may be, that were effected prior to the announcement of the Bought Deal Offering. On February 27, 2018, Mr. Tabatznik resigned as a director and the Chairman of the Board and Raymond Stone resigned as a director of the Corporation. The OSC also advised the Corporation that the Enforcement Branch of the OSC was conducting a review of the timing and reporting of certain trades in securities of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised by persons directly or indirectly related to Mr. Silver that were effected prior to the announcement of the Bought Deal Offering. On March 28, 2018, the OSC informed the Corporation that the Enforcement Branch of the OSC is conducting an investigation in connection with the aforementioned trades by Mr. Silver and/or persons directly or indirectly related to Mr. Silver. In connection with the OSC's investigation, Mr. Silver has undertaken to deliver a written resignation in respect of his position as a director of the Corporation promptly following commencement by the OSC of any enforcement proceedings against Mr. Silver alleging any breach of the *Securities Act* (Ontario) in respect of the applicable trades described above in the event any such proceedings are commenced and he remains a director at that time. Mr. Silver has also undertaken that, in the event of his resignation, he will not seek re-election or consent to his nomination for election to the Board at the next meeting of shareholders at which

directors are to be elected without the prior written consent of the OSC and the Corporation. The Corporation also has undertaken to the OSC that, in the event of any such enforcement proceedings being commenced against Mr. Silver, the Corporation will not re-nominate Mr. Silver for re-election at the next meeting of shareholders at which directors are to be elected without the prior written consent of the OSC. The provision of such undertakings by Mr. Silver and the Corporation does not and shall not be deemed to constitute an admission of any breach of applicable laws by Mr. Silver, his affiliates or associates or by any other persons otherwise directly or indirectly, or by the Corporation. The Corporation is advised by Mr. Silver that he is fully cooperating with the OSC and he believes that he has acted at all times in a manner that is compliant with applicable securities law.

As part of their undertakings, each of Mr. Silver and the Corporation has acknowledged that in the event Mr. Silver resigns as a director and/or officer of the Corporation or is not re-elected as a director of the Corporation, that it/he has been informed by OSC Staff, that Staff would not likely recommend that exemptive relief be granted in respect to the requirement under section 58(5) of the *Securities Act* (Ontario) for Mr. Silver to sign a certificate of promoter (as such term is defined in the *Securities Act* (Ontario)) in respect to any future prospectus of the Corporation, so long as the OSC continues to take the view that the Mr. Silver is a promoter of the Corporation. The provision of the foregoing undertakings do not constitute any admission by the Corporation or Mr. Silver that he is a promoter of the Corporation.

The Board has established a special committee of independent directors (the “**Special Committee**”) that has full authority to review the foregoing trades and the OSC investigation involving Mr. Ward and any related matters, and to make recommendations to the Board on appropriate steps to be taken in response. The Special Committee retained Osler, Hoskin & Harcourt LLP to act as its independent legal counsel in connection with these matters. The special committee’s review into these matters is continuing. The Corporation remains committed to cooperating with the OSC in its reviews and investigations.

On March 6, 2018, Stockhouse Publishing published an interview (the “**Interview**”) of Mr. Ben Ward, the Chief Executive Officer and a director of the Corporation, by Marc Davis. The Interview was not authorized by the Board or by the Special Committee and the statements contained therein solely represent personal views and opinions of Mr. Ward. Therefore, none of the statements contained in the Interview should be relied upon for the purposes of an investment decision in respect of the Units, the Common Shares, the Warrants or the Warrant Shares distributed under this Prospectus, and any investment decision in respect thereof must be solely made on the basis of the disclosure contained in the Prospectus and the documents incorporated by reference herein.

REGULATORY RELIEF

The OSC Staff has notified the Corporation that it is currently of the view that Mr. Eric Silver, a director of the Corporation, is a promoter of the Corporation within the meaning of applicable securities laws. Pursuant to section 58(5) of the *Securities Act* (Ontario) and Part 8 of National Instrument 44-101 – *Short Form Prospectus Distributions*, the Director has consented to Mr. Silver not signing a Certificate of Promoter for this short form prospectus in accordance with the requirement under section 58(6) of the *Securities Act* (Ontario). Neither Mr. Silver nor any of his affiliates will receive, directly or indirectly, any proceeds of the Offering. The Corporation has been advised by the OSC that the issuance of a receipt by or on behalf of the applicable Canadian Securities Administrators by the OSC for this short form prospectus will evidence the granting of this consent. Neither the Corporation nor Mr. Silver admit that Mr. Silver is a promoter of the Corporation.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In certain provinces of Canada, the securities legislation further provides a purchaser with remedies for rescission, revision of the price or damages if the Prospectus or any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal advisor.

In an offering of warrants (including Warrants partially comprising the Units), investors are cautioned that the statutory right of action for damages for a misrepresentation contained in a prospectus is limited, in certain provincial securities legislation, to the price at which the warrant is offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional

amounts upon exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal advisor.

CONTRACTUAL RIGHT OF RESCISSION

Pursuant to the terms of the Agency Agreement and the subscription agreements between the Corporation and the purchasers of Special Warrants, the Corporation has granted each holder of a Special Warrant a contractual right of rescission of the prospectus-exempt transaction under which the Special Warrant was initially acquired. The contractual right of rescission provides that in the event that a holder of a Special Warrant who acquires Unit Shares or Warrants upon the deemed exercise of the Special Warrant as provided for in this Prospectus is, or becomes, entitled under applicable securities legislation to the remedy of rescission because this Prospectus or an amendment to this Prospectus contains a misrepresentation,

- (a) the holder is entitled to rescission of both the holder's exercise deemed exercise of its Special Warrants and the private placement transaction under which the Special Warrants were initially acquired;
- (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the Corporation or the Agents, as the case may be, on the acquisition of the Special Warrants; and
- (c) if the holder is a permitted assignee of the interest of the original Special Warrant subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

The contractual rights of action described above are in addition to and without derogation from any other right or remedy that a purchaser of Special Warrants may have at law.

CERTIFICATE OF THE CORPORATION

Dated: March 28, 2018

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Ontario, British Columbia, Alberta, Saskatchewan and New Brunswick.

"Ben Ward"
Ben Ward
Chief Executive Officer and Director

"Scott Langille"
Scott Langille
Chief Financial Officer

On behalf of the Board of Directors

"Paul Pathak"
Paul Pathak
Director

"Michael Stein"
Michael Stein
Director

CERTIFICATE OF THE AGENTS

Dated: March 28, 2018

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Ontario, British Columbia, Alberta, Saskatchewan and New Brunswick.

EIGHT CAPITAL

"Patrick McBride"

Patrick McBride

Head of Origination & Managing Director, Investment Banking

CANACCORD GENUITY CORP.

"Steve Winokur"

Steve Winokur

Director, Investment Banking

INDUSTRIAL ALLIANCE SECURITIES INC.

"John Rak"

John Rak

Managing Director, Investment Banking

TAB 17

AMENDED THIS Sept. 1, 2021 PURSUANT TO
MODIFIÉ CONFORMÉMENT À

RULE/LA RÈGLE 26.02 (_____)

THE ORDER OF Justice Morgan

L'ORDONNANCE DU
DATED/FAIT LE August 19, 2021

Court File no.: CV-21-00665194-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

REGISTRAR GREFFIER
SUPERIOR COURT OF JUSTICE COUR SUPÉRIEURE DE JUSTICE

BE T W E E N

**JONATHAN A. LUBUS, MARCO STAJIC,
MORDECAI BOBROWSKY, and KYLE YAMAMURA**

Plaintiffs

– and –

**WAYLAND GROUP CORP., BENJAMIN ALLAN WARD,
CANACCORD GENUITY CORP., and GMP SECURITIES L.P.**

Defendants

Proceeding under the *Class Proceedings Act, 1992*

FRESH AS AMENDED STATEMENT OF CLAIM

TO THE DEFENDANTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the plaintiff. The claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a statement of defence in Form 18A prescribed by the Rules of Civil Procedure, serve it on the plaintiff's lawyers or, where the plaintiff does not have a lawyer, serve it on the plaintiff, and file it, with proof of service in this court office, WITHIN TWENTY DAYS after this statement of claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your statement of defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a statement of defence, you may serve and file a notice of intent to defend in Form 18B prescribed by the Rules of Civil Procedure. This will entitle you to ten more days within which to serve and file your statement of defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

IF YOU PAY THE PLAINTIFFS' CLAIM, and \$5,000.00 for costs, within the time for serving and filing your statement of defence you may move to have this proceeding dismissed by the court. If you believe the amount claimed for costs is excessive, you may pay the plaintiff's claim and \$400.00 for costs and have the costs assessed by the court.

TAKE NOTICE: THIS ACTION WILL AUTOMATICALLY BE DISMISSED if it has not been set down for trial or terminated by any means within five years after the action was commenced unless otherwise ordered by the court.

Date Issued: Sept 3, 2019

Issued by: _____
Local Registrar

Address of Court Office:

TO: WAYLAND GROUP CORP.
3-845 Harrington Court
Burlington, Ontario L7N 3P3

AND TO: BENJAMIN ALLAN WARD
3-845 Harrington Court
Burlington, Ontario L7N 3P3

AND TO: TORYS LLP
79 Wellington St. W. 33 Floor
Toronto, Ontario M5K 1N2
Tel: 416-865-0040
Fax: 416-865-7380

Superior Court of Justice
330 University Avenue,
8th Floor
Toronto, ON
M5G 1R7

John Fabello
jfabello@torys.com

Gillian Dingle
gdingle@torys.com

Lawyers for the Underwriter Defendants

DEFINED TERMS

1. In addition to the terms defined in ss. 1(1) and 138.1 of the *Securities Act*, R.S.O. 1990, c. S. 5, and elsewhere herein, the following capitalized terms used throughout this fresh as amended statement of claim have the meanings indicated below:

- (a) “**AIF**” means Annual Information Form;
- (b) “**Audit Committee**” means Wayland’s Audit Committee, Messrs. Gerhard Muller, Paul Pathak, and Michael Stein, which reported that it was responsible for monitoring the Company’s systems and procedures for financial reporting and internal control, reviewing disclosure documents and accuracy of the Company’s regulatory filings;
- (c) “**Canaccord**” means Canaccord Genuity Corp., which served as a co-lead agent of the October 1, 2018 offering and the lead underwriter of the October 24, 2018 offering;
- (d) “**CEO**” means Chief Executive Officer;
- (e) “**CFO**” means Chief Financial Officer;
- (f) “**Class**” means all persons, other than Excluded Persons, who acquired Wayland’s common shares during the Class Period and who held some or all of those common shares until after the release of at least one of the Public Corrective Disclosures;
- (g) “**Class Period**” means January 24, 2018 through April 23, 2019, inclusive;
- (h) “**Company**” means Wayland;
- (i) “**CPA**” means the *Class Proceedings Act, 1992*, S.O. 1992, c. 6, as amended;

- (j) “**Equivalent Securities Act**” means, collectively, the *Securities Act*, R.S.A. 2000, c. S-4, as amended; the *Securities Act*, R.S.B.C. 1996, c 418, as amended; *The Securities Act*, C.C.S.M. c. S50, as amended; the *Securities Act*, S.N.B. 2004, c. S-5.5, as amended; the *Securities Act*, R.S.N.L. 1990, c S-13, as amended; the *Securities Act*, S.N.W.T. 2008, c. 10, as amended; the *Securities Act*, R.S.N.S. 1989, c. 418, as amended; the *Securities Act*, S Nu 2008, c. 12, as amended; the *Securities Act*, R.S.P.E.I. 1988, c S-3.1, as amended; the *Securities Act*, R.S.Q. c V-1.1, as amended; *The Securities Act, 1988*, S.S. 1988-89, c. S-42.2, as amended; and the *Securities Act*, S.Y. 2007, c. 16, as amended;
- (k) “**Excluded Persons**” means any of the Defendants, their executives and business partners during the Class Period, and any family member or business entity in which the Defendant Ward’s family had a controlling interest during the Class Period;
- (l) “**GMP**” means GMP Securities L.P., which served as a co-lead agent of the October 1, 2018 offering and an underwriter of the October 24, 2018 offering;
- (m) “**Impugned Statements**” means the documents or statements containing alleged misrepresentations released on January 24, 2018; March 28, 2018; April 27, 2018; May 29, 2018; June 29, 2018; August 24, 2018; October 24, 2018; November 28, 2018; February 21-22, 2019; and April 23, 2019 all concerning how Defendant Wayland and Ward were going to use the proceeds from each of the Company’s Class Period offerings would be used,

how much each phase of the expansion of the Langton Facility would cost and when it would be completed, that the expansion of the Langton Facility was fully-funded, and how much cannabis the Company would produce beginning in 2019;

- (n) “**Langille**” means Scott Langille who served as Wayland’s Chief Financial Officer during the Class Period;
- (o) “**Langton Facility**” means Wayland’s main production facility located in Langton, Ontario, which at all times during the Class Period was undergoing a multi-phase expansion that began in November 2016.
- (p) “**MD&A**” means management discussion and analysis;
- (q) “**Muller**” means Gerhard Muller, the Chair of Wayland’s Audit Committee and Board of Directors during the Class Period, who resigned on July 8, 2019;
- (r) “**NI 51-102**” means the CSA’s National Instrument 51-102—*Continuous Disclosure Obligations*, as amended;
- (s) “**NI 52-109**” means the CSA’s National Instrument 52-109—*Certification of Disclosure in Issuers’ Annual and Interim Filings*, as amended;
- (t) “**OSA**” means the *Securities Act*, R.S.O. 1990 c. S.5, as amended;
- (u) “**OSC**” means the Ontario Securities Commission;
- (v) “**Pathak**” means Paul Pathak, a member of Wayland’s Audit Committee and Board of Directors during the Class Period, who resigned on April 23, 2020;
- (w) “**Primary Market Claim**” means the common law and statutory claims being advanced by the Plaintiff, on behalf of himself and on behalf of all

similarly situated investors, that purchased Wayland's securities in an offering arising from the October 1 and October 24, 2018 final short form prospectuses, including the distribution period, against the Underwriter Defendants;

- (x) **“Public Corrective Disclosures”** means the material facts released to the market on: October 1, 2018; November 28, 2018; February 21-22, 2019; and April 23, 2019 concerning when the various phases of expansion of the Langton Facility would be completed, how much each phase would cost, whether the expansion was fully-funded, and how the funds raised in each financing offering conducted during the Class Period were distributed;
- (y) **“Secondary Market Claim”** means the common law and statutory claims being advanced by the Plaintiffs, on behalf of themselves and on behalf of all similarly situated investors, that purchased Wayland's securities in the secondary market, against Defendant Wayland and Ward;
- (z) **“SEDAR”** means the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval;
- (aa) **“Stein”** means Michael Stein, a member of Wayland's Audit Committee and Board of Directors during the Class Period, who resigned February 21, 2019;
- (bb) **“Underwriter Defendants”** means Canaccord and GMP;
- (cc) **“Ward”** means Benjamin Allan Ward, the former Chief Executive Officer of Wayland until August 2, 2019; and
- (dd) **“Wayland”** means Wayland Group Corp. (formerly known as Maricann Group, Inc. prior to January 7, 2019).

LIFTING OF THE STAY OF PROCEEDINGS AND LIMITATIONS PERIOD

2. On December 2, 2019, on application of Defendant Wayland, and its related entities, the Ontario Superior Court of Justice (Commercial List) granted a stay of proceedings.

3. On July 9, 2020, the Ontario Superior Court of Justice (Commercial List) lifted the stay of proceedings “solely for the limited purpose of granting the plaintiff in Court File No. CV-19-114 (“Class Plaintiff”) leave to establish the claims of the Class Plaintiff” and to enforce such claims only against (i) the Insurers and/or the Defendants named in CV-19-114 under any relevant insurance policies issued to Defendant Wayland; and (ii) Defendant Ward, and not against any present or future assets of Wayland but not Defendant Ward. The stay of litigation does not apply to third-parties, such as the Underwriter Defendants.

4. On July 15, 2020, the Ontario Superior Court of Justice (Commercial List) further clarified and ordered that any claim against Defendants Wayland and any other current or former director and officer of Wayland, excluding Defendant Ward, based in whole or in part on any action or omission, taking place prior to April 24, 2020 in respect to Defendant Wayland (the “D&O Claims”) as reflected in CV-19-114 shall only be permitted to commence and/or continue its D&O Claim to the point of determination of liability, if any, and seeking the enforcement of any judgement solely as against any insurance policy maintained by the Defendant Wayland.

CAUSES OF ACTION

5. The causes of action asserted by the Plaintiffs in this proceeding are:
- (a) Primary Market common law and statutory claims against the Underwriter Defendants that certified the accuracy of the relevant prospectuses for the October 1 and 24, 2018 offerings; and
 - (b) Secondary Market common law and statutory claims against the Defendant Wayland, limited to the available insurance and not the assets or future assets of Wayland, and Ward.

RELIEF CLAIMED

6. The Plaintiffs claim on their own behalf and on behalf of the members of the Class, subject to further disclosures, discovery and due diligence:
- (a) An order pursuant to s. 5 of the *CPA* certifying this action as a class proceeding and appointing them as the representative plaintiffs for the Class advancing the causes of action identified herein;
 - (b) An order granting leave to pursue the statutory causes of action as set out in Part XXIII.1 of the *OSA* and the comparable provisions in the Equivalent Securities Acts;
 - (c) A declaration that the Impugned Statements released by the Defendants contained misrepresentations related to the Company's business, operations and finances because the documents omitted material facts regarding the cost and timing of the expansion of Wayland's facility in Langton, Ontario, misrepresented that the expansion allegedly was fully-funded from prior public offerings, misrepresented how proceeds from

each public offering conducted during the Class Period would be used, and misrepresented the amount of production the Company would be able to achieve in 2019;

- (d) Damages in a sum to be determined, or such other sum as this Court finds appropriate at the trial of the common issues or at a reference or references;
- (e) An order directing a reference or giving such other directions as may be necessary to determine issues not determined in the trial of the common issues;
- (f) Prejudgment and post-judgment interest, compounded, or pursuant to ss. 128 and 129 of the *CJA*;
- (g) Costs of this action on a full indemnity scale, or in an amount that provides substantial indemnity, plus, pursuant to s. 26(9) of the *CPA*, the costs of administering the plan of distribution of the recovery in this action; and
- (h) Such further and other relief that this Honourable Court deems just.

NATURE OF THIS ACTION

7. Wayland is a Canadian cannabis producer which at all times relevant to this action was in the process of expanding its main production facility in Langton, Ontario (i.e. the Langton Facility).

8. Wayland conducted multiple public offerings and made representations with its prospectuses that contained misrepresentations:

- (a) about how the proceeds from those public offerings would be used;

- (b) regarding when each phase of the expansion of the Langton Facility would be completed and how much each phase would cost;
- (c) that the expansion of the Langton Facility was fully-funded from prior public offerings;
- (d) that the *pro forma* output and revenues from the additional cannabis that would be produced beginning in 2019, as a result of the expansion of the Langton Facility was not reasonable when released; and,
- (e) the core documents incorporated by reference did not contain misrepresentations.

9. Despite the Company's repeated misrepresentations of material fact, Wayland subsequently released a series of public corrective disclosure statements that revealed:

- (a) the expansion of the Langton Facility was not fully-funded;
- (b) the expansion would not be completed when the Company had represented it would be and would cost more than the Company represented;
- (c) it would not achieve the production or revenue targets the Company had represented it would achieve in 2019;
- (d) it would not be able to release its annual 2018, Q1 2019, and Q2 2019 financial statements and MD&A; and,
- (e) its auditors were blaming, in part, Individual Defendant Ward's Class Period conduct for the Company's accounting problems.

10. The Public Corrective Disclosures had the foreseeable effect of removing the artificial inflation in the Company's stock price that had resulted from the aforementioned misrepresentations:

- (a) October 1, 2018: Wayland released a prospectus qualifying the securities for a public offering which had previously closed on August 10, 2018. In this core document, Wayland disclosed, in contradiction to its prior statements, that its Phase One expansion would now be completed in Q1 2019, rather than during 2018. This corrective statement caused the price of Wayland's shares on the CSE to diminish from \$1.80 down to \$1.58, or a drop of 12.2%;
- (b) November 28, 2018: Wayland released its Q3 2018 financial statements and MD&A and disclosed, in contradiction to its prior statements, that its Phase One and Two expansions no longer had completion dates. This corrective statement caused the price of Wayland's shares on the CSE to diminish from \$1.44 down to \$1.32, or a drop of 8.3%;
- (c) February 21 and 22, 2019: Wayland released statements that its Board members Michael Stein, who was a member of Wayland's Audit Committee, and Eric Silver, who was a member of Wayland's Corporate Governance and Compensation Committee, were resigning effective immediately. This corrective statement caused the price of Wayland's shares on the CSE to diminish from \$1.17 down to \$0.98, or a drop of 16.2%; and,
- (d) April 23, 2019: Wayland released a statement announcing that it would delay the release of its annual 2018 financial statements and MD&A. This corrective statement caused the price of Wayland's shares on the CSE to diminish from \$0.88 down to \$0.71, or a drop of 19.3%.

THE PLAINTIFF (SECONDARY MARKET CLAIMS)

11. Marko Stajic is an investor who resides in Windsor, Ontario, Canada. During the Class Period, he purchased shares of Wayland listed on the CSE and suffered a loss by holding those securities until after the Public Corrective Disclosures.

THE PLAINTIFFS (PRIMARY MARKET CLAIMS)

12. Mordecai Bobrowsky is an investor who resides in North York, Ontario, Canada. During the Class Period, he purchased shares of Wayland in an October 2018 offering and suffered a loss by holding those securities until after the Public Corrective Disclosures.

13. Kyle Yamamura is an investor who resides in Toronto, Ontario, Canada. During the Class Period, he purchased shares of Wayland in an October 2018 offering and suffered a loss by holding those securities until after the Public Corrective Disclosures.

THE DEFENDANTS

14. Wayland is a company incorporated pursuant to Ontario's *Business Corporations Act*, which maintained its headquarters in Oakville, Ontario. Wayland is a federally licensed producer and distributor of cannabis with production facilities in Canada and in Europe.

15. During the Class Period, Wayland's common shares, which have a CUSIP identifier number of 944204, were listed under the ticker symbol "WAYL" on the CSE, "75M" on the FSE, and "MRRCF" on the OTC Market.

16. On December 9, 2019, Wayland filed an application for and received an order for protection pursuant to the Companies' Creditors Arrangement Act staying the within action:

(a) On July 9, 2020, the stay of proceedings was lifted for this proceeding against the Insurers under any relevant insurance policies issued to Wayland; and

(b) On July 15, 2020, another order was issued to clarify that this proceeding may continue against the relevant insurance policies to the point of determination of liability and enforcement of any judgment solely against any insurance policy maintained by Wayland. These limitations do not apply to Individual Defendant Ben Ward or any third-parties. These limitations also do not apply to any former director or officer that engaged in gross negligence, willful misconduct, or fraud.

17. Benjamin (Ben) Allan Ward was Wayland's President, Chief Executive Officer and a director on its board from April 20, 2017, until his resignation was announced on August 2, 2019. He made or authorized the making of the misrepresentations that were released during the Class Period, and certified that the core documents released during the Class Period did not contain any untrue statements of material fact or omit to state any material facts.

18. Canaccord is an investment bank headquartered in Vancouver, British Columbia, that served as the co-lead selling agent for Wayland's offerings pursuant to the final short form prospectuses dated October 1 and October 24, 2018.

19. GMP is an investment bank headquartered in Toronto, Ontario, that served as the co-lead selling agent for Wayland's offerings pursuant to the final short form prospectuses dated October 1 and October 24, 2018.

MATERIAL EVENTS AND DISCLOSURES

20. On January 24, 2018, Wayland released its AIF for the year ended December 31, 2016, as well as the CEO and CFO certifications on Form 52-109F1 attesting that the

2016 AIF did not contain any misrepresentations. However, the AIF contained multiple misrepresentations about the expansion of the Langton Facility, stating in relevant part that:

- (i) Phase One of the expansion of 217,000 sq. ft., of the three phase expansion for an overall 942,000 sq. ft., which had commenced in November 2016, was progressing on schedule and within 2% of budget, with an initial production capacity to be 22,500kg annually, and was expected to be completed in Q2 2018;
- (ii) Phase Two of the expansion of 635,000 sq. ft., which had commenced in January 2018, and was expected to be completed by the end of 2018, was expected to bring an additional 70,000kg of annual production on line by the end of 2018, thus representing that Phases One and Two would add an additional 92,500kg of production to the company's existing 2,000kg/year production capability by the end of 2018; and,
- (iii) Phase Three of the expansion of 90,000 sq. ft., had commenced and was expected to add additional processing capacity.

21. This document contained a misrepresentation because the Defendants' statements that they expected either purported completion date to be achieved were unreasonable when made.

22. On March 28, 2018, Wayland released its Code of Business Conduct affirming that its officers and directors were (i) promoting honest and ethical conduct, including the handling of conflicts of interest; (ii) promoting full, fair, and accurate timely disclosure in

reports provided to securities regulators, and fostering a culture of honesty and accountability. The Code of Business was approved by Wayland's full Board of Directors.

23. On March 28, 2018, Wayland released a final short form prospectus, which the CEO, CFO and Board certified contained all material facts. Wayland represented that:

- (i) The vast majority of the net proceeds from the Offering (roughly \$30 million of \$38 million) would be used to fund Phase Two and Phase Three of the expansion, and the remaining roughly \$8 million would be used for brand development and corporate marketing initiatives and for working capital and general corporate purposes (i.e. none of the proceeds were required to fund Phase One);
- (ii) Phase One of the expansion of the Langton Facility was already fully-funded (at p.15), and management expected the Phase One expansion to be completed during Q2 2018 (at p.15);
- (iii) Phase Two and Phase Three of the Langton Facility expansion were targeted for Q4 2018 completion, including the concrete foundations and installation of the operational equipment (at p. 15); and,
- (iv) Upon completion of the Langton Facility expansion (i.e. in Q4 2018), Wayland expected annual production capacity to be in excess of 95,000kg of cannabis per year.

24. On April 27, 2018, Wayland released its annual 2017 financial statements and MD&A, as well as the CEO and CFO certifications on Form 52-109FV1 attesting that these core documents did not contain any misrepresentations. The MD&A represented that Phase One of the Langton Facility was expected to be completed in Q2 2018 (at pp.

4 and 16). Moreover, a different page of the same MD&A stated that Phase One would be “fully completed” in Q4 2018 (at p. 9). Wayland and the members of the Audit Committee authorized the content of this core document.

25. This document contained a misrepresentation because it omitted the material facts that Phase One was not fully-funded and the reasons why it would not be completed during Q2 2018 or fully completed by Q4 2018, and, at a minimum, the Defendants’ statements that they expected either purported completion date to be achieved were unreasonable when made.

26. On May 29, 2018, Wayland released its Q1 2018 financial statements and MD&A, as well as the CEO and CFO certifications on Form 52-109FV2 attesting that these core documents did not contain any misrepresentations. The MD&A represented that Phase One of the Langton Facility was expected to be completed in Q4 2018 (at pp. 4, 7 and 14). Wayland and the members of the Audit Committee authorized the content of this core document.

27. This core document contained a misrepresentation because it omitted the material facts that Phase One was not fully-funded and the reasons why it would not be completed during Q2 2018, and, at a minimum, the Defendants’ statements that they expected either purported completion date to be achieved were unreasonable when made.

28. On June 29, 2018, Wayland released its AIF for the year ended December 31, 2017, as well as the CEO and CFO certifications on Form 52-109F1 attesting that the 2017 AIF did not contain any misrepresentations. The 2017 AIF represented that Phase One of the Langton Facility expansion was expected to be fully completed in Q4 2018, and that Phase Two was expected to bring additional cannabis production capacity on line

in Q1 2019 (at pp. 12). Wayland and the members of the Audit Committee authorized the content of this core document.

29. This core document contained a misrepresentation because it omitted the material fact that Phase One was not fully-funded and the reasons as to why it was not completed during Q2 2018 as well as the reasons as to why Phase Two would not be completed in Q4 2018 as previously represented. Further, the Defendants' statements that they expected Phase One to be finished in Q4 2018 and Phase Two in Q1 2019 were unreasonable when made.

30. On August 24, 2018, Wayland released its Q2 2018 financial statements and MD&A, as well as the CEO and CFO certifications on Form 52-109FV2 attesting that these core documents did not contain any misrepresentations. The MD&A represented that Phase One of the Langton Facility was expected to be fully completed in Q4 2018 (at pp. 4 and 8). Wayland and the members of the Audit Committee authorized the content of this core document.

31. This core document contained a misrepresentation because it omitted the material facts that Phase One was not fully-funded and the reasons as to why it was not completed during Q2 2018, and, at a minimum, the Defendants' statements that they expected either purported completion date to be achieved were unreasonable when made.

32. On October 1, 2018, Wayland released a final short form prospectus qualifying the exempt distribution of units distributed pursuant to its offering that had previously closed on August 10, 2018, along with the corresponding CEO and CFO certifications as well as certifications from the Defendant Underwriters, Canaccord and GMP, attesting that this core document did not contain any misrepresentations. This core document

represented that approximately \$15.1 million of the net proceeds raised from the offering would be allocated to the Phase One expansion of the Langton Facility, which was now expected to be completed on January 30, 2019 (at pp. 19-20), and the first-part of the Phase Two expansion was now not expected to be completed until Q3 2019.

33. Individual Defendant Ward provided a certification that this core document, together with all the incorporated documents, constituted full, true and plain disclosure of all the material facts relating to the offering.

34. Underwriter Defendants Canaccord and GMP provided a certification that this core document, together with all the incorporated documents, constituted full, true and plain disclosure of all the material facts relating to the offering.

35. This core document contained a misrepresentation because it omitted the material facts that Phase One was not fully-funded as previously represented as well as the reasons as to why it was not completed during Q2 2018 and would be even further delayed from Q4 2018 to Q1 2019, and also because it omitted to disclose why Phase Two was now being described as a two-part process and why the first part of the Phase Two expansion would not be completed until Q3 2019.

36. This core document also served as a partial public corrective disclosure as it revealed to the market that Phase One of the expansion would not be complete in Q4 2018 and Phase Two would not be bringing additional cannabis production online in Q1 2019 as previously represented. This disclosure sent Wayland's share price down 12.2%.

37. On October 15, 2018, Wayland released the preliminary short form prospectus for its Prospectus Offering which would close on October 31, 2018. In this core document under the heading "Use of Proceeds," Wayland represented that it would use roughly

\$22.5 million of the expected \$47.6 million in net proceeds for Phase One of the Langton Facility expansion and that amount was all the remaining cost required to complete Phase One. This core document also indicated that Phase One of the expansion would be completed on January 30, 2019, and part one of Phase Two of the expansion would be completed in Q3 2019. This core document also represented that upon the completion of Phase One and the first part of Phase Two, Wayland would have an annual production capacity of approximately 95,000 kg of cannabis per year.

38. This core document contained a misrepresentation because it omitted the material facts that Phase One was not fully-funded as previously represented and as to why it was not completed during Q2 2018 and was being delayed to Q1 2019, and also because it omitted to disclose why Phase Two was now being described as a two-part process and why the first part of the Phase Two expansion would not be completed until Q3 2019. It additionally misrepresented that as of 2019 the Company would be able to produce 95,000 kg of cannabis per year.

39. On October 24, 2018, Wayland released the final short form prospectus for its Prospectus Offering, which would close on October 31, 2018, offering 30,350,000 units at \$1.65 per unit, for a total of \$50,077,500. This core document repeated the representations that roughly \$22.5 million of the expected \$47.6 million in net proceeds from the Prospectus Offering would be used for Phase One of the Langton Facility expansion and that amount was all the remaining cost required to complete Phase One, that Phase One would be completed on January 30, 2019, and part one of Phase Two completed in Q3 2019, and that upon the completion of Phase One and the first part of

Phase Two the Company would have an annual production capacity of approximately 95,000 kg of cannabis per year.

40. Individual Defendant Ward provided a certification that this core document, together with all the incorporated documents, constituted full, true and plain disclosure of all the material facts relating to the offering.

41. Underwriter Defendants provided a certification that this core document, together with all the incorporated documents, constituted full, true and plain disclosure of all the material facts relating to the offering.

42. This core document contained a misrepresentation because it omitted the material facts that Phase One was not fully-funded as previously represented and as to why it was not completed during Q2 2018 and was being delayed to Q1 2019, and also because it omitted to disclose why Phase Two was now being described as a two-part process and why the first part of the Phase Two expansion would not be completed until Q3 2019. It additionally misrepresented that as of 2019 the Company would be able to produce 95,000 kg of cannabis per year.

43. On November 26, 2018, Wayland released its management information circular, dated November 9, 2018, for its annual and special meeting of shareholders to be held on December 20, 2018. It appears to have been prepared and approved by the full board of directors. This core document reported that:

- (a) To the knowledge of the Company, which is the full board of directors, no proposed director has been subject to any other penalties or sanctions that would likely be considered important in deciding whether to vote for a proposed director;

- (b) As of November 9, 2018, there were a total of 201,002,592 common shares issued and outstanding and there would be a 3 to 1 consolidation so that there would be 67,000,864 common shares; and,
- (c) The board recognizes the importance of corporate governance to protect its shareholders and the board fulfills its mandate through the Audit Committee (Messrs. Muller (Chair), Pathak, and Stein), which included the Audit Committee Charter at Schedule C.

44. This core document contained a misrepresentation.

45. On November 28, 2018, Wayland released its Q3 2018 financial statements and MD&A (when it increased its fully diluted number of shares to 300 million), as well as the CEO and CFO certifications on Form 52-109FV2 attesting that these core documents did not contain any misrepresentations within the meaning of the *OSA*. With respect to Phases One and Two of the expansion, this MD&A omitted the status of and completion date of both and also omitted disclosure of whether Phase One was fully-funded (after yet another Offering where it was represented they had raised well in excess of the funding requirements for Phase One). Wayland and the members of the Audit Committee authorized the content of this core document.

46. This core document contained a misrepresentation, and also served as a partial public corrective disclosure, because it revealed that its Phase One and Two expansions no longer had completion dates and it omitted the material facts that Phase One was not fully-funded and as to why it was not completed during Q2 2018 (and whether it was going to be completed in Q4 2018 as represented). This disclosure sent Wayland's share price down 8.3%.

47. On February 21 and 22, 2019, Wayland released statements that its directors Michael Stein, who was also a member of the Company's Audit Committee, and Eric Silver, who was also a member of the Company's Corporate Governance and Compensation Committee, were resigning effective immediately. Wayland and the members of the Audit Committee authorized the content of this impugned document and had to have intentionally known that they omitted the material facts as to why Messrs. Stein and Stone were resigning effective immediately.

48. This non-core document served as a partial public corrective disclosure because the rapid exodus of directors revealed that there were problems with Wayland's corporate governance, as well as containing a misrepresentation by omitting the material fact that there were material problems with Wayland's books and records. This disclosure sent Wayland's share price down 16%.

49. On April 23, 2019, Wayland released a statement that it would be forced to delay the release of its annual 2018 financial statements and MD&A and, implicitly, its Q1 2019 financial statements and MD&A. Wayland and the members of the Audit Committee (i.e., Muller and Pathak) authorized the content of this impugned document.

50. This non-core document contained a misrepresentation and served as a partial public corrective disclosure, because it further confirmed that there were problems with Wayland's corporate governance, and omitted the material facts that were material problems with Wayland's books and records and that the individual Defendant Ward was part of the problem. This disclosure sent Wayland's share price down 20%.

THE STORM WARNINGS: PUBLIC CORRECTIVE STATEMENTS

51. On October 1, 2018, Wayland released a prospectus qualifying the securities for a public offering which had previously closed on August 10, 2018. In this core document, Wayland disclosed, in contradiction to prior statements, that its Phase One expansion would be completed in Q1 2019. This corrective statement caused the price of Wayland's shares on the CSE to diminish from \$1.80 down to \$1.58, or a drop of 12.2%.

52. On November 28, 2018, Wayland released its Q3 2018 financial statements and MD&A and disclosed, in contradiction to prior statements, that its Phase One and Two expansions no longer had completion dates. This corrective statement caused the price of Wayland's shares on the CSE to diminish from \$1.44 down to \$1.32, or a drop of 8.3%.

53. On February 21 and 22, 2019, Wayland released statements that its board members Michael Stein, who was a member of the Company's Audit Committee, and Eric Silver, who was a member of the Company's Corporate Governance and Compensation Committee, were resigning effective immediately. This corrective statement caused the price of Wayland's shares on the CSE to diminish from \$1.17 down to \$0.98, or a drop of 16.2%.

54. On April 23, 2019, Wayland released a statement announcing that it would delay the release of its annual 2018 financial statements and MD&A. This corrective statement caused the price of Wayland's shares on the CSE to diminish from \$0.88 down to \$0.71, or a drop of 19.3%.

55. Soonafter, Defendants Wayland and Ward's conduct caused Wayland to liquidate in a proceeding under the *Companies' Creditors Arrangement Act*.

POST CLASS PERIOD'S MATERIAL EVENTS AND DISCLOSURES

56. On July 8, 2019, Muller resigned from Wayland's board of directors.

57. On August 2, 2019, Wayland released a statement that its auditor MNP LLP resigned because of the conduct of the individual Defendant Ward in respect of the audit of Wayland's annual 2018 financial statements. It was reported that auditor NVS Chartered Accountants would become the successor auditor.

58. On August 2, 2019, Wayland released a statement that the individual Defendant Ward was resigning effective immediately. Wayland has not released any further information about its former Chief Executive Officer and director, such as a material change report explaining why he resigned or any type of severance package provided to him.

59. On December 2, 2019, Wayland applied for and received protection pursuant to the *Companies' Creditors Arrangement Act* and received a stay of proceedings.

60. On December 4, 2019, Wayland released a statement that its newest auditor NVS Chartered Accountants had resigned effective December 3, 2019.

61. On April 23, 2020, Pathak resigned from Wayland's board of directors.

REAL AND SUBSTANTIAL CONNECTION WITH ONTARIO

62. The Plaintiffs plead that this action has a real and substantial connection with Ontario for the application of Ontario substantive and procedural laws to this claim on behalf of all Class Members because, among other connecting factors, Wayland was a reporting issuer in Ontario and is headquartered in the province of Ontario.

RELEVANT LEGISLATION, PLACE OF TRIAL AND JURY TRIAL

63. The Plaintiffs plead and rely upon the *CJA*, the *CPA*, the *OSA* and the Equivalent Securities Acts.

64. The Plaintiffs propose that this action be tried in the City of Toronto, in the Province of Ontario, as a proceeding under the *CPA*.

65. The Plaintiffs may serve a jury notice.

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-
and
-

WAYLAND GROUP CORP. ET AL

Plaintiffs

Defendants

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

Proceeding under the *Class Proceedings Act, 1992*

FRESH AS AMENDED STATEMENT OF CLAIM

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TAB 18

WAYL Historical Data

Time Frame:

Daily 

[Download Data](#)

01/01/2018 - 05/31/2019

Date	Price	Open	High	Low	Vol.	Change %
May 06, 2019	0.74	0.69	0.74	0.68	1.12M	5.71%
May 03, 2019	0.70	0.79	0.79	0.68	2.28M	-12.50%
May 02, 2019	0.80	0.74	0.80	0.73	1.40M	12.68%
May 01, 2019	0.71	0.74	0.77	0.64	5.48M	-19.32%
Apr 30, 2019	0.88	0.90	0.90	0.87	483.85K	0.00%
Apr 29, 2019	0.88	0.92	0.92	0.88	546.93K	-5.38%
Apr 26, 2019	0.93	0.90	0.93	0.88	527.12K	3.33%
Apr 25, 2019	0.90	0.89	0.91	0.87	1.02M	-2.17%
Apr 24, 2019	0.92	0.91	0.92	0.89	593.94K	2.22%
Apr 23, 2019	0.90	0.94	0.94	0.88	1.62M	-3.23%
Apr 22, 2019	0.93	0.90	0.97	0.86	1.54M	2.20%
Apr 18, 2019	0.91	0.91	0.92	0.86	623.98K	0.00%
Apr 17, 2019	0.91	0.96	0.96	0.89	570.07K	-5.21%
Apr 16, 2019	0.96	0.93	0.96	0.93	325.16K	2.13%
Apr 15, 2019	0.94	0.96	0.96	0.92	764.65K	-6.00%
Apr 12, 2019	1.00	0.99	1.02	0.98	689.15K	0.00%
Apr 11, 2019	1.00	1.03	1.03	0.97	479.10K	-0.99%
Apr 10, 2019	1.01	0.98	1.01	0.96	646.27K	3.06%
Apr 09, 2019	0.98	1.04	1.04	0.97	582.58K	-6.67%
Apr 08, 2019	1.05	1.06	1.07	1.03	1.66M	2.94%
Apr 05, 2019	1.02	1.09	1.09	0.97	2.71M	7.37%
Apr 04, 2019	0.95	0.91	0.96	0.88	1.00M	7.95%
Apr 03, 2019	0.88	0.81	0.88	0.79	956.00K	8.64%
Apr 02, 2019	0.81	0.85	0.85	0.80	515.76K	-3.57%
Apr 01, 2019	0.84	0.82	0.85	0.80	452.07K	5.00%

Date	Price	Open	High	Low	Vol.	Change %
Mar 29, 2019	0.80	0.81	0.81	0.78	557.82K	-2.44%
Mar 28, 2019	0.82	0.85	0.85	0.81	450.24K	-1.20%
Mar 27, 2019	0.83	0.86	0.86	0.83	323.64K	-4.60%
Mar 26, 2019	0.87	0.85	0.87	0.84	487.20K	1.16%
Mar 25, 2019	0.86	0.89	0.89	0.83	854.01K	-2.27%
Mar 22, 2019	0.88	0.91	0.92	0.88	372.15K	-3.30%
Mar 21, 2019	0.91	0.90	0.93	0.89	490.65K	2.25%
Mar 20, 2019	0.89	0.93	0.93	0.89	873.52K	-1.11%
Mar 19, 2019	0.90	0.93	0.94	0.90	867.07K	-4.26%
Mar 18, 2019	0.94	0.95	0.97	0.93	781.25K	-3.09%
Mar 15, 2019	0.97	0.94	0.97	0.93	1.00M	3.19%
Mar 14, 2019	0.94	0.97	0.97	0.93	226.66K	-3.09%
Mar 13, 2019	0.97	0.96	0.97	0.91	927.82K	2.11%
Mar 12, 2019	0.95	1.00	1.00	0.95	434.02K	-3.06%
Mar 11, 2019	0.98	0.99	1.05	0.97	973.98K	1.03%
Mar 08, 2019	0.97	0.90	0.98	0.89	1.07M	8.99%
Mar 07, 2019	0.89	0.91	0.93	0.87	984.35K	-4.30%
Mar 06, 2019	0.93	0.95	0.96	0.92	513.59K	-2.11%
Mar 05, 2019	0.95	0.95	0.97	0.94	375.60K	-2.06%
Mar 04, 2019	0.97	0.98	0.98	0.94	550.61K	-2.02%
Mar 01, 2019	0.99	0.98	0.99	0.96	210.91K	2.06%
Feb 28, 2019	0.97	0.98	1.00	0.96	419.45K	-2.02%
Feb 27, 2019	0.99	0.99	1.00	0.98	543.97K	-1.00%
Feb 26, 2019	1.00	1.01	1.03	0.97	1.26M	2.04%
Feb 25, 2019	0.98	1.10	1.10	0.97	1.36M	-9.26%
Feb 22, 2019	1.08	1.11	1.12	1.07	790.56K	-3.57%
Feb 21, 2019	1.12	1.13	1.15	1.06	1.61M	0.00%
Feb 20, 2019	1.12	1.12	1.15	1.10	1.20M	-4.27%
Feb 19, 2019	1.17	1.13	1.18	1.12	781.76K	0.86%
Feb 15, 2019	1.16	1.15	1.16	1.13	637.55K	2.65%
Feb 14, 2019	1.13	1.12	1.15	1.11	391.58K	-1.74%
Feb 13, 2019	1.15	1.16	1.18	1.14	375.95K	-2.54%
Feb 12, 2019	1.18	1.07	1.18	1.07	632.88K	6.31%
Feb 11, 2019	1.11	1.23	1.23	1.10	837.13K	-9.76%
Feb 08, 2019	1.23	1.22	1.26	1.21	621.97K	-3.91%
Feb 07, 2019	1.28	1.30	1.31	1.22	1.22M	2.40%
Feb 06, 2019	1.25	1.25	1.25	1.19	794.17K	-0.79%
Feb 05, 2019	1.26	1.25	1.30	1.23	666.92K	-1.56%
Feb 04, 2019	1.28	1.29	1.30	1.25	1.03M	1.59%
Feb 01, 2019	1.26	1.29	1.30	1.25	689.91K	-4.55%

Date	Price	Open	High	Low	Vol.	Change %
Jan 31, 2019	1.32	1.37	1.39	1.28	836.58K	-0.75%
Jan 30, 2019	1.33	1.34	1.38	1.33	814.74K	0.76%
Jan 29, 2019	1.32	1.27	1.32	1.26	1.28M	5.60%
Jan 28, 2019	1.25	1.22	1.28	1.21	725.25K	2.46%
Jan 25, 2019	1.22	1.24	1.24	1.19	474.15K	-0.81%
Jan 24, 2019	1.23	1.20	1.23	1.20	195.83K	0.00%
Jan 23, 2019	1.23	1.21	1.24	1.19	531.67K	3.36%
Jan 22, 2019	1.19	1.27	1.27	1.19	479.11K	-7.03%
Jan 21, 2019	1.28	1.27	1.29	1.22	447.68K	4.07%
Jan 18, 2019	1.23	1.41	1.41	1.22	1.48M	-10.87%
Jan 17, 2019	1.38	1.34	1.41	1.33	331.32K	6.15%
Jan 16, 2019	1.30	1.43	1.44	1.30	862.22K	-8.45%
Jan 15, 2019	1.42	1.61	1.63	1.38	1.64M	0.00%
Jan 14, 2019	1.42	1.28	1.49	1.28	1.16M	10.94%
Jan 11, 2019	1.28	1.31	1.31	1.27	779.20K	-3.03%
Jan 10, 2019	1.32	1.33	1.33	1.28	1.19M	1.54%
Jan 09, 2019	1.30	1.21	1.32	1.20	1.30M	9.24%
Jan 08, 2019	1.19	1.15	1.19	1.14	638.84K	6.25%
Jan 07, 2019	1.12	1.12	1.15	1.08	633.99K	2.75%
Jan 04, 2019	1.09	0.97	1.09	0.97	893.66K	12.37%
Jan 03, 2019	0.97	0.97	0.97	0.95	297.22K	1.04%
Jan 02, 2019	0.96	0.93	0.98	0.91	890.52K	4.35%
Dec 31, 2018	0.92	0.95	0.95	0.90	469.23K	-2.13%
Dec 28, 2018	0.94	0.96	0.96	0.91	778.79K	-4.08%
Dec 27, 2018	0.98	1.00	1.04	0.94	963.99K	3.16%
Dec 24, 2018	0.95	0.97	1.00	0.89	559.63K	-3.06%
Dec 21, 2018	0.98	1.00	1.01	0.95	745.70K	0.00%
Dec 20, 2018	0.98	1.07	1.07	0.96	1.02M	-3.92%
Dec 19, 2018	1.02	1.03	1.08	1.00	1.55M	-2.86%
Dec 18, 2018	1.05	0.88	1.05	0.88	2.10M	12.90%
Dec 17, 2018	0.93	1.05	1.05	0.87	1.38M	-6.06%
Dec 14, 2018	0.99	1.03	1.05	0.97	1.54M	-7.48%
Dec 13, 2018	1.07	1.13	1.15	1.06	1.25M	-4.46%
Dec 12, 2018	1.12	1.14	1.17	1.12	483.10K	-2.61%
Dec 11, 2018	1.15	1.21	1.22	1.13	883.49K	-3.36%
Dec 10, 2018	1.19	1.21	1.23	1.14	628.38K	-0.83%
Dec 07, 2018	1.20	1.28	1.28	1.16	672.15K	-3.23%
Dec 06, 2018	1.24	1.15	1.25	1.15	659.04K	2.48%
Dec 05, 2018	1.21	1.19	1.37	1.13	1.60M	3.42%
Dec 04, 2018	1.17	1.27	1.30	1.15	921.71K	-8.59%

Date	Price	Open	High	Low	Vol.	Change %
Dec 03, 2018	1.28	1.35	1.37	1.25	725.95K	-3.76%
Nov 30, 2018	1.33	1.27	1.34	1.27	670.85K	0.76%
Nov 29, 2018	1.32	1.23	1.37	1.19	2.06M	-8.33%
Nov 28, 2018	1.44	1.24	1.44	1.24	658.57K	14.29%
Nov 27, 2018	1.26	1.35	1.36	1.21	836.74K	-5.26%
Nov 26, 2018	1.33	1.50	1.51	1.26	1.19M	-6.34%
Nov 23, 2018	1.42	1.50	1.51	1.42	667.33K	-5.33%
Nov 22, 2018	1.50	1.44	1.50	1.41	1.69M	13.64%
Nov 21, 2018	1.32	1.28	1.35	1.25	1.15M	12.82%
Nov 20, 2018	1.17	1.17	1.22	1.12	924.89K	-2.50%
Nov 19, 2018	1.20	1.27	1.28	1.19	478.64K	-6.25%
Nov 16, 2018	1.28	1.32	1.34	1.25	408.24K	-5.88%
Nov 15, 2018	1.36	1.31	1.39	1.27	570.99K	5.43%
Nov 14, 2018	1.29	1.37	1.38	1.22	1.16M	-9.15%
Nov 13, 2018	1.42	1.42	1.46	1.34	537.88K	0.00%
Nov 12, 2018	1.42	1.47	1.50	1.42	368.30K	-5.33%
Nov 09, 2018	1.50	1.51	1.51	1.45	440.24K	0.67%
Nov 08, 2018	1.49	1.59	1.59	1.49	419.50K	-7.45%
Nov 07, 2018	1.61	1.58	1.63	1.55	708.11K	1.26%
Nov 06, 2018	1.59	1.54	1.64	1.50	917.97K	6.00%
Nov 05, 2018	1.50	1.46	1.55	1.42	925.08K	2.74%
Nov 02, 2018	1.46	1.47	1.51	1.43	496.99K	-2.01%
Nov 01, 2018	1.49	1.57	1.60	1.48	847.42K	-8.59%
Oct 31, 2018	1.63	1.44	1.63	1.40	1.34M	15.60%
Oct 30, 2018	1.41	1.32	1.42	1.31	858.72K	2.92%
Oct 29, 2018	1.37	1.52	1.52	1.30	783.37K	-8.67%
Oct 26, 2018	1.50	1.52	1.52	1.45	486.84K	-3.23%
Oct 25, 2018	1.55	1.50	1.56	1.50	361.45K	3.33%
Oct 24, 2018	1.50	1.53	1.58	1.48	709.33K	0.00%
Oct 23, 2018	1.50	1.46	1.65	1.38	1.91M	-7.98%
Oct 22, 2018	1.63	1.65	1.67	1.50	1.18M	-1.21%
Oct 19, 2018	1.65	1.77	1.83	1.65	1.08M	-5.71%
Oct 18, 2018	1.75	1.88	1.92	1.75	1.42M	-4.89%
Oct 17, 2018	1.84	1.84	1.84	1.73	1.27M	-0.54%
Oct 16, 2018	1.85	1.89	1.91	1.75	1.91M	0.54%
Oct 15, 2018	1.84	1.69	1.84	1.65	2.56M	16.46%
Oct 12, 2018	1.58	1.60	1.62	1.57	1.23M	1.94%
Oct 11, 2018	1.55	1.53	1.60	1.52	2.64M	-12.92%
Oct 10, 2018	1.78	1.87	1.87	1.71	835.87K	-4.30%
Oct 09, 2018	1.86	1.91	1.91	1.84	1.11M	3.33%

Date	Price	Open	High	Low	Vol.	Change %
Oct 05, 2018	1.80	1.84	1.85	1.68	1.94M	-2.70%
Oct 04, 2018	1.85	1.96	1.96	1.84	598.09K	-3.65%
Oct 03, 2018	1.92	1.94	1.96	1.77	825.01K	-1.54%
Oct 02, 2018	1.95	1.97	1.98	1.92	529.86K	-2.01%
Oct 01, 2018	1.99	2.01	2.01	1.85	1.15M	2.58%
Sep 28, 2018	1.94	1.96	1.99	1.92	774.02K	-2.02%
Sep 27, 2018	1.98	2.15	2.15	1.95	1.01M	-8.33%
Sep 26, 2018	2.16	2.20	2.23	2.11	682.58K	-1.82%
Sep 25, 2018	2.20	2.23	2.32	2.19	651.25K	0.00%
Sep 24, 2018	2.20	2.25	2.30	2.18	1.08M	-2.22%
Sep 21, 2018	2.25	2.31	2.32	2.25	956.60K	-2.17%
Sep 20, 2018	2.30	2.20	2.30	2.14	1.31M	3.14%
Sep 19, 2018	2.23	2.28	2.33	2.16	2.15M	-2.19%
Sep 18, 2018	2.28	2.40	2.40	2.28	1.40M	-2.98%
Sep 17, 2018	2.35	2.46	2.46	2.30	2.03M	2.62%
Sep 14, 2018	2.29	2.10	2.39	2.10	1.76M	-2.55%
Sep 13, 2018	2.35	2.48	2.64	2.28	3.88M	-2.89%
Sep 12, 2018	2.42	2.30	2.42	2.27	2.72M	6.61%
Sep 11, 2018	2.27	2.28	2.30	2.15	2.32M	4.61%
Sep 10, 2018	2.17	2.13	2.19	2.12	1.32M	3.83%
Sep 07, 2018	2.09	2.16	2.17	2.05	1.29M	-2.79%
Sep 06, 2018	2.15	2.11	2.30	2.06	1.46M	0.00%
Sep 05, 2018	2.15	2.19	2.28	2.01	2.01M	2.38%
Sep 04, 2018	2.10	2.08	2.10	2.00	1.93M	7.14%
Aug 31, 2018	1.96	1.95	2.00	1.90	664.17K	0.51%
Aug 30, 2018	1.95	2.07	2.07	1.91	1.71M	-5.80%
Aug 29, 2018	2.07	1.91	2.07	1.87	1.58M	9.52%
Aug 28, 2018	1.89	1.89	1.90	1.82	758.06K	0.53%
Aug 27, 2018	1.88	1.94	2.00	1.87	2.47M	1.08%
Aug 24, 2018	1.86	1.84	1.88	1.81	1.09M	1.09%
Aug 23, 2018	1.84	1.84	1.86	1.82	425.95K	0.55%
Aug 22, 2018	1.83	1.86	1.88	1.80	703.28K	0.55%
Aug 21, 2018	1.82	1.85	1.87	1.76	985.66K	1.11%
Aug 20, 2018	1.80	1.80	1.85	1.73	1.62M	4.05%
Aug 17, 2018	1.73	1.61	1.74	1.58	826.77K	8.12%
Aug 16, 2018	1.60	1.61	1.62	1.56	223.74K	-0.62%
Aug 15, 2018	1.61	1.56	1.61	1.51	878.73K	8.05%
Aug 14, 2018	1.49	1.48	1.52	1.46	350.99K	-2.61%
Aug 13, 2018	1.53	1.61	1.65	1.52	608.17K	-1.92%
Aug 10, 2018	1.56	1.61	1.69	1.56	548.79K	-1.89%

Date	Price	Open	High	Low	Vol.	Change %
Aug 09, 2018	1.59	1.54	1.63	1.54	798.50K	2.58%
Aug 08, 2018	1.55	1.50	1.55	1.45	264.12K	1.97%
Aug 07, 2018	1.52	1.38	1.52	1.38	380.01K	6.29%
Aug 03, 2018	1.43	1.45	1.45	1.41	216.92K	-1.38%
Aug 02, 2018	1.45	1.47	1.47	1.44	231.69K	-2.03%
Aug 01, 2018	1.48	1.46	1.49	1.44	289.51K	-0.67%
Jul 31, 2018	1.49	1.46	1.49	1.41	510.03K	2.05%
Jul 30, 2018	1.46	1.55	1.56	1.46	649.90K	-6.41%
Jul 27, 2018	1.56	1.54	1.57	1.51	483.69K	1.96%
Jul 26, 2018	1.53	1.54	1.56	1.51	233.53K	-0.65%
Jul 25, 2018	1.54	1.62	1.63	1.52	561.63K	-2.53%
Jul 24, 2018	1.58	1.61	1.61	1.55	778.83K	-1.25%
Jul 23, 2018	1.60	1.54	1.61	1.51	390.69K	6.67%
Jul 20, 2018	1.50	1.53	1.55	1.48	348.65K	-2.60%
Jul 19, 2018	1.54	1.50	1.55	1.49	1.47M	-3.75%
Jul 18, 2018	1.60	1.56	1.64	1.54	740.50K	4.58%
Jul 17, 2018	1.53	1.60	1.60	1.53	330.43K	-4.97%
Jul 16, 2018	1.61	1.61	1.63	1.54	560.58K	0.00%
Jul 13, 2018	1.61	1.67	1.68	1.61	685.77K	-3.59%
Jul 12, 2018	1.67	1.72	1.74	1.67	401.32K	-1.76%
Jul 11, 2018	1.70	1.67	1.70	1.65	489.68K	1.80%
Jul 10, 2018	1.67	1.70	1.70	1.64	271.96K	-0.60%
Jul 09, 2018	1.68	1.70	1.70	1.67	169.78K	-1.18%
Jul 06, 2018	1.70	1.70	1.73	1.70	246.67K	-1.16%
Jul 05, 2018	1.72	1.70	1.74	1.69	327.45K	1.78%
Jul 04, 2018	1.69	1.69	1.73	1.66	181.78K	0.00%
Jul 03, 2018	1.69	1.72	1.72	1.66	266.61K	-0.59%
Jun 29, 2018	1.70	1.70	1.76	1.68	754.91K	1.80%
Jun 28, 2018	1.67	1.64	1.70	1.62	596.00K	0.00%
Jun 27, 2018	1.67	1.70	1.71	1.61	456.14K	-2.34%
Jun 26, 2018	1.71	1.76	1.81	1.68	890.95K	-2.84%
Jun 25, 2018	1.76	1.76	1.79	1.68	619.65K	1.15%
Jun 22, 2018	1.74	1.86	1.86	1.73	2.28M	-4.92%
Jun 21, 2018	1.83	1.92	1.94	1.79	1.52M	-3.68%
Jun 20, 2018	1.90	1.94	2.01	1.85	1.38M	0.00%
Jun 19, 2018	1.90	1.83	1.90	1.80	555.17K	4.40%
Jun 18, 2018	1.82	1.79	1.83	1.77	274.67K	2.25%
Jun 15, 2018	1.78	1.81	1.84	1.77	393.19K	-1.66%
Jun 14, 2018	1.81	1.87	1.92	1.78	1.16M	-5.73%
Jun 13, 2018	1.92	1.80	1.93	1.80	1.10M	5.49%

Date	Price	Open	High	Low	Vol.	Change %
Jun 12, 2018	1.82	1.84	1.88	1.79	634.62K	-3.19%
Jun 11, 2018	1.88	1.73	1.89	1.69	761.12K	8.67%
Jun 08, 2018	1.73	1.73	1.77	1.70	558.67K	0.00%
Jun 07, 2018	1.73	1.84	1.87	1.71	1.01M	-3.89%
Jun 06, 2018	1.80	1.73	1.81	1.71	902.18K	5.26%
Jun 05, 2018	1.71	1.69	1.76	1.64	726.48K	3.01%
Jun 04, 2018	1.66	1.68	1.69	1.63	344.80K	-0.60%
Jun 01, 2018	1.67	1.70	1.71	1.64	447.69K	-1.76%
May 31, 2018	1.70	1.72	1.73	1.67	571.78K	-1.16%
May 30, 2018	1.72	1.77	1.77	1.67	618.48K	-2.82%
May 29, 2018	1.77	1.67	1.84	1.65	942.84K	5.36%
May 28, 2018	1.68	1.64	1.68	1.61	291.69K	3.07%
May 25, 2018	1.63	1.65	1.67	1.59	594.54K	-1.81%
May 24, 2018	1.66	1.71	1.71	1.61	737.11K	-4.60%
May 23, 2018	1.74	1.76	1.78	1.71	661.21K	-2.79%
May 22, 2018	1.79	1.89	1.89	1.75	997.73K	-4.28%
May 18, 2018	1.87	1.88	1.92	1.84	1.02M	-1.58%
May 17, 2018	1.90	2.00	2.03	1.80	1.74M	-4.52%
May 16, 2018	1.99	1.94	2.00	1.87	868.05K	3.11%
May 15, 2018	1.93	1.98	1.99	1.83	711.64K	-1.03%
May 14, 2018	1.95	1.95	2.09	1.93	2.34M	1.04%
May 11, 2018	1.93	1.78	1.96	1.70	2.16M	10.92%
May 10, 2018	1.74	1.62	1.82	1.58	1.40M	10.83%
May 09, 2018	1.57	1.59	1.61	1.55	585.46K	-1.26%
May 08, 2018	1.59	1.58	1.63	1.55	679.62K	1.92%
May 07, 2018	1.56	1.59	1.60	1.55	398.66K	0.00%
May 04, 2018	1.56	1.57	1.57	1.55	210.24K	-0.64%
May 03, 2018	1.57	1.54	1.61	1.54	679.77K	1.95%
May 02, 2018	1.54	1.62	1.62	1.54	615.55K	-4.35%
May 01, 2018	1.61	1.62	1.65	1.58	605.23K	0.62%
Apr 30, 2018	1.60	1.55	1.60	1.51	1.17M	0.00%
Apr 27, 2018	1.60	1.61	1.62	1.56	277.24K	0.00%
Apr 26, 2018	1.60	1.60	1.65	1.57	505.43K	0.00%
Apr 25, 2018	1.60	1.60	1.61	1.50	620.90K	-1.84%
Apr 24, 2018	1.63	1.67	1.69	1.58	814.20K	-1.81%
Apr 23, 2018	1.66	1.80	1.81	1.60	2.14M	0.00%
Apr 20, 2018	1.66	1.75	1.76	1.66	699.24K	-4.60%
Apr 19, 2018	1.74	1.77	1.77	1.70	593.45K	-0.57%
Apr 18, 2018	1.75	1.74	1.83	1.70	1.22M	0.00%
Apr 17, 2018	1.75	1.86	1.88	1.72	1.86M	-4.37%

Date	Price	Open	High	Low	Vol.	Change %
Apr 16, 2018	1.83	1.88	1.92	1.79	1.85M	5.78%
Apr 13, 2018	1.73	1.62	1.77	1.60	2.54M	10.19%
Apr 12, 2018	1.57	1.60	1.63	1.55	670.27K	1.29%
Apr 11, 2018	1.55	1.50	1.61	1.46	1.39M	4.73%
Apr 10, 2018	1.48	1.58	1.60	1.44	2.64M	-7.50%
Apr 09, 2018	1.60	1.83	1.86	1.56	1.30M	-11.60%
Apr 06, 2018	1.81	1.88	1.89	1.80	663.44K	-6.22%
Apr 05, 2018	1.93	1.93	1.97	1.88	434.60K	1.58%
Apr 04, 2018	1.90	1.78	1.90	1.65	1.12M	5.56%
Apr 03, 2018	1.80	1.83	1.92	1.74	984.22K	-1.10%
Apr 02, 2018	1.82	1.85	1.88	1.80	665.80K	-2.67%
Mar 29, 2018	1.87	1.83	1.99	1.80	1.38M	-1.58%
Mar 28, 2018	1.90	1.95	2.03	1.83	1.63M	-6.40%
Mar 27, 2018	2.03	2.11	2.12	1.99	1.02M	-5.14%
Mar 26, 2018	2.14	2.22	2.22	2.10	1.10M	-4.04%
Mar 23, 2018	2.23	2.36	2.36	2.22	1.09M	4.21%
Mar 22, 2018	2.14	2.22	2.23	2.08	1.34M	-7.76%
Mar 21, 2018	2.32	2.32	2.37	2.24	698.13K	-1.28%
Mar 20, 2018	2.35	2.46	2.46	2.31	815.15K	-2.89%
Mar 19, 2018	2.42	2.23	2.42	2.18	1.61M	11.01%
Mar 16, 2018	2.18	2.08	2.31	2.03	2.56M	5.83%
Mar 15, 2018	2.06	2.10	2.12	1.99	2.24M	-5.07%
Mar 14, 2018	2.17	2.21	2.27	2.14	1.64M	-0.46%
Mar 13, 2018	2.18	2.36	2.37	2.17	2.58M	-9.17%
Mar 12, 2018	2.40	2.56	2.56	2.37	1.29M	-7.69%
Mar 09, 2018	2.60	2.69	2.75	2.55	1.04M	-3.70%
Mar 08, 2018	2.70	2.75	2.77	2.63	1.16M	-3.57%
Mar 07, 2018	2.80	2.77	2.88	2.61	2.65M	0.36%
Mar 06, 2018	2.79	2.43	2.91	2.41	2.83M	18.22%
Mar 05, 2018	2.36	2.28	2.37	2.24	1.30M	6.79%
Mar 02, 2018	2.21	2.00	2.28	1.93	3.48M	6.76%
Mar 01, 2018	2.07	1.97	2.07	1.74	4.39M	5.08%
Feb 28, 2018	1.97	1.99	2.06	1.70	10.90M	-20.88%
Feb 27, 2018	2.49	2.70	2.70	2.40	1.20M	-6.74%
Feb 26, 2018	2.67	2.88	2.89	2.60	1.55M	-4.30%
Feb 23, 2018	2.79	2.88	2.88	2.75	678.02K	-3.13%
Feb 22, 2018	2.88	3.00	3.04	2.86	1.04M	-4.64%
Feb 21, 2018	3.02	3.02	3.05	2.92	1.29M	-1.31%
Feb 20, 2018	3.06	2.65	3.08	2.65	2.62M	2.00%
Feb 16, 2018	3.00	3.00	3.15	2.94	1.80M	-6.54%

Date	Price	Open	High	Low	Vol.	Change %
Feb 15, 2018	3.21	3.29	3.33	3.13	773.25K	-4.46%
Feb 14, 2018	3.36	3.43	3.50	3.26	2.24M	-0.88%
Feb 13, 2018	3.39	3.10	3.42	3.03	1.53M	7.62%
Feb 12, 2018	3.15	3.10	3.23	3.06	1.95M	2.27%
Feb 09, 2018	3.08	2.87	3.10	2.67	1.92M	5.12%
Feb 08, 2018	2.93	3.06	3.10	2.91	1.32M	-4.56%
Feb 07, 2018	3.07	3.08	3.14	2.92	3.42M	6.60%
Feb 06, 2018	2.88	2.59	2.88	2.51	3.96M	14.74%
Feb 05, 2018	2.51	2.40	3.10	2.27	4.71M	-3.09%
Feb 02, 2018	2.59	2.95	2.96	2.50	3.46M	-15.08%
Feb 01, 2018	3.05	3.45	3.50	2.82	4.04M	-9.23%
Jan 31, 2018	3.36	3.38	3.75	3.32	1.96M	-1.75%
Jan 30, 2018	3.42	3.63	3.76	3.33	2.65M	-10.00%
Jan 29, 2018	3.80	3.85	3.94	3.68	4.05M	-7.54%
Jan 26, 2018	4.11	3.79	4.15	3.73	2.94M	5.93%
Jan 25, 2018	3.88	4.24	4.25	3.77	2.47M	-7.62%
Jan 24, 2018	4.20	4.30	4.38	4.14	2.29M	-1.18%
Jan 23, 2018	4.25	4.47	4.48	4.02	3.60M	1.19%
Jan 22, 2018	4.20	4.14	4.38	4.13	4.23M	6.33%
Jan 19, 2018	3.95	3.71	4.04	3.69	3.28M	5.90%
Jan 18, 2018	3.73	3.34	3.75	3.20	2.92M	13.37%
Jan 17, 2018	3.29	3.06	3.29	2.98	1.90M	6.82%
Jan 16, 2018	3.08	3.24	3.32	2.97	2.14M	-0.65%
Jan 15, 2018	3.10	2.68	3.18	2.61	2.37M	6.16%
Jan 12, 2018	2.92	2.92	2.96	2.65	3.81M	-2.99%
Jan 11, 2018	3.01	3.29	3.29	2.93	3.34M	-5.94%
Jan 10, 2018	3.20	3.51	3.51	3.10	3.55M	-7.25%
Jan 09, 2018	3.45	3.44	3.73	3.20	4.42M	1.77%
Jan 08, 2018	3.39	3.22	3.40	3.12	3.41M	10.78%
Jan 05, 2018	3.06	2.78	3.10	2.75	2.77M	6.25%
Jan 04, 2018	2.88	3.05	3.09	2.74	3.87M	-5.57%
Jan 03, 2018	3.05	3.28	3.28	2.92	4.48M	6.27%
Jan 02, 2018	2.87	2.80	2.94	2.75	4.01M	8.30%
Highest: 4.48	Lowest: 0.64	Difference: 3.84		Average: 1.72	Change %: -72.08	

TAB 19

To: Scott Langille[slangille@maricann.ca]
From: Kwan Song[kwan.h.song@ca.ey.com]
Sent: Sat 3/10/2018 3:33:12 PM (UTC)
Subject: RE: Budget

Scott,

Based on my quick review of the budget, am I reading it correctly that the Company does not have sufficient cash / liquidity to execute its plans. On page 4 of the slide deck, it indicates cash, end of period showing a shortfall. In looking at the statements provided by David, there is no going concern uncertainty disclosure.

If the Board approved the budget as presented, my initial reaction is that we will need to include a going concern uncertainty disclosure.

Appreciate your thoughts.

Thanks,

From: Scott Langille [mailto:slangille@maricann.ca]
Sent: Friday, March 9, 2018 5:02 PM
To: Kwan Song <kwan.h.song@ca.ey.com>
Subject: Fw: Budget

As requested
Scott

From: Bhupinder Brar
Sent: Friday, March 9, 2018 3:51 PM
To: Scott Langille
Subject: RE: Budget

Please see attached...

Bhupinder Brar

Director Financial Planning & Analysis, Maricann Group Inc.

m: 647-973-3599

e: bbrar@maricann.ca |w: maricann.ca

a: 3-845 Harrington Court, Burlington, Ontario, Canada L7N 3P3



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CNTRL00081476

From: Scott Langille
Sent: Friday, March 09, 2018 3:07 PM
To: Bhupinder Brar <bbrar@maricann.ca>
Subject: Budget

You are going to send me the 2018 budget summary right. Thanks

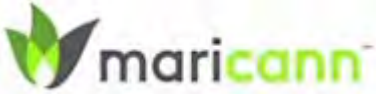
Scott Langille

CFO, Maricann Group Inc.

m: 647-261-6588

e: slangille@maricann.ca |w: maricann.ca

a: 3-845 Harrington Court, Burlington, Ontario, Canada L7N 3P3



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.....

Scott Langille

CFO, Maricann Group Inc.

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TAB 20



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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20 Queen Street West
Toronto ON M5H 3S8

22e étage
20 rue Queen ouest
Toronto ON M5H 3S8

Telephone: 416-596-4292
Fax No: 416-593-8252
Email: tdriscoll@osc.gov.on.ca

November 30, 2018

Scott Langille, Chief Financial Officer
Maricann Group Inc.
845 Harrington Court, Unit 3
Burlington, Ontario
Canada L7N 3P3

Dear Mr. Langille,

Thank you for your letter dated November 7, 2018. I confirm the completion of our review.

Our review identified deficiencies in the Company's continuous disclosure record. To address these deficiencies, the Company has agreed to carry out a number of remedial steps. Please note that, notwithstanding these remedial steps, the Commission is not precluded from taking further action against the Company. The OSC may undertake a further review of the company's ongoing continuous disclosure record at any time.

We request that a copy of this letter be forwarded to each member of the Company's audit committee.

Yours truly,

" Tamara Driscoll "

Tamara Driscoll
Accountant, Corporate Finance

JONATHAN A. LUBUS *et al.*
Plaintiffs

and

WAYLAND GROUP CORP., et al.
Defendants

ONTARIO
SUPERIOR COURT OF JUSTICE
PROCEEDINGS COMMENCED AT **TORONTO**

COMPENDIUM OF THE PLAINTIFFS
(Leave to Proceed under s. 138.8 of the *Securities Act*)

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Lawyers for the Plaintiffs