



**ABCANN GLOBAL CORPORATION**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON JUNE 5, 2018**

**AND**

**INFORMATION CIRCULAR**

*April 30, 2018*



## ABCANN GLOBAL CORPORATION

### NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and special meeting (the “**Meeting**”) of the shareholders of ABCann Global Corporation (the “**Company**”) will be held at the offices of the Company, located at 180 John Street, Toronto, ON M5T 1X5, on Tuesday, June 5, 2018 at 10:00 a.m. (Toronto time) for the following purposes:

- (1) to receive the audited annual consolidated financial statements of the Company for the fiscal year ended December 31, 2017, together with the report of the auditor thereon;
- (2) to appoint MNP LLP as the auditors of the Company for the fiscal year ending December 31, 2018 and to authorize the board of directors of the Company to fix their remuneration, as more fully described in the Company’s management information circular dated April 30, 2018 (the “**Circular**”);
- (3) to elect directors for the ensuing year, as more fully described in the Circular;
- (4) to consider and, if thought fit, to pass, with or without variation, an ordinary resolution to ratify the Company’s 2017 Stock Option Plan, as more fully described in the Circular;
- (5) to consider and, if thought fit, to pass, with or without variation, a special resolution approving an amendment to the articles of the Company to change the name of the Company to such name as may be determined by the board of directors of the Company, in its sole discretion, and accepted by the relevant regulatory authorities, as more fully described in the Circular; and
- (6) to transact such other business as may properly come before the Meeting.

Only registered shareholders of record of the Company at the close of business on April 27, 2018, or the persons they appoint as their proxies, will be entitled to receive notice of and vote at the Meeting. Registered shareholders of the Company who are unable to attend the Meeting in person are requested to sign, date and return the enclosed form of proxy to TSX Trust Company at 301 – 100 Adelaide Street West, Toronto, Ontario M5H 4H1 or by fax to (416) 595-9593.

In order to be valid for use at the Meeting, proxies must be received by TSX Trust Company by 10:00 a.m. (Toronto time) on June 1, 2018 or, if the Meeting is adjourned or postponed, 48 hours prior to the time to which the Meeting has been adjourned or postponed, excluding Saturdays, Sundays and holidays. The chair of the Meeting may waive or extend the proxy cut-off without notice. Non-registered shareholders of the Company who receive these materials through their broker or other intermediary should carefully follow the instructions provided by their broker or intermediary.

**DATED** at Toronto, Ontario, this 30<sup>th</sup> day of April, 2018.

#### **BY ORDER OF THE BOARD OF DIRECTORS**

“Barry Fishman”

Barry Fishman  
Chief Executive Officer and Director

## ABCANN GLOBAL CORPORATION

### MANAGEMENT INFORMATION CIRCULAR

April 30, 2018

#### INTRODUCTION

This management information circular (this “**Information Circular**”) accompanies the notice of annual and special meeting of shareholders (the “**Notice of Meeting**”) of ABCann Global Corporation (the “**Company**”) and is furnished to shareholders (each, a “**Shareholder**”) holding common shares (each, a “**Share**”) of the Company in connection with the solicitation by the management of the Company of proxies to be voted at the annual and special meeting (the “**Meeting**”) of the Shareholders to be held at 10:00 a.m. (Toronto time) on Tuesday, June 5, 2018 180 John Street, Toronto, ON M5T 1X5, or at any adjournment or postponement thereof.

#### **Date and Currency**

The date of this Information Circular is April 30, 2018. Unless otherwise stated, all amounts herein are in Canadian dollars.

#### PROXIES AND VOTING RIGHTS

##### **Management Solicitation**

The solicitation of proxies by management of the Company will be conducted by mail and may be supplemented by telephone or other personal contact to be made without special compensation to any of the directors, officers and employees of the Company. The Company does not reimburse Shareholders, nominees or agents for costs incurred in obtaining from their principals authorization to execute forms of proxy, except that the Company has requested brokers and nominees who hold stock in their respective names to furnish this proxy material to their customers who are NOBOs (as defined below), and the Company will reimburse such brokers and nominees for their related out of pocket expenses. No solicitation will be made by specifically engaged employees or soliciting agents. **The solicitation of proxies is being made by or on behalf of management of the Company and the total cost of the solicitation will be borne by the Company.**

The Company will not be relying on the notice and access delivery procedures outlined in National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer of the Canadian Securities Administrators* (“**NI 54-101**”) to distribute copies of proxy-related materials in connection with the Meeting.

No person has been authorized to give any information or to make any representation other than as contained in this Information Circular in connection with the solicitation of proxies. If given or made, such information or representation must not be relied upon as having been authorized by the Company. The delivery of this Information Circular shall not create, under any circumstances, any implication that there has been no change in the information set forth herein since the date of this Information Circular. This Information Circular does not constitute the solicitation of a proxy by anyone in any jurisdiction in which such solicitation is not authorized, or in which the person making such solicitation is not qualified to do so, or to anyone to whom it is unlawful to make such an offer of solicitation.

##### **Appointment of Proxy**

Registered Shareholders are entitled to vote at the Meeting. A Shareholder is entitled to one vote for each Share that such Shareholder holds on the record date of April 27, 2018 on the resolutions to be voted upon at the Meeting, and any other matter to come before the Meeting.

The individuals named as proxyholders (the “**Designated Persons**”) in the accompanying form of proxy are directors or officers of the Company. **Shareholders have the right to appoint a person or company (who does not have to be a Shareholder) to represent them at the Meeting other than the Designated Persons. A Shareholder who wishes to appoint some other person as a proxy may do so by clearly inserting such person’s name in the blank space provided in the form of proxy. The Shareholder should notify the nominee of the appointment and should provide instruction to the nominee on how the Shareholder’s Shares should be voted. The nominee must bring personal identification to the Meeting.**

A proxy will not be valid unless it is dated and signed by the Shareholder who is giving it (or by that Shareholder’s attorney-in-fact duly authorized by that Shareholder in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney of the corporation) and is delivered to TSX Trust Company, located at 301 – 100 Adelaide Street West, Toronto, Ontario M5H 4H1 or by fax to (416) 595-9593, by 10:00 a.m. (Toronto time) on June 1, 2018 or, if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the adjourned or postponed Meeting.

If a form of proxy is executed by an attorney-in-fact for an individual Shareholder or joint Shareholders, or by an officer or attorney-in-fact for a corporate Shareholder, the instrument so empowering the officer or attorney-in-fact, as the case may be, or a notarially certified copy thereof, must accompany the form of proxy.

#### **Revocation of Proxies**

In addition to revocation in any other manner permitted by law, a Shareholder who has given a proxy may revoke it by an instrument in writing executed by the Shareholder (or by their attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney of the corporation), and delivered to TSX Trust Company, located at 301 – 100 Adelaide Street West, Toronto, Ontario M5H 4H1 or by fax at (416) 595-9593, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment or postponement of the Meeting. Only Shareholders have the right to revoke a proxy. Non-Registered Shareholders (as defined below) who wish to change their voting instructions must contact the Intermediary (as defined below) through which their Shares are held and follow the instructions of the Intermediary with respect to the process for the revocation of such voting instructions.

A revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

#### **Voting of Shares and Proxies and Exercise of Discretion by Designated Persons**

The Shares represented by the proxies solicited hereby will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for, and if a Shareholder specifies a choice with respect to any matter to be acted upon, the Shares represented by such proxy will be voted or withheld from voting accordingly. Shareholders may indicate the manner in which the proxyholder is to vote with respect to any specific item by checking the appropriate space. If a Shareholder wishes to confer discretionary authority with respect to any item of business, then the space opposite the item should be left blank.

The enclosed form of proxy confers discretionary authority upon the Designated Persons with respect to any amendments to, or variations in, matters identified in the accompanying Notice of Meeting, including other matters which may properly come before the Meeting or any adjournment or postponement thereof, in each instance, to the extent permitted by law, whether or not the amendment, variation or other matter that comes before the Meeting is routine and whether or not the amendment, variation or other matter that comes before the Meeting is contested. As at the date of this Information Circular, management of the Company is not aware of any amendments, variations or other matters, other than as set out in the Notice of Meeting. If such should occur, the Designated Persons or such other proxyholder as properly designated by a Shareholder will vote in accordance with their best judgment.

**IF NO CHOICE IS SPECIFIED IN THE PROXY WITH RESPECT TO A MATTER TO BE ACTED UPON, THE PROXY CONFERS DISCRETIONARY AUTHORITY WITH RESPECT TO THAT MATTER UPON THE DESIGNATED PERSONS NAMED IN THE FORM OF PROXY. IT IS INTENDED THAT THE DESIGNATED PERSONS WILL VOTE THE SHARES REPRESENTED BY THE PROXY IN FAVOUR OF EACH MATTER IDENTIFIED IN THE PROXY.**

In the case of abstentions from, or withholding of, the voting of the Shares of a Shareholder on any matter, the Shares that are the subject of the abstention or withholding will be counted for determination of a quorum, but will not be counted as affirmative or negative on the matter to be voted upon.

### **Non-Registered Shareholders**

Most Shareholders are “**Non-Registered Shareholders**” because the Shares they beneficially own are not registered in their names but are instead registered in the name of an intermediary such as a brokerage firm, bank, trust corporation, securities dealer or broker, or trustee or administrator of a self-administered RRSP, RRIF, RESP or similar plan through which they purchased the Shares (in any case, an “**Intermediary**”). A Non-Registered Shareholder typically holds their Shares either: (a) in the name of the Intermediary that the Non-Registered Shareholder deals with in respect of the Shares; or (b) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc. (“**CDS**”)), of which the Intermediary is a participant.

Non-Registered Shareholders who have not objected to their Intermediary disclosing certain beneficial ownership information about them to the Company are referred to as “**NOBOs**”. Non-Registered Shareholders who have objected to their Intermediary disclosing their ownership information to the Company are referred to as “**OBOs**”. NI 54-101 permits the Company to send the Notice of Meeting, this Information Circular and a form of proxy or voting instruction form, as applicable (collectively, the “**Meeting Materials**”), directly to NOBOs. In accordance with NI 54-101, the Company has elected to send the Meeting Materials directly to NOBOs and has distributed copies of the Meeting Materials to Intermediaries for distribution to OBOs. The Company does not intend to pay for Intermediaries to deliver the Meeting Materials to OBOs and accordingly an OBO will not receive the Meeting Materials unless the Intermediary of the OBO assumes the cost of delivery.

If you are a Non-Registered Shareholder and you have not declined to receive the Meeting Materials, then you will receive either a voting instruction form or, less frequently, a partially completed form of proxy. The purpose of these forms is to permit you to direct the voting of the Shares that you beneficially own. If you are a Non-Registered Shareholder, you should follow the procedures set out below, depending on which type of form you receive.

- (a) *Voting Instruction Form.* In most cases, you will receive, as part of the Meeting Materials, a voting instruction form, which is not the same as a form of proxy. If you do not wish to attend and vote at the Meeting in person (or have another person attend and vote on your behalf), the voting instruction form must be completed, signed and returned in accordance with the directions on the voting instruction form. If you wish to attend and vote at the Meeting in person (or have another person attend and vote on your behalf), then you must complete, sign and return the voting instruction form in accordance with the directions provided and a form of proxy giving the right to attend and vote at the Meeting will be forwarded to you.
- (b) *Form of Proxy.* Less frequently, you will receive, as part of the Meeting Materials, a form of proxy that has already been executed by the Intermediary (typically by a facsimile, stamped signature) and which is restricted as to the number of Shares beneficially owned by you, but which is otherwise incomplete. If you do not wish to attend and vote at the Meeting in person (or have another person attend and vote on your behalf), you must complete the form of proxy and deposit it with TSX Trust Company, located at 301 – 100 Adelaide Street West, Toronto, Ontario M5H 4H1 or by fax to (416) 595-9593, as described above. If you wish to attend and vote at the Meeting in person (or have another person attend and vote on your behalf), you must insert your name (or such other person’s name) in the blank space provided.

In any case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the Shares which they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Shareholder must insert the Non-Registered Shareholder’s name in the blank space provided. Non-Registered Shareholders should follow the instructions on the forms they receive, including those regarding when and where the forms are to be delivered, and contact their Intermediary promptly if they need assistance.

**Only proxies deposited by Shareholders whose names appear on the records of the Company as the registered holders of Shares can be recognized and acted upon at the Meeting.**

All references to Shareholders in this Information Circular are to registered Shareholders, unless specifically stated otherwise.

### INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as disclosed elsewhere in this Information Circular, no director or executive officer of the Company who was a director or executive officer since the beginning of the Company’s last financial year, no proposed nominee for election as a director of the Company, nor any associate or affiliates of any such directors, officers or nominees, has any material interest, direct or indirect, by way of beneficial ownership of Shares or other securities in the Company or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors and the ratification of the 2017 Stock Option Plan (the “**Stock Option Plan**”), as further discussed below. See “Particulars of Matters to be Acted Upon – Election of Directors” and “Particulars of Matters to be Acted Upon – Ratification of Stock Option Plan”, below, for more information.

### VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Company is authorized to issue an unlimited number of Shares without par value. As of the record date, determined by the board of directors of the Company (the “**Board**”) to be the close of business on April 27, 2018, a total of 191,001,305 Shares were issued and outstanding. Each Share carries the right to one vote at the Meeting.

Only registered Shareholders as of the record date are entitled to receive notice of, and to attend and vote at, the Meeting or any adjournment or postponement of the Meeting.

To the knowledge of the directors and executive officers of the Company, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, Shares carrying more than 10% of the voting rights attached to the outstanding Shares of the Company, other than as set forth below:

Name of Shareholder	Number of Shares Owned	Percentage of Outstanding Shares <sup>(1)</sup>
Kenneth Clement	33,488,180 <sup>(2)</sup>	17.5%

\* The information as to the number of Shares beneficially owned, or controlled or directed, directly or indirectly, by each person set forth in the table above is not within the knowledge of management of the Company and has been taken from information available on such person’s SEDI profile.

<sup>(1)</sup> Based on 191,001,305 Shares issued and outstanding as of April 27, 2018.

<sup>(2)</sup> Comprised of: (i) 29,331,182 Shares and 397,728 Shares that may be issued on exercise of warrants registered in the name of The Linda Smith Family Trust, of which Mr. Clement is the sole trustee; and (ii) 2,331,397 Shares, 1,282,873 Shares that may be issued on exercise of outstanding warrants and 145,000 Shares that may be issuable on exercise of outstanding stock options (each, an “**Option**”) that are registered in the name of Mr. Clement.

## PARTICULARS OF MATTERS TO BE ACTED UPON

### **Financial Statements**

The audited annual consolidated financial statements of the Company for the fiscal year ended December 31, 2017, together with the report of the auditor thereon, will be presented to Shareholders for review at the Meeting. No vote by the Shareholders is required with respect to this matter.

### **Number of Directors**

At the Meeting, Shareholders will be asked to pass an ordinary resolution to set the number of directors of the Company at six. To be approved, an ordinary resolution needs to be passed by at least a majority of the votes cast by the Shareholders present in person or represented by proxy and entitled to vote at the Meeting.

**Management recommends the approval of setting the number of directors of the Company at six. Unless otherwise indicated, the Designated Persons will vote the Shares represented by a form of proxy FOR the resolution fixing the number of directors at six.**

### **Election of Directors**

The Board currently consists of seven directors, being Paul Lucas, John Easson, Barry Fishman, Richard Fitzgerald, Aaron Keay, Daryl Kramp and Andrew LaCroix. Mr. LaCroix has advised the Board that he does not intend to stand for re-election at the Meeting as he intends to devote his time fully to his operational role as Vice-President of Business Development of the Company. As such, management will only be nominating Messrs. Lucas, Easson, Fishman, Fitzgerald, Keay and Kramp (collectively, the “**Nominees**”) for re-election at the Meeting.

Each elected director of the Company will hold office until the next annual meeting of Shareholders, or any postponement(s) or adjournment(s) thereof, unless his office is earlier vacated or until his successor is elected or appointed. Each of the nominees has confirmed his willingness to serve on the Board for the next year.

### ***Advance Notice Provisions***

The Company’s by-laws provide that Shareholders seeking to nominate candidates for election as directors must provide timely notice in writing (the “**Advance Notice Provisions**”). To be timely, a Shareholder’s notice must be received by the Company: (i) in the case of an annual meeting of Shareholders, not less than 30 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting of Shareholders is to be held on a date that is less than 50 days after the date on which the first public announcement (the “**Notice Date**”) of the date of the annual meeting was made, notice by a Shareholder may not be given later than the close of business on the 10th day following the Notice Date; and (ii) in the case of a special meeting (which is not also an annual meeting) of Shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the 15th day following the Notice Date.

The Company did not receive notice of any nomination in compliance with the Advance Notice Provisions and, as such, any nominations other than nominations of the Nominees will be disregarded at the Meeting.

### ***Nominee Information***

The following table sets out the names, province and country of residence of each Nominee, the present offices of the Company currently held by each of them, the principal occupations of each Nominee, the period of time for which each has been a director of the Company, and the number of Shares beneficially owned by each Nominee, directly or indirectly, or over which control or direction is exercised.



Name, Place of Residence and Position(s) with the Company	Principal Occupation, Business or Employment for Last Five Years <sup>(1)</sup>	Director Since	Number of Shares Owned <sup>(1)</sup>
Barry Fishman <sup>(5)</sup> Thornhill, ON CEO and Director	Chief Executive Officer (“CEO”) of the Company since October 1, 2017. CEO and director of Merus Labs International Inc. from September 2014 to August 2017. CEO of Teva Canada Limited from June 2008 to December 2013.	November 7, 2017	2,729,117 <sup>(6)</sup> 1.4%
Paul Lucas <sup>(2)(3)(4)(5)</sup> Oakville, ON Director and Chair	CEO of GlaxoSmithKline Canada from April 1994 to June 2012, and independent businessperson since June 2012.	April 28, 2017 to present	424,725 <sup>(7)</sup> *
Aaron Key <sup>(5)</sup> Vancouver, BC Director	Self-employed businessperson.	November 4, 2015 to present	1,100,000 <sup>(8)</sup> *
John Easson <sup>(2)(3)(4)</sup> Oakville, ON Director	Founder and principal of BE Capital Advisors since 2008.	April 28, 2017 to present	190,833 <sup>(9)</sup> *
Daryl Kramp <sup>(2)(3)(4)</sup> Madoc, ON Director	Business advisor since October 2015 and Member of Parliament for the riding of Prince Edward-Hastings from 2004 to October 2015.	April 28, 2017 to present	128,333 <sup>(10)</sup> *
Richard Fitzgerald Toronto, ON Director	President of Mondia Alliance, a wine and spirits company, from June 2015 to December 2016 and President of Mark Anthony Brands from March 2013 to April 2014.	November 15, 2017	25,000 <sup>(11)</sup> *

\* Less than 1%

(1) The information as to country and province of residence, principal occupation and number of Shares beneficially owned, or controlled or directed, directly or indirectly, by each respective Nominee is not within the knowledge of management of the Company and has been furnished by the respective Nominees.

(2) Member of the Audit Committee.

(3) Member of the Compensation Committee.

(4) Member of the Nominating and Corporate Governance Committee.

(5) Member of the Disclosure Committee.

(6) Comprised of 1,479,117 Shares and 1,250,000 Shares that may be issued on exercise of outstanding Options.

(7) Comprised of 92,225 Shares and 332,500 Shares that may be issued on exercise of outstanding Options.

(8) Comprised of 100,000 Shares and 1,000,000 Shares that may be issued on exercise of outstanding restricted share units (each, an “RSU”).

(9) Comprised of 125,000 Shares and 65,833 Shares that may be issued on exercise of outstanding Options.

(10) Comprised of 62,500 Shares and 65,833 Shares that may be issued on exercise of outstanding Options.

(11) Comprised of 25,000 Shares that may be issued on exercise of outstanding Options.

Management does not contemplate that any of the Nominees will be unable to serve as directors. If any vacancies occur in the slate of Nominees listed above before the Meeting, then the Designated Persons intend to exercise discretionary authority to vote the Shares represented by proxies for the election of any other persons as directors.

**Management recommends the election of each of the Nominees as a director of the Company. The Designated Persons intend to vote FOR the election of each of the Nominees as directors of the Company, unless the Shareholder has specified in the form of proxy that the Shares represented by such form of proxy are to be withheld from voting in respect thereof.**

### *Orders*

Except as disclosed below, to the best of management's knowledge, no proposed director of the Company is, or within the 10 years before the date of this Information Circular has been, a director, CEO or chief financial officer ("CFO") of any company that:

- (a) was subject to a cease trade order, an order similar to a cease trade 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 while the proposed director was acting in the capacity of director, CEO or CFO; or
- (b) was subject to a cease trade order, an order similar to a cease trade 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 proposed director ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity of director, CEO or CFO.

Aaron Keay has been a director and officer of Winchester Minerals and Gold Exploration Ltd. ("**Winchester**") since August 2010. On May 11, 2005, the Executive Director of the British Columbia Securities Commission ordered under Section 164(1) of the *Securities Act* (British Columbia) that all trading in the securities of Winchester cease until it filed the required records and the Executive Director revoked the cease trade order. After application to the British Columbia Securities Commission by Winchester, this cease trade order was partially revoked on November 7, 2011, and fully revoked on June 13, 2013. On May 8, 2015, another cease trade order was made against Winchester for failure to file comparative financial statements and MD&A for the year ended December 31, 2014. This order remains in place as Winchester has not filed the required records.

### *Bankruptcies*

To the best of management's knowledge, no proposed director of the Company is, or within 10 years before the date of this Information Circular, has been, a director or an executive officer of any company that, while the person was acting in that capacity, or within a year of that person ceasing to act in the 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 made a proposal under any legislation relating to bankruptcies or insolvency.

### *Penalties and Sanctions*

To the best of management's knowledge, no proposed director 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 securityholder in deciding whether to vote for a proposed director.

### **Ratification of Appointment of Auditors**

The auditors of the Company are MNP LLP located at 111 Richmond Street West, Suite 300, Toronto, ON M5H 2G4. MNP LLP have been auditors of the Company since October 21, 2016. Management proposes to nominate MNP LLP for re-appointment as auditors of the Company, to hold office until the next annual meeting of Shareholders, and to authorize the Board to fix the remuneration of MNP LLP for the year ended December 31, 2018. An affirmative vote of a majority of the votes cast at the Meeting is sufficient for the appointment of the auditor.

**The Designated Persons intend to vote FOR the re-appointment of MNP LLP as the auditor as the auditors of the Company at a remuneration to be fixed by the Board unless a Shareholder has specified in their form of proxy that the Shares represented by such form of proxy are to be withheld from voting in respect thereof.**

### **Ratification of Stock Option Plan**

The Company's Stock Option Plan is a "rolling" stock option plan, whereby the maximum number of Shares that may be reserved for issuance pursuant to the exercise of Options from time to time is 10% of the issued Shares and, as such, will increase with the issue of additional Shares. The TSX Venture Exchange (the "TSXV") requires listed companies that have a "rolling" stock option plan in place to receive shareholder approval of such plan on a yearly basis at the company's annual meeting. Accordingly, Shareholders will be asked at the Meeting to ratify and approve the Stock Option Plan. The Stock Option Plan complies with the current policies of TSXV for Tier 2 issuers.

The purpose of the Stock Option Plan is to advance the interests of the Company and the Shareholders by attracting, retaining and motivating directors, officers, employees, consultants and management company employees of the Company of high caliber and potential, and to encourage and enable such persons to acquire an ownership interest in the Company.

The following information is intended as a brief description of the Stock Option Plan:

1. The Board shall establish the exercise price at the time each Option is granted, subject to the following conditions:
  - (a) if the Shares are listed on the TSXV, the exercise price will not be less than the minimum prevailing price permitted by TSXV policies;
  - (b) if the Shares are not listed, posted and trading on any stock exchange or quotation system, then the exercise price will be determined by the Board at the time of grant;
  - (c) if an Option is granted within 90 days of a distribution by a prospectus by the Company, the exercise price will not be less than the price that is the greater of the minimum prevailing price permitted by TSXV policies and the per Share price paid by public investors for Shares acquired under the distribution by the prospectus, with the 90 day period beginning on the date a final receipt is issued for the prospectus; and
  - (d) in all other cases, the exercise price shall be determined in accordance with the rules and regulations of any applicable regulatory bodies.
2. Upon expiry of an Option, or in the event a stock option is otherwise terminated for any reason, without having been exercised in full, the number of Shares in respect of the expired or terminated stock option shall again be available for grant under the Stock Option Plan.
3. No Option granted under the Stock Option Plan may have an expiry date exceeding the maximum exercise period permitted by the TSXV (which is currently ten years from the date on which the Option is granted), unless automatically extended as a result of a blackout period as described below.
4. The expiry date of each Option will be automatically extended if the expiry date falls within a period during which the Company prohibits optionees from exercising their Options, provided that:
  - (a) the blackout period has been formally imposed by the Company pursuant to its internal trading policies as a result of the bona fide existence of undisclosed Material Information (as defined in the policies of the TSXV). For greater certainty, in the absence of the Company formally imposing

a blackout period, the expiry date of any Options will not be automatically extended in any circumstances;

- (b) the blackout period expires upon the general disclosure of the undisclosed Material Information and the expiry date of the affected Options is extended to no later than ten business days after the expiry of the blackout period; and
  - (c) the automatic extension will not be permitted where the optionee or the Company is subject to a cease trade order (or similar order under applicable securities laws) in respect of the Company's securities.
5. Options granted to any one individual in any 12 month period cannot exceed more than 5% of the issued Shares, unless the Company has obtained disinterested shareholder approval.
  6. Without the prior consent of the TSXV, Options granted to any one consultant in any 12 month period cannot exceed more than 2% of the issued Shares.
  7. Without the prior consent of the TSXV, Options granted to all persons, in aggregate, conducting investor relations activities in any 12 month period cannot exceed more than 2% of the issued Shares.
  8. If a director, employee or consultant of the Company is terminated for cause, then any Option granted to the option holder will terminate immediately upon the option holder ceasing to be a director, employee, or consultant of the Company by reason of termination for cause.
  9. If an option holder ceases to be a director, employee or consultant of the Company (other than by reason of death, disability or termination of services for cause), or if an option holder resigns, as the case may be, then any Option granted to the holder that had vested and was exercisable on the date of termination will expire on the earlier of the expiry date and the date that is 90 days following the date that the holder ceases to be a director, employee or service provider of the Company (or such other date as may be determined by the Board in its sole discretion).
  10. If the engagement of an option holder engaged in investor relations activities as a consultant is terminated for any reason other than cause, disability or death, any Option granted to such holder that was exercisable and had vested on the date of termination will be exercisable until the earlier of: the expiry date; and the date that is 30 days after the effective date of the holder ceasing to be a consultant.
  11. If an option holder dies, the holder's lawful personal representatives, heirs or executors may exercise any stock option granted to the holder that had vested and was exercisable on the date of death until the earlier of the expiry date and one year after the date of death of the holder.
  12. If an option holder ceases to be a director, employee or consultant of the Company as a result of a disability, the holder may exercise any Options granted to the holder that had vested and was exercisable on the date of disability until the earlier of the expiry date and one year after the date of disability.
  13. Options granted to directors, employees or consultants will vest when granted unless determined by the Board on a case by case basis, other than Options granted to consultants performing investor relations activities, which will vest in stages over 12 months with no more than one quarter of the Options vesting in any three month period.
  14. Options granted under the Stock Option Plan shall not be assignable or transferable by an option holder.
  15. The Board may from time to time, subject to regulatory or shareholder approval, if applicable, amend or revise the terms of the Stock Option Plan.

The Stock Option Plan provides that other terms and conditions may be attached to a particular Options at the discretion of the Board. The foregoing is intended as a brief description of the Stock Option Plan and is qualified in its entirety by the full text of the Stock Option Plan, a copy of which is attached as Schedule "E" to the Company's Filing Statement dated March 31, 2017, which is available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Upon request, the Company will promptly provide a copy of the Stock Option Plan free of charge to any Shareholder. A Shareholder may contact the Company at its office at 126 Vanluven Road, Napanee, ON K7R 3L2, to request a copy.

At the Meeting, Shareholders will be asked to approve the following ordinary resolution (the "**Plan Resolution**"), which must be approved by at least a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting who vote in respect of the Plan Resolution:

"RESOLVED, as an ordinary resolution of the shareholders of ABCann Global Corporation (the "**Company**"), that:

1. The Company's 2017 Stock Option Plan (the "**Plan**"), including the reservation for issuance under the Plan at any time of a maximum of 10% of the issued and outstanding common shares of the Company, be and is hereby ratified, confirmed and approved, subject to the acceptance of the Plan by the TSX Venture Exchange (the "**TSXV**");
2. The board of directors of the Company (the "**Board**") be authorized in its absolute discretion to administer the Plan and amend or modify the Plan in accordance with its terms and conditions and with the policies of the TSXV; and
3. Any one director or officer of the Company be and is hereby authorized and directed to do all such acts and things, and to execute and deliver, under the corporate seal of the Company or otherwise, all such deeds, documents, instruments and assurances, as in his or her opinion may be necessary or desirable to give effect to the foregoing resolutions, including, without limitation, making any changes to the Plan required by the TSXV or applicable securities regulatory authorities and to complete all transactions in connection with the administration of the Plan."

The form of the Plan Resolution set forth above is subject to such amendments as management may propose at the Meeting, but which do not materially affect the substance of the Plan Resolution.

**Management of the Company recommends that Shareholders vote FOR the Plan Resolution at the Meeting. The Designated Persons intend to vote the Shares represented by a form of proxy FOR the Plan Resolution, unless instructed otherwise by an applicable Shareholder.**

### **Approval of Name Change**

As part of the Company's 2018 business plan, management determined that a key strategic objective for the year is a rebranding of the Company, which is expected to be undertaken in connection with an expansion of the Company's product portfolio. Part of this rebranding is expected to include a change of the Company's name.

Because the Company is a federal company governed by the *Canada Business Corporations Act*, the Company must obtain shareholder approval, by way of a special resolution, for an amendment to the Company's articles in order to change the name of the Company. This approval may only be obtained at a meeting of the Shareholders, which requires substantial management time to prepare for, as well as significant expense due to the various costs of preparing, printing and delivering meeting materials that the Company, as a reporting issuer, is required to pay.

After considering the foregoing, management and the Board have agreed that although a new name has not yet been approved by the Board as at the date of this Information Circular, it is in the best interest of the Company to

seek approval from the Shareholders to approve a change of name of the Company to any name that the Board deems appropriate, in its sole discretion, in order to enable the Company to proceed expeditiously with the change of name once a new name has been decided upon and to avoid the expense of holding a second meeting.

As such, at the Meeting, Shareholders will be asked to approve the following special resolution (the “**Name Change Resolution**”), which must be approved by not less than two-thirds of the votes cast by Shareholders present in person or represented by proxy at the Meeting who vote in respect of the Name Change Resolution:

“RESOLVED, as a special resolution of the shareholders of ABCann Global Corporation (the “**Company**”), that:

1. Subject to the acceptance of the TSX Venture Exchange, and any other applicable regulatory authorities, the name of the Company be changed to any name that the board of directors of the Company (the “**Board**”), in its sole discretion, deems appropriate;
2. Notwithstanding that this resolution has been passed by the shareholders, the Board be and is hereby authorized and empowered, without further notice to, or approval of, the shareholders, to determine not to proceed with the change of name at any time prior to the filing of the articles of amendment giving effect to the change of name, and the Board may, in its sole discretion, revoke this resolution before it is acted upon, without further approval or authorization of the shareholders;
3. Upon articles of amendment giving effect to the change of name having become effective in accordance with the *Canada Business Corporations Act*, the articles of the Company be amended accordingly; and
4. Any one officer and director of the Company be and is hereby authorized for and on behalf of the Company to execute and deliver all such instruments and documents and to perform and do all such acts and things as may be deemed advisable in such individual’s discretion for the purpose of giving effect to this special resolution, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination.”

The form of the Name Change Resolution set forth above is subject to such amendments as management may propose at the Meeting, but which do not materially affect the substance of the Name Change Resolution.

**Management of the Company recommends that Shareholders vote FOR the Name Change Resolution at the Meeting. The Designated Persons intend to vote the Shares represented by a form of proxy FOR the Name Change Resolution, unless instructed otherwise by an applicable Shareholder.**

## STATEMENT OF EXECUTIVE COMPENSATION

### General

The following terms when used in this Statement of Executive Compensation will have the following meanings:

“**compensation securities**” includes Options, convertible securities, exchangeable securities and similar instruments, including stock appreciation rights, deferred share units and RSUs granted or issued by the Company or one of its subsidiaries (if any) for services provided or to be provided, directly or indirectly to the Company or any of its subsidiaries (if any);

“**NEO**” or “**Named Executive Officer**” means:

- (a) each individual who served as CEO of the Company, or who performed functions similar to a CEO, during any part of the most recently completed financial year,

- (b) each individual who served as CFO of the Company, or who performed functions similar to a CFO, during any part of the most recently completed financial year,
- (c) the most highly compensated executive officer of the Company or any of its subsidiaries other than individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000 for that financial year, and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company or its subsidiaries (if any), nor acting in a similar capacity, at the end of that financial year;

“**plan**” includes any plan, contract, authorization or arrangement, whether or not set out in any formal document, where cash, compensation securities or any other property may be received, whether for one or more persons; and

“**underlying securities**” means any securities issuable on conversion, exchange or exercise of compensation securities.

#### Director and Named Executive Officer Compensation, excluding Compensation Securities

On April 28, 2017, the Company completed the acquisition of ABCann Medicinals Inc. (“**ABCann Medicinals**”), which constituted the Company’s Qualifying Transaction (as defined in the policies of the TSXV) and a reverse takeover of the Company by ABCann Medicinals, with ABCann Medicinals as the accounting acquiror and the Company as the accounting acquiree. ABCann Medicinals remains as the Company’s material operating subsidiary. As such, information set forth in the table below (which sets out details of all payments, grants, awards, gifts and benefits paid or awarded to each director and NEO in the two most recently completed financial years ended December 31, 2017 and 2016), for periods prior to the completion of the Qualifying Transaction, represent fees paid by ABCann Medicinals to the indicated NEOs and directors, unless otherwise indicated.

Name and Position	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites <sup>(1)</sup> (\$)	Value of All Other Compensation (\$)	Total Compensation (\$)
Barry Fishman <sup>(2)</sup> CEO and Director	2017	63,462	-(15)	-	-	-	63,462
	2016	N/A	N/A	N/A	N/A	N/A	N/A
Michael Bumby <sup>(3)</sup> CFO	2017	16,154	-(15)	-	-	-	16,154
	2016	N/A	N/A	N/A	N/A	N/A	N/A
Ying Guan (Jenny) <sup>(4)</sup> Vice-President, Secretary and Former CFO	2017	131,538	-(15)	-	-	-	131,538
	2016	97,885	-	-	-	-	97,885
Andrew LaCroix <sup>(5)</sup> Director and VP of Bus. Development	2017	144,231	-(15)	-	-	-	144,231
	2016	N/A	N/A	N/A	N/A	N/A	N/A
Aaron Keay <sup>(6)</sup> Director and Former CEO	2017	122,500	-	-	-	-	122,500
	2016	N/A	N/A	N/A	N/A	N/A	N/A
Paul Lucas <sup>(8)</sup> Director and Chair	2017	20,027	-	-	-	-	20,027
	2016	N/A	N/A	N/A	N/A	N/A	N/A
John Easson <sup>(9)</sup> Director	2017	20,027	-	-	-	-	20,027
	2016	N/A	N/A	N/A	N/A	N/A	N/A

Name and Position	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites <sup>(1)</sup> (\$)	Value of All Other Compensation (\$)	Total Compensation (\$)
Daryl Kramp <sup>(10)</sup> <i>Director</i>	2017	20,027	-	-	-	-	20,027
	2016	N/A	N/A	N/A	N/A	N/A	N/A
Richard Fitzgerald <sup>(11)</sup> <i>Director</i>	2017	3,791	-	-	-	-	3,791
	2016	N/A	N/A	N/A	N/A	N/A	N/A
Kenneth Clement <sup>(12)</sup> <i>Former Director and Executive Chairman</i>	2017	190,769	-	-	-	116,500 <sup>(13)</sup>	307,269
	2016	125,000	-	-	-	-	125,000
Paul Barbeau <sup>(14)</sup> <i>Former CEO, CFO and Director</i>	2017	-	-	-	-	-	-
	2016	-	-	-	-	-	-

<sup>(1)</sup> "Perquisites" include perquisites provided to an NEO or director that are not generally available to all employees and that, in aggregate, are: (a) \$15,000, if the NEO or director's total salary for the financial year is \$150,000 or less; (b) 10% of the NEO or director's salary for the financial year if the NEO or director's total salary for the financial year is greater than \$150,000 but less than \$500,000; or (c) \$50,000 if the NEO or director's total salary for the financial year is \$500,000 or greater.

<sup>(2)</sup> Mr. Fishman was appointed as CEO on October 1, 2017 and as a director on November 7, 2017.

<sup>(3)</sup> Dr. Bumby was appointed CFO on December 1, 2017.

<sup>(4)</sup> Ms. Guan served as CFO from April 28, 2017 to December 1, 2017. Previously, she served as CFO of the Company's wholly-owned subsidiary, ABCann Medicinals.

<sup>(5)</sup> Mr. LaCroix has been a director of the Company since April 28, 2017 and, prior to the completion of the Qualifying Transaction, served as the Corporate Secretary and Chief Compliance Officer of ABCann Medicinals. Mr. LaCroix will not be standing for re-election as a director at the Meeting but will continue to serve in his position as Vice-President of Business Development.

<sup>(6)</sup> Mr. Keay has been a director of the Company since September 17, 2015. He served as CEO of the Company from April 28, 2017 to October 1, 2017.

<sup>(7)</sup> Mr. Lucas has been a director of the Company since April 28, 2017 and previously served as a director of ABCann Medicinals.

<sup>(8)</sup> Mr. Easson has been a director of the Company since April 28, 2017.

<sup>(9)</sup> Mr. Kramp has been a director of the Company since April 28, 2017.

<sup>(10)</sup> Mr. Fitzgerald has been a director of the Company since November 14, 2017.

<sup>(12)</sup> Mr. Clement was a director of the Company from April 28, 2017 to March 9, 2018 and served as Executive Chair from April 28, 2017 to October 16, 2017.

<sup>(13)</sup> This amount was paid to Mr. Clement in connection with his resignation from executive positions with the Company in October 2017.

<sup>(14)</sup> Mr. Barbeau was a director, CEO and acting CFO of the Company until April 28, 2017 when the Company completed the Qualifying Transaction. Prior to such time, the Company was a Capital Pool Company (as defined in the policies of the TSXV) and, as such, no compensation was payable to Mr. Barbeau for his services as an officer and director of the Company.

<sup>(15)</sup> Subsequent to December 31, 2017, Mr. Fishman was awarded a performance bonus of \$50,000, Dr. Bumby was awarded a performance bonus of \$10,000, and Ms. Guan and Mr. LaCroix were each awarded performance bonuses of \$30,000.

### Stock Options and Other Compensation Securities

The following table sets out all compensation securities granted or issued to each director and NEO by the Company, or any subsidiary thereof, in the year ended December 31, 2017 for services provided or to be provided, directly or indirectly, to the Company or any subsidiary thereof:



Name and Position	Type of Compensation Security	Number of Compensation Securities and Percentage of Class <sup>(1)</sup>	Date of Issue or Grant	Issue, Conversion or Exercise Price	Closing Price of Security or Underlying Security on Date of Grant <sup>(2)</sup>	Expiry Date
Barry Fishman <sup>(3)</sup> <i>CEO and Director</i>	Stock Options	1,250,000 <sup>(4)</sup> 11.5% <sup>(5)</sup>	09/06/2017	\$0.83	\$0.83	09/06/2022
	Bonus Shares <sup>(6)</sup>	1,175,000 0.8% <sup>(7)</sup>	10/02/2017	N/A	\$0.97	N/A
Michael Bumby <sup>(3)</sup> <i>CFO</i>	Stock Options	600,000 <sup>(8)</sup> 5.5% <sup>(5)</sup>	11/15/2017	\$1.16	\$1.16	11/15/2022
	Bonus Shares <sup>(6)</sup>	400,000 0.3% <sup>(7)</sup>	12/04/2017	N/A	\$1.36	N/A
Ying Guan (Jenny) <sup>(9)</sup> <i>Vice-President, Secretary and Former CFO</i>	RSUs	156,250 5.3% <sup>(10)</sup>	05/03/2017	N/A	\$0.80	12/31/2020
Andrew LaCroix <sup>(11)</sup> <i>VP, Business Development, and Director</i>	Stock Options	700,000 <sup>(12)</sup> 6.4% <sup>(5)</sup>	01/23/2017	\$0.41	N/A	01/23/2022
	RSUs	100,000 3.4% <sup>(10)</sup>	05/23/2017	N/A	\$0.80	12/31/2020
Aaron Keay <sup>(3)</sup> <i>Director and Former CEO</i>	RSUs	1,000,000 33.6% <sup>(10)</sup>	05/03/2017	N/A	\$0.80	12/31/2020
Paul Lucas <sup>(12)</sup> <i>Director and Chair</i>	Stock Options	50,000 <sup>(13)</sup> 0.5% <sup>(5)</sup>	05/03/2017	\$0.80	\$0.80	05/03/2022
		82,500 <sup>(14)</sup> 0.8% <sup>(5)</sup>	11/15/2017	\$1.16	\$1.16	11/15/2022
John Easson <sup>(3)</sup> <i>Director</i>	Stock Options	50,000 <sup>(13)</sup> 0.5% <sup>(5)</sup>	05/03/2017	\$0.80	\$0.80	05/03/2022
		15,833 <sup>(14)</sup> 0.1% <sup>(5)</sup>	11/15/2017	\$1.16	\$1.16	11/15/2022
Daryl Kramp <sup>(3)</sup> <i>Director</i>	Stock Options	50,000 <sup>(13)</sup> 0.5% <sup>(5)</sup>	05/03/2017	\$0.80	\$0.80	05/03/2022
		15,833 <sup>(14)</sup> 0.1% <sup>(5)</sup>	11/15/2017	\$1.16	\$1.16	11/15/2022
Richard Fitzgerald <sup>(3)</sup> <i>Director</i>	Stock Options	25,000 <sup>(14)</sup> 0.22% <sup>(5)</sup>	11/15/2017	\$1.16	\$1.16	11/15/2022
Kenneth Clement <sup>(3)</sup> <i>Director and Former Executive Chairman</i>	Stock Options	145,000 <sup>(13)</sup> 1.3% <sup>(5)</sup>	05/03/2017	\$0.80	\$0.80	05/03/2022
	RSUs	1,200,000 40.1% <sup>(10)</sup>	05/03/2017	N/A	\$0.80	12/31/2020

(1) Each stock option and RSU is exercisable or redeemable into one Share.

(2) All of the compensation securities granted or issued in 2017 were comprised of Shares or securities exercisable into Shares. The closing price per Share on the TSXV on December 29, 2017, being the last trading day of the Company's most recently completed fiscal year, was \$1.53.

(3) The table set forth above sets out all compensation securities held by Messrs. Fishman, Bumby, Keay, Easson, Kramp, Clement and Fitzgerald as at December 31, 2017.

(4) These Options vest monthly over 36 months from the date of grant.

(5) Percentage based on 10,872,744 Options outstanding as at December 31, 2017.

- (6) Mr. Fishman and Mr. Bumby were each granted Shares as a signing bonus in connection with their appointments as CEO and CFO, respectively. The bonus Shares are subject to a timed release provision such that they vest in six equal instalments every six months from the date of issue.
- (7) Percentage based on 155,984,013 Shares outstanding as at December 31, 2017.
- (8) These Options vest quarterly over 36 months from the date of grant.
- (9) In addition to the compensation securities set out in the table above, Ms. Guan held 1,000,000 Options, each of which is exercisable into one Share at a price of \$0.41 per Share until November 28, 2016, all of which vested immediately at the time of grant. All of the Options held by Ms. Guan were originally issued by ABCann Medicinals and became exercisable into Shares following completion of the Qualifying Transaction.
- (10) Percentage based on 2,972,888 RSUs outstanding as at December 31, 2017. All of the RSUs vest one year from the date of grant, with the exception of the RSUs held by Mr. Clement, the vesting of which the Board determined to accelerate in connection with Mr. Clement's resignation as an officer of the Company on October 17, 2017. Mr. Clement resigned as a director of the Company on March 9, 2018.
- (11) In addition to the compensation securities set out in the table above, Mr. LaCroix held 70,000 Options, each of which is exercisable into one Share at a price of \$0.41 per Share until November 28, 2021, all of which vested immediately at the time of grant. All of the Options held by Mr. LaCroix were originally issued by ABCann Medicinals and became exercisable into Shares following completion of the Qualifying Transaction.
- (12) In addition to the compensation securities set out in the table above, Mr. Lucas held: (i) 150,000 Options, each of which is exercisable into one Share at a price of \$0.41 per Share until June 1, 2020, all of which have vested, and (ii) 50,000 Options, each of which is exercisable into one Share at a price of \$0.41 per Share until November 28, 2021, all of which have vested. These Options were originally issued by ABCann Medicinals and became exercisable into Shares following completion of the Qualifying Transaction.
- (13) These Options vest monthly over 12 months from the date of grant.
- (14) These Options vest quarterly over 12 months from the date of grant.

#### Exercise of Compensation Securities by Directors and NEOs

No director or NEO exercised or redeemed any compensation securities, being solely comprised of Options and RSUs, during the Company's most recently completed fiscal year ended December 31, 2017.

#### **Stock Option Plans and Other Incentive Plans**

As at December 31, 2017, the Company had two equity incentive plans, being the Stock Option Plan and the 2017 Restricted Share Unit Plan (the "**RSU Plan**"), each of which was approved by the Shareholders at the Company's annual and special meeting held on March 30, 2017.

##### ***Stock Option Plan***

The Stock Option Plan is a "rolling" stock option plan that is administered by the Board (or a committee thereof), pursuant to which the number of Shares reserved for issuance from time to time will not exceed 10% of the issued and outstanding Shares at the date of any grant, on an undiluted basis. The Stock Option Plan provides that the Board may, from time to time, in its discretion, grant Options to directors, officers, employees, consultants and other personnel of the Company and its subsidiaries or affiliates. As at April 27, 2018, there were 10,450,969 Options outstanding under the Stock Option Plan.

For additional details regarding the terms of the Stock Option Plan, see "Particulars of Matters to be Acted Upon – Ratification of Stock Option Plan".

##### ***RSU Plan***

The RSU Plan is designed to promote the alignment of interests among employees, directors, executive officers and Shareholders. As the RSU Plan is a "fixed" plan, it is not subject to annual approval by the Shareholders.

- *Administration.* The RSU Plan is administered by the Board (or a committee thereof) which has the power, subject to the limits imposed by the RSU Plan, to: (i) award RSUs; (ii) determine the terms under which RSUs are granted; (iii) interpret the RSU Plan and adopt, amend and rescind such administrative guidelines and other rules and regulations relating to the RSU Plan; and (iv) make any other determinations and take any other actions in connection with the implementation and administration of the RSU Plan.
- *Number of Securities Issuable.* The RSU Plan is a fixed plan which reserves for issuance a maximum of 3,000,000 of the issued and outstanding Shares.
- *Eligible Persons.* RSUs may be granted to directors, officers, employees and consultants under the RSU Plan.
- *Limits on Participation.* Under the RSU Plan, the maximum number of RSUs that may be granted to any one eligible Person, together with all of the Company's other share-based compensation arrangements, within any twelve month period may not exceed 4% of the outstanding Shares at the time of grant. Additionally, the RSU Plan provides for the following limits on grants:
  - the number of Shares reserved for issue to insiders of the Company, together with all of the Company's other share-based compensation arrangements, in aggregate, may not exceed the maximum permissible limits imposed by the TSXV at the time of grant unless Disinterested Shareholder Approval (as such term is defined in the policies of the TSXV) is obtained, or unless otherwise permitted by the TSXV;
  - the number of RSUs that may be granted to insiders of the Company, together with all of the Company's other share-based compensation arrangements, in aggregate, within any twelve month period may not exceed 10% of the issued and outstanding Shares at the time of grant, unless Disinterested Shareholder Approval (as such term is defined in the policies of the TSXV) is obtained or unless otherwise permitted by the TSXV;
  - the number of Shares reserved for issue to any one consultant of the Company under the RSU Plan within any twelve month period may not exceed 2% of the issued and outstanding Shares at the time of grant; and
  - the number of Shares reserved for issue to any one employee of the Company conducting investor relations services within any twelve month period may not exceed 2% of the issued and outstanding Shares at the time of grant.
- *Redemption of RSUs.* Vested RSUs may be redeemed by a participant for either Shares (with each full RSU to be redeemed for one Share) or, at the election of the participant, a lump sum payment equal to the amount determined by multiplying the number of RSUs to be redeemed by the market price of the Shares at the time of vesting (less any applicable withholdings).
- *Vesting.* Pursuant to the RSU Plan, there are no mandatory vesting provisions. RSUs granted under the RSU Plan may contain vesting conditions, determined at the discretion of the Board (or a committee thereof).
- *No Assignment.* All RSUs will be exercisable only by the person to whom they are granted and are non-assignable and non-transferable.
- *Termination of Employment.* Unless otherwise determined by the Board, in its sole discretion:

- upon the voluntary resignation or the termination for cause of a participant, all of the participant's unvested RSUs will be forfeited; and
- upon the termination without cause, the retirement, or the death of a participant, the participant will have a number of RSUs become vested in a linear manner equal to the sum for each grant of RSUs of the original number of RSUs granted multiplied by the number of completed months of employment since the date of grant divided by the number of months required to achieve the full vesting of such RSUs.
- *Change of Control.* Upon a change of control, all RSUs which are outstanding at that time but unvested will automatically and irrevocably become vested in full.
- *Share Adjustments.* The RSU Plan contains provisions for adjustment in the number of Shares issuable on redemption of RSUs in the event of a share consolidation, split, reclassification or other relevant change in the Shares, or an amalgamation, merger or other relevant change in the Company's corporate structure, or any other relevant change in the Company's capitalization.
- *Black Out Period.* If the redemption date for an RSU occurs during or within 10 business days of a black out period applicable to such participant, then the redemption date will be extended to the close of business on the tenth business day following the expiration of such period.
- *Amendments Requiring Shareholder Approval.* Shareholder approval is required for the following amendments to the RSU Plan:
  - an amendment changing the eligibility of a participant under the RSU Plan;
  - an amendment to remove or exceed the limits on participation under the RSU Plan;
  - an increase to the aggregate number of securities issuable under the RSU Plan; and
  - an amendment granting additional powers to the Board to amend the RSU Plan without Shareholder approval.
- *Amendments Without Shareholder Approval.* Subject to the policies of the TSXV, the RSU Plan may be amended without Shareholder approval for:
  - amendments of a "housekeeping" nature;
  - amendments necessary to comply with the provisions of applicable law or the applicable rules of the TSXV, including with respect to the treatment of RSUs granted under the RSU Plan;
  - amendments respecting the administration of the RSU Plan;
  - amendments necessary to suspend or terminate the RSU Plan; and
  - any other amendment not requiring Shareholder approval under applicable law (including the policies of the TSXV).

The foregoing is intended as a brief description of the RSU Plan and is qualified in its entirety by the full text of the RSU Plan, a copy of which is attached as Schedule "F" to the Filing Statement.

## **Employment, Consulting and Management Agreements**

Certain of the employment agreements described below were entered into by ABCann Medicinals, the Company's wholly-owned subsidiary, prior to its acquisition by the Company. As such, references to "the Company" below should be deemed to include reference to ABCann Medicinals, as applicable:

### *Barry Fishman*

On August 17, 2017, the Company entered into an employment agreement with Mr. Fishman pursuant to which the Company agreed to employ Mr. Fishman as CEO of the Company, effective as of October 1, 2017, for an indefinite term in consideration of an annual base salary of \$275,000. Mr. Fishman is eligible to receive a performance bonus of 50% of his base salary per calendar year, upon achievement of objective, reasonably attainable criteria to be agreed upon by Mr. Fishman and the Board on an annual basis, with the potential to earn a higher percentage when stretch target milestones are achieved. He is also entitled to, among other things, participate in the Stock Option Plan and other employee benefit plans of the Company. In the event that the agreement is terminated by the Company without just cause or by Mr. Fishman for good reason (each as defined in the agreement), the Company shall pay Mr. Fishman any outstanding base salary and other amounts owing under the agreement, as well as an amount equal to, among other things, the base salary and target performance bonus for a period of 18 months plus one month for every year employed, to a maximum of 24 months. In the event that the agreement is terminated by the Company or Mr. Fishman in connection with a change of control of the Company (as defined in the agreement), the Company shall pay Mr. Fishman any outstanding base salary and other amounts owing under the agreement, as well as an amount equal to the base salary, car allowance and target performance bonus for a period of 24 months. In certain termination cases, the vesting of any unvested Options or bonus Shares will be accelerated. In connection with the employment agreement, the Company granted Mr. Fishman 1,250,000 Options and 1,175,000 bonus Shares, as further described above under the heading "Director and Named Executive Officer Compensation, excluding Compensation Securities".

### *Michael Bumby*

On November 14, 2017, the Company entered into an employment agreement with Mr. Bumby pursuant to which the Company agreed to employ Mr. Bumby as CFO of the Company, effective as of December 1, 2017, for an indefinite term in consideration of an annual base salary of \$210,000. For any fiscal years commencing on or after January 1, 2018, Mr. Bumby is eligible to receive a performance bonus of up to 35% of his base salary per calendar year, upon achievement of objective, reasonably attainable criteria to be agreed upon by Mr. Bumby, the CEO and the Board on an annual basis, provided that the award of any bonus will be at the sole discretion of the Board. He is also entitled to, among other things, participate in the Stock Option Plan and other employee benefit plans of the Company. In the event that the agreement is terminated by the Company without just cause or by Mr. Bumby for good reason (each as defined in the agreement), the Company shall pay Mr. Bumby any outstanding base salary and other amounts owing under the agreement, as well as an amount equal to the base salary and performance bonus for a period of 12 months. In the event that the agreement is terminated by the Company or Mr. Bumby in connection with a change of control of the Company (as defined in the agreement), the Company shall pay Mr. Bumby any outstanding base salary and other amounts owing under the agreement, as well as an amount equal to the base salary and performance bonus for a period of 12 months. In certain termination cases, the vesting of any unvested Options or bonus Shares will be accelerated. In connection with the employment agreement, the Company granted Mr. Bumby 600,000 Options and 400,000 bonus Shares, as further described above under the heading "Director and Named Executive Officer Compensation, excluding Compensation Securities".

### *Jenny Guan*

Effective May 1, 2017, ABCann Medicinals entered into an employment agreement with Ms. Guan pursuant to which the Company agreed to employ Ms. Guan as Chief Operating Officer for an indefinite term in consideration of an annual base salary of \$150,000. Ms. Guan is eligible to receive a performance bonus as determined in the sole discretion of the Board and based upon performance objectives to be agreed upon. In the event that the agreement is terminated by the Company without just cause or by Ms. Guan for good reason, the Company shall pay Ms. Guan any outstanding base salary and other amounts owing under the agreement, as well as an amount equal to the greater of the base salary that Ms. Guan would have otherwise earned in the 52 week period immediately following the termination date.

### *Andrew LaCroix*

Effective January 1, 2017, ABCann Medicinals entered into an employment agreement with Mr. LaCroix pursuant to which the Company agreed to employ Mr. LaCroix as Corporate Secretary and Chief Compliance Officer for an indefinite term in consideration of an annual base salary of \$150,000. Mr. LaCroix is eligible to receive a performance bonus of up to 20% of his base salary per calendar year, such bonus to be at the sole discretion of the Board and based upon performance objectives to be agreed upon. In the event that the agreement is terminated for just cause or by Mr. LaCroix for good reason, the Company shall pay Mr. LaCroix any outstanding base salary and other amounts owing under the agreement, as well as an amount equal to the greater of the base salary that Mr. LaCroix would have otherwise earned in the 26 week period immediately following the termination date, or two months' salary for each full year of employment, to a maximum of 52 weeks salary. In the event of a change of control of the Company, the Company shall pay Mr. LaCroix any outstanding base salary and other amounts owing under the agreement, as well as an amount equal to the base salary that Mr. LaCroix would have otherwise earned in the 52 weeks immediately following the change of control.

### *Ken Clement*

ABCann Medicinals entered into an employment agreement with Mr. Clement pursuant to which the Company agreed to employ Mr. Clement as General Manager for an annual salary of \$150,000. Pursuant to the terms of the agreement, commencing January 1 of the year immediately following the first year in which the Company completed a financing for net proceeds of not less than \$7,500,000, Mr. Clement was to receive a \$50,000 increase to his base salary. During the term of the agreement, Mr. Clement was also entitled to an annual bonus of 2% of the gross revenue of the Company once cumulative revenues for the Company on a consolidated basis reached \$20 million. This rate was to increase to 3% once the cumulative annual revenue reached \$50 million, subject to a maximum bonus of 5% of cumulative net income for the Company on a consolidated basis. The agreement provided that in the event that the agreement was terminated by the Company or by Mr. Clement for good reason, the Company would pay Mr. Clement any outstanding base salary and other amounts owing under the agreement, as well as an amount equal to the amount of compensation he would have been entitled to for the two years for a period of 104 weeks. Effective October 16, 2017, Mr. Clement resigned from all employee, consultant and officer positions with the Company and each of its affiliates, other than as a member of the Board. In connection with his resignation, the Company agreed, among other things, to: pay Mr. Clement a salary continuance for a period ended 104 weeks after October 12, 2017 based on an annual salary of \$200,000; pay Mr. Clement accrued bonuses in the amount of \$116,500 and vacation pay; and approve the immediate vesting of all of Mr. Clement's 1.2 million RSUs. Mr. Clement resigned as a director of the Company on March 9, 2018.

### **Oversight and Description of Director and NEO Compensation**

Director and NEO compensation is initially considered by the compensation committee of the Board (the "**Compensation Committee**"), which is currently comprised of Daryl Kramp (Chair), Paul Lucas and John Easson, and then recommended to the Board for approval. The Board adopted a formal Compensation Committee Charter on October 12, 2017, a copy of which is attached as Schedule "A" to the Statement of Executive Compensation

form filed on SEDAR at [www.sedar.com](http://www.sedar.com). Prior to that, the Board did not have a formal Compensation Committee charter.

The Compensation Committee assists the Board in fulfilling its obligations relating to compensation issues. The Compensation Committee acts alone when considering the compensation of the CEO; however, the CEO assists the Compensation Committee in assessing the performance of all other executive officers, and the Board has authorized the CEO to make determinations with respect to salaries to be paid to certain officers within a set of fixed parameters. The proposed executive compensation is then presented to the Board for approval and/or ratification, as applicable. The Compensation Committee also makes recommendations to the Board respecting the Company's incentive compensation plans, including administration of the Option Plan and the RSU Plan. It also has the responsibilities of reviewing and recommending director compensation, overseeing the Company's base compensation structure and equity-based compensation program, recommending compensation of the Company's officers and employees to the Board, and evaluating the performance of officers generally and in light of annual goals and objectives.

The majority of all compensation paid to NEOs in 2017 was comprised of salary payments, with the exception of the payments made to Ken Clement in connection with his resignation, as further described above under the heading "Employment Consulting and Management Agreements"). Although the employment agreements with the current NEOs contemplate the payment of a performance bonus on attainment of certain milestones, no such milestones were set for fiscal 2017. Notwithstanding the foregoing, subsequent to December 31, 2017, the Board determined to pay certain executives bonuses during 2017 based on a subjective determination recommended by the Compensation Committee with respect to the contributions of members of management. In connection therewith, Barry Fishman was awarded a bonus of \$50,000, Michael Bumby was awarded a bonus of \$10,000 and Jenny Guan and Andrew LaCroix were each awarded bonuses of \$30,000.

The Compensation Committee, together with the Board and the CEO, has developed certain corporate objectives for fiscal 2018, which include increasing revenue; expansion of production capacity and the Company's product lines; improving organizational effectiveness and financial processes; production and quality improvements; and establishing a platform for international growth. An assessment of how these objectives have been met, together with such other factors as the Compensation Committee deems appropriate, will be used to determine bonuses payable for 2018.

In connection with the completion of the Qualifying Transaction, the Compensation Committee initially determined to fix the annual compensation of all independent directors at \$50,500, to be made up of a mixture of cash and Options, with the expectation that the fees would be reviewed annually in connection with the Company's annual meeting of Shareholders.

In the second half of 2017, the Compensation Committee retained Hugessen Consulting to provide the Board with a report on current trends in director and NEO compensation. Following receipt of the report, the Compensation Committee recommended that the Board approve an increase in director compensation for fiscal 2018 and a top-up grant for fiscal 2017 in order to bring annual compensation:

- (a) for independent directors, other than the Chair, to \$60,000, with: (i) \$30,000 to be paid in cash, in four equal payments of \$7,500, following the end of each fiscal quarter, and (ii) \$30,000 to be satisfied by the grant of such number of Options as is determined by the Company's independent auditor in accordance with the Black-Scholes model on the date of grant (which is expected to be on or about the date of the Company's annual meeting of Shareholders), with each of such Options to be exercisable for five years at an exercise price equal to the closing market price per Share on the TSXV (or such other stock exchange as the Shares are then principally traded) on the trading day prior to the date(s) of grant (in any case, the "**Market Price**"), and with 25% of such Options to vest each quarter over 12 months; and
- (b) for the Chair, to \$100,000, with: (i) \$30,000 to be paid in cash in four equal payments of \$7,500, following the end of each fiscal quarter, and (ii) \$70,000 to be satisfied by the grant of such number of Options as is

determined by the independent auditor in accordance with the Black-Scholes model on the date of grant, with each of such Options to be exercisable for five years at an exercise price equal to the Market Price, and with 25% of such Options to vest each quarter over 12 months.

In addition to the foregoing, certain directors may be paid additional fees in special circumstances, as determined in the sole discretion of the Board, such as in connection with serving on a special committee of the Board from time to time.

#### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth details regarding the Stock Option Plan and the RSU Plan, being the Company's only equity compensation plans as of December 31, 2017. The Stock Option Plan and the RSU Plan were approved by the Shareholders at the Company's annual and special meeting held on March 30, 2017.

Plan Category	Number of shares to be issued upon exercise of outstanding Options and RSUs <sup>(1)</sup>	Weighted-average exercise price of outstanding options and RSUs	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) <sup>(2)</sup>
Equity compensation plans approved by shareholders (Stock Option Plan)	10,903,687	\$0.56	4,694,714 <sup>(2)</sup>
Equity compensation plans approved by shareholders (RSU Plan)	2,972,888	N/A	27,112 <sup>(3)</sup>
Equity compensation plans not approved by shareholders	Nil	N/A	N/A
<b>Total</b>	<b>13,876,575</b>	<b>\$0.56</b>	<b>4,721,826</b>

<sup>(1)</sup> The Company does not have any warrants outstanding under any equity compensation plans.

<sup>(2)</sup> The Stock Option Plan is a rolling plan under which the Company can issue such number of Options as is equal to 10% of the Company's issued and outstanding Shares from time to time. As of April 27, 2018, there were 191,001,305 Shares outstanding and the Company could issue up to 19,100,131 Options under the Stock Option Plan, of which 10,450,969 were outstanding on such date.

<sup>(3)</sup> A maximum of 3,000,000 RSUs are issuable under the RSU plan. Once redeemed, RSUs become available for grant again under the RSU Plan. As of April 27, 2018, there were 1,772,888 RSUs outstanding and 1,227,112 RSUs available for grant.

A copy of the Stock Option Plan is attached as Schedule "E" and a copy of the RSU Plan is attached as Schedule "F" to the Company's Filing Statement dated March 31, 2017, which is available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com). Copies of the Stock Option Plan and the RSU Plan are also available for review at the office of the Company at 126 Vanluven Road, Napanee, ON K7R 3L2, during normal business hours up to and including the date of the Meeting.

See "Particulars Of Matters To Be Acted Upon – Ratification of Stock Option Plan" for additional details regarding the Stock Option Plan, and "Statement of Executive Compensation – Exercise of Compensation Securities by Directors and NEOs – Stock Option Plans and Other Equity Incentive Plans" for additional details regarding the RSU Plan.



## AUDIT COMMITTEE DISCLOSURE

Under National Instrument 52-110 *Audit Committees*, a reporting issuer is required to provide disclosure annually with respect to its audit committee, including the text of its audit committee charter, information regarding composition of the audit committee, and information regarding fees paid to its external auditor. The Company has included the required disclosure in its Annual Information Form for the year ended December 31, 2017 under the heading "Audit Committee Information".

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No current or former director, executive officer, proposed nominee for election to the Board, or associate of such persons is, or at any time since the beginning of the Company's most recently completed financial year has been, indebted to the Company or any of its subsidiaries, with respect indebtedness has not been fully repaid as at the date of this Information Circular.

No indebtedness of any current or former director, executive officer, proposed nominee for election to the Board, or associate of such person is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed herein, no: (a) director, proposed director or executive officer of the Company; (b) person or company who beneficially owns, directly or indirectly, Shares or who exercises control or direction of Shares, or a combination of both, carrying more than ten percent of the voting rights attached to the Shares outstanding (an "Insider"); (c) director or executive officer of an Insider; or (d) associate or affiliate of any of the directors, executive officers or Insiders, has had any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year, or in any proposed transaction which has materially affected, or would materially affect, the Company, except with an interest arising from the ownership of Shares where such person or company will receive no extra or special benefit or advantage not shared on a pro rata basis by all holders of the same class of Shares.

Prior to the completion of the Qualifying Transaction, ABCann Medicinals obtained a working capital loan from Jenny Guan, who is a director of ABCann Medicinals and an officer of the Company, in the principal amount of \$1,942,000. The loan bore interest at the rate of 10% per annum and was secured by a subordinated general security agreement. The loan could be converted into Shares, at the option of Ms. Guan, at a price of \$0.41 per Share and the Company had the right to early payment, upon the giving of notice and an opportunity to convert. In connection with this loan, Ms. Guan was granted 7,768,000 warrants, being equal to four Shares for each dollar of the \$1,942,000 principal amount advanced, at an exercise price of \$0.41 per Share until November 15, 2021. The principal amount of the loan was fully repaid in the first quarter of 2018.

## MANAGEMENT CONTRACTS

There were no management functions of the Company which were, to any substantial degree, performed by a person other than a director or executive officer of the Company, except as otherwise described in this Information Circular.

## CORPORATE GOVERNANCE

Pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices*, the Company is required to disclose its corporate governance practices as follows:

## Board of Directors

The Board facilitates its exercise of independent supervision over the Company's management through frequent meetings of the Board.

Each of Paul Lucas, John Easson, Daryl Kramp and Richard Fitzgerald is "independent" as defined in National Instrument 52-110 *Audit Committees* ("**NI 52-110**") in that he is independent and free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the Company, other than the interests and relationships arising from being Shareholders. Barry Fishman is the CEO of the Company and Andrew LaCroix is the Vice President, Business Development of the Company and, therefore, are not independent. Mr. Keay was CEO of the Company for part of 2017 prior to Mr. Fishman's appointment and therefore is not independent as defined in NI 52-110.

## Directorships

Certain directors of the Company are currently also directors of other reporting issuers, as described in the table below:

Name of Director of the Company	Names of Other Reporting Issuers
Aaron Keay	The Alkaline Water Company Inc. <sup>(1)</sup>
Paul Lucas	EcoSynthetix Inc. <sup>(2)</sup>

<sup>(1)</sup> TSX Venture Exchange.

<sup>(2)</sup> Toronto Stock Exchange.

## Orientation and Continuing Education

The Board consists of directors who are familiar with the Company's industry or who bring particular expertise to the Board from their professional experience. New directors are expected to learn about, among other things, the business of the Company, its financial situation and its strategic planning. The Nominating and Corporate Governance Committee (the "**Governance Committee**"), together with the Chair of the Board and the CEO, is responsible for ensuring that new directors are provided with an orientation program, which includes: information regarding the role of the Board, its committees and the duties and obligations of directors; the business and operations of the Company; documents from recent meetings of the Board; and opportunities for meetings and discussion with senior management and other directors.

To facilitate ongoing education of the Company's directors, the Governance Committee: periodically canvasses the directors to determine their training and education needs and interests; arranges ongoing visitation by directors to the Company's facilities and operations; arranges funding for the attendance of directors at seminars or conferences of interest and relevance to their position as a director of the Company; and encourages and can facilitate presentations by outside experts to the Board or committees on matters of particular import or emerging significance.

## Ethical Business Conduct

All directors, officers and employees of the Company are bound by the Company's Code of Business Conduct and Ethics (the "**Code of Conduct**"), compliance with which is overseen by the Governance Committee. Directors and executive officers are required by applicable law and the Code of Conduct to promptly disclose any potential conflict of interest that may arise. If a director or executive officer has a material interest in an agreement or transaction, applicable law and principles of sound corporate governance require them to declare the interest in writing and, where required by applicable law, to abstain from voting with respect to such agreement or transaction. Employees of the Company are required to disclose any such conflict and take prompt action to remedy it. The Code of Conduct also sets out, among other things, standards for the accuracy of the Company's

books and records and the provision of information to external auditors; rules regarding confidentiality, and the ownership, protection and proper use of the Company's assets; and standards with respect to maintaining a safe and healthy workplace. Any waiver of the Code of Conduct's provisions must be approved by the Board.

### **Nomination of Directors**

The Board adopted a Nominating and Corporate Governance Committee Charter (the "**Governance Charter**") on October 12, 2017. Prior to that, the Nominating and Corporate Governance Committee (the "**Governance Committee**") did not have a formal charter. The Governance Committee consists of Paul Lucas (Chair), John Easson and Daryl Kramp. Pursuant to the Governance Charter, the role of the Governance Committee is to:

- (a) advise and make recommendations to the Board in its oversight role with respect to the development of the Company's corporate governance policies, principles, practices and processes, the effectiveness of the Board and its committees, and the contributions of individual directors;
- (b) identify individuals qualified to become new members of the Board and recommend to the Board the new director nominees for the next annual meeting of Shareholders;
- (c) review the Board committee structure on an annual basis, recommend to the Board any changes it considers necessary or desirable with respect to the committee structure, and seek out and evaluating suitable candidates to serve on the Board; and
- (d) take such other actions within the scope of the Governance Charter as the Board may assign to the Governance Committee from time to time or as the Governance Committee deems necessary or appropriate.

When considering the composition of the Board and evaluating potential nominees, the Governance Committee: (i) considers what competencies and skills the Board, as a whole, should possess; (ii) assesses what competencies and skills each existing director possesses; and (iii) recommends to the Board the necessary and desirable competencies of directors, taking into account the Company's strategic direction and changing circumstances and needs.

### **Compensation**

The Board adopted the Compensation Committee Charter on October 12, 2017. See "Oversight and Description of Director and NEO Compensation" above for further particulars regarding compensation.

### **Other Board Committees**

In addition to the Audit Committee, the Compensation Committee and the Governance Committee, the Board approved the formation of a Disclosure Committee on February 27, 2018. The Disclosure Committee is responsible for assisting the Company's management in (i) determining whether information is material information; (ii) ensuring the timely disclosure of such material information in accordance with applicable securities laws; and (iii) overseeing the disclosure controls, procedures and practices of the Company.

### **Assessments**

The Governance Committee is responsible for overseeing and assessing the functioning of the Board and the committees thereof. The Governance Committee may develop and recommend to the Board a process for assessing the effectiveness of the Board, as a whole, the committees of the Board, and the contribution of individual directors, and to oversee the execution of any assessment process approved by the Board.

## ADDITIONAL INFORMATION

Additional information relating to the Company is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Company at its office by mail at 126 Vanluven Road, Napanee, ON K7R 3L2, to request copies of the Company's financial statements and related Management's Discussion and Analysis (the "**MD&A**"). Financial information is provided in the Company's audited financial statements and MD&A for the most recently completed financial year and in the financial statements and MD&A for subsequent financial periods, which are available on SEDAR.

## OTHER MATTERS

Other than the above, management of the Company know of no other matters to come before the Meeting other than those referred to in the Notice of Meeting. If any other matters that are not currently known to management should properly come before the Meeting, the accompanying form of proxy confers discretionary authority upon the Designated Persons named therein to vote on such matters in accordance with their best judgment.

## APPROVAL OF THE BOARD OF DIRECTORS

The contents of this Information Circular have been approved, and the delivery of it to each Shareholder entitled thereto and to the appropriate regulatory agencies has been authorized, by the Board. A copy of this Information Circular has been sent to each director, each Shareholder entitled to notice of the Meeting, and to the auditors of the Company.

Dated at Toronto, Ontario this 30<sup>th</sup> day of April, 2018.

## ON BEHALF OF THE BOARD OF DIRECTORS

*"Barry Fishman"*

\_\_\_\_\_  
Barry Fishman  
Chief Executive Officer and Director



**ABCANN GLOBAL CORPORATION**

**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(In Canadian Dollars)**

## Independent Auditors' Report

To the Shareholders of ABcann Global Corporation:

We have audited the accompanying consolidated financial statements of ABcann Global Corporation, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ABcann Global Corporation as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Toronto, Ontario

April 30, 2018

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

**MNP**

**ABCANN GLOBAL CORPORATION**  
**Consolidated Statements of Financial Position**  
*(Expressed in Canadian dollars)*

	December 31, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 70,804,888	\$ 1,369,867
Accounts receivable	197,998	42,221
Other receivables	625,426	104,786
Inventories <i>(note 5)</i>	965,518	1,335,922
Biological assets <i>(note 6)</i>	242,892	494,075
Due from related parties <i>(note 16)</i>	60,968	20,457
Loan receivable <i>(note 13)</i>	1,671,751	-
Prepaid expenses	98,740	128,123
Current portion of mortgage receivable <i>(note 14)</i>	96,450	97,832
	<b>74,764,631</b>	<b>3,593,283</b>
Property and equipment <i>(note 7)</i>	11,236,135	5,447,656
Intangible assets <i>(note 8)</i>	43,604	43,750
Deposits	-	383,814
	<b>\$ 86,044,370</b>	<b>\$ 9,468,503</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 3,210,422	\$ 1,562,129
Current portion of mortgage payable <i>(note 9)</i>	-	350,000
Loans payable <i>(note 15)</i>	-	1,081,863
RSU plan liability <i>(note 18)</i>	3,644,346	-
	<b>6,854,768</b>	<b>2,993,992</b>
Convertible debenture <i>(note 17)</i>	22,950,991	3,859,450
Deferred revenue <i>(note 10)</i>	8,800,000	-
Deferred income taxes liability <i>(note 21)</i>	1,405,049	-
Derivative liability <i>(note 11)</i>	-	4,118,905
	<b>40,010,808</b>	<b>10,972,347</b>
<b>Shareholders' equity (deficiency)</b>		
Share capital <i>(note 10)</i>	79,826,795	7,167,069
Contributed surplus <i>(note 10)</i>	10,650,594	4,138,359
Warrant reserve <i>(note 10)</i>	2,054,133	4,425,411
Deficit	(46,490,435)	(17,234,683)
Accumulated other comprehensive loss	(7,525)	-
	<b>46,033,562</b>	<b>(1,503,844)</b>
	<b>\$ 86,044,370</b>	<b>\$ 9,468,503</b>

The accompanying notes are an integral part of these annual consolidated financial statements.

Nature of operations *(note 1)*

Commitments and contingencies *(note 12)*

Subsequent events *(note 22)*

Approved and authorized for issue by the Board of Directors on April 28, 2018

"Barry Fishman"  
Director

"Paul Lucas"  
Director

**ABCANN GLOBAL CORPORATION**  
**Consolidated Statements of Loss and Comprehensive Loss**  
*(Expressed in Canadian dollars)*

For the years ended

	December 31, 2017	December 31, 2016
<b>Revenue:</b>		
Product Sales	\$ 922,030	\$ 525,940
Other income	4,777	134,803
	\$ 926,807	\$ 660,743
Cost of sales (note 5)	(1,581,139)	(429,081)
Production salaries and wages	(732,491)	(866,361)
Production amortization and depreciation (notes 7 & 8)	(936,805)	(992,887)
Production supplies and expense	(427,792)	(647,391)
Gross loss before fair value adjustments	(2,751,420)	(2,274,977)
Gain on biological transformation (note 6)	598,526	1,726,537
<b>Gross loss</b>	<b>(2,152,894)</b>	<b>(548,440)</b>
<b>Expenses:</b>		
Salaries and wages (note 16)	2,885,786	1,910,976
Selling expense	260,439	-
Amortization and depreciation (notes 7 & 8)	166,713	40,102
Stock-based payments (notes 10, 16 & 18)	5,171,079	1,584,344
Consulting fees	1,278,201	345,371
Research & development	1,097,930	253,968
Professional fees	1,335,502	184,288
Office expense	651,262	344,131
Travel	381,504	125,521
Advertising & promotion	1,734,473	21,886
Communication	58,077	49,307
Vehicle	53,008	48,699
Rent	52,750	24,000
Insurance	50,662	27,029
Property tax	26,816	51,754
(Gain)loss on change in fair value of derivative liability (note 11)	1,472,327	(483,173)
Listing costs (note 4)	6,220,818	-
Impairment of loan receivable (notes 13, 14 & 19)	252,769	18,050
Finance expense (notes 9, 15 & 17)	4,443,327	1,207,359
Finance income	(127,590)	(13,489)
Foreign exchange loss	(264)	-
<b>Loss from operations before income taxes</b>	<b>29,618,483</b>	<b>6,288,563</b>
Income tax recovery - deferred (note 21)	362,731	61,286
<b>Net loss</b>	<b>\$ 29,255,752</b>	<b>\$ 6,227,277</b>
<b>Other Comprehensive Loss</b>		
<i>Amounts that may be reclassified subsequently to profit or loss:</i>		
Foreign exchange transaction loss	\$ (7,525)	\$ -
<b>Comprehensive Loss</b>	<b>\$ 29,263,277</b>	<b>\$ 6,227,277</b>
<b>Net loss per share</b>		
Basic and diluted	\$ 0.28	\$ 0.10
Weighted average shares outstanding	105,680,119	64,508,367

The accompanying notes are an integral part of these annual consolidated financial statements.



**ABCANN GLOBAL CORPORATION**  
**Consolidated Statements of Changes in Shareholders' (Deficiency) Equity**  
*(Expressed in Canadian dollars)*

	Common Shares	Contributed Surplus	Warrant Reserve	Deficit	Accumulated	
					Comprehensive Loss	Total
Balance, January 1, 2016	\$ 6,938,232	\$ 2,516,946	\$ 4,303,524	\$ (11,007,406)	\$ -	\$ 2,751,296
Common shares issued for cash	118,200	-	-	-	-	118,200
Common shares issued for services	100,412	-	-	-	-	100,412
Exercise of options	10,225	(10,225)	-	-	-	-
Stock-based payments	-	1,584,344	-	-	-	1,584,344
Issuance of convertible debt	-	47,294	121,887	-	-	169,181
Net loss for the year	-	-	-	(6,227,277)	-	(6,227,277)
<b>Balance, December 31, 2016</b>	<b>\$ 7,167,069</b>	<b>\$ 4,138,359</b>	<b>\$ 4,425,411</b>	<b>\$ (17,234,683)</b>	<b>\$ -</b>	<b>\$ (1,503,844)</b>
Common shares issued for cash	17,851,462	-	660,280	-	-	18,511,742
Common shares issued for services	332,500	-	-	-	-	332,500
Exercise of options	740,409	(524,641)	-	-	-	215,768
Stock-based payments	415,379	957,816	-	-	-	1,373,195
Issuance of replacement 2016 Debentures	-	2,691,000	-	-	-	2,691,000
Issuance of warrants	-	-	1,353,061	-	-	1,353,061
Issuance of December 2017 Debenture	-	-	-	-	-	6,075,065
Partial conversion of Officer Debenture and interest payable	542,874	-	-	-	-	542,874
Partial settlement of loans payable	668,226	-	319,561	-	-	987,787
Partial settlement of interest payable on 2016 Debentures	279,789	-	-	-	-	279,789
Conversion of 2015 Debenture	2,647,963	-	-	-	-	2,647,963
Conversion of 2016 Debenture	5,623,924	(2,691,000)	-	-	-	2,932,924
Conversion of May 2017 Debenture	16,468,861	-	-	-	-	16,468,861
Exercise of broker warrants	1,645,961	-	(655,511)	-	-	990,450
Exercise of warrants	21,192,378	-	(5,553,072)	-	-	15,639,306
Expiry of warrants	-	3,995	(3,995)	-	-	-
Shares retained by Panda shareholders	4,250,000	-	-	-	-	4,250,000
Warrants retained by Panda shareholders	-	-	1,508,398	-	-	1,508,398
Net loss for the period	-	-	-	(29,255,752)	-	(29,255,752)
Other comprehensive loss	-	-	-	-	(7,525)	(7,525)
<b>Balance, December 31, 2017</b>	<b>\$ 79,826,795</b>	<b>\$ 10,650,594</b>	<b>\$ 2,054,133</b>	<b>\$ (46,490,435)</b>	<b>\$ (7,525)</b>	<b>\$ 46,033,562</b>

The accompanying notes are an integral part of these annual consolidated financial statements.

**ABCANN GLOBAL CORPORATION**  
**Consolidated Statements of Cash Flows**  
*(Expressed in Canadian dollars)*

For the year ended

	December 31, 2017	December 31, 2016
<b>Cash flow from operating activities</b>		
Net loss	\$ (29,255,752)	\$ (6,227,277)
Add (deduct) items not involving cash		
Accretion and accrued interest	2,541,507	802,657
Amortization and depreciation	1,103,519	1,032,989
Stock-based payments	5,171,079	1,684,756
Issuance of shares in exchange for services	332,500	-
Gain on biological transformation	(598,526)	(1,726,537)
Non-cash listing costs	5,329,383	-
Loss (gain) on change in fair value of derivative liability	1,472,327	(483,173)
Impairment of inventory	-	178,727
Impairment of loan receivable	252,769	18,050
Income tax recovery	(362,731)	(61,286)
Change in non-cash working capital		
Accounts receivable	(155,777)	(42,221)
Other receivables	(520,640)	222,740
Inventory	1,220,113	250,354
Prepaid expenses	29,383	16,145
Accounts payable and accrued liabilities	2,016,333	663,014
	<b>(11,424,513)</b>	<b>(3,671,062)</b>
<b>Cash flow from financing activities</b>		
Private placement of shares, net of issuance costs	27,674,473	118,200
Repayment of mortgages payable	-	(1,070,678)
Advances from (to) related parties	(40,511)	(14,953)
Issuance of convertible debentures, net of issuance costs	44,502,061	5,423,929
Exercise of options	215,768	-
Exercise of warrants	15,939,305	-
Exercise of broker warrants	990,450	-
Receipt (repayment) of mortgages payable	(350,000)	-
Receipt (repayment) of loan payable	(200,000)	1,182,000
	<b>88,731,546</b>	<b>5,638,498</b>
<b>Cash flow from investing activities</b>		
Investment in property and equipment	(6,467,094)	(196,451)
Investment in intangible assets	(39,509)	(40,000)
Deposits	-	(383,814)
Net cash acquired in reverse acquisition	566,688	-
Issuance of loan receivable	(1,924,520)	-
Proceeds from mortgage receivable	1,382	1,276
	<b>(7,863,053)</b>	<b>(618,989)</b>
<b>Effect of foreign exchange rate changes on cash</b>	<b>(8,959)</b>	<b>-</b>
<b>Increase in cash</b>	<b>69,435,021</b>	<b>1,348,447</b>
<b>Cash, beginning of year</b>	<b>1,369,867</b>	<b>21,420</b>
<b>Cash, ending of year</b>	<b>\$ 70,804,888</b>	<b>\$ 1,369,867</b>

The accompanying notes are an integral part of these annual consolidated financial statements.

## 1. Nature of Operations

ABcann Global Corporation (“**ABcann**” or the “**Company**”) (formerly Panda Capital Inc. (“**Panda**”)) was incorporated under the *Canada Business Corporations Act* on April 12, 2007. The Company’s principal business activity is the manufacturing and distribution of medical cannabis under a license issued by Health Canada to the Company’s wholly-owned subsidiary, ABcann Medicinals Inc. (“**ABcann Medicinals**”). ABcann’s registered office is located at 126 Vanluven Road, Napanee, Ontario.

On April 28, 2017, the Company completed a reverse takeover transaction, pursuant to which ABcann Medicinals amalgamated with a wholly-owned subsidiary of the Company (note 4). The Company’s common shares resumed trading on the TSX Venture Exchange (the “**TSXV**”) under the symbol “ABCN” on May 4, 2017.

## 2. Basis of Presentation

### (a) Statement of compliance

These annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”). The accounting policies set out below have been applied consistently to all periods presented.

These consolidated financial statements were approved by the Company’s board of directors on April 28, 2018.

### (b) Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and biological assets that are measured at fair value, as detailed in the Company’s accounting policies.

### (c) Functional and presentation currency

The Company and its subsidiaries’ functional currency, as determined by management is the Canadian dollar. These consolidated financial statements are presented in Canadian dollars.

### (d) Principles of consolidation

The Company consolidates its interest in entities which it controls. Control is defined by the power to govern an entity’s financial and operating policies so as to be able to obtain benefits from its activities. All intercompany balances and transactions have been eliminated on consolidation. The principal wholly owned subsidiaries of the Company that have been consolidated are as follows:

- ABcann Medicinals Inc., Canada
- Green Earth Realty Inc., Canada
- Patients’ Choice Botanicals Inc., Canada
- Universal Botanicals Inc., Canada
- ABcann Germany GmbH, Germany
- ABcann Australia Pty Ltd, Australia

(e) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Management has applied significant estimates and assumptions related to the following:

*Biological assets and inventory*

Management is required to make a number of estimates in calculating the fair value of biological assets and harvested cannabis inventory. These estimates include a number of assumptions such as estimating the stage of growth of the cannabis, harvesting costs, sales price, and expected yields.

*Derivative liability*

Convertible debentures may result in a variable number of the Company's common shares being issued and therefore may be considered a derivative liability measured at fair value.

The Company uses closed form pricing models such as Black-Scholes model for Level 2 recurring fair value measurements and Monte-Carlo simulation for Level 3 recurring fair value measurements to estimate fair value at each reporting date. The key assumptions used in the model are the expected future volatility in the price of the Company's common shares, the price of the Company's common shares and the expected life of the convertible debenture.

*Fair value of stock options and restricted share units*

Management uses the Black-Scholes option-pricing model to calculate the fair value of stock options and restricted share units. Use of this method requires management to make assumptions and estimates about the expected life of options, warrants and units, the risk free rate and the volatility of the Company's share price. In making these assumptions and estimates, management relies on historical market data. Estimation uncertainty relates to the fact that the Company is relatively thinly traded which may reduce the reliability of market data.

### **3. Significant Accounting Policies**

A summary of the significant accounting policies, which have been applied consistently to all periods presented in the accompanying consolidated financial statements are set out below:

Revenue

Revenue is recognized at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognized when all the following conditions have been satisfied, which are generally met once the products are shipped to customers:

- The Company has transferred the significant risks and rewards of ownership of the goods to the purchaser;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;

ABcann Global Corporation  
**Notes to the Consolidated Financial Statements**  
*For the years ended December 31, 2017 and 2016*

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- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Biological assets

The Company measures biological assets, consisting of medical cannabis plants, at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Unrealized gains or losses arising from the changes in fair value less cost to sell during the year are included in the consolidated statement of income (loss) for the related year.

The Company does not recognize the mother plants used for cloning the production medical cannabis plants on the consolidated statement of financial position, since such plants are in the scope of IAS 16 – *Bearer plants*, but only have a useful life of less than one year.

Any costs related to the production of biological assets are treated as periodic expense and are included in the consolidated statement of income (loss) for the related year.

#### Inventory

Inventories of harvested cannabis and packing materials are valued at the lower of cost and net realizable value. Cannabis is transferred from biological assets at its fair value at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the average cost basis. Products for resale and supplies and consumables are valued at the lower of cost and net realizable value.

#### Research and development

Research costs are expensed in the year incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and developments costs are expensed when the contracted work has been performed or as milestone results have been achieved. Company-sponsored research and development costs related to both present and future products are expensed in the period incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures will be expensed as incurred. No development costs have been capitalized to date.

#### Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment. Likewise, when a major inspection is performed, its cost is recognized in the carrying value of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of loss and comprehensive loss as incurred.

Depreciation is calculated on a straight line basis over the expected useful life of the asset as follows:

Office furniture and equipment	– 2-5 years
Computer equipment	– 2 years

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Building and improvements	– 5-25 years
Production equipment	– 5 years
Vehicles	– 3 years
Fencing	– 10 years

No amortization is taken on assets under construction until the relevant asset has been put into use. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of loss and comprehensive loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

#### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

Costs incurred to acquire and/or develop the Company's workflow system are capitalized and amortized on a straight line basis over the expected useful life of the asset of 2 years. Costs incurred to develop the Company's websites are capitalized and amortized on a straight line basis over the expected useful life of the asset of 3 years. The Company does not hold any intangible assets with indefinite lives.

#### Impairment of non-financial assets

Intangible assets with a finite useful life are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

#### Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

A derivative is a financial instrument whose value changes in response to a specified variable, requires little or no net investment and is settled at a future date.

At initial recognition, the Company classifies its financial instruments in the following categories:

- (i) *Financial assets and liabilities at fair value through profit or loss*: a financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Gains and losses arising from

changes in fair value are presented in the consolidated statements of loss and comprehensive loss within other expense (income) in the period in which they arise.

- (ii) *Loans and receivables*: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.
- (iii) *Available for sale financial assets*: Available for sale assets are non-derivative financial assets that are designated as available for sale and are not categorized into any of the other categories described above. They are initially recognized at fair value including direct and incremental transaction costs. They are subsequently recognized at fair value. Gains and losses arising from changes in fair value are included as a separate component of equity until sale, when the cumulative gain or loss is transferred to the consolidated statements of loss and comprehensive loss. Interest is determined using the effective interest method, and impairment losses and translation differences on monetary items are recognized in the consolidated statements of loss and comprehensive loss. The Company does not have any available for sale assets.
- (iv) *Financial liabilities at amortized cost*: Financial liabilities at amortized cost are composed of accounts payable. Trade payables and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce payables to fair value. Subsequently, accounts payables are measured at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

#### Impairment of financial assets

##### *Financial assets carried at amortized cost*

At each statement of financial position date, the Company assesses whether there is objective evidence a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the statements of loss and comprehensive loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For practical reasons, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

#### Loss per common share, basic and diluted

Basic loss per share is calculated by dividing the net loss for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. Stock options and warrants have been excluded from the calculation of diluted loss per share because their effect is anti-dilutive.

#### Income taxes

Income taxes are comprised of current and deferred tax. Income tax is recognized in the statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' equity, in which case the income tax is also recognized directly in shareholders' equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted at the statements of financial position dates and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable the assets can be recovered.

Deferred income tax assets and liabilities are presented as non-current.

#### Stock-based compensation and issuance of stock for non-cash consideration

The Company records stock-based compensation related to employee stock options granted using the estimated fair value of the options at the date of grant. The estimated fair value is expensed as employee benefits over the period in which employees unconditionally become entitled to the award. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related services and non-market performance conditions at the vesting date. The corresponding charge is to contributed surplus. Any consideration paid on the exercise of stock options is credited to common shares.

The Company estimates the fair value of stock options and restricted share units granted using the Black-Scholes valuation model. This model requires the Company to make estimates and assumptions including, among other things, estimates regarding the length of time an employee will retain vested stock options before exercising them, the estimated volatility of the Company's common share price and the number of options or restricted share units that will be forfeited prior to vesting. Changes in these estimates and assumptions can materially affect the determination of the fair value of stock-based compensation and consequently, the related amount recognized in the Company's statements of loss and comprehensive loss.

For equity-settled share-based payment transactions, the Company measures the goods and services received, and the corresponding increase in equity, directly, at the fair value of goods and services received, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, it measures their value by reference to the fair value of the equity instrument granted. Transactions measured by reference to the fair value of the equity instrument granted have their fair values re-measured each vesting and reporting date until fully vested.

#### Adoption of new accounting standards

**IAS 7 Disclosures**, required entities to provide disclosures in their financial statements about changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The adoption of this amendment did not have a material impact on the Company's consolidated financial statements.

**IAS 12 Income taxes** – Deferred Tax clarifies the recognition of deferred tax assets for unrealized losses. It was amended to specify (i) the requirement for recognizing deferred tax assets or unrealized losses; (ii) deferred



tax where an asset is measured at a fair value below the asset's tax base; and (iii) certain other aspects of accounting for deferred tax assets. The adoption of this amendment did not have a material impact on the Company's consolidated financial statements.

#### **Future Accounting Pronouncements**

**IFRS 2 Share-based Payment** was issued by the IASB in June 2016. These amendments provide clarification on how to account for certain types of share-based transaction. The amendments are effective for the annual period beginning on or after January 1, 2018. The Company has assessed the impact of these standards and have determined that they are not expected to have a significant impact on the Company's consolidated financial statements.

**IFRS 9, Financial Instruments**, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that related to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income, and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company has assessed the impact of these standards and have determined that they are not expected to have a significant impact on the Company's consolidated financial statements.

**IFRS 15, Revenue from Contracts with Customers**, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18, *Revenue*, and IAS 11, *Construction Contracts*, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier adoption is permitted. The Company has assessed the impact of these standards and have determined that they are not expected to have a significant impact on the Company's consolidated financial statements.

**IFRS 16 Leases** was issued by the IASB in January 2016 and specifies the requirements to recognize, measure, present and disclose leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Management is currently assessing the impact of adopting the standard. Management is currently assessing the impact of adopting the standard.

#### **4. Reverse Acquisition**

In April 2017, the Company completed a three-cornered amalgamation among the Company, ABcann Medicinals and a wholly-owned subsidiary of the Company incorporated solely for the purpose of completing the amalgamation, resulting in ABcann Medicinals becoming a direct, wholly-owned subsidiary of the Company. The amalgamation constituted a reverse acquisition of the Company by ABcann Medicinals, with the Company (being the legal parent) as the accounting acquiree and ABcann Medicinals (being the legal subsidiary) as the accounting acquirer. In connection with the closing of the reverse acquisition, the Company changed its name to "ABcann Global Corporation".

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In connection with the completion of the reverse acquisition, the Company acquired all of the issued and outstanding shares of ABcann Medicinals in exchange for the issuance of one common share of the Company for each outstanding common share of ABcann Medicinals. Each of the previously issued stock options and warrants to purchase common shares of ABcann Medicinals are now exercisable to acquire one common share of the Company.

This transaction has been accounted for as a reverse acquisition that does not constitute a business combination. The purchase price allocation for the Panda assets acquired and liabilities assumed was determined as follows:

<b>Consideration transferred</b>	
5,312,500 common shares at \$0.80 per share	\$ 4,250,000
2,500,000 warrants exercisable at \$0.24 per warrant	1,508,398
	<hr/>
	\$ 5,758,398
 <b>Net assets acquired</b>	
Cash	\$ 566,688
Accounts payable and accrued liabilities	(137,673)
	<hr/>
	429,015
Excess attributed to cost of listing	5,329,383
	<hr/>
	\$ 5,758,398
 <b>Listing cost:</b>	
Excess attributed to cost of listing	\$ 5,329,383
Legal	290,594
Consulting fees	266,003
Finder's fee	320,000
Other	14,838
	<hr/>
	\$ 6,220,818

For accounting purposes, these financial statements reflect a continuation of the financial position, operating results and cash flows of the Company's legal subsidiary, ABcann Medicinals.

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Notes to the Consolidated Financial Statements  
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## 5. Inventory

Inventory is comprised of the following:

	December 31, 2017	December 31, 2016
Harvested cannabis	\$ 965,518	\$ 1,335,922

Inventory recognized as an expense in cost of sales was \$1,581,139 for the year ended December 31, 2017 (2016 - \$429,081).

During the year ended December 31, 2017, the Company recognized inventory impairment in the amount of \$414,879 (2016 - \$178,727).

During the year, the Company recognized \$665,941 of research and development expenses (2016 - \$nil) related to inventory used in the research of cannabis oils.

## 6. Biological Assets

The Company's biological assets consist of seeds and medical cannabis plants. The continuity of biological assets for the years ended December 31, 2017 and 2016 is as follows:

	Amount
January 1, 2016	\$ 259,799
Increase in fair value, less costs to sell due to biological transformation	1,726,537
Transferred to inventory upon harvest	(1,492,261)
Balance, December 31, 2016	\$ 494,075
Increase in fair value, less costs to sell due to biological transformation	598,526
Transferred to inventory upon harvest	(849,709)
<b>Balance, December 31, 2017</b>	<b>\$ 242,892</b>

The Company initially values its cannabis plants as biological assets approximately one month into the growing stage. Growing time for a full harvest approximates just over three months. As listed below, key estimates are involved in the valuation process of the cannabis plants. The Company's estimates, by their nature, are subject to changes that could result in future gains or losses of biological assets. Changes in estimates could result from volatility of sales prices, changes in yields, and variability of the costs necessary to complete the harvest. Prior to harvest, all production costs are expensed.

The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions:

- (a) the selling prices, which are based on the Company's actual average selling price during the years ended December 31, 2017 and 2016;
- (b) the cost to complete the cannabis production process post-harvest, and the cost to sell;
- (c) the stage of plant growth; and
- (d) expected yields from each cannabis plant.

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The Company expects that a \$1 increase or decrease in the selling price per gram of dried cannabis would increase or decrease the fair value of biological assets by \$72,152 and \$53,146, respectively. A 5% increase or decrease in the estimated yield per cannabis plant would result in an increase or decrease in the fair value of biological assets of \$12,145. Additionally, an increase or decrease of 10% in the costs of production would increase or decrease the fair value of biological assets by \$12,102.

Net effect of changes in fair value of biological assets and inventory include:

Unrealized change in fair value of biological assets	\$ 194,144
Realized fair value increments on inventory sold in the year	\$ 404,382

## 7. Property, Plant and Equipment

	Land	Building and improvements	Computer equipment	Office furniture & equipment	Production equipment	Vehicles	Fencing construction	Assets under	Total
<b>Cost</b>									
At January 1, 2016	\$ 515,778	\$ 2,449,298	\$ 18,891	\$ 142,339	\$ 3,470,626	\$ 112,080	\$ 86,104	\$ -	\$ 6,795,116
Additions	473	-	14,848	111,972	69,158	-	-	-	196,451
Disposals									-
<b>At December 31, 2016</b>	<b>516,251</b>	<b>2,449,298</b>	<b>33,739</b>	<b>254,311</b>	<b>3,539,784</b>	<b>112,080</b>	<b>86,104</b>	<b>-</b>	<b>6,991,567</b>
Additions	1,794,158	846,570	45,760	18,124	4,135,275	7,470	-	3,551	6,850,908
Reclassification	-	-	-	(100,386)	100,386	-	-	-	-
Effect of changes in exchange rates	-	-	569	130	-	-	-	-	699
<b>At December 31, 2017</b>	<b>\$ 2,310,409</b>	<b>\$ 3,295,868</b>	<b>\$ 80,068</b>	<b>\$ 172,179</b>	<b>\$ 7,775,445</b>	<b>\$ 119,550</b>	<b>\$ 86,104</b>	<b>\$ 3,551</b>	<b>\$ 13,843,174</b>
<b>Accumulated depreciation</b>									
At January 1, 2016	\$ -	\$ 85,977	\$ 14,321	\$ 40,128	\$ 366,099	\$ 54,238	\$ 11,409	\$ -	\$ 572,172
Expense for the year	-	171,955	13,158	39,615	701,041	37,360	8,610	-	971,739
<b>At December 31, 2016</b>	<b>-</b>	<b>257,932</b>	<b>27,479</b>	<b>79,743</b>	<b>1,067,140</b>	<b>91,598</b>	<b>20,019</b>	<b>-</b>	<b>1,543,911</b>
Expense for the period	-	203,242	14,612	27,969	787,822	20,826	8,611	-	1,063,082
Effect of changes in exchange rates	-	-	15	31	-	-	-	-	46
<b>At December 31, 2017</b>	<b>\$ -</b>	<b>\$ 461,174</b>	<b>\$ 42,106</b>	<b>\$ 107,743</b>	<b>\$ 1,854,962</b>	<b>\$ 112,424</b>	<b>\$ 28,630</b>	<b>\$ -</b>	<b>\$ 2,607,039</b>
<b>Net book value</b>									
At January 1, 2016	\$ 515,778	\$ 2,363,321	\$ 4,570	\$ 102,211	\$ 3,104,527	\$ 57,842	\$ 74,695	\$ -	\$ 6,222,944
At December 31, 2016	\$ 516,251	\$ 2,191,366	\$ 6,260	\$ 174,568	\$ 2,472,644	\$ 20,482	\$ 66,085	\$ -	\$ 5,447,656
At December 31, 2017	\$ 2,310,409	\$ 2,834,694	\$ 37,962	\$ 64,436	\$ 5,920,483	\$ 7,126	\$ 57,474	\$ 3,551	\$ 11,236,135

The depreciation expense included in the production expense is \$936,805 (2016 - \$992,887).

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**8. Intangible Assets**

A continuity of the Company's intangible assets for the years ended December 31, 2017 and 2016 is as follows:

	Work flow technology		Websites		Total
<b>Cost</b>					
At January 31, 2016	\$	150,000	\$	-	150,000
Additions		40,000		-	40,000
At December 31, 2016	\$	190,000	\$	-	\$ 190,000
Additions		-		39,509	39,509
Effect of changes in exchange rates		-		817	817
<b>At December 31, 2017</b>	<b>\$</b>	<b>190,000</b>	<b>\$</b>	<b>40,326</b>	<b>\$ 230,326</b>
<b>Accumulated depreciation</b>					
At January 1, 2016	\$	85,000	\$	-	\$ 85,000
Expense for the year		61,250		-	61,250
At December 31, 2016	\$	146,250	\$	-	\$ 146,250
Expense for the period		33,750		6,687	40,437
Effect of changes in exchange rates		-		35	35
<b>At December 31, 2017</b>	<b>\$</b>	<b>180,000</b>	<b>\$</b>	<b>6,722</b>	<b>\$ 186,722</b>
<b>Net book value</b>					
At January 1, 2016	\$	65,000	\$	-	\$ 65,000
At December 31, 2016	\$	43,750	\$	-	\$ 43,750
<b>At December 31, 2017</b>	<b>\$</b>	<b>10,000</b>	<b>\$</b>	<b>33,604</b>	<b>\$ 43,604</b>

**9. Mortgage Payable**

	December 31,	
	2017	December 31, 2016
Mortgage payable at 8.5% per annum	\$ -	\$ 350,000
Current	-	350,000
<b>Total</b>	<b>\$ -</b>	<b>\$ 350,000</b>

The mortgage payable at 8.5% per annum was secured by a first charge over certain specified properties. The mortgage was fully discharged during the year. Interest expense on mortgages payable was \$21,795 for the year ended December 31, 2017 (2016 - \$146,103).

## 10. Shareholders' (Deficiency) Equity

### Authorized share capital

The Company is authorized to issue an unlimited number of common shares.

### Outstanding share capital

	Number of shares	Amount
<b>Balance, January 1, 2016</b>	<b>64,311,508</b>	<b>\$ 6,938,232</b>
Common shares issued for cash (i)	224,787	118,200
Common shares issued for services (ii)	244,844	100,412
Exercise of options (iii)	25,000	10,225
<b>Balance as at December 31, 2016</b>	<b>64,806,139</b>	<b>\$ 7,167,069</b>
Common shares issued for cash, net of issuance costs (v)	24,341,761	17,851,462
Common shares issued for services (v)	430,488	332,500
Partial conversion of Officer Debenture (vi)	1,512,195	542,874
Partial settlement of loans payable (vii)	2,409,235	668,226
Partial settlement of interest payable on 2016 Debentures (viii)	333,082	279,789
Conversion of 2015 Debenture (ix)	5,747,271	2,647,963
Conversion of 2016 Debenture (x)	8,222,656	5,623,924
Conversion of May 2017 Debentures (xi)	14,423,076	16,468,861
Exercise of options (xii)	1,187,078	740,409
Exercise of broker warrants (xiii)	1,738,079	1,645,961
Exercise of warrants (xiv)	23,945,453	21,192,378
Shares issued pursuant to the acquisition of Panda (xv)	5,312,500	4,250,000
Grant of shares for compensation (xvi)	1,575,000	415,379
<b>Balance as at December 31, 2017</b>	<b>155,984,013</b>	<b>\$ 79,826,795</b>

As at December 31, 2017 and December 31, 2016, there were no shares issued and outstanding other than common shares.

### *Year ended December 31, 2016*

- i) During the year, the Company issued 224,787 common shares for gross proceeds of \$118,200.
- ii) During the year, the Company issued 244,844 common shares valued at \$0.41 per share for settlement of engineering and other services rendered to the Company.
- iii) During the year, 25,000 stock options were exercised into common shares for nominal proceeds. In addition, \$10,225 of contributed surplus attributable to the exercised options was reclassified to share capital.

### *Year ended December 31, 2017*

- iv) In January 2017, the Company received gross proceeds of \$990,000 from the issuance of 2,414,633 common shares and 2,414,633 warrants, each of which is exercisable into one common share at a price of \$0.50 and expires 2 years from issuance.

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In April 2017, the Company completed a private placement of 14,750,000 subscription receipts at a price of \$0.80 per subscription receipt for gross proceeds of \$11,800,000. Each subscription receipt was immediately converted into one common share on the same date as the completion of the private placement. Share issuance costs consisted of \$763,609 paid in cash, \$408,370 paid via issuance of 510,462 common shares, and 929,250 broker warrants, each of which entitles the holder to purchase one common share at \$0.80 until April 28, 2019. The broker warrants were valued at \$285,352 and have been recorded in shareholders' equity under warrant reserve.

In August 2017, the Company received gross proceeds of \$15,000,000 from the issuance of 6,666,666 common shares to Cannabis Wheaton Income Corp., pursuant to a binding agreement to finance the construction of additional cultivation space. The Company recognized \$8,800,000 of deferred revenue, which represents the premium over the closing price of the Company's common shares.

- v) During the year ended December 31, 2017, the Company issued 30,488 common shares valued at \$0.41 per share for services rendered. In April 2017, in conjunction with the closing of the reverse acquisition (note 4), a finders' fee of \$320,000 was paid via issuance of 400,000 common shares, and has been recorded as listing costs.
- vi) During the year ended December 31, 2017, \$620,000 of the Officer Debenture and accrued interest (as defined in note 17) was converted into 1,512,195 common shares at a conversion price of \$0.41 per share.
- vii) During the year ended December 31, 2017, the Company issued 2,409,235 common shares valued at \$0.41 per share pursuant to settlements of certain loans payable (note 15).
- viii) In September 2017, \$279,789 of interest payable owing on the 2016 Debentures (as defined in note 17) was converted into 333,082 common shares at a conversion price of \$0.84 per share.
- ix) In conjunction with the closing of the reverse acquisition, the 2015 Debentures (as defined in note 17) were converted into 5,747,271 common shares.
- x) During the year, the 2016 Debentures (as defined in note 17) were converted into 8,222,656 common shares.
- xi) During the year, the May 2017 Debentures (as defined in note 17) were converted into 14,423,076 common shares.
- xii) During the year, 1,187,078 stock options were exercised into common shares for total proceeds of \$215,767. In addition, \$524,642 of contributed surplus attributable to the exercised options was reclassified to share capital.
- xiii) During the year, 1,738,079 broker warrants were exercised into common shares for total proceeds of \$990,485. In addition, \$655,511 of warrant reserve attributable to the exercised broker warrants was reclassified to share capital.
- xiv) During the year, 23,945,453 warrants were exercised into common shares for total proceeds of \$15,639,306. In addition, \$5,553,072 of warrant reserve attributable to the exercised warrants was reclassified to share capital.
- xv) As part of the reverse acquisition, 5,312,500 common shares were retained by Panda shareholders. These shares were valued at \$0.80 for a total of \$4,250,000.

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xvi) During the year, 1,575,000 common shares were issued as compensation to management, at prices between \$0.83 and \$1.16 per share. The shares vest semi-annually over 30 to 36 months. The Company recognized \$415,379 during the year with respect to the vesting of shares granted. As at December 31, 2017, 195,833 common shares were fully vested.

Warrants

Each warrant entitles the holder to purchase a common share at a set price and is exercisable at the option of the holder for a set period of time.

The following table sets out information regarding warrants issued by the Company:

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Outstanding, January 1, 2016	20,838,147	\$0.61
Issued in conjunction with amendment of 10% interest bearing loan (note 16)	7,768,000	\$0.41
Outstanding, December 31, 2016	28,606,147	\$0.56
Issued during private placement	2,414,633	\$0.50
Issued in conjunction with partial settlement of loans payable	2,409,235	\$0.50
Issued pursuant to reverse acquisition	2,500,000	\$0.24
Issuance of broker warrants	929,250	\$0.80
Issued pursuant to 2016 Debentures	3,906,250	\$0.80
Penalty warrants issued for no consideration	500,000	\$0.80
Expiry of warrants	(18,353)	\$0.62
Exercise of warrants	(23,495,453)	\$0.65
Exercise of broker warrants	(1,738,079)	\$0.57
<b>Outstanding, December 31, 2017</b>	<b>15,563,630</b>	<b>\$0.42</b>

In 2016, 7,768,000 warrants were issued in conjunction with the amendment of certain loans payable (see note 15). The fair value of the warrants was \$121,887.

In 2017, 2,414,633 warrants were issued in connection with private placements undertaken by the Company. The fair value of the warrants was \$660,280.

2,409,235 warrants were issued to settle certain loans payable during the year. The fair value of these warrants was \$319,561. As part of the reverse acquisition (note 4), the Company issued 2,500,000 warrants at an exercise price of \$0.80. These warrants were immediately exercised into common shares of the Company. In addition, 500,000 warrants were issued for no consideration related to a penalty clause in prior issuances of common shares as the Company had not completed a going public transaction.



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The fair value of each group of warrants on the date granted was estimated using the Black-Scholes valuation model. The following assumptions were used:

	<b>2017</b>	<b>2016</b>
Volatility	<b>70%</b>	70%
Risk-free interest rate	<b>0.72 to 1.17%</b>	1.06%
Expected life (years)	<b>2 years</b>	5 years
Dividend yield	<b>Nil</b>	Nil
Forfeiture rate	<b>0%</b>	0%
Share price	<b>\$0.41 to \$0.80</b>	\$0.41

The following table presents information related to warrants outstanding as at December 31, 2017:

<b>Weighted average exercise price</b>	<b>Number of Warrants</b>	<b>Weighted average remaining life (years)</b>
\$0.42	15,563,630	2.65

Incentive stock options

The Company has stock based compensation arrangements to encourage ownership of the Company's common shares by its officers, directors, employees and certain non-employees. The maximum number of common shares granted, vesting period and contractual life of the options under these arrangements shall be determined from time to time by the board of directors of the Company (the "Board"). The exercise price for each option shall be determined by the Board based on the fair market value of the Company's common shares on the date of grant, as estimated using the Black-Scholes model.

The following table summarizes the Company's stock option activity for the periods indicated:

	<b>Number of Options</b>	<b>Weighted average exercise price</b>
Outstanding, December 31, 2015	4,765,000	\$0.46
Granted	3,940,122	\$0.34
Forfeited	(50,000)	\$0.41
Exercised	(25,000)	\$0.001
Outstanding, December 31, 2016	8,630,122	\$0.40
Granted	3,768,166	\$0.81
Exercised	(1,187,078)	\$0.18
Cancelled	(300,000)	\$0.50
<b>Outstanding, December 31, 2017</b>	<b>10,911,210</b>	<b>\$0.57</b>

In 2016, 3,940,122 stock options were granted, with 3,840,122 vesting immediately upon the grant date. The remaining balance of the options granted vested over 7 months. The options had an aggregate fair value of \$1,441,816.

25,000 stock options were exercised in 2016 for nominal proceeds. In addition, \$10,225 of contributed surplus attributable to the exercised options was reclassified to share capital.

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In 2017, 3,768,166 stock options were granted, of which 1,079,000 vest monthly over 12 months, 2,650,000 vest monthly over 36 months, and the remaining balance of the options granted vest quarterly over 12 months. The options had an aggregate fair value of \$1,456,949.

1,187,078 stock options were exercised in 2017 for total proceeds of \$215,768. \$524,641 of contributed surplus attributable to the exercised options was reclassified to share capital.

The Company recognized \$957,816 of expense related to stock options for the year ended December 31, 2017, and \$1,584,344 for the year ended December 31, 2016.

The fair value of each group of stock options on the date granted was estimated using the Black-Scholes valuation model. The following assumptions were used:

	<b>2017</b>	<b>2016</b>
Volatility	<b>70%</b>	70% to 80%
Risk-free interest rate	<b>0.85% to 1.62%</b>	1.06% to 1.39%
Expected life (years)	<b>5 years</b>	5 to 10 years
Dividend yield	<b>Nil</b>	Nil
Forfeiture rate	<b>0%</b>	0%
Share price	<b>\$0.41 to \$1.16</b>	\$0.41 or \$0.53

The following table presents information related to stock options outstanding as at December 31, 2017:

<b>Weighted average exercise price</b>	<b>Number of Options</b>	<b>Vested</b>	<b>Weighted average remaining life (years)</b>
\$0.41	5,671,951	5,636,951	4.05
\$0.50	2,200,000	2,200,000	1.22
\$0.80	1,050,093	690,426	4.34
\$0.83	1,250,000	138,888	4.68
\$1.16	739,166	39,860	4.88
<b>Balance as at December 31, 2017</b>	<b>10,911,210</b>	<b>8,706,125</b>	<b>3.63</b>

## 11. Derivative Liability

### *2015 Debentures*

The 2015 Debentures (see note 17) issued by the Company contain down round protection on the conversion feature. If the down round protection is enacted, there would be variability in the number of common shares issuable on conversion. In accordance with IFRS, a contract to issue a variable number of shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss at each period-end. The derivative liability will ultimately be converted into the Company's equity (common shares) when the convertible debenture is converted, or will be extinguished on the repayment of the debentures, and will not result in the outlay of any additional cash by the Company.

The Company used a Monte-Carlo simulation and the Black-Scholes model to estimate fair value of the derivative liability with respect to the 2015 Debentures at each reporting date. This is a Level 3 recurring fair

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value measurement (note 20). The key Level 3 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's shares and the expected life of the 2015 Debentures. The following assumptions were used:

	<b>April 28, 2017*</b>	December 31, 2016
Volatility	<b>70%</b>	70%
Risk-free interest rate	<b>0.72%</b>	0.52%
Expected life (years)	<b>0.54 years</b>	0.86 years
Share price	<b>\$0.41</b>	\$0.53
* <i>Date of conversion</i>		

Upon initial recognition, the Company recorded a derivative liability of \$706,835 in 2015 and \$278,446 in 2016, and expensed related transaction costs of \$50,765 and \$7,013, respectively. During the year ended December 31, 2017, the Company recorded a loss of \$398,113 (2016 – gain of \$357,722) on revaluation of the derivative liability. In conjunction with the closing of the reverse acquisition, the 2015 Debentures were converted into 4,314,677 common shares and 1,432,594 warrants, each of which was exercisable into one common share at \$0.21 per share and was to expire 2 years from the issuance date. The warrants were immediately exercised. The Company recorded \$981,473, representing the fair value of the derivative liability at the conversion date, as share capital.

*2016 Debentures*

The 2016 Debentures (see note 17) could be converted at the option of the holder into common shares at a conversion price equal to a 20% discount to the transaction price assigned to each share of the Company on completion of a go-public transaction. As the conversion price depended on the go-public price, there was variability in the number of shares that could be issued. Therefore, the Company classified the 2016 Debentures as a derivative liability.

The Company used the Black-Scholes model to estimate the fair value of the derivative liability with respect to the 2016 Debentures at each reporting date. This is a Level 2 recurring fair value measurement (note 20). The key Level 2 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's shares and the expected life of the 2016 Debentures. The following assumptions were used:

	<b>April 28, 2017</b>	December 31, 2016
Volatility	<b>70%</b>	70%
Risk-free interest rate	<b>0.72%</b>	0.75%
Expected life (years)	<b>1.47 years</b>	1.50 years

With respect to the 2016 Debentures, upon initial recognition, the Company recorded a derivative liability of \$3,660,996 and expensed \$45,808 in transaction costs. During the year ended December 31, 2017, the Company recorded a loss of \$143,733 on revaluation of the derivative liability (2016 - \$125,451). At the closing of the reverse acquisition, these notes were replaced with new notes on substantially the same terms (note 17), with the conversion price affixed. As a result, the Company reclassified the derivative liability of \$2,691,000, representing the fair value of the conversion feature, to contributed surplus. The Company also issued 3,906,250 warrants pursuant to terms of the 2016 Debentures (note 10). The Company reclassified \$1,199,522 of the derivative liability, representing the fair value of the warrants at the time of issuance, to warrant reserve. During the year ended December 31, 2017, the 2016 Debentures were converted into 8,222,656 common shares. Upon conversion, the Company reclassified \$2,691,000, being the value of the conversion feature, from contributed surplus to share capital.

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*May 2017 Debentures*

The May 2017 Debentures (see note 17) contained down round protection on the conversion feature. If the down round protection was enacted, there would be variability in the number of shares issued. In accordance with IFRS, a contract to issue a variable number of shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss at each period-end. The derivative liability will ultimately be converted into the Company's equity (common shares) when the convertible debenture is converted, or will be extinguished on the repayment of the debentures, and will not result in the outlay of any additional cash by the Company.

The Company used the Black-Scholes model to estimate the fair value of the derivative liability with respect to the 2017 Debentures at each reporting date. This is a Level 2 recurring fair value measurement (note 20). The key Level 2 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's shares and the expected life of the 2017 Debentures. The following assumptions were used:

	<b>December 31, 2017</b>	December 31, 2016
Volatility	<b>70%</b>	n/a
Risk-free interest rate	<b>1.57%</b>	n/a
Expected life (years)	<b>0-3 years</b>	n/a

With respect to the May 2017 Debentures, upon initial recognition, the Company recorded a derivative liability of \$4,507,687 and \$50,000 in transaction costs. During the year ended December 31, 2017, the Company recorded a loss of \$719,236 (2016 - \$nil) on revaluation of the derivative liability. The May 2017 Debentures were converted, in full, during the year. As a result, the Company reclassified the derivative liability of \$5,266,933, representing the fair value of the conversion feature, to share capital.

## **12. Commitments and Contingencies**

### Litigation

In the normal course of business, the Company may be involved in legal proceedings, claims and assessments arising in the ordinary course of business. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Legal fees for such matters are expensed as incurred and we accrue for adverse outcomes as they become probable and estimable.

The Company has been named a defendant in certain legal actions. Management is of the opinion that there is a strong defense against the claims. Accordingly, no provision for losses has been reflected in the accounts of the Company. Furthermore, for one of the legal actions, a co-defendant has signed an indemnity agreement, dated December 12, 2014, agreeing to indemnify and hold harmless the Company from and against all costs, damages, losses and liabilities arising from the legal action.

### Commitments

#### *University of Guelph*

Effective January 1, 2015, the Company entered into a research contract with the University of Guelph which will continue for a term of the earlier of three years or the completion of the project. During the year, the agreement was extended to the earlier of December 31, 2018 and the completion of the project. The estimated payment schedule is as follows:

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2018            \$330,000

*Cannabis Wheaton*

On May 29, 2017, the Company entered into a binding interim agreement with Cannabis Wheaton Income Corp. (“CW”). Pursuant to the agreement, upon the closing of cumulative investments in the Company from CW of \$30 million, the Company shall fund the construction of an additional 50,000 square feet of cultivation space at the Company’s proposed cannabis cultivation facility to be located in Napanee, Ontario. CW would be entitled to 50% of the cultivation yield of such additional 50,000 square feet of newly constructed cultivation space.

*Office Sublease*

The Company has subleased an office in Toronto, Ontario for \$1,800 per month. The sublease is on a month-to-month basis and can be terminated by either party on 60 days’ written notice.

**13. Loans Receivable**

	<b>December 31, 2017</b>	December 31, 2016
Loan receivable from third party	\$ -	\$ 160,000
Loan receivable from entities controlled by an officer of a subsidiary	<b>1,924,520</b>	-
Loan receivable from employees	-	18,050
Less: allowance on loans receivable	-	(178,050)
Less: impairment of loans receivable	<b>(252,769)</b>	-
<b>Loans receivable balance</b>	<b>\$ 1,671,751</b>	\$ -

During the year ended December 31, 2017, the Company advanced \$1,924,520 (2016 - \$nil) to entities controlled by a former officer of a subsidiary of the Company to develop the Company’s German cannabis business (note 16). The advances are interest free and due on demand. During the year, the Company impaired \$252,769 with respect to these advances (2016 - \$nil).

As at December 31, 2016, the Company had advanced \$160,000 to a third party. The loan was interest-bearing at the prime lending rate plus 3%. The Company had also advanced \$18,050 to certain employees, which were non-interest bearing and due upon demand. In 2016, the Company recognized an impairment allowance for these loans receivable, and the carrying value of these advances was \$nil as at December 31, 2016.

**14. Mortgage Receivable**

As part of a disposition of property, the Company took back a mortgage in the amount of \$100,000 that bears interest at a rate of 8%, with monthly payments of \$763 on account of principal and interest, commencing April 30, 2015. The mortgage was originally due March 31, 2017 and was extended from its original maturity for another one year . Subsequent to the year-end, the mortgage was extended to March 31, 2019, during which the balance owing can be repaid in full at any time.

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**15. Loans Payable**

	<b>December 31, 2017</b>	December 31, 2016
12% interest bearing loan owed to a director of a subsidiary of the Company, repayable at the discretion of the Company	-	350,000
5% interest bearing loan owed to an officer of the Company, repayable at the discretion of the Company	-	481,863
5% interest bearing loan repayable at the discretion of the Company	-	150,000
7% interest bearing loan repayable upon a go-public transaction	-	100,000
<b>Loan payable balance</b>	<b>\$ -</b>	<b>\$ 1,081,863</b>

The Company recognized \$13,395 (2016 - \$192,500) of interest expense related to these loans for the year ended December 31, 2017, respectively.

During the year ended December 31, 2017, the Company settled \$250,000, plus accrued interest, of the 12% interest bearing loan owed to a director of the Company (note 16), via the issuance of 728,634 common shares and 728,634 warrants, each of which is exercisable into one common share at a price of \$0.50 per share for two years from the date of issuance.

During the year ended December 31, 2017, the Company settled \$481,863, plus accrued interest, of the 5% interest bearing loan owed to an officer of the Company (note 16), via the issuance of 1,282,873 common shares and 1,282,873, each of which is exercisable into one common share at a price of \$0.50 per share for two years from the date of issuance.

During year ended December 31, 2017, the Company settled \$150,000, plus accrued interest, of the 5% interest bearing loan owed to an arm's length party (note 16), via the issuance of 397,728 common shares and 397,728 warrants, each of which is exercisable into one common share at \$0.50 per share for two years from the date of issuance.

During the year ended December 31, 2017, the Company repaid the 7% interest bearing loan at the closing of the reverse acquisition (note 4).

**16. Related Party Transactions**

- (a) The Company was owed \$4,297 at December 31, 2017 from ABcann Medical Distributors Inc., a company under common control with a former director of the Company (December 31, 2016 - \$4,297).
- (b) At December 31, 2017, the Company was owed \$1,924,520 (2016 - \$nil) from entities controlled by an officer of a subsidiary of the Company. Subsequent to December 31, 2017, \$1,663,140 was assigned to a company controlled by a former director of the Company (see note 22(g)). During the year, the Company recorded impairment of \$252,769 (2016 - \$nil) with respect to these advances.

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- (c) Key management includes directors and officers of the Company. Compensation awarded to key management was comprised of the following for the years indicated:

	December 31, 2017	December 31, 2016
Short-term	\$ 1,572,487	\$ 742,181
Share-based payments	3,967,678	1,034,212
Total	\$ 5,540,165	\$ 1,776,693

## 17. Convertible Debentures

### *2015 Debentures*

On November 10, 2015, the Company entered into an agreement to issue convertible debentures having a principal amount of up to \$1,500,000 (the “**2015 Debentures**”). The 2015 Debentures bore interest at the rate of 12% per annum, with accrued interest and principal payable 2 years from the date of issuance. The 2015 Debentures and accrued interest could be converted at the option of the holder into common shares at a conversion price of \$0.41 per share. The 2015 Debentures contained a down round adjustment provision, which would adjust the conversion price if securities were issued at an effective price per share that was lower than the stated conversion price. This down round adjustment provision was considered a derivative liability, which was initially valued at \$706,835 in 2015, with an additional \$278,447 for the tranche issued during 2016 (note 11).

In addition, subject to the conversion of the 2015 Debentures into shares, the Company was required to issue a warrant to purchase common shares for gross proceeds of \$300,000 for that number of shares that, when taken with the number of shares issued under the conversion of the 2015 Debentures and the exercise of the warrant, would result in the weighted average purchase price for each common share issued to the debenture holder being equal to the conversion price less \$0.05.

The 2015 Debentures were automatically converted into common shares in connection with the closing of the reverse acquisition (note 4).

### *2016 Debentures*

On October 13, 2016, the Company issued senior secured convertible debentures in the aggregate principal amount of \$5,000,000 (the “**2016 Debentures**”), maturing October 13, 2018. The 2016 Debentures bore interest at the rate of 10% per annum, payable semi-annually beginning December 31, 2016. Upon a go-public transaction, the 2016 Debentures could be converted at the option of the holder into common shares at a conversion price equal to a 20% discount to the go-public price. In conjunction with the closing of the reverse acquisition (note 4), the 2016 Debentures were replaced with new debentures of the Company having substantially the same terms. The aggregate principal amount of the replacement debentures was \$5,262,500, which reflected inclusion of accrued interest from the date of issuance as part of the new principal amount. The Company did not consider the replacement as a substantial modification to the original 2016 Debentures. In addition, 3,906,250 warrants were issued in connection with the issuance of the replacement debentures, each of which is exercisable into one common share at an exercise price of \$0.80 per share for two years from the date of issue. In September 2017, the Company settled \$279,789 of interest payable on the 2016 Debentures via issuance of 333,082 common shares. During the year ended December 31, 2017, the total outstanding principal of \$5,262,500 was converted into 8,222,656 common shares (note 10).

#### *Officer Debenture*

During 2016, the Company amended the terms of a 10% interest bearing loan, which was outstanding to an officer and director of the Company (the “**Officer Debenture**”). The Officer Debenture and accrued interest can be converted at the option of the holder into common shares at a conversion price of \$0.41 per share. Following the amendment, the total face value of the Officer Debenture, including accrued interest, was \$1,442,000. The Company initially recognized \$1,211,532 as the fair value of the Officer Debenture, and \$169,983 was initially recognized in contributed surplus with respect to the value of the warrants and conversion feature. In conjunction with the amendment, the Company issued 7,768,000 warrants to the officer and director (note 10). During the year ended December 31, 2017, \$620,000 of the Officer Debenture was converted into 1,512,195 common shares.

#### *May 2017 Debentures*

During the year ended December 31, 2017, the Company issued senior secured convertible debentures in the aggregate principal amount of \$15,000,000 (the “**May 2017 Debentures**”), maturing April 28, 2020. The May 2017 Debentures could be converted at the option of the holder into common shares at a conversion price of \$1.04 per share, subject to adjustment as provided in the 2017 Debentures. The 2017 Debentures contained a down round adjustment provision, which adjusted the conversion price if securities were issued at an effective price per share that was lower than the stated conversion price. This conversion feature with down round adjustment provision was considered a derivative liability, which was initially valued at \$4,507,687 at issuance. During the year, the 2017 Debentures were converted, in full, into an aggregate of 14,423,076 common shares.

#### *December 2017 Debentures*

During the year ended December 31, 2017, the Company issued senior secured convertible debentures in the aggregate principal amount of \$30,000,000 (the “**December 2017 Debentures**”), maturing December 21, 2020. The December 2017 Debentures and accrued interest can be converted at the option of the holder into common shares at a conversion price of \$1.50 per share, subject to adjustment as provided in the December 2017 Debentures. The Company initially recognized \$22,056,922 as the fair value of the December 2017 Debentures, and \$6,075,065 was initially recognized in contributed surplus with respect to the value of the conversion feature. Subsequent to December 31, 2017, \$19,000,000 of the principal amount was converted into common shares (see note 22).



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	2015 Debtentures	2016 Debtentures	Officer Debtentures	2017 Debtentures	MMCAP Debtentures	Total
Balance, January 1, 2016	\$ 360,773	\$ -	\$ -	\$ -	\$ -	\$ 360,773
Amounts issued	450,000	5,000,000	1,442,000	-	-	6,892,000
Less: allocated to derivative liability	(278,447)	(3,660,995)	-	-	-	(3,939,442)
Less: allocated to equity component	-	-	(169,983)	-	-	(169,983)
Less: deferred tax liability	-	-	(61,286)	-	-	(61,286)
Less: issuance costs	(4,321)	(16,754)	(4,194)	-	-	(25,269)
Accretion	380,376	220,566	9,164	-	-	610,106
Accrued interest	192,551	-	-	-	-	192,551
Balance, December 31, 2016	\$ 1,100,932	\$ 1,542,817	\$ 1,215,701	\$ -	\$ -	\$ 3,859,450
Amounts issued	-	-	-	15,000,000	30,000,000	45,000,000
Less: allocated to derivative liability	-	-	-	(4,507,687)	-	(4,507,687)
Less: allocated to equity component	-	-	-	-	(5,764,491)	(5,764,491)
Less: deferred tax liability	-	-	-	-	(2,078,354)	(2,078,354)
Less: issuance costs	-	-	-	(34,975)	(100,233)	(135,208)
Accretion	265,558	1,125,107	49,908	784,600	51,334	2,276,507
Accrued interest	-	265,000	-	-	-	265,000
Conversion	(1,366,490)	(2,932,924)	(422,874)	(11,241,938)	-	(15,964,226)
<b>Balance, December 31, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 842,735</b>	<b>\$ -</b>	<b>\$ 22,108,256</b>	<b>\$ 22,950,991</b>

### 18. Restricted Share Unit Liability

During the year ended December 31, 2017, the Company adopted a restricted share unit (“RSU”) plan whereby RSUs may be granted to participants from time to time as determined by the Board. Each vested RSU entitles the participant, at his or her option, to receive one common share or cash equivalent based on the market price at the redemption date. The maximum number of RSUs which may be awarded under the RSU plan shall not exceed 3,000,000 RSUs.

During the year ended December 31, 2017, the Company granted 2,972,888 RSUs, vesting 12 months from the date of issuance. The Company has accounted for these RSUs as a compound instrument as they include an equity portion and a cash settled liability portion, although the amount attributed to equity is \$nil as the full value RSUs may be redeemed for cash or for shares upon vesting. During the year, the Company accelerated the vesting of 1,200,000 RSUs pursuant to the separation of a former director and officer. The fair value of RSUs measured based on the fair value of shares granted as the fair value of services cannot be reliably measured. The Company recorded \$3,644,346 (2016 - \$nil) of share-based compensation expense during the year ended December 31, 2017, of which \$1,738,805 (2016 - \$nil) related to the increase in share price of the Company.

## 19. Capital Management

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company defines capital as net equity and debt, comprised of issued common shares, warrants, contributed surplus and accumulated deficit, as well as mortgages and loans payable.

The Company's objective with respect to its capital management is to ensure it has sufficient cash resources to maintain its ongoing operations and finance its research and development activities, corporate and administration expenses, working capital and overall capital expenditures. Since inception, the Company has primarily financed its liquidity needs through private placements of common shares, mortgages and loans.

There have been no changes to the Company's objectives and what it manages as capital since the prior fiscal year. The Company is not subject to externally imposed capital requirements.

## 20. Financial Instruments and Risk Management

### Financial instruments

The Company has classified its cash and cash equivalents and derivative liability as fair value through profit and loss ("FVTPL"). Other receivables, short-term investments, due from related parties, loan receivable and mortgage receivable have been classified as loans and receivables. Accounts payable and accrued liabilities, due to related parties, mortgage payable, convertible debenture and loans payable have been classified as other financial liabilities.

The carrying values of cash and cash equivalents, other receivables, short-term investments, due to/from related parties, loan receivable, accounts payable and accrued liabilities approximate their fair values due to their short periods to maturity.

### Fair value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data

Level 3 – inputs for assets and liabilities not based upon observable market data

The following table summarizes information about financial assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position and categorized by level of significance of the inputs used in making the measurements:

	December 31, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Accounts receivable	\$ -	\$ 197,998	\$ -	\$ -	\$ 42,221	\$ -
Loan receivable	-	98,740	-	-	-	-
Mortgage receivable	-	96,450	-	-	447,832	-
Accounts payable and accrued liabilities	-	3,210,422	-	-	1,562,129	-
Loans payable	-	-	-	-	1,081,863	-
RSU plan liability	-	4,256,346	-	-	-	-
Convertible debenture	-	22,950,991	-	-	3,859,450	-
Derivative liability	-	-	-	-	3,535,545	583,360
	-	30,810,947	-	-	10,529,040	583,360

### Financial risk factors

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, other receivables, loan receivable and mortgage receivable. The Company's cash is held at a major Canadian bank or credit union. Other receivables are related to HST refunds, which management believes does not pose a significant credit risk. A loan receivable of \$1,924,520 extended to a related entity represented the majority of loans receivable as at December 31, 2017. Subsequent to December 31, 2017, \$1,663,140 of this amount was assigned to a company controlled by a former director of the Company (see note 22 (g)), and was repaid. The mortgage receivable is secured against property, which mitigates the credit risk exposure. The Company regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

(b) Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. All of the Company's financial liabilities are due within one year except for the derivative liability.

(c) Interest rate risk

The Company is subject to interest rate risk from its mortgage, loans payables and convertible debentures. Debentures, loans payable and mortgages owed by the Company are all fixed rate instruments. A portion of the Company's loan receivable is subject to a floating interest rate, which changes based on prevailing market conditions.

## 21. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2016 - 26.5%) to the effective tax rate is as follows:

	<u>2017</u>	<u>2016</u>
Net loss before recovery of income taxes	\$ 29,618,483	\$ 6,288,563
Expected income tax recovery	\$ (8,011,150)	\$ (1,666,469)
Share based compensation and non-deductible expenses	2,779,820	542,173
True-up and other	(123,891)	-
Change in tax benefits not recognized	4,992,490	1,062,470
Income tax recovery	\$ <u>(362,731)</u>	\$ <u>(61,826)</u>

The Company's income tax recovery is allocated as follows:

Current tax recovery	\$ -	\$ -
Deferred tax recovery	\$ (362,731)	\$ (61,826)

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*Deferred tax*

The following table summarizes the components of deferred tax:

	<u>2017</u>	<u>2016</u>
<b>Deferred tax assets</b>	<b>\$ 418,950</b>	<b>\$ 595,987</b>
Non-capital losses	466,110	-
Deferred financing fees		
<b>Deferred tax liabilities</b>		
Property, plant and equipment	(70,260)	-
Biological assets and inventory	(128,540)	(551,293)
Convertible debt	(2,091,309)	(44,694)
<b>Net deferred tax liability</b>	<b>\$ (1,405,049)</b>	<b>\$ -</b>

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

*Movement in net deferred tax liabilities*

	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	\$ -	\$ -
Recognized in profit/loss – recoverable	(362,731)	(61,826)
Recognized in equity – expense	1,767,780	61,826
Balance at the end of the year	\$ 1,405,049	\$ -

Deferred tax assets and deferred tax liabilities of \$1,767,780 (2016 -\$61,826) have been recognized in respect to the officer debentures issued during 2017. This deferred tax liability was offset through recognition of a deferred tax asset from non-capital losses carried forward.

*Unrecognized deferred tax assets*

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	<u>2017</u>	<u>2016</u>
Non-capital losses carried forward	\$ 21,929,480	\$ 12,040,364
Property, plant and equipment	-	156,356
Intangible assets	154,250	82,508
Eligible capital expenditures	8,490	8,493
Share and debt issuance cost	307,050	567,144
Unrealized capital losses	89,030	89,025
Deferred revenue	8,800,000	-
Other	396,690	37,876
	<b>\$ 31,684,990</b>	<b>\$ 12,981,766</b>

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The Canadian non-capital loss carry-forwards expire as noted in the table below. The net capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. Share issue and financing costs will be fully amortized in 2019.

The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2032	<b>225,890</b>
2033	<b>649,400</b>
2034	<b>2,491,090</b>
2035	<b>4,697,490</b>
2036	<b>6,076,700</b>
2037	<b>8,395,250</b>
	<b>\$ <u>22,535,820</u></b>

## 22. Subsequent Events

- (a) On January 5, 2018, the Company granted 300,000 stock options, each of which is exercisable into one common share of the Company at an exercise price of \$1.77 per share until January 5, 2023.
- (b) On January 12, 2018, the Company granted 100,000 stock options, each of which is exercisable into one common share of the Company at an exercise price of \$2.32 per share until January 12, 2023.
- (c) On January 18, 2018, the Company granted 75,000 stock options, each of which is exercisable into one common share of the Company at an exercise price of \$2.47 per share until January 18, 2023.
- (d) On January 18, 2018, the Company announced that, through ABcann Australia, it had received an import license from the Federal Office of Drug Control in Australia.
- (e) On January 31, 2018, the Company completed the acquisition of Harvest Medicine, which operates an education focused, cannabis discovery center and clinic in Calgary, Alberta. Under the terms of the purchase agreement, the Company agreed to: (i) make a \$1,500,000 cash payment (less amounts needed to settle certain outstanding liabilities of Harvest Medicine) to the sole shareholder, officer and director of Harvest Medicine; (ii) issue 1,056,338 common shares in the capital of the Company having an aggregate value of \$1,500,000, based on a deemed price of \$1.42 per share, to the sole shareholder of Harvest Medicine, which were deposited into escrow at closing of the acquisition and will be released in equal quarterly amounts over the three-year period following the closing of the acquisition; and (iii) pay the sole shareholder future consideration in the form of cash or common shares, post-closing, if certain performance milestones, which include certain patient, revenue and profitability metrics, are achieved. The Company has also committed to investing \$1,500,000 to enable Harvest Medicine to execute its expansion plans and to open several new clinics. In connection with the closing of the acquisition, the Company appoint Shekhar Parmar as Chief Strategy Officer of the Company and granted Mr. Parmar 300,000 stock options, each of which is exercisable into one common share at an exercise price of \$1.42 per share until January 31, 2023. Mr. Parmar will also continue to act as Chief Executive Officer of Harvest Medicine.

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- (f) On February 28, 2018, the Company completed a bought deal financing by way of a short form prospectus pursuant to which it issued: (i) 11,500,000 units at a price of \$3.50 per unit, for aggregate gross proceeds of \$40,250,000; and (ii) 30,000 6.0% unsecured convertible debentures of the Company at a price of \$1,000 per debenture, for aggregate gross proceeds of \$30,000,000 (the “**Offering**”). The Offering was conducted by a syndicate of underwriters led by Canaccord Genuity Corp. and Eight Capital and including GMP Securities L.P. and PI Financial Corp. In addition, the Offering included 862,500 warrants and 4,500 debentures sold pursuant to the exercise of the underwriters’ over-allotment option, for additional aggregate gross proceeds of \$4,793,250.

Each unit was comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to acquire one additional common share of the Company at an exercise price of \$4.25 per share, subject to adjustment in certain circumstances, until February 28, 2020. The warrants were issued pursuant to the terms of a warrant indenture entered into between the Company and TSX Trust Company, as warrant agent. In the event that the Company’s common shares have a daily volume weighted average trading price of \$7.00 or higher on the TSXV for a period of 15 trading days, the Company shall be entitled to accelerate the exercise period of the warrants to a period ending not less than 30 days from the date written notice of acceleration is provided to warrant holders.

The debentures mature on February 28, 2021 and the outstanding principal of the debentures bears interest at the rate of 6.0% per annum, payable semi-annually in arrears on June 30 and December 31 in each year, commencing on June 30, 2018. The debentures have been issued pursuant to the terms of a debenture indenture entered into between the Company and TSX Trust Company, as debenture trustee. Each debenture is convertible into common shares at the option of the holder at any time prior to the close of business on the earlier of the last business day immediately preceding the maturity date at a conversion price of \$4.00 per share, subject to adjustment in certain circumstances.

- (g) On March 9, 2018, the Company assigned a debt outstanding in the amount of \$1,663,140 to a company controlled by a former director of the Company (see note 13).
- (h) On March 23, 2018, an aggregate of 12,666,666 common shares were issued on conversion of \$19,000,000 of the \$30,000,000 principal amount of the December 2017 Debentures at a conversion price of \$1.50 per share. On April 12, 2018, an aggregate of 3,000,000 were issued on conversion of \$4,500,000 of the remaining \$11,000,000 balance of the principal amount of the December 2017 Debentures at a conversion price of \$1.50 per share (see note 17).
- (i) On March 16, 2018, the Company subscribed for 6,666,666 subscription receipts (each, a “**Choom Subscription Receipt**”) of Choom Holdings Inc. (“**Choom**”), at a price of \$0.60 per Choom Subscription Receipt for an aggregate subscription price of \$4,000,000 (the “**Choom Subscription**”), entered into a binding supply agreement with Choom to supply Choom with premium cannabis products, subject to regulatory approvals, and was assigned an option to purchase an aggregate of 34.5 common shares (each, a “**Medijuana Share**”) of Specialty Medijuana Inc. (“**Medijuana**”), a private British Columbia corporation with a late-stage application to produce and sell cannabis under the *Access to Cannabis for Medical Purposes Regulations* (the “**ACMPR**”), at a price of \$36,000 per Medijuana Share (the “**Medijuana Assignment**”). As of the date of these consolidated financial statements, Medijuana had 500 Medijuana Shares issued and outstanding.

The subscription funds paid by the Company are being held in escrow pending completion of: (a) the acquisition of International Tungsten Inc. (“**Tungsten**”) by Choom, as contemplated in an amalgamation agreement between Tungsten and Choom dated March 16, 2018, which is conditional on receipt of approval of the shareholders of Tungsten; and (b) completion of the acquisition of Medijuana by Tungsten, as contemplated in a share exchange agreement between Medijuana and Tungsten dated

March 5, 2018, which is conditional on Medijuana receiving its license under the ACMPR (together, the “**Escrow Release Conditions**”).

If the Escrow Release Conditions are not satisfied by 5:00 p.m. on June 11, 2018 (or such other date as may be agreed by the subscribers under the private placement, including the Company) (in any case, the “**Escrow Deadline**”), the subscription funds will be returned to the Company in full. If the Escrow Release Conditions are satisfied by the Escrow Deadline, each Choom subscription receipt will be automatically converted, for no additional consideration, into one unit of Choom (each, a “**Choom Unit**”), with each Choom Unit to consist of one common share in the capital of Choom (each, a “**Choom Share**”) and one common share purchase warrant of Choom (each, a “**Choom Warrant**”), and with each Choom Warrant entitling the holder thereof to purchase one Choom Share at a price of \$0.90 per Choom Share for 18 months from the date of issuance, subject to acceleration in the event that the 10-day volume weighted average trading price of the Choom Shares on the Canadian Securities Exchange exceeds \$1.35.

- (j) On March 19, 2018, the Company amended (the “**Amendment**”) the terms of its binding interim agreement with Cannabis Wheaton Income Corp. (“**CW**”) to provide for definitive terms under which CW will invest \$15 million in the Company to fund construction at the Company’s proposed cannabis cultivation facility (the “**Facility**”) to be located in Napanee, Ontario. The Amendment provides that, within 60 days of CW accepting the Company’s proposed construction budget and timeline (the “**Plan**”) for the Facility, CW will subscribe for \$15 million worth of special warrants (each, a “**Special Warrant**”) of the Company, such Special Warrants to be issued at a price equal to the greater of (i) two times the then trading price of the Company’s common shares and (ii) \$2.25, and each Special Warrant entitling the holder to acquire one common share of the Company for no additional consideration. The Amendment also provides that the Company must deliver the Plan to CW by September 19, 2018 (see note 12).
- (k) Since December 31, 2017, an aggregate of 1,290,820 stock options, 1,955,708 warrants and 1,200,000 RSUs have been exercised.

