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.

MNP LLP

Toronto, Ontario — Chartered Professional Accountants

April 30, 2018 — Licensed Public Accountants

MNP

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

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

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
Revenue:				
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
Gross loss		**(2,152,894)**		(548,440)
Expenses:				
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)**		-
Loss from operations before income taxes		**29,618,483**		6,288,563
Income tax recovery - deferred *(note 21)*		**362,731**		61,286
Net loss	**$**	**29,255,752**	$	6,227,277
Other Comprehensive Loss				
Amounts that may be reclassified subsequently to profit or loss:				
Foreign exchange transation loss	**$**	**(7,525)**	$	-
Comprehensive Loss	**$**	**29,263,277**	$	6,227,277
Net loss per share				
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 Other 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)
Balance, December 31, 2016	$ 7,167,069	$ 4,138,359	$ 4,425,411	$ (17,234,683)	$ -	$ (1,503,844)
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	-	-	-	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)
Balance, December 31, 2017	**$ 79,826,795**	**$ 10,650,594**	**$ 2,054,133**	**$ (46,490,435)**	**$ (7,525)**	**$ 46,033,562**

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
Cash flow from operating activities				
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
		(11,424,513)		(3,671,062)
Cash flow from financing activities				
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
		88,731,546		5,638,498
Cash flow from investing activities				
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
		(7,863,053)		(618,989)
Effect of foreign exchange rate changes on cash		**(8,959)**		-
Increase in cash		**69,435,021**		1,348,447
Cash, beginning of year		**1,369,867**		21,420
Cash, ending of year	**$**	**70,804,888**	$	1,369,867

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:

<u>Revenue</u>
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;

- 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

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.

<u>Impairment of financial assets</u>

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.

<u>Loss per common share, basic and diluted</u>

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".

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:

Consideration transferred		
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
	$	**5,758,398**
Net assets acquired		
Cash	$	566,688
Accounts payable and accrued liabilities		(137,673)
		429,015
Excess attributed to cost of listing		5,329,383
	$	**5,758,398**
Listing cost:		
Excess attributed to cost of listing	$	5,329,383
Legal		290,594
Consulting fees		266,003
Finder's fee		320,000
Other		14,838
	$	**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.

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)
Balance, December 31, 2017	**$**	**242,892**

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.

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	Assets under construction	Total
Cost									
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									-
At December 31, 2016	**516,251**	**2,449,298**	**33,739**	**254,311**	**3,539,784**	**112,080**	**86,104**	**-**	**6,991,567**
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
At December 31, 2017	**$ 2,310,409**	**$ 3,295,868**	**$ 80,068**	**$ 172,179**	**$ 7,775,445**	**$ 119,550**	**$ 86,104**	**$ 3,551**	**$ 13,843,174**
Accumulated depreciation									
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
At December 31, 2016	**-**	**257,932**	**27,479**	**79,743**	**1,067,140**	**91,598**	**20,019**	**-**	**1,543,911**
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
At December 31, 2017	**$ -**	**$ 461,174**	**$ 42,106**	**$ 107,743**	**$ 1,854,962**	**$ 112,424**	**$ 28,630**	**$ -**	**$ 2,607,039**
Net book value									
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).

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
Cost			
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
At December 31, 2017	**$ 190,000**	**$ 40,326**	**$ 230,326**
Accumulated depreciation			
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
At December 31, 2017	**$ 180,000**	**$ 6,722**	**$ 186,722**
Net book value			
At January 1, 2016	$ 65,000	$ -	$ 65,000
At December 31, 2016	$ 43,750	$ -	$ 43,750
At December 31, 2017	**$ 10,000**	**$ 33,604**	**$ 43,604**

9. Mortgage Payable

	December 31, 2017	December 31, 2016
Mortgage payable at 8.5% per annum	**$ -**	$ 350,000
Current	-	350,000
Total	**$ -**	$ 350,000

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
Balance, January 1, 2016	**64,311,508**	**$ 6,938,232**
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
Balance as at December 31, 2016	**64,806,139**	**$ 7,167,069**
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
Balance as at December 31, 2017	**155,984,013**	**$ 79,826,795**

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.

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.

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:

	Number of warrants	**Weighted average exercise price**
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
Outstanding, December 31, 2017	**15,563,630**	**$0.42**

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.

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:

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

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

Weighted average exercise price	**Number of Warrants**	**Weighted average remaining life (years)**
$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:

	Number of Options	**Weighted average exercise price**
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
Outstanding, December 31, 2017	**10,911,210**	**$0.57**

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.

In 2017, 3,768,166 stock options were granted, of which 1,079,000 vest monthly over 12 months, 2,650,000vest 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:

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

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

Weighted average exercise price	**Number of Options**	**Vested**	**Weighted average remaining life (years)**
$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
Balance as at December 31, 2017	**10,911,210**	**8,706,125**	**3.63**

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

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:

	April 28, 2017*	December 31, 2016
Volatility	**70%**	70%
Risk-free interest rate	**0.72%**	0.52%
Expected life (years)	**0.54 years**	0.86 years
Share price	**$0.41**	$0.53

* *Date of conversion*

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:

	April 28, 2017	December 31, 2016
Volatility	**70%**	70%
Risk-free interest rate	**0.72%**	0.75%
Expected life (years)	**1.47 years**	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.

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:

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

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

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

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.

15. Loans Payable

	December 31, 2017	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
Loan payable balance	**$ -**	$ 1,081,863

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.

(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).

	2015 Debentures	2016 Debentures	Officer Debentures	2017 Debentures	MMCAP Debentures	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)
Balance, December 31, 2017	**$ -**	**$ -**	**$ 842,735**	**$ -**	**$ 22,108,256**	**$ 22,950,991**

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:

	2017	**2016**
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	**$ (362,731)**	$ (61,826)

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

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

Deferred tax

The following table summarizes the components of deferred tax:

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

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

	2017	2016
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:

	2017	2016
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
	$ 31,684,990	$ 12,981,766

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		**225,890**
2033		**649,400**
2034		**2,491,090**
2035		**4,697,490**
2036		**6,076,700**
2037		**8,395,250**
	$	**22,535,820**

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.

(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.