ABCANN GLOBAL CORPORATION

Management's Discussion & Analysis

For the Year Ended December 31, 2017

April 30, 2018

Introduction

This management's discussion and analysis ("**MD&A**") of the financial condition and results of operations of ABcann Global Corporation (the "**Company**" or "**ABcann**") (formerly Panda Capital Inc.) is for the year ended December 31, 2017 and is prepared as of April 30, 2018. It is supplemental to, and should be read in conjunction with, the Company's audited consolidated financial statements and notes thereto for the years ended December 31, 2017 and 2016. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All monetary amounts herein are expressed in Canadian dollars unless otherwise specified.

This MD&A provides information that the management of the Company believes is important to assess and understand the results of operations and financial condition of the Company. The objective is to present readers with a view of the Company from management's perspective by interpreting the material trends and activities that affect the operating results, liquidity and financial position of the Company.

Additional information relating to the Company can be found under the Company's profile on the SEDAR website at www.sedar.com.

Notice Concerning Forward-Looking Statements

This MD&A includes "forward-looking information" or "forward-looking statements" within the meaning of applicable Canadian securities legislation, which are statements other than statements of historical fact and which can be identified by the use of forward-looking terminology such as "expect", "likely", "may", "will", "should", "intend", "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may", "would", "could" or "will" happen, or by discussions of strategy. Forward-looking statements in this MD&A include statements with respect to: the expected performance of the Company's business and operations; the Company's expectations regarding revenues, expenses and anticipated cash needs; the intention to grow the Company's business and operations; the expansion of the Company's Vanluven Facility (as defined herein), construction and development of the Company's proposed Kimmett Facility (as defined herein), and increase in number of clinics of Harvest Medicine Inc. ("**Harvest Medicine**"), and the respective costs and timing associated therewith; the Company's proposed acquisition of an interest in Choom Holdings; and the expected legalization of cannabis for adult use in Canada and the timing thereof.

Forward-looking statements are based upon the expectations, estimates, projections, assumptions and views of future events of management at the date hereof and which management believe to be reasonable in the circumstances, including with respect to: general economic conditions; the expected timing and cost of expanding the Company's production capacity; the expected timing of the implementation of the Canadian adult-use cannabis market; future growth of the Company's business and international opportunities; the development of new products and product formats; the Company's ability to retain key personnel; the Company's ability to continue investing in its infrastructure to support growth; the impact of competition; trends in the Canadian medical cannabis industry; and changes in laws, rules and regulations. Forward-looking statements should not be read as guarantees of future events, performance or results, and will not necessarily be accurate indications as to whether, or the times at which, such events, performance or results will occur or be achieved. The forward-looking statements contained in this MD&A are subject to known and unknown risks and uncertainties, including but not limited to those risks and uncertainties described in this MD&A under the heading "Risk and Uncertainties" as well as those discussed under the heading "Risk Factors" in the Company's annual information form dated April 30, 2018 in respect of the Company's financial year completed December 31, 2017, any of which could cause actual results to differ materially from those expressed or implied by the forward-looking statements disclosed herein. Accordingly, readers are cautioned not to place undue reliance on such forward-looking statements.

Forward-looking statements in this MD&A speak only as of the date on which they are made and the Company does not undertake any obligations to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Company Overview

The Company was incorporated under the *Canada Business Corporations Act* on April 12, 2007 and was initially classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "**TSXV**").

On April 28, 2017, ABcann Medicinals Inc. ("**ABcann Medicinals**") completed a reverse takeover of the Company by way of a three–cornered amalgamation among the Company, ABcann Medicinals and a wholly-owned subsidiary of the Company created solely for the purpose of effecting the amalgamation (the "**Qualifying Transaction**"). In connection with the completion of the Qualifying Transaction, the Company changed its name from "Panda Capital Inc." to "ABcann Global Corporation" and the Company's common shares (each, a "**Share**") resumed trading on the TSXV under the symbol "ABCN". As a result of the completion of the Qualifying Transaction, the Company's principal business activities became those of ABcann Medicinals.

The principal activities of the Company are: (i) the production and sale of cannabis for medical purposes as regulated by the *Access to Cannabis for Medical Purposes Regulations* (Canada) (the "**ACMPR**"), pursuant to a licence issued by Health Canada to ABcann Medicinals (the "**Licence**") in respect of the Company's Vanluven facility located in Napanee, Ontario (the "**Vanluven Facility**"); and (ii) the operation of education focussed, patient-centric, cannabis discovery clinics operating under the brand name of Harvest Medicine. The Licence was initially obtained in March 2014 and ABcann Medicinals commenced full production in mid-2015. Prior to each expiry of the term of the Licence, ABcann Medicinals must submit an application for renewal to Health Canada. The Licence was recently renewed and its current term will expire on October 30, 2020.

The Company cultivates and produces cannabis-based products for direct sale to its patients across Canada as well as for bulk sales to other licensed producers under the ACMPR ("L**icensed Producers**"). The Company interacts with its patients via its e-commerce platform as well as by phone and email correspondence directed to its patient-care team. Currently, the Company sells dried cannabis to its patients from the Vanluven Facility.

The Company has been working on developing its cannabis products, systems and facilities so they can be replicated in a number of jurisdictions throughout the world where medical cannabis or recreational cannabis may be legally produced and sold. The Company believes that its advanced proprietary technology within a precision controlled environment results in pharmaceutical-grade cannabis, with consistent quality. The Company expects both its portfolio of products and the jurisdictions outside of Canada in which it operates to expand as local laws allow, resources permit, and where market research indicates opportunity.

Business Highlights

Since completion of the Qualifying Transaction, the Company has been working diligently to increase operational efficiencies, supplement management skill and expertise, and increase the Company's working capital. A summary of key business highlights since completion of the Qualifying Transaction is set forth below.

Facility Expansion and Development

In 2017, ABcann Medicinals acquired an additional 15-acre parcel of land to be included in its Kimmett property, also located in Napanee, Ontario, and, although initial plans were to build a facility (the "**Kimmett Facility**") on the Kimmett property utilizing the growing systems employed at the Vanluven Facility, the Company is in the process of reviewing its options for capacity expansion at the Kimmett Facility. Options include a greenhouse growing facility, an indoor growing facility or a combination thereof. Included in the review is determining the optimum size of the Kimmett Facility, with likely scenarios ranging from 150,000 to 300,000 square feet. The Vanluven Facility currently measures 14,500 square feet and has the capacity to produce up to 750 kilograms of medical cannabis per year based on current storage capacity.

In 2017, the Company began the expansion of the Vanluven Facility. This expansion is expected to double the Company's production capacity through an increase in the number of bloom chambers from two to four. Improvements in production may also increase overall yield, and anticipated capacity is expected to increase to over 1,600 kilograms. The expanded Vanluven Facility is also expected to house extraction equipment required to produce cannabis oil. ABcann Medicinals has obtained a license to produce cannabis oil from Health Canada and anticipates receiving its license to sell cannabis oil from Health Canada in the second quarter of 2018.

The Company also anticipates that non-medical adult use of cannabis will be legalized in the third quarter of 2018 and intends to participate in the adult use market as the opportunity arises, assuming applicable regulatory approvals are obtained.

Change to Key Management

In October 2017, Barry Fishman, who previously served as Chief Executive Officer ("**CEO**") of Merus Labs International Inc. ("**Merus**"), Teva Canada and Taro Canada, was appointed as CEO of the Company, and was subsequently appointed to the board of directors of the Company (the "**Board**") in November 2017. Dr. Michael Bumby, who most recently served as Chief Financial Officer ("**CFO**") of Merus, and who previously had a 14 year career at Eli Lilly, was appointed as CFO of the Company in December 2017. The Company also appointed Paul Lucas, who previously served as President and CEO of GlaxoSmithKline Canada, as Chair of the Board, and appointed Richard Fitzgerald, who served as Chair of Diageo Canada Inc. until 2008, as an independent director. The Company has also recently appointed Sung Kang as Chief Marketing Officer, Shekhar Parmar as Chief Strategy Officer, Bin Mathew as Director of Quality

Assurance, and Greg Yuristy as Director of Operations for the Vanluven Facility.

Acquisition of Harvest Medicine

In December 2017, the Company entered into a binding letter of intent to acquire all of the outstanding securities of Harvest Medicine, an education focused, patient-centric, cannabis discovery centre and clinic. The acquisition was completed on January 31, 2018. Harvest Medicine currently has five doctors and sees over 2,000 patients per month at its 3,500 square foot clinic located in Northland Village Mall in Calgary, Alberta (the "**Clinic**"). Harvest Medicine expects to open a second clinic in St. Albert, Alberta in June 2018. The St. Albert clinic will be approximately 3,000 square feet and situated inside the St. Albert Centre. Harvest Medicine is also evaluating other locations both in Alberta and other provinces, and expects to open additional clinics as it recruits doctors and identifies appropriate locations. It is expected that approximately 50% of the Company's revenue will be derived from Harvest Medicine during the 2018 fiscal year.

Harvest Medicine only works with Health Canada approved Licensed Producers. It has no relationships with distributors or dispensaries. The Clinic is not located in close physical proximity to any known Licensed Producers, distributors or dispensaries.

Harvest Medicine receives educational grants from various Licensed Producers to support the educational activities at the Clinic and to help educate patients on topics such as: the difference between THC and CBD; proper storage of and safety with cannabis; dosing guidelines; strain selection; and product selection (for example, oils versus dried flower). The Licensed Producers with which Harvest Medicine has contractual arrangements include the largest and most well-known producers in the cannabis sectors. Harvest Medicine has entered into agreements with these Licensed Producers because of their reputations and the quality of their products.

Harvest Medicine receives a fixed fee from each Licensed Producer that provides it with educational grants, generally varying between 15% and 20% of the amount purchased by Harvest Medicine's clients from such Licensed Producer. To date, Harvest Medicine's patient educators (the "**Educators**") have not been made aware of these fee arrangements and their recommendations to clients are not informed in any way by such fee arrangements. Rather, Harvest Medicine and the Educators are committed to connecting patients to the Licensed Producers that are best suited for their needs. The Educators are not prevented from recommending or suggesting the products of a Licensed Producer that has not provided an educational grant to Harvest Medicine. Management of Harvest Medicine monitor the product offerings of Licensed Producers on an ongoing basis to ensure that the Educators are able to make recommendations with respect to particular product types that may be sought after by patients, notwithstanding that Harvest Medicine may not be party to an educational grant agreement with an applicable Licensed Producer.

To address any potential conflicts of interest, the Company has provided an undertaking to the Ontario Securities Commission that: (i) the Company will continue to implement certain conflict of interest measures, specifically that: (a) no incentives (monetary or in any other form) will be provided to physicians or the Educators to prescribe or recommend the Company's ABcann branded products, and (b) should the Company's ABcann brand offer a product that may be appropriate for a patient, the Company's ABcann branded product will only be recommended by the Educators as one of several recommended products (together with similar products from other licensed producers) or as a product without discussion or reference to the ABcann brand name, and in the event that these measures are altered, the Company will notify the Ontario Securities Commission, issue a press release and file a material change report with respect to same; and (ii) the Company will disclose in its annual and interim MD&A on a going-forward basis that the foregoing measures to address potential conflicts of interest continue to be in effect.

The Harvest Medicine board of directors is comprised of: Paul Lucas, Richard Fitzgerald, Barry Fishman and Shekhar Parmar. With the exception of Mr. Parmar, each of the directors is also a director of the Company. For additional information with respect to the regulatory framework applicable to Harvest Medicine, as well as its relationship with Licensed Producers, distributors and dispensaries, and other information about its business, see the Company's Annual Information Form for the year ended December 31, 2017, which is available under the Company's profile on SEDAR at www.sedar.com.

Cannabis Wheaton Agreement

On May 29, 2017, the Company announced it had entered into a binding interim agreement (the "**CBW Agreement**") with Cannabis Wheaton Income Corp. ("**CBW**") to fund the construction of a minimum of an additional 50,000 square feet of cultivation space (the "**Financed Expansion Area**") at the Company's proposed Kimmett Facility. The Financed Expansion Area will be in addition to the Company's originally planned 100,000 square foot Kimmett Facility.

Pursuant to the terms of the CBW Agreement, CBW agreed to invest $30 million in the Company, of which an initial investment of $15 million was completed on August 1, 2017, pursuant to which CBW acquired 6,666,666 Shares at a price of $2.25 per Share, and a second $15 million investment was to be completed on the earlier of 10 days following the raising of an aggregate of $150 million by CBW or March 31, 2018.

In March 2018, the Company and CBW entered into an amendment to the CBW Agreement pursuant to which they agreed to extend the deadline for completion of the second $15 million investment to the date that is within 60 days of CBW accepting the Company's proposed construction budget and timeline for the Kimmett Facility (the "**Kimmett Plan**"), a draft of which must be delivered to CBW for review by September 19, 2018. Assuming the Kimmett Plan is accepted by CBW, CBW has agreed to subscribe for $15 million worth of special warrants of the Company, at a price per special warrant equal to the greater of (i) two times the then trading price of the Shares and (ii) $2.25, and with each special warrant entitling the holder to acquire one Share for no additional consideration.

The CBW Agreement, as amended, provides that, upon completion of the full $30 million investment by CBW, CBW will provide all necessary funding to complete the construction of the Financed Expansion Area in accordance with the Kimmett Plan. In return, CBW will be granted access and influence over 50% of the actual cultivation yield generated by the Financed Expansion Area, which shall be prorated across each lot or batch of each strain grown in the Financed Expansion Area (the "**EPA Allocation**"), together with certain ancillary rights. CBW's entitlement to the EPA Allocation will not begin until after the completion of the second $15 million investment by CBW. As at the date hereof, the Kimmett Plan is under review by the Company and has not yet been delivered to CBW. Unless the Kimmett Plan is provided by the Company to CBW in the time required, and CBW approves the Kimmett Plan, there can be no assurance that the second $15 million CBW investment will be completed on the terms contemplated or at all, or that the Financed Expansion Area will be completed.

December 2017 Debenture Offering

On December 22, 2017, the Company completed a non-brokered private placement pursuant to which it issued convertible unsecured debentures in the aggregate principal amount of $30 million (the "**December 2017 Debentures**"). The December 2017 Debentures: (i) mature on the date that is 36 months from the date of issuance; (ii) bear interest at the rate of 7.0% per annum, computed on the basis of a 360-day year composed of twelve 30-day months, and payable semi-annually on the last day of June and December of each year, commencing on June 30, 2018; (iii) are convertible, at the option of the holder, into Shares at a conversion price of $1.50 per Share; and (iv) are convertible, at the option of the Company, into Shares if, at any time commencing four months plus one day following the issuance date, the daily volume weighted average trading price of the Shares on the TSXV (or such other stock exchange or quotation system as the Shares are then principally listed or quoted) for any consecutive 10 day trading period is greater than $2.25 per Share. As at the date hereof, $23.5 million of the aggregate principal amount of the December 2017 Debentures has been converted into an aggregate of 15,666,666 Shares at a conversion price of $1.50 per Share.

Cannabis Oil License

The Company has obtained a license from Health Canada to produce medical cannabis oils and has applied for and expects to receive a license to sell cannabis oils in the second quarter of 2018. In order to obtain such approval, the Company must have two batches of cannabis oil processed and tested to the satisfaction of Health Canada. As the Company does not currently own any extraction equipment, it is working with another Licensed Producer to process the Company's raw materials and prepare samples of its cannabis oils for submission to Health Canada in connection with the application.

Australia Export and Import Licenses

The Company recently applied for and received an export permit for one shipment to Australia, comprised of 450 grams of dried cannabis. Following receipt of an export permit from Health Canada, this shipment was delivered to a federally licensed medicinal cannabis importer located in Queensland in February 2018.

In addition, on January 15, 2018, the Company, through a local Australian agent, received a license to import, which will remain in force until December 31, 2018, and on January 16, 2018, the Company received a corresponding import permit to import two three kilogram packs of cannabis to its local agent before the expiry date of July 16, 2018. The Company is required to maintain, for two years, and provide to the Australian federal government, if requested, records with respect to storage and security in relation to where cannabis is held; records of each sale; and records related to losses and destruction of the substance. The Company obtained an export permit from Health Canada for this shipment in April 2018 and expects to complete the shipment by early May 2018.

February 2018 Prospectus Offering

On February 28, 2018, the Company completed a prospectus offering (the "**2018 Prospectus Offering**") on a "bought deal basis", pursuant to a short form prospectus dated February 22, 2018 (the "**Prospectus**"), in connection with which it issued an aggregate of: (i) 11,500,000 units (each, a "**Unit**") 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 (each, a “**2018 Debenture**”) in the aggregate principal amount of $30,000,000 (including 862,500 warrants of the Company (each, a “**Warrant**”) and 4,500 2018 Debentures sold pursuant to the exercise of the underwriters’ over-allotment option, for additional aggregate gross proceeds of $4,793,250. The Prospectus also qualified the distribution of the 20 million Shares issuable on conversion of the December 2017 Debentures.

Each Unit was comprised of one Share and one-half of one Warrant, with each Warrant entitling the holder thereof to acquire one additional Share at an exercise price of $4.25 per Share, subject to adjustment in certain circumstances, until February 28, 2020. In the event that the 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 the holders thereof. The Warrants were issued pursuant to the terms of a warrant indenture dated February 28, 2020 between the Company and TSX Trust Company, as warrant agent.

The 2018 Debentures mature on February 28, 2021 and the outstanding principal of the 2018 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 2018 Debentures have been issued pursuant to the terms of a debenture indenture dated February 28, 2018 between the Company and TSX Trust Company, as debenture trustee. Each 2018 Debenture is convertible into Shares at the option of the holder at any time prior to the close of business on the last business day immediately preceding the maturity date at a conversion price of $4.00 per Share, subject to adjustment in certain circumstances.

In connection with the 2018 Prospectus Offering, the Company also issued the underwriters a total of 575,000 compensation warrants, each of which is exercisable into one unit of the Company at a price of $3.50 per unit, with each unit to be comprised of one Share and one half of one Warrant, and with each whole Warrant entitling the holder to acquire one additional Share at a price of $4.25 per Share until February 28, 2020.

Investment in Choom Holdings Inc.

In March 2018, the Company completed a $4.0 million investment in a private placement of subscription receipts of Choom Holdings Inc. (“**Choom**”) pursuant to which it acquired 6,666,666 Choom subscription receipts at a price of $0.60 per subscription receipt. The subscription funds 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 Specialty Medijuana Inc. (“**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 receipts will be cancelled and the subscription funds will be returned to the Company in full. If the Escrow Release Conditions are satisfied by the Escrow Deadline, each 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. Because there is no assurance that the Escrow Release Conditions will be satisfied by the Escrow Deadline, there can be no assurance that the Company will complete the acquisition of the Choom Units on the terms expected or at all.

Additional Disclosure with respect to Significant Projects that have not yet Generated Revenue and Use of Proceeds of Prior Financings

The following table sets out the Company's previously disclosed expected uses of prior financings as set out in the Prospectus, which include: (i) the remaining proceeds of the concurrent financings undertaken by the Company in connection with the Qualifying Transaction; (ii) the proceeds of the first $15 million CBW investment; (iii) the proceeds of the offering of the December 2017 Debentures; (iv) the proceeds of the 2018 Prospectus Offering; and (v) cash received by the Company from the exercise of outstanding stock options and warrants (which were previously included in the use of proceeds table in the Prospectus), on a combined basis. There have been no material variances in the expected use of proceeds since the date of the Prospectus.

Use of funds	Estimated funds required for completion as at the date of the Prospectus	Funds the Company expects to require for completion as at the date hereof	Actual funds spent as of the date of this MD&A	Expected timeframe for completion as at the date of the Prospectus	Expected timeframe for completion as at the date hereof
Completion of Vanluven Facility expansion	$7.2 million	$900,000	$10.1 million(1)	Q3 of 2018	Q3 of 2018
Corporate development (including expansion of retail strategy through new Harvest Medicine clinics, pursuit of potential acquisitions, and pursuit of other expansion options)	$36.3 million(2)	$36.0 million(3)(4)	$300,000	Ongoing	Ongoing
Construction and development of Kimmett Facility	$56.0 million(5)	$55.6 million	$500,000	Q4 of 2019	Q4 of 2019
Product development (cannabis oil products, brand development, etc.)	$8.0 million	$7.75 million	$250,000	Ongoing	Ongoing
Completion of international licensing/distribution agreements	$250,000	$500,000	$100,000	Q4 of 2018	Q4 of 2018

(1) Portions of this amount have been incurred and are payable but have not yet been paid. This amount includes $3.8 million spent prior to the date of the Prospectus.

(2) The $30 million raised from the offering of the December 2017 Debentures has been allocated to pursuit of strategic acquisitions in the cannabis sector and for working capital purposes.

(3) Includes the Company's $4.0 million investment in subscription receipts of Choom as described above under the heading "Investment in Choom Holdings Inc.". Because there is no assurance that the Escrow Release Conditions will be satisfied by the Escrow Deadline, the subscription funds are still included in the amount to be expended on corporate development in the table above.

(4) The reduction of $300,000 from the disclosure included in the Prospectus reflects the spending of funds with respect to the development of Harvest Medicine and other corporate development activities by the Company.

(5) Includes $14.5 million raised from the concurrent financings undertaken by the Company in connection with the Qualifying Transaction and the $15 million raised from the first CBW investment. Does not include any proceeds that may be received by the Company from the second proposed CBW investment, because completion of such investment is not assured as at the date hereof.

As set out in the table above, the majority of the Company's existing funds have been allocated for specific purposes, particularly related to the expansion of the Company's existing Vanluven Facility, construction and development of the Company's proposed Kimmett Facility, and strategic acquisitions and production expansion.

At this stage, other than with respect to the opening of additional Harvest Medicine clinics, and the Company's passive investment in subscription receipts of Choom, as described above, potential strategic acquisitions and production expansion opportunities the Company is considering are only in the conceptual stage and no significant funds have been expended or agreements entered into. A second Harvest Medicine clinic is expected to open in June 2018, at a cost of approximately $200,000. The Company plans to open three additional Harvest Medicine clinics prior to the end of the year but, to date, no funds have been expended with respect to these clinics.

The disclosure with respect to plans for the Vanluven Facility expansion and Kimmett Facility construction, as well as the expenditures required to bring the projects to completion, remains largely unchanged from the information included in the Prospectus. Specifically, to date, the Company has spent (or incurred but not yet paid) approximately $10.1 million on the Vanluven Facility expansion and expects to expend an additional $900,000 prior to the project's expected completion in the third quarter of 2018.

The Kimmett Facility is currently expected to cost approximately $56 million but, since the Company continues to evaluate development and construction options in connection with preparation of the Kimmett Plan, no material funds have been expended to date to advance the Kimmett Facility. As at the date hereof, the Company continues to expect the Kimmett Facility to be completed in the fourth quarter of 2019. Until the Kimmett Plan is clearly identified, the exact amount of funds required for the construction of the Kimmett Facility is unknown. Work on the Kimmett Plan is well under way and the Company expects to deliver the Kimmett Plan to CBW well before the September 19, 2018 deadline. Once the Kimmett Plan is completed, the Company will provide disclosure with respect to the expected cost of completion. As at the date of this MD&A, the Company continues to anticipate completion of the Kimmett Facility in the fourth quarter of 2019.

Selected Annual Financial Information

The following table sets forth a comparison of revenues and earnings on an annual basis for each of the three most recently completed years. The financial data for the 2017, 2016 and 2015 financial years was prepared in accordance with IFRS. The functional currency and the reporting currency of the Company is the Canadian dollar.

	Year Ended December 31, 2017 ($)	Year Ended December 31, 2016 ($)	Year Ended December 31, 2015 ($)
Net sales revenue	922,030	525,940	-

	Year Ended December 31, 2017 ($)	Year Ended December 31, 2016 ($)	Year Ended December 31, 2015 ($)
Net loss	29,255,752	6,227,277	4,401,748
Loss per Share	0.28	0.10	0.07
Total assets	86,044,370	9,468,503	7,436,361
Working capital (deficit)	67,909,863	599,291	(2,611,076)
Total non-current financial liabilities	33,156,040	7,978,355	1,023,409
Cash dividends declared	Nil	Nil	Nil

During 2015, the Company's business was still in the very preliminary stage and, although it started producing mid-2015, it did not commence commercial sales until the second quarter of 2016. As such, the 2015 and 2016 financial results do not necessarily represent a proper comparative period as compared to 2017, during which the Company had commercial sales for the full calendar year.

In 2017, the Company incurred significant expenses in connection with completion of the Qualifying Transaction, which increased the Company's net loss as compared to 2016, however it significantly improved the Company's ability to raise financing needed to grow its business. Since joining the Company in late 2017, the new management team has been focused on implementing changes to create operational efficiencies, identifying new potential product lines and revenue streams, and determining how best to deploy the influx of capital the Company has raised in the last 12 months. However, management's changes did not begin to be materially implemented until mid-fourth quarter of 2017. As such, although there were not material improvements in the Company's results of operations as between 2016 and 2017, management expects the Company's results of operations to improve in 2018.

While the Company's sales increased by 75% in 2017 as compared to 2016, from $525,940 to $922,030, the Company did not commence commercial sales until mid-2016 so although the Company has experienced a monthly increase in patients in recent months, management believes the increase in sales was largely attributable to a longer production period rather than a material increase in patient orders. There was a decrease in production salaries and wages, from $866,361 in 2016 to $732,491 in 2017, and production supplies and expense, which decreased from $647,391 to $427,792, both as a result of the Company's focus on operational efficiencies in 2017.

Selected Quarterly Financial Information

The following table sets forth a comparison of the Company's revenues and earnings on a quarterly basis for each of the eight most recently completed quarters:

	December 31, 2017 ($)	September 30, 2017 ($)	June 30, 2017 ($)	March 31, 2017 ($)
Sales	313,030	176,975	264,319	172,483
Net loss	11,092,600	3,701,510	11,435,210	3,026,432
Net loss per Share, basic and diluted	0.08	0.04	0.12	0.04

	December 31, 2016 ($)	September 30, 2016 ($)	June 30, 2016 ($)	March 31, 2016 ($)
Sales	337,030	188,910	21,465	375
Net loss	3,264,449	1,195,178	1,371,536	396,114
Net loss per Share, basic and diluted	0.05	0.02	0.02	0.01

The significant quarterly increases in net loss in the second and fourth quarters of 2017 were largely attributable to the completion of the Qualifying Transaction in the second quarter of 2017 (in connection with which the Company incurred listing costs of $6,220,818), and increases in finance expense, which was $4,443,327, related to the December 2017 Debenture financing, stock-based payments, which were $5,171,079, and loss on change in fair value of derivative liability, which was $1,472,327, in the three months ended December 31 2017.

Expenses have increased as the Company has: invested in attracting and retaining new management and other personnel, which has included the grant of share-based compensation to various Company personnel; undertaken new brand awareness and marketing activities; incurred additional overhead to increase production and attract new patients; and pursued potential strategic acquisitions and other transactions, such as the acquisition of Harvest Medicine. Expenses and costs of sales are expected to continue to increase as the Company moves toward completion of the Vanluven Facility and continues to formulate the Kimmett Plan with respect to the Kimmett Facility.

In November 2016, Veterans Affairs Canada announced a new Reimbursement Policy for Cannabis for Medical Purposes (the "**VAC Policy**"). The key points of the VAC Policy include a maximum reimbursement rate of $8.50 per gram of dried cannabis or the equivalent amount of fresh cannabis or cannabis oil, and coverage limitations to an amount of three grams per day. The reimbursement limitations became effective immediately and the coverage limitations became effective on May 21, 2017. Since implementation of the VAC Policy, any difference between the Company's typical pricing and pricing required by the VAC Policy has been recorded as a discount.

Results of Operations

2017 saw a significant increase in the Company's business activities, which included: completion of the Qualifying Transaction; increasing production and number of registered patients; recruiting a new management team to increase operational efficiencies and expedite the development of the Company's business plan; increasing marketing activities to promote increased awareness of the Company's brand; strengthening board governance; the expansion of the Vanluven Facility; and raising capital through debt and equity financings, including the offering of Shares to CBW and the December 2017 Debenture financing. The increased business activity led to a commensurate increase in expenses, leading to a net loss for both the quarter and the year ended December 31, 2017.

The Company's business is subject to various risks and uncertainties, including with respect to: changing product prices, as prices for medical cannabis products can increase and decrease in connection with market performance; the failure to increase registered patients; the failure to be adequately prepared for the commencement of the adult-use market; and inherent risks related to growing live plants. The Company is also subject to risks related to supply costs as the Company is not party to any long-term supplier agreements and therefore prices of products required to produce the Company's products are not fixed and are subject to change. See “Risk Factors”.

The Company used similar selling practices in 2016 and 2017. Due to the early stage of its business, the Company has only recently started analyzing patient data in order to determine changes in patient buying patterns and optimize its selling practices. The Company has hired a new Chief Marketing Officer to assist in analysing patient data and to implement new sales methods in order to facilitate and increase the speed of acquisition of new patients in 2018.

The Company’s net loss increased from $3,264,449 in the three months ended December 31, 2016 (basic and diluted loss of $0.05 per Share) to $11,092,600 in the three months ended December 31, 2017 (basic and diluted loss of $0.08 per Share).

The Company’s net loss increased from $6,227,277 for the year ended December 31, 2016 (basic and diluted loss of $0.10 per Share) to $29,255,752 in 2017 (basic and diluted loss of $0.28 per Share) for the year ended December 31, 2017. Diluted loss per share is the same as basic loss per Share as the outstanding options and warrants have an anti-dilutive effect on the loss per Share.

Factors contributing to the net loss for the three months and fiscal year ended December 31, 2017 included the following:

Sales

Proceeds from the sale of dried cannabis for the three months ended December 31, 2017 and December 31, 2016 were $308,253 and $315,190, respectively. Total product sold for the period was 53,054 grams (84,896 grams in 2016) at an average selling price of $5.81 per gram ($3.71 per gram in 2016). Of the proceeds of sale, $146,661 was derived from bulk sales to other Licensed Producers in the three months ended December 31, 2017, as compared to $219,010 in the three months ended December 31, 2016, while $140,797 was derived from patient direct sales in the three months ended December 31, 2017, as compared to $100,628 in the three months ended December 31, 2016. The changes between periods were attributable to an increased focus on patient direct sales and growing the Company’s number of active patients.

Proceeds from the sale of dried cannabis for the year ended December 31, 2017 were $922,030 as compared to $525,940 in 2016. Total product sold during 2017 was 169,331 grams (2016 - 126,670 grams) at an average selling price of $5.45 per gram (2016 - $4.15 per gram). The average selling price increased due to fewer bulk sales, for which the selling price is lower, as well as increased patient direct sales. As noted above, the increase in sales was primarily attributable to the longer period of commercial sales in 2017 (being a full year) as compared to 2016 (approximately nine months), as well as a generally progressive increase in number of registered patients per month.

Of the proceeds of sale in 2017, $194,661 was derived from bulk sales to other Licensed Producers in the year ended December 31, 2017, as compared to $373,439 in the year ended December 31, 2016, while $812,311 was derived from patient direct sales in 2017, as compared to $159,795 in 2016. As above, the changes between periods were attributable to fewer bulk sales and increased patient direct sales. In addition, the Company did not commence sales to patients until March 2016 and, following commencement, it took time to develop the initial patient base.

Other income during 2017 was primarily comprised of Canadian Scientific Research and Experimental Development (SRED) credits, which decreased from $134,803 in the year ended December 31, 2016 to $4,777 in the year ended December 31, 2017. The increase was attributable to the fact that the Company had not yet filed for its 2016 SRED credits as at December 31, 2017.

Negative gross profit increased from $548,440 in 2016 to $2,152,894 in 2017. The difference was largely attributable to a gain on biological transformation of $1,726,537 in 2016 as compared to a gain of $598,526 in 2017. The Company's operating results were negatively impacted by the fact that the Company has not yet acquired a license to sell cannabis oils, which is increasingly becoming a significant component of revenue for many Licensed Producers.

Cost of Sales

"Cost of sales" is comprised of the cost of inventory sold during the period. Cost of sales consists of labour, materials, consumables, supplies, overhead, amortization on production equipment, shipping, packaging and other expenses required to produce cannabis products sold during the period.

"Production supplies and expense" is comprised of: direct materials; supplies; utilities; processing; packaging; equipment and facility maintenance; lab expenses and supplies; and uniforms.

"Production wages and salaries" includes payroll costs related to personnel involved in the growing of plants (payroll costs included in gross profit accounted for approximately 20% of total personnel costs for the year ended December 31, 2017).

"Production amortization and depreciation" includes any amortization and depreciation of capital assets used in the growing process (approximately 15% of total amortization and depreciation was included in the calculation of gross profit).

Biological assets consist of cannabis plants at various pre-harvest stages of growth which are recorded at fair value less costs to sell at the point of harvest. At harvest, the biological assets are transferred to inventory at their fair value which becomes the deemed cost for inventory. Inventory is later expensed to cost of sales when sold and offset against the unrealized gain on biological assets. Production costs are expensed through cost of sales.

Harvested cannabis is transferred from biological assets at fair value less cost to sell at harvest, which becomes the deemed cost for inventory of which, upon sale, the fair value cost adjustment portion is expensed to finished inventory sold and the capitalized cost portion is expensed to production costs.

The fair value changes of the biological assets, inventory expensed, fair value recovery and impairments, and production costs that make up the total costs of sales for the three months and years ended December 31, 2017 and 2016 is presented in the tables below:

Three months ended December 31,	**2017 ($)**	**2016 ($)**
Production costs (recovery)	(73,443)	927,975
Cost of finished inventory sold	621,011	86,628
Unrealized gain on change in fair value change of biological assets	929,318	444,813

Total cost of sales	1,476,886	569,430
Year ended December 31,	**2017 ($)**	**2016 ($)**
Production costs (recovery)	2,097,088	2,506,639
Cost of finished inventory sold	1,581,139	429,081
Unrealized gain on change in fair value change of biological assets	598,526	1,726,537
Total cost of sales	**3,079,701**	**1,209,183**

Production sales and wages decreased from $866,631 in the year ended December 31, 2016 to $732,491 in the year ended December 31, 2017. The decrease was attributable to a reduction of production head count in connection with the Company's renewed focus on increasing production efficiency and reducing costs per gram of production.

Production amortization and depreciation was consistent year over year, declining slightly from $992,887 in 2016 to $936,805 in 2017 as the most significant capital outlays were in land and production equipment that is not yet in use. The Company's Conviron growing chambers represent the biggest component of this line item.

Production supplies and expense, which include items used for packing, uniforms and protective suits, decreased from $647,391 in 2016 to $427,792 in 2017, again due to a focus on improving operational and cost efficiencies.

Other Expenses

The Qualifying Transaction was accounted for as a reverse acquisition that did not constitute a business combination. For accounting purposes, the legal subsidiary, ABcann Medicinals, was treated as the acquirer and the Company, being the legal parent, was treated as the acquiree. The Company recognized a listing cost for the year ended December 31, 2017 of $6,220,818, comprised of the following:

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
Total	**6,220,818**

Of the total listing cost expense, $5,329,383 was non-cash. The listing cost is not expected to recur in the future.

In both the year ended December 31, 2017 and the three months ended December 31, 2017, the Company experienced an increase in virtually every expense area as compared to the comparative periods in 2016. As further described above, the increases were primarily related to the increase in the Company's business activities, the completion of the Qualifying Transaction, the making of stock-based payments in connection with the appointment of new officers and directors, and increased expenses related to financing activities.

Key areas where expenses increased during the three months ended December 31, 2017 as compared to the three months ended December 31, 2016 included:

- salaries and wages, which increased from $546,022 in 2016 to $842,900 in 2017, and consulting fees which increased from $76,901 in 2016 to $384,164 in 2017 primarily due to the hiring of additional personnel, including a new Chief Financial Officer, the retention of additional consultants in connection with the scaling up of the Company's business, and termination payments made to certain departing officers and employees of the Company;

- stock-based payments, which increased from $1,412,555 in 2016 to $3,273,862 in 2017 due to top up stock option grants made to certain directors of the Company after completion of a compensation review by Hugessen Consulting, the acceleration of vesting of certain restricted share units in connection with the departure of a former officer of the Company, and the granting of bonus Shares in connection with the hiring of the Company's new CEO and CFO. The amounts are compensation expenses which are measured at fair value at the date of grant and expensed over the vesting period. The increase was attributable to the large number of equity incentive securities granted in 2017, a large portion of which vested immediately and therefore were recognized immediately as share based compensation expense;

- research and development, which increased from $223,028 in 2016 to $1,033,791 in 2017, primarily due to additional cash outlays in connection with the extension of the University of Guelph research contract entered into in June 2017, pursuant to which the parties agreed to extend the term of the contract to December 31, 2018 and revised budgets in connection with same, which included a budget of $419,203 for 2017 and a budget of $229,807 for 2018, and the value of cannabis used in oil extraction testing;

- advertising and promotion, which increased from $6,249 in 2016 to $465,070 in 2017 due to additional marketing and brand awareness raising activities undertaken;

- change in fair value of derivative liability, for which the Company experienced a gain of $128,123 in 2016 as compared to a loss of $1,880,637 in 2017 due to the issuance of the December 2017 Debentures and the conversion of convertible debentures issued in connection with the Qualifying Transaction concurrent financing into Shares;

- professional fees, which increased from $184,288 to $430,030 in 2017, primarily due to the increased costs related to being a public company as well as fees incurred in connection with the issuance of the December 2017 Debentures and due diligence and other transaction negotiations in connection with the Harvest Medicine acquisition;

- finance expense, which increased from $542,574 in 2016 to $1,141,453 in 2017, primarily due to the Company's increased financing activities, including in connection with the issuance of the December 2017 Debentures, and accounting for the interest thereon; and

- other general and administrative expenses, including office expense of $199,066 (2016 - $112,820); travel of $99,757 (2016 - $41,285); communication expense of $12,400 (2016 - $11,602); rent of $25,750 (2016 - $6,000); vehicle expense of $16,836 (2016 - $17,871) and insurance expense of $6,688 (2016 - $3,843), all of which increased in connection with the Company's increased business activities.

Key areas where expenses increased during the year ended December 31, 2017 as compared to the year ended December 31, 2016 included:

- salaries and wages, which increased from $1,910,976 in 2016 to $2,885,786 in 2017, and consulting fees which increased from $345,371 in 2016 to $1,278,201 in 2017 primarily due to the hiring of additional personnel, an increase in salaries following completion of the Qualifying Transaction as many employees were being paid below market rate prior to that time, the appointment of additional directors and officers in connection with the scaling up of the Company's business, and the hiring of specialized financial and other consultants;

- stock-based payments, which increased from $1,584,344 in 2016 to $5,171,079 in 2017 due to various grants of incentive stock options throughout 2017, grants of restricted share units in connection with the closing of the Qualifying Transaction, the acceleration of vesting of certain restricted share units in connection with the departure of a former officer of the Company, and the granting of bonus Shares in connection with the hiring of the Company's new CEO and CFO. The amounts are compensation expenses which are measured at fair value at the date of grant and expensed over the vesting period. The increase was attributable to the large number of equity incentive securities granted in 2017, a large portion of which vested immediately and therefore were recognized immediately as share based compensation expense;

- research and development, which increased from $253,968 in 2016 to $1,097,930 in 2017, primarily due to additional cash outlays in connection with the extension of the University of Guelph research contract, that was entered into in June 2017, pursuant to which the parties agreed to extend the term of the contract to December 31, 2018 and revised budgets in connection with same, which included a budget of $419,203 for 2017 and a budget of $229,807 for 2018, and the value of cannabis used in oil extraction testing;

- advertising and promotion, which increased from $21,886 in 2016 to $1,734,473 in 2017 due to the additional marketing and brand awareness raising activities undertaken in 2017 following the Company becoming a public company;

- change in fair value of derivative liability, for which the Company experienced a gain of $483,173 in 2016 as compared to a loss of $1,472,327 in 2017 due to the issuance of additional convertible debentures in 2017;

- professional fees, which increased from $184,288 to $1,335,503 in 2017, primarily due to the increased costs related to being a public company as well as fees incurred in connection with various transactions undertaken in 2017, and due diligence in connection with other potential strategic transactions;

- finance expense, which increased from $1,207,359 in 2016 to $4,443,327 in 2017, due to the Company's increased financing activities, including in connection with the first CBW investment and the issuance of the December 2017 Debentures, and accounting for the interest thereon;

and

- other general and administrative expenses, including office expense of $651,262 (2016 - $344,131); travel of $381,504 (2016 - $125,521); communication expense of $58,077 (2016 - $49,307); rent of $52,750 (2016 - $24,000); vehicle expense of $53,008 (2016 - $48,699) and insurance expense of $50,662 (2016 - $27,029), all of which increased in connection with the Company's increased business activities.

The Company also received finance income of $127,590 in the year ended December 31, 2017 (2016 - $13,489) which was related to interest earned from cash on hand.

In fiscal 2018, the Company intends to continue to invest in product development and selling and marketing initiatives in order to expand the Company's product line, promote the Company's existing products, increase the number of registered patients, and prepare for the launch of the Canadian adult-use market. The Company also expects to incur expenses in connection with the opening of new Harvest Medicine clinics.

Biological Assets

As at December 31, 2017, the Company's biological assets were on average, 39% complete (2016 – 22%), and it was expected that the biological assets would yield approximately 77 kg of cannabis (2016 – 202 kg). As at December 31, 2017, the Company had 2,349 plants that were biological assets (2016 – 4,062 plants). Management has made the following estimates in this valuation model:

- Average number of weeks in the growing cycle is twelve weeks from propagation to harvest
- Average harvest yield of dried cannabis is 32.8 grams per plant
- Average selling price of dried cannabis is $6.69 per gram

The estimates of growing cycle, harvest yield, and costs per gram are based on the Company's historical results. The estimate of the selling price per gram is based on the Company's historical sales in addition to the Company's expected sales price going forward. These inputs are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

The Company values its biological assets at each reporting period at fair value less costs to sell. This is determined using a valuation model to estimate the expected harvest yield per plant applied to the estimated price per gram less processing and selling costs. This model also considers the progress in the plant life cycle.

The Company expects that a $1 increase or decrease in the wholesale market 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.

Operating, Financing and Investing Activities

The table below highlights the Company's cash flows for the year ended December 31, 2017 as compared to the year ended December 31, 2016:

	2017	2016
Net cash provided by (used in):		
Operating activities	(11,424,513)	(3,671,062)
Investing activities	(7,863,053)	(618,989)
Financing activities	88,731,546	5,638,498
Increase in cash	69,435,021	1,348,447

Operating activities used cash of $11,061,782 during the year ended December 31, 2017 as compared to using cash of $3,671,062 in the prior year. The current year amount reflects, among other things, the increase in general and administrative expenditures and inventory offset by increases in accounts payable and accrued liabilities.

Financing activities provided cash of $88,368,815 for the year ended December 31, 2017 as compared to $5,638,498 in 2016. Cash generated in the current year included $27,674,473 from the private placements of Shares to CBW and in connection with the Qualifying Transaction's concurrent financing, $44,502,061 from the issuance of convertible debentures, net of issuance costs, $15,939,305 received from warrant exercises, $215,768 from stock option exercises and $990,450 from broker warrant exercises. This was offset by cash used of $350,000 for the repayment of a mortgage payable; $200,000 for the repayment of a loan payable; and $40,511 for an advance to a related party.

Cash used in investing activities for the year ended December 31, 2017 was $7,863,053 as compared to cash used of $618,989 in the prior year. In the current year, $6,467,094 was used to invest in property and equipment, including with respect to the expansion of the Vanluven Facility; $1,924,520 was used for issuance of a loan receivable; and $39,509 was used to invest in intangible assets. $566,688 was provided by net cash acquired in connection with the Qualifying Transaction.

Financial Risk Management

The Board has overall responsibility for the establishment and oversight of the Company's risk management policies on an annual basis. Management identifies and evaluates the Company's financial risks and is charged with the responsibility of establishing controls and procedures to ensure financial risks are mitigated in accordance with approved policies.

Liquidity and Capital Resources

During the year ended December 31, 2017, the Company primarily financed its operations through the proceeds of debt and equity financings. As at December 31, 2017, the Company had working capital of $67,909,863 and cash of $70,804,888 as compared to working capital of $599,291 and cash of $1,369,867 as at December 31, 2016. The increase in working capital was primarily due to an increase in cash. Subsequent to December 31, 2017, the Company raised additional gross proceeds of $71,280,245 from the 2018 Prospectus Offering.

Accounts receivable were $197,998 as at December 31, 2017 (2016 - $42,221), with the increase primarily attributable to an increase in receivables from patients covered by Veterans Affairs, which can result in a timing delay in payment, as well as payments not yet received for a bulk sale made in December 2017. Other receivables at December 31, 2017 were $625,426 (2016 - $104,786) which were largely comprised of GST and HST receivables. The increase was attributable to increased spending by the Company in 2017 as compared to 2016 as the Company continue to ramp up its operations.

Inventory at December 31, 2017 was $965,518 (2016 - $1,335,922), which consisted solely of harvested cannabis. The decrease in inventory was due to the fact that the net realizable value used to calculate inventory value was lower in 2017 than in 2016. Because of the lower net realizable value used to calculated inventory value in 2017, inventory from 2016 that was still held by the Company in 2017 had to be revalued and, as a result, the Company recognized inventory impairment in the amount of $414,879 during 2017 (2016 - $178,727).

As at December 31, 2017, the Company had a loan receivable of $1,671,751 (2016 - $nil) from entities controlled by an officer of a subsidiary of the Company. Subsequent to December 31, 2017, this loan was assigned to a former director of the Company and repaid. See "Related Party Transactions".

Biological assets at December 31, 2017 were $242,892 (2016 - $494,075). Biological assets decreased during the year in large part due to the lower net realizable value used to calculate inventory value, as further described above.

The Company's long term assets mainly consisted of property and equipment of $11,236,135 (2016 - $5,447,656) related to the Company's Vanluven Facility and the expansion thereof, including the acquisition of additional Conviron grow chambers, and consulting fees with external contractors in connection with the expansion; intangible assets of $43,604 (2016 - $43,750), comprised of work flow technology and website development; and deposits of $nil (2016 - $383,814).

During the twelve months ended December 31, 2017, the Company significantly strengthened its balance sheet and liquidity position through equity and debt financings undertaken in connection with the Qualifying Transaction, the first CBW investment, and the sale of December 2017 Debentures. The Company continually monitors and manages its cash flow to assess the liquidity necessary to fund operations. The Company anticipates that it has sufficient liquidity and capital resources to meet all of its planned expenditures for the next twelve months.

Financial Instruments and Risk Management

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

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 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 as at December 31, 2017 were due within one year except for the December 2017 Debentures.

(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.

The following table summarizes the Company's outstanding financial instruments as at December 31, 2017:

Outstanding Principal ($)	Interest Rate	Type	Maturity	Conversion Price ($)
30,000,000[1]	7.0%	December 2017 Debentures	December 21, 2020	1.50

[1] Since December 31, 2017, $23,500,000 of the principal amount of the December 2017 Debentures has been converted into an aggregate of 15,666,667 Shares at a conversion price of $1.50 per Share.

Further information regarding risks associated with the Company's financial instruments is included in the notes to the Company's consolidated financial statements for the year ended December 31, 2017.

Related Party Transactions

As at December 31, 2017:

(a) the Company was owed $4,297 from ABcann Medical Distributors Inc., a company under common control with Ken Clement, a former director of the Company (2016 - $4,297); and

(b) 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 Ken Clement, a former director of the Company, and repaid. During the year, the Company recorded an impairment of $252,769 ($2016 - $nil) with respect to these advances.

During the three months and years ended December 31, 2017 and December 31, 2016, compensation awarded to directors and officers of the Company was comprised of the following:

	Three Months Ended December 31		Year Ended December 31	
	2017 ($)	2016 ($)	2017 ($)	2016 ($)
Short-term	901,962	378,731	1,572,487	742,181
Share-based payments	2,744,933	892,654	3,967,678	1,034,212
Total	**3,646,895**	**1,271,385**	**5,540,165**	**1,776,693**

Share-based payments increased in the fourth quarter of 2017 due to stock option grants to certain directors and new company personnel, the issuance of Shares as a signing bonus to the Company's new CEO and CFO, and the acceleration of vesting of certain RSUs in connection with the departure of an officer of the Company.

Changes in Accounting Policies including Initial Adoption

The Company implemented the following amendment for the annual period beginning on January 1, 2016:

Amendments to IAS 16 and IAS 41

IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* were amended to:

- include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for as property, plant and equipment and measured at initial recognition on a cost or revaluation basis in accordance with IAS 16;

- introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales; and

- clarify that produce growing on bearer plants remains within the scope of IAS 41.

These amendments did not require any significant changes to the Company's accounting practices.

Additional information regarding new standards, amendments to standards, and interpretations which are not yet effective, and have not been applied in preparing the Company's consolidated financial statements for the year ended December 31, 2017 are further described in Note 3 to such financial statements. The Company has assessed the impact of these standards and has determined that they are not expected to have a significant impact on the Company's consolidated financial statements. Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates, are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

Off-Balance Sheet Arrangements

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

Disclosure of Outstanding Share Data

As of the date of this MD&A, the Company's authorized share capital consists of an unlimited number of common shares without par value. The Company had the following securities outstanding as at April 24, 2018:

Type of Security	Number Outstanding
Common Shares	191,001,305
Dilutive Effect of Convertible Debentures	12,958,333[1]
Stock Options	10,427,669

Type of Security	Number Outstanding
Warrants	20,191,082
2017 Agent's Warrants	29,340[(2)]
Common Shares underlying 2018 Underwriters' Warrants	575,000[(3)]
Warrants underlying 2018 Underwriters' Warrants	287,500[(3)]
Restricted Share Units	1,772,888
Fully Diluted	**237,243,117**

(1) Assuming conversion of: (i) outstanding December 2017 Debentures in the aggregate principal amount of $6.5 million into 4,333,333 Shares at a conversion price of $1.50 per Share; and (ii) outstanding 2018 Debentures in the aggregate principal amount of $34,500,000 into 8,625,000 Shares at a conversion price of $4.00 per Share.

(2) The 2017 agent's warrants were issued in connection with the concurrent financing undertaken in connection with the Qualifying Transaction. Each is exercisable into one Share at a price of $0.80 per Share until April 28, 2019.

(3) The 2018 underwriters' warrants were issued in connection with the 2018 Prospectus Offering. Each is exercisable into one unit of the Company at a price of $3.50 per unit, each of which will be comprised of one Share and one half of one Warrant, with each whole Warrant entitling the holder to acquire one additional Share at a price of $4.25 per Share until February 28, 2020.

Risk Factors

Any investment in the securities of the Company is speculative, due to the nature of its business and its general stage of development. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward looking statements relating to the Company. In addition to the usual risks associated with investment in a business, investors should carefully consider the following risk factors as well as the risk factors set out in the Company's Annual Information Form for the year ended December 31, 2017:

Competition

The Company faces competition from other companies in the cannabis space. In addition to existing competitors, because of the early stage of the industry in which ABcann operates, ABcann also expects to face competition from new market entrants, both in the medical cannabis sector and in the adult-use market when such market is legalized.

Change in Laws, Regulations and Guidelines

ABcann's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis, and laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. To the knowledge of ABcann's management, the Company is currently in compliance with all such laws.

Risks Related to the Agricultural Business

ABcann's business involves the growing of medical cannabis, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business. Although ABcann grows its products indoors under climate controlled conditions and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Unprofitable Operations

ABcann has historically incurred losses from operations. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future.

Product Transportation Cost and Disruptions

ABcann is dependent on mail and courier services for distribution. Any prolonged disruption of mail or courier services could have an adverse effect on the financial condition and results of operations of ABcann. Rising costs associated with the transportation services used by ABcann to ship its products may also adversely impact its business.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, ABcann faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. There can be no assurances that ABcann will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons. If any of ABcann's products are recalled due to an alleged product defect or for any other reason, ABcann could be required to incur the unexpected expense of such recall and any legal proceedings that might arise in connection with such recall. Although ABcann has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits.

Reliance on the License

ABcann's ability to grow, store and sell medical cannabis in Canada is dependent on the License. Failure to comply with the requirements of the License, or any failure to maintain the License in good standing, will have a material adverse impact on the business, financial condition and operating results of ABcann. The License is renewed by Health Canada on a regular basis. It is currently valid until October 30, 2020.

Vulnerability to Rising Energy Costs

ABcann's medical cannabis growing operations consume considerable energy, making ABcann vulnerable to rising energy costs. Rising or volatile energy costs may adversely affect the ability of ABcann to operate profitably.

Limited Operating History

ABcann began carrying on business in 2014, and 2016 is the first year in which it generated revenues from the sale of products. ABcann is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization; cash shortages; limitations with respect to personnel, financial, and other resources; and lack of material revenue. There is no assurance that ABcann will be successful in achieving a return on shareholders' investment, and the likelihood of success must be considered in light of the early stage of its operations.

Factors which may Prevent Realization of Growth Targets or Facility Development

ABcann is currently in the early development stage. ABcann's growth strategy contemplates acquiring additional property, expanding the Vanluven Facility, equipping the Vanluven Facility with additional production resources, and developing the Kimmett Facility. There is a risk that the Company's proposed expansion plans will not be achieved on time, on budget, or at all.

Reliance on Key Inputs

ABcann's business is dependent on a number of key inputs, including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact ABcann's business, financial condition and operating results.

Variable Revenues and Earnings

ABcann's revenues and earnings may vary quarter to quarter as a result of a number of factors, including, among other things: the timing of releases of new products; the timing of sales orders or deliveries; activities of the Company's competitors; possible delays in the production or shipment of products; concentration in the Company's customer base; possible delays or shortages in critical inputs; or transition periods associated with the migration to new production methods.

Operating Risk and Insurance Coverage

ABcann has insurance to protect its assets, operations and employees. While ABcann believes its insurance coverage adequately addresses material risks to which it is exposed and is at a level customary for its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which ABcann is exposed.

Environmental and Employee Health and Safety Regulations

ABcann's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land; the handling and disposal of hazardous and non-hazardous materials and wastes; and employee health and safety. ABcann expects to incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters.

Change in Laws, Regulations and Guidelines

The Company's operations are subject to a variety of laws, regulations and guidelines. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may adversely affect the Company's operations and financial condition.

Cyber Security Risks

ABcann relies on certain internal processes, infrastructure and information technology systems to efficiently operate its business in a secure manner, including infrastructure and systems operated by third parties. The inability to continue to enhance or prevent a failure of these internal processes, infrastructure or information technology systems could negatively impact the Company's ability to operate its business.

Additional Financing Requirements

In order to execute its anticipated growth strategy, the Company may require additional equity and/or debt financing to, among other things, support on-going operations, undertake capital expenditures, and expand to new markets (when it is legal to do so). There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise additional financing could limit the Company's growth and may have a material adverse effect upon its business, operations, results, financial condition or prospects.

Management of Growth

ABcann may be subject to growth-related risks, including capacity constraints and pressure on internal systems and controls.

Conflicts of Interest

Certain of the directors and officers of ABcann are also directors and officers of other companies outside of the cannabis industry, but conflicts of interest may arise between their duties as officers and directors of ABcann and as officers and directors of such other companies.

Litigation

ABcann may become party to litigation from time to time in the ordinary course of business which could adversely affect its business.

Share Price Fluctuations

The market price of the Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company; divergence in financial results from analysts' expectations; changes in earnings estimates by stock market analysts; changes in the business prospects for the Company; general economic conditions; legislative changes; and other events and factors outside of the Company's control. In addition, shares of cannabis companies generally have experienced extreme price and volume fluctuations, which could adversely affect the market price for the Shares.