# Marapharm Ventures Inc.

*Watch us grow!*

**MANAGEMENT DISCUSSION & ANALYSIS**
**March 31, 2017**

# MARAPHARM VENTURES INC.
# MANAGEMENT'S DISCUSSION & ANALYSIS
# FOR THE YEAR ENDED MARCH 31, 2017

**Introduction**

The following management discussion and analysis ("MD&A"), prepared as of July 31, 2017, is a review of the operations, current financial position and outlook for Marapharm Ventures Inc. (the "Company") and should be read in conjunction with the Company's most recently issued audited financial statements for the year ended March 31, 2017, copies of which are filed on the SEDAR website: www.sedar.com7, copies of which are filed on the SEDAR website: www.sedar.com.

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures included herein and in the following discussion and analysis are quoted in Canadian dollars unless otherwise noted.

Management is responsible for the information contained in this MD&A and its consistency with information presented to the Audit Committee and Board of Directors. All information in this document has been reviewed and approved by the Audit Committee and Board of Directors. This review was performed by management with information available as of July 31, 2017.

The financial information in this MD&A is derived from the Company's financial statements prepared in accordance with IFRS. This MD&A may contain forward looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of risk factors beyond its control. Actual results may differ materially from the expected results.

**Forward-Looking Information**

This MD&A may include certain "forward-looking statements" within the meaning of applicable Canadian securities legislation. Other than statements of historical facts, all statements included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competition, strengths, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward looking statements. When used in this MD&A, the words "estimate", "plan", "anticipate", "expect", "intend", "believe", "pipeline", and similar expressions are intended to identify forward-looking statements. Forward-looking information is based in part, on assumptions that may change, thus causing actual results or anticipated events to differ materially from those expressed or implied in any forward-looking information. Such assumptions include the stability or improvement of general economic conditions. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward statements are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. Subject to applicable securities laws, the Company does not assume any obligation to update or revise them to reflect new events or circumstances. Such factors include, among others, risks related to unavailability of financing, unfavorable market conditions and other factors. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

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## Description of the Company's Business

Marapharm Ventures Inc. ("Marapharm" or the "Company"), was incorporated under the Business Corporations Act (British Columbia) on April 24, 2007 under the name "0789189 B.C. Ltd." On March 5, 2012, the Company approved a Plan of Arrangement (the "Plan") with its parent company, Whitewater Resources Ltd., and became a reporting issuer. On May 21, 2013, the Company changed its name to "Capital Auction Market Inc." On August 1, 2014, the Company changed its name to "Marapharm Ventures Inc." The Company reached an agreement on December 10, 2014, to acquire Marapharm Inc., a company that was established to enter the emerging market of marijuana for medical purposes under Canadian regulations, and has submitted an application for a license with Health Canada. The consolidated financial statements now include the operations of the subsidiaries Marapharm Inc., Marapharm Washington LLC, Marapharm Las Vegas LLC, and EcoNevada, LLC. The Company's head office is located at Suite 200 – 537 Leon Avenue, Kelowna, B.C., V1Y 2A9.The Company's common shares commenced trading on the Canadian Stock Exchange ("CSE") on May 8, 2015 under the symbol "MDM". The Company's common shares also trade on the OTC Markets under the ticker symbol "MRPHF" and the Frankfurt and Stuttgart Stock Exchange under the ticker symbol "2MØ".

Marapharm was formed to create a global entity pursuing commercial ventures within the medical and recreational marijuana industry.

<u>Kelowna, BC, Canada</u>

The Company has a lease arrangement for an 11-acre property in Kelowna identified as a potential marijuana growing location in the Company's MMPR License application, which is in the Review Stage of the approval process by Health Canada.

In addition to its MMPR application, the Company owns Maragold, an all-natural oil product line, and to date has completed the hemp formulations for the products.

<u>Las Vegas, Nevada, United States</u>

Through Marapharm Las Vegas, LLC, the Company controls a provisional grow licence in Las Vegas, where it is planning to build a medical marijuana facility of up to approximately 70,000 square feet.

<u>Whatcom County, Washington, United States</u>

Through Marapharm Washington, LLC, the Company has a lease and sublease agreements for the leasehold improvements and equipment and a purchase option agreement for the property within a 28,000 square-foot industrial building in Whatcom County.

**Reporting Basis**

These consolidated financial statements have been prepared on a historical cost basis. Cost is the fair value of the consideration given in exchange for net assets.

## Overall Performance & Outlook

### Highlights

- Purchased 7 acres of industrial property in Las Vegas, Nevada with buildings approved for three licenses for cannabis cultivation and processing.
- Closing on 13.6 acres of industrial property in Washington State, which is approved for marijuana cultivation, processing and a proposed cannabis campus.
- Commenced the purchase of two industrial properties in California, which are approved for marijuana cultivation and processing.
- Acquired, has control of or has applications in process for 11 licenses in the United States and Canada.
- Purchased 5 million shares and 10 million warrants of Veritas Pharma Inc., a public company to leverage synergy in research and development of data regarding proprietary cannabis strains for specific disease conditions.
- Marapharm.tv is a company owned site which will air a weekly market report on Marapharm's stock activity and news related to the cannabis industry.
- The Company is considering retail opportunities to complement its cultivation and processing abilities. This will allow the control of the quality, marketing and messaging behind our products.
- Announced a proposed offering of up to 80 million share purchase warrants. Each warrant will be offered for a consideration of 10 cents (CDN) per warrant for a total of gross proceeds of up to $8 million dollars and are exercisable into one common share for the price of $2.90 per share for a period of 3 years from the date of closing.

The Company had an increase in gross revenues for the year 2017 of $0.4 million (2016 – nil), as a result of the accrued lease payments on its property in Washington State. Total expenses in determining income (loss) before other items increased by $7.5 million to $8.9 million primarily due to an increase in shareholder information & investor relations of $5.80 million, an increase in consulting fees of $.57 million, an increase in professional fees of $0.48 million, an increase in rent & utilities of $0.31 million, an increase in contract services of $.22 million and a net increase in other expenses of $.07 million. The Company had a loss before other items of $8.9 million compared to a loss of $1.4 million in the prior year.

The Company's overall net comprehensive loss for the year increased from $3.3 million in 2016 to $11.4 million for the current year. This loss is mainly attributed to a $8.5 million loss before other items in addition to: non-cash expenses of $1.1 million, depreciation of $0.21 million, interest of $0.05 million, non-recurring expenses of $0.05 million and a foreign currency translation loss of $1.38 million.

## Marapharm Washington

Marapharm WA is in the process of developing its property for cultivation, processing and research purposes, with the intention of creating a Cannabis Campus. We will continue to renovate the buildings which are presently in use, as well as, develop and build new structures as required. Cannabis has been a boon to the Washington State economy with the Washington State Liquor and Cannabis Board reporting over one billion in sales to consumers since 2014.


The Company has entered into an agreement to purchase 13.6 acres of industrial land and buildings located in Washington State for $4.2 million. The 13.6 acres is zoned for Washington States I-502 marijuana cultivation and processing requirements. There are currently multiple buildings on the property, including the 30,000 square foot building with a tier 3 I-502 marijuana cultivation and processing licensed tenant, a 9,190 square building which will be renovated as the facilities processing center, a 7,200 square foot mechanic shop, a 2,208 square foot office building and large sheds. The Company's tenant, will be leasing the property at the rate of USD $200,000 accrued per month with payments to start upon completion of the renovations. The payments are retroactive to the date that operations commenced. A deposit of $500,000 USD was paid on and credited to the overall purchase price. The remaining amount of the purchase price will be paid by way of 37 monthly installments of $100,000 USD which began April 01, 2017.

The Company estimates that current demolition work of existing unusable facilities is approximately 60% complete with total demolition to be finished in August 2017 allowing the construction of the new facilities to begin. The estimated budget for the demolition and construction of new facilities is $1.5 million.

## Marapharm Las Vegas

Medical cannabis has been legal in Nevada since November 7, 2000, and Nevada recently passed a bill legalizing the use of recreational cannabis effective July 01, 2017. Marapharm is poised to take full advantage of this opportunity as the Company has been issued the applicable permits to grow, cultivate and sell its products including edibles and oils.

On May 11, 2015, the Company entered into an arm's-length agreement to purchase approximately 5.9 acres of land in the Apex Business Park in North Las Vegas, Nevada as well as the rights by assignment, to purchase the equity interests in a Nevada limited liability company, and to use a provisional license, which is a tenant by lease, to grow medical marijuana. The agreement also gave the Company an option to acquire the equity interests in the company that holds the license which the Company also exercised during the year.

In addition to this agreement, Marapharm acquired a 100% ownership interest in EcoNevada, LLC, a company that owns two licenses, one for cultivation and the other for processing, bringing the total square footage of all pending licenses to approximately 300,000 sq. ft., including a 16,000 sq. ft. processing license.

The Company has been able to merge its 3 licenses onto its 7-acre parcel in the Apex Business Park in Las Vegas to operate as a campus. The special use permits, allowing all three licenses to operate from that property, have been approved by the City of North Las Vegas. Marapharm has commenced the project, with two 5,000-square-foot starter buildings. The purpose of the smaller buildings will be to house the three licenses, to supply product to the market in the interim, and to allow for training of staff. The starter buildings have arrived and site work has commenced. On completion of this initial phase, the Company plans to begin construction of the remaining campus in a phased development. The total budgeted costs for the full development is currently estimated to be approximately $60 million.

In June 2017, the Company exercised an option to acquire 100% of the equity interest of PhenoFarm NV LLC ("PhenoFarm") who owns a Nevada medical and recreational marijuana cultivation license. Pursuant to the terms of an amended option agreement, the Company agreed to acquire 85% equity interest of PhenoFarm for US$250,000 in cash and the remaining 15% equity interest for 100,000 common shares of the Company. In July 2017 the balance of the purchase price was paid and the shares were issued.

## California

California has a long history of using Medical Cannabis, being the first state to legalize its medical use. California also recently passed a bill to legalize the sale of recreational cannabis and has the potential of becoming the top state for cannabis sales in the United States. This is the reason for the Company's plans to purchase properties with the appropriate licenses to allow the Company to take advantage of the opportunities in such a large populous state. The following agreements to purchase properties are as follows:

- On March 24, 2017, the Company entered into to an agreement to purchase 1.22 acres of property located in Desert Hot Springs, California. The transaction was completed on May 31, 2017 for a total consideration of US$1,126,729 inclusive of closing costs.
- On April 26, 2017 the Company entered into an agreement to purchase 7.02 acres of property located in Desert Hot Springs, California for US$2,500,000. The Company has paid US$100,000 into escrow and the transaction is expected to close on August 31, 2017.
- On July 5, 2017 the Company entered into an agreement to purchase 1.25 acres of property located in Desert Hot Springs, California for US$520,000. The Company paid US$18,000 into escrow and the transaction is expected to close on September 5, 2017

All properties are zoned for cannabis cultivation and processing.

## Maragold Products

The Company is continuing to develop its line of Maragold health and wellness products, a line of all natural products blended with hemp and made up of raw essential oils and natural ingredients. Hemp has been used in healing for centuries but faced an almost world-wide ban for a large part of the twentieth century and into the early part of the 21st century. In recent years the ban has been gradually lifted and this broad spectrum plant is now being made available for its many therapeutic uses. The Company plans to offer the hemp infused health and wellness products through an online webstore it is in the process of developing.

## Marapharm TV

The Company has launched Marapharm.tv to broadcast regular programs on the cannabis industry; in addition to this, we will provide a weekly market report of Marapharm's stock activity and updates on its operations. We believe that by utilizing online media we can better inform the public about our industry, its benefits and its challenges. The channel also allows us to advertise our brand and allows us a unique marketing opportunity.

## Canadian Operations

Through its wholly owned operating subsidiary Marapharm Inc., the Company has applied to Health Canada to become a licensed producer under the Access to Cannabis for Medical Purposes Regulations (ACMPR). Marapharm's initial facility, a proposed 22,000 sq. ft. state-of-the-art cultivation facility, is planned for construction on an 11 acre leased site in Kelowna, British Columbia.

## Outlook

Due to the strength of the Company's stock price, the Company has an expectation of receiving up to $5.5 million subsequent to March 31, 2017 and prior to September 06, 2016 from the exercise of outstanding warrants. These funds, in addition to the $8 million offering of share purchase warrants recently announced, will allow the Company to continue its development efforts in Washington, Nevada and California as outlined above. The Company does anticipate future financings of equity and/or debt to complete the construction of the planned facilities.

We believe the outlook for the Company and marijuana industry is very positive as the Canadian market for legalized medical and recreational marijuana has been projected to exceed $12.7 billion. The market for medicinal use in Canada was estimated at $144 million in 2014 and expected to grow by 23% per year to $1.3 billion 2024. In the United States, New Frontier Data recently that the legal cannabis market was worth an estimated $7.2 billion in 2016 and is projected to grow at a compound annual rate of 17%. Medical marijuana sales are projected to grow from $4.7 billion in 2016 to $13.3 billion in 2020. Adult recreational sales are estimated to jump from $2.6 billion in 2016 to $11.2 billion by 2020.

Our recent results and above mentioned developments support our optimistic view of our future, however, neither the timing nor the degree of likelihood of success of any of our proposals, initiatives or commercialization efforts can be stated with any degree of accuracy.

## Fourth Quarter

Total expenses in determining income (loss) before other items increased by $1.6 million over the prior quarter to $4.6 million primarily due to an increase in stock promotion & investor relations agreements expensed of $1.97 million, an increase in non-cash expenses of Amortization and depreciation of $0.28 million, an increase in management fees of $.16 million, recognition of the Company's share of the operational loss of $0.11 million. and a net increase in other expenses of $.12 million offset by a decrease in stock compensation expense of $0.8 million.

The Company's overall net comprehensive loss for the quarter increased $1.1 million from $3.8 million in the prior quarter to $4.9 million for the current period. This loss is mainly attributed to a $1.6 million loss before other items offset by a decrease in non-cash expenses of $0.7 million, an increase in amortization & depreciation of $0.28 million, interest of $0.06 million, non-recurring expenses of $0.05 million and a foreign currency translation gain of $.22 million.

## Selected Quarterly Financial Information

### Operational and Administration Costs

The majority of the costs incurred by the Company are being applied to earnings in the current period as incurred.

| For The Quarter Ended March 31 | 2017 | 2016 | 2015 |
|---|---|---|---|
| Revenues | 95,975 | - | - |
| Operating Expenses | 4,281,496 | 653,373 | 195,417 |
| Income (Loss) Before Other Items | (4,185,521) | (653,373) | (195,417) |
| Amortization of Intangible Assets | 22,196 | - | - |
| Depreciation of Property & Equipment | 32,014 | 1,547 | 578 |
| Interest | 34,893 | 7,475 | - |
| Non Recurring Expenses (Income) | 46,679 | 1,500,690 | 4,345,659 |
| Other Non-Cash Expenses (Income) | 119,335 | - | - |
| Share of Loss in Equity Investment | 111,868 | - | - |
| Net Income (Loss ) | (4,552,506) | (2,163,085) | (4,541,076) |
| Basic & Diluted Earnings (Loss) Per Share | (0.08) | (0.06) | (0.17) |
| Total Assets | 12,635,916 | 1,167,257 | 1,194,804 |
| Total Long-Term Liabilities | 1,287,676 | 377,363 | - |

### Segment Information

During the year ended March 31, 2017 and March 31, 2016, the Company had one reportable operating segment relating to medical marijuana and distribution of hemp based products. Geographical information is as follows:

| Three Months Ended March 31, 2017 | Canada<br>$ | USA<br>$ | Total<br>$ |
|---|---|---|---|
| Revenues | - | 95,975 | 95,975 |
| Amortization of Intangible Assets | - | 22,196 | 22,196 |
| Depreciation of Property & Equipment | 3,161 | 28,853 | 32,014 |
| Interest | 34,893 | - | 34,893 |
| Non Recurring Expenses (Income) | 46,679 | - | 46,679 |
| Other Non-Cash Expenses (Income) | 119,335 | - | 119,335 |
| Share of Loss in Equity Investment | 111,868 | - | 111,868 |
| Other Expenses | 4,167,973 | 113,523 | 4,281,496 |
| Total Expenses | (4,483,909) | (164,572) | (4,648,481) |
| Net Income (Loss) for the Period | (4,483,909) | (68,597) | (4,552,506) |
| Current Assets | 5,217,380 | 1,440,232 | 6,657,612 |
| Loan Receivable | - | 249,231 | 249,231 |
| Due from Related Party | 340,507 | - | 340,507 |
| Property, Plant and Equipment | 32,235 | 2,499,346 | 2,531,581 |
| Intangible Assets | 1 | 1,618,852 | 1,618,853 |
| Investment in Associate | 1,238,132 | - | 1,238,132 |
| Segment Assets | 6,828,255 | 5,807,661 | 12,635,916 |
| Segment Liabilities | 1,429,552 | 539,731 | 1,969,283 |

| Three Months Ended March 31, 2016 | Canada $ | USA $ | Total $ |
|---|---|---|---|
| Revenues | - | - | - |
| Depreciation of Property & Equipment | 1,547 | - | 1,547 |
| Other Expenses | 39,848 | 613,525 | 653,373 |
| Total Expenses | 41,395 | 613,525 | 654,920 |
| Net Income (Loss) for the Period | (41,395) | (613,525) | (654,920) |
| Current Assets | 388,348 | - | 388,348 |
| Due from Related Party | 145,863 | - | 145,863 |
| Property, Plant and Equipment | 38,682 | 594,363 | 633,045 |
| Intangible Asset | 1 | - | 1 |
| Segment Assets | 572,894 | 594,363 | 1,167,257 |
| Segment Liabilities | 364,144 | 496,220 | 860,364 |

## Selected Annual Financial Information

| For The Year Ended March 31 | 2017 | 2016 | 2015 |
|---|---|---|---|
| Revenues | 383,902 | - | - |
| Operating Expenses | 8,897,846 | 1,403,061 | 295,916 |
| Income (Loss) Before Other Items | (8,513,944) | (1,403,061) | (295,916) |
| Amortization of Intangible Assets | 88,786 | - | - |
| Depreciation of Property & Equipment | 128,057 | 2,765 | 578 |
| Interest | 55,833 | 13,546 | - |
| Non Recurring Expenses (Income) | 46,679 | 775,344 | 4,333,661 |
| Stock Based Compensation | 1,042,560 | 1,100,628 | - |
| Share of Loss in Equity Investment | 111,868 | - | - |
| Net Income (Loss ) | (9,987,727) | (3,295,344) | 4,630,155 |
| Basic & Diluted Earnings (Loss) Per Share | (0.18) | (0.09) | (0.17) |
| Total Assets | 12,635,916 | 1,167,257 | 1,194,804 |
| Total Long-Term Liabilities | 1,287,676 | 377,363 | - |

## Segment Information

| | Canada | USA | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Year Ended March 31, 2017** | | | |
| Revenues | - | 383,902 | 383,902 |
| Expenses | | | |
| Amortization of Intangible Assets | - | 88,786 | 88,786 |
| Depreciation of Property and Equipment | 9,255 | 118,802 | 128,057 |
| Share of Loss in Equity Investment | 111,868 | - | 111,868 |
| Other Expenses | 8,667,729 | 1,375,189 | 10,042,918 |
| Net Loss for the Year | (8,788,852) | (1,198,875) | (9,987,727) |
| Current Assets | 5,217,380 | 1,440,232 | 6,657,612 |
| Loan Receivable | - | 249,231 | 249,231 |
| Due from Related Party | 340,507 | - | 340,507 |
| Property, Plant and Equipment | 32,235 | 2,499,346 | 2,531,581 |
| Intangible Assets | 1 | 1,618,852 | 1,618,853 |
| Investment in Associate | 1,238,132 | - | 1,238,132 |
| Segment Assets | 6,828,255 | 5,807,661 | 12,635,916 |
| Segment Liabilities | 1,429,552 | 539,731 | 1,969,283 |
| **Year Ended March 31, 2016** | | | |
| Revenues | - | - | - |
| Expenses | | | |
| Amortization of Intangible Assets | - | - | - |
| Depreciation of Property and Equipment | 2,765 | - | 2,765 |
| Impairment of Property and Equipment | - | 725,345 | 725,345 |
| Impairment of Intangible Asset | 49,999 | - | 49,999 |
| Other Expenses | 2,409,238 | 107,997 | 2,517,235 |
| Net Loss for the Year | (2,462,002) | (833,342) | (3,295,344) |
| Current Assets | 388,348 | - | 388,348 |
| Due from Related Party | 145,863 | - | 145,863 |
| Property, Plant and Equipment | 38,682 | 594,363 | 633,045 |
| Intangible Asset | 1 | - | 1 |
| Segment Assets | 572,894 | 594,363 | 1,167,257 |
| Segment Liabilities | 364,144 | 496,220 | 860,364 |

## Discussion of Operations

Operational activities greatly increased in the year ended March 31, 2017 over the prior year. The Company's total assets increased $11.5 million to $12.6 million while shareholders' equity increased $10.3 million due primarily to private placement offerings and the exercise of the resulting warrants and to the exercise of stock options.

Operating expenses increased by $7.5 million over the prior year primarily due to:

- Managements' decision to focus on stock promotion and marketing activities in Canada, the United States and Europe in the amount of $6.10 million. The results these efforts we believe has resulted in the Company being able to raise in excess of $9.0 million equity and an appreciation in its share capital to $98 million as of this report date from $8.0 million at the beginning of the 2017 fiscal year.

- Consulting expenses increased by $0.67 million as the Company utilized the expertise of various agents to execute on the various land purchases and building efforts.

- Profession fees increased by $0.48 million due to land purchases, equity financings, bond financing and other corporate governance matters.

- An increase in management fees of $120,000.

The Company experienced a decrease in other items expensed of $0.42 million primarily due to $0.77 million in impairments costs realized in the prior year offset by an increase in non-cash items of amortization and depreciation in the amount of $0.21 million and the Company's share of loss in its equity investment of $0.11 million.

## Summary of Quarterly Financial Results

The following table provides a summary of the Company's eight quarterly results ending on March 31, 2017:

| | Quarter ended June 30, 2015 | Quarter ended September 30, 2015 | Quarter ended December 31, 2015 | Quarter ended March 31, 2016 |
|---|---|---|---|---|
| Revenue | - | - | - | - |
| Net Income (Loss) | (973,505) | (555,855) | (235,199) | (1,530,785) |
| Basic and Diluted Net Loss per Share | (0.02) | (0.02) | (0.01) | (0.04) |

| | Quarter ended June 30, 2016 | Quarter ended September 30, 2016 | Quarter ended December 31, 2016 | Quarter ended March 31, 2017 |
|---|---|---|---|---|
| Revenue | 66,363 | 99,833 | 102,059 | 115,647 |
| Net Income (Loss) | (548,631) | (957,940) | (3,822,300) | (4,552,506) |
| Basic and Diluted Net Loss per Share | (0.01) | (0.02) | (0.07) | (0.08) |

## Liquidity and Capital Resources

As of March 31, 2017, the Company had net working capital of $5,976,005 and cash of $4,316,697. The Company is dependent upon ongoing positive operations, debt and equity funding to support operating expenditures for the following year.

The Company experienced a net increase of $3.87 million in its cash position for the year due to net financing receipts of $14.04 million offset with purchases of fixed assets and investments of $4.38 million.

Below are discussions related to the Company's capital activities:

**a) Authorized Share Capital**

The Company is authorized to issue an unlimited number of common shares without par value.

**b) Issued and Outstanding Shares**

As at March 31, 2017, the Company had 78,490,136 common shares issued and outstanding as presented in the consolidated statements of changes in shareholders' equity.

**i) Shares Issued for Cash in 2016**

On September 25, 2015, the Company issued 1,100,000 units at $0.37 per unit for total gross proceeds of $407,000. Each unit consisted of one common share and one share purchase warrant exercisable at $0.37 until March 25, 2016 (subsequently extended until March 25, 2017). The Company issued 110,000 common shares with a fair value of $40,700 for finders' fees.

On October 13, 2015, the Company issued 737,500 units at $0.40 per unit for total gross proceeds of $295,000. Each unit consisted of one common share and one share purchase warrant exercisable at $0.45 until October 13, 2016. The Company allocated $14,750 of the proceeds to warrants reserve under the residual method. The Company issued 61,250 common shares and 61,250 warrants with a total fair value of $23,275 for finders' fees.

On November 10, 2015, the Company issued 613,750 units at $0.40 per unit for total proceeds of $245,500. Each unit consisted of one common share and one share purchase warrant exercisable at $0.45 until November 10, 2016. The Company allocated $6,137 of the proceeds to warrants reserve under the residual method. The Company issued 61,375 common shares and 47,500 warrants with a total fair value of $23,936 for finders' fees.

**ii) Shares Issued for Cash in 2017**

On April 14, 2016, the Company issued 2,640,000 units at $0.20 per unit for total gross proceeds of $528,000. Each unit consisted of one common share and one share purchase warrant exercisable at $0.40 until April 14, 2017. The Company issued 89,000 common shares with a fair value of $17,800 and 379,000 finders' warrants with a fair value of $23,783 for finders' fees. As at March 31, 2016, the Company received $443,000 in share subscriptions prior to the closing of the private placement.

On June 16, 2016, the Company issued 2,817,500 units at $0.20 per unit for total gross proceeds of $563,500. Each unit consisted of one common share and one share purchase warrant exercisable at $0.40 until June 16, 2017. The Company issued 47,500 common shares with a fair value of $9,500 and 226,000 finder's warrants with a fair value of $11,924 for finders' fees.

On September 6, 2016, the Company issued 10,866,250 units at $0.20 per unit for total proceeds of $2,173,250. Each unit consisted of one common share and one share purchase warrant exercisable at $0.40 until September 6, 2017. The Company issued 352,500 common shares with a fair value of $70,500 and 1,022,500 finder's warrants with a fair value of $130,135 for finders' fees.

**iii) Shares Issued for Intangible Assets**

During the year ended March 31, 2017, the Company issued a total of 1,172,814 common shares with a fair value of $594,855 (US$451,616) for the acquisition of Econevada LLC.

**iv) Shares Issued for Services**

During the year ended March 31, 2017, the Company issued 435,000 common shares with a fair value of $287,150 to arm's length parties for marketing and investor relations services, of which $215,519 was related to services provided and expensed in the year ended March 31, 2016.

During the year ended March 31, 2017, the Company issued 3,536,298 common shares with a fair value of $4,123,312 to a related party for marketing and investor relations services.

During the year ended March 31, 2017, the Company issued 127,249 common shares with a fair value of $108,016 to arm's length parties for consulting services.

**v) Shares Issued for Debt**

During the year ended March 31, 2017, the Company issued 188,702 common shares with a fair value of $137,752 to settle an outstanding loan. Included in the amount was $102,808 in principal and $34,944 in interest.

**vi) Shares Issued on Exercise of Warrants**

During the year ended March 31, 2017, Company issued a total of 15,712,750 common shares upon the exercise of warrants for total gross proceeds of $9,803,062, and 712,000 common shares upon the exercise of finders' warrants for total gross proceeds of $293,738. As at March 31, 2017, a receivable of $308,000 was recorded for outstanding subscription proceeds for the exercise of warrants, which was subsequently received in April 2017.

**vii) Shares Issued on Exercise of Stock Options**

During the year ended March 31, 2017, Company issued a total of 1,760,000 common shares upon the exercise of options for total gross proceeds of $1,020,750.

**c) Share Purchase Warrants**

The continuity of warrants for the year ended March 31, 2017 is as follows:

| Expiry Date | Exercise Price | March 31, 2016 | Issued | Exercised | Expired/ Cancelled | March 31, 2017 |
|---|---|---|---|---|---|---|
| October 13, 2016 | $0.45 | 737,500 | - | 737,500 | - | - |
| November 6, 2016 (1) | $0.75 | 1,657,000 | - | 1,247,000 | 410,000 | - |
| November 10, 2016 | $0.45 | 613,750 | - | 613,750 | - | - |
| December 9, 2016(2) | $0.75 | 4,940,330 | - | 4,003,330 | 937,000 | - |
| January 19, 2017(3) | $0.75 | 5,059,670 | - | 4,693,670 | 366,000 | - |
| March 25, 2017(4) | $0.37 | 1,100,000 | - | 1,000,000 | 100,000 | - |
| April 14, 2017 | $0.40 | - | 2,640,000 | 1,490,000 | - | 1,150,000 |
| June 16, 2017 | $0.40 | - | 2,817,500 | 425,000 | - | 2,392,500 |
| September 6, 2017 | $0.40 | - | 10,866,250 | 1,502,500 | - | 9,363,750 |
| | | 14,108,250 | 16,323,750 | 15,712,750 | 1,813,000 | 12,906,250 |

The continuity of warrants for the year ended March 31, 2016 is as follows:

| Expiry Date | Exercise Price | March 31, 2015 | Issued | Exercised | Expired/ Cancelled | March 31, 2016 |
|---|---|---|---|---|---|---|
| October 13, 2016 | $0.45 | - | 737,500 | - | - | 737,500 |
| November 6, 2016(1) | $0.75 | 1,657,000 | - | - | - | 1,657,000 |
| November 10, 2016 | $0.45 | - | 613,750 | - | - | 613,750 |
| December 9, 2016(2) | $0.75 | 4,940,330 | - | - | - | 4,940,330 |
| January 19, 2017(3) | $0.75 | 5,059,670 | - | - | - | 5,059,670 |
| March 25, 2017(4) | $0.37 | - | 1,100,000 | - | - | 1,100,000 |
| | | 11,657,000 | 2,451,250 | - | - | 14,108,250 |

(1) On October 19, 2015, the Company extended the exercise date of the share purchase warrants from November 6, 2015 to November 6, 2016.

(2) On November 26, 2015, the Company extended the exercise date of the share purchase warrants from December 9, 2015 to December 9, 2016.

(3) On January 7, 2016, the Company extended the exercise date of the share purchase warrants from January 19, 2016 to January 19, 2017.

(4) On March 16, 2016, the Company extended the exercise date of the share purchase warrants from March 25, 2016 to March 25, 2017.

**d) Finders' Warrants**

The continuity of finders' warrants for the year ended March 31, 2017 is as follows:

| Expiry Date | Exercise Price | March 31, 2016 | Issued | Exercised | Expired/ Cancelled | March 31, 2017 |
|---|---|---|---|---|---|---|
| October 13, 2016 | $0.45 | 61,250 | | 61,250 | - | - |
| November 10, 2016 | $0.45 | 47,500 | | 47,500 | - | - |
| January 19, 2017 | $0.75 | 10,000 | - | 10,000 | - | - |
| April 14, 2017 | $0.40 | - | 379,000 | 11,500 | - | 367,500 |
| June 17, 2017 | $0.40 | - | 226,000 | 5,000 | - | 221,000 |
| September 16, 2016 | $0.40 | - | 1,022,500 | 576,750 | - | 445,750 |
| | | 118,750 | 1,627,500 | 712,000 | - | 1,034,250 |

The continuity of finders' warrants for the year ended March 31, 2016 is as follows:

| Expiry Date | Exercise Price | March 31, 2015 | Issued | Exercised | Expired/ Cancelled | March 31, 2016 |
|---|---|---|---|---|---|---|
| October 13, 2016 | $0.45 | - | 61,250 | - | - | 61,250 |
| November 10, 2016 | $0.45 | - | 47,500 | - | - | 47,500 |
| January 19, 2017 | $0.75 | 10,000 | - | - | - | 10,000 |
| | | 10,000 | 108,750 | - | - | 118,750 |

**e) Stock Options**

Under the Company's stock option plan, the maximum number of shares that may be reserved for issuance is limited to 10% of the issued and outstanding common shares of the Company at the time of grant. Under the plan, the exercise price of an option may not be less than the closing market price of the Company's shares prevailing on the day that the option is granted. The options may have a maximum term of 5 years and be vested at the discretion of the board of directors.

As at March 31, 2017, 4,265,000 options, with an average exercise price of $1.19 per share and an average remaining life of 0.82 years, have been vested.

| Expiry Date | Exercise Price | March 31, 2016 | Granted | Exercised | Expired/ Cancelled | March 31, 2017 |
|---|---|---|---|---|---|---|
| March 8, 2017 | $0.93 | - | 275,000 | 275,000 | - | - |
| May 8, 2017 | $0.50 | 2,000,000 | - | 500,000 | 900,000 | 600,000 |
| September 6, 2017 | $1.49 | - | 300,000 | - | - | 300,000 |
| September 6, 2017 | $2.50 | - | 800,000 | - | - | 800,000 |
| September 16, 2017 | $0.50 | 200,000 | - | 200,000 | - | - |
| September 24, 2017 | $0.50 | 1,275,000 | - | 410,000 | 550,000 | 315,000 |
| November 8, 2017 | $0.93 | - | 220,000 | - | - | 220,000 |
| September 9, 2018 | $0.40 | - | 925,000 | 275,000 | - | 650,000 |
| November 8, 2018 | $0.93 | - | 430,000 | - | - | 430,000 |
| November 8, 2018 | $1.00 | - | 350,000 | 100,000 | - | 250,000 |
| March 6, 2018 | $1.49 | | 700,000 | - | - | 700,000 |
| December 15, 2020 | $0.50 | 100,000 | - | - | 100,000 | - |
| | | 3,575,000 | 4,000,000 | 1,760,000 | 1,550,000 | 4,265,000 |

As at March 31, 2016, 3,575,000 options, with an average exercise price of $0.50 per share and an average remaining life of 1.4 years, have been vested.

| Expiry Date | Exercise Price | March 31, 2015 | Granted | Exercised | Expired/ Cancelled | March 31, 2016 |
|---|---|---|---|---|---|---|
| May 8, 2017 | $0.50 | - | 2,000,000 | - | - | 2,000,000 |
| September 16, 2017 | $0.50 | - | 200,000 | - | - | 200,000 |
| September 24, 2017 | $0.50 | - | 1,275,000 | - | - | 1,275,000 |
| December 15, 2020 | $0.50 | - | 100,000 | - | - | 100,000 |
| | | - | 3,575,000 | - | - | 3,575,000 |

## Capital Disclosure

The Company considers its capital structure to include net residual equity of all assets, less liabilities. Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at March 31, 2017, the Company's shareholders' equity was $10,666,663 (March 31, 2016 - $306,893) and it had current liabilities of 681,607 (March 31, 2016 - $483,001). Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management has invested its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed.

The capital for operations was mostly from proceeds from the issuance of common shares and convertible debentures converted into common shares.

## Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements other than reported in the accompanying notes to the financial statements as at March 31, 2017 or as of the date of this report.

## Related Party Transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed. Details of transactions between the Company and other related parties, in addition to those transactions disclosed elsewhere in these consolidated financial statements, are described as follows.

**a) Related Party Balances**

As at March 31, 2017 and 2016, the Company has the following amounts due from (to) related parties that are non-interest bearing, unsecured, and have no specified terms of repayment.

**Due from a Related Party**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Due from a shareholder and companies controlled by the shareholder for business development advances | 340,507 | 145,863 |

**Due to Related Party**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Due to an Officer for Services and Expense Reimbursements | 25,576 | 64,078 |

**Trade and Other Payables**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Directors' Fees | 9,000 | - |

**b) Compensation of Key Management Personnel**

The compensation paid or payable to Directors and Officers of the Company included consulting, management, and directors' fees for administrative and management services, and 1,400,000 stock options (2016 – 2,400,000) granted to these related parties.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Consulting Fees | 68,927 | - |
| Directors' Fees | 3,250 | 12,000 |
| Management Fees | 285,000 | 165,000 |
| Stock Based Compensation | 326,812 | 744,877 |
| | 683,989 | 921,877 |

All related party transactions were in the ordinary course of business and were measured at their exchange amount as agreed between the related parties.

**c) Compensations and Transactions with a Shareholder**

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Consulting Services(i) | 270,000 | 360,000 |
| Shareholder and Investor Relations Services(ii) | 4,674,184 | - |
| Software Program Development and Marketing Services (iii) | 398,970 | - |
| Finder's Warrants(iv) | 63,000 | 60,000 |
| Office Rent (v) | 57,475 | - |
| | 5,479,558 | 420,000 |

The Company has the following related party transactions with companies controlled by a shareholder of the Company who has been appointed as the Interim President of the Company in June 2017. As at March 31, 2017, an amount of $340,507 (2016 – $145,863) was owed to the Company by the shareholder.

**i) Consulting Services**

On January 30, 2014, the Company entered into a consulting agreement with a company controlled by the shareholder for consulting services. During the year ended March 31, 2017, the Company paid consulting fees totalling $270,000 (2016 – $360,000).

**ii) Shareholder and Investor Relations Services**

During the year ended March 31, 2017, the Company entered into consulting agreements with companies controlled by the shareholder, for shareholder and investor relations services. The Company paid $550,872 and issued a total of 3,536,298 common shares with a fair value of $4,123,312 for services provided.

**iii) Software Program Development and Marketing Services**

On April 14, 2017, the Company entered into a delivery service agreement with a company controlled by the shareholder for design and development of a software program, website, databases and marketing programs for a marijuana delivery business. A retainer of $398,970 (US$300,000) was paid on March 30, 2017 and recorded in prepaid expense .

**iv) Finder's Warrants**

In connection with the private placement completed in September 6, 2016, the Company issued 576,750 finder's warrants to the shareholder. Each warrant was exercisable for one common share of the Company at $0.40 per share for a term of one year. The fair value of these warrants of $73,404, as determined using the Black-Scholes option pricing model, was recorded in share issuance costs.

**v) Office Lease Arrangement**

During the year ended March 31, 2017, the Company paid rent totaling $63,000 (2016 – $60,000) to a company controlled by the shareholder for the rental of an office space used as the Company's head office.

**vi) Acquisition of Econevada LLC**

During the year ended March 31, 2017, the Company purchased a 75.5% interest in Econevada LLC from a shareholder for US$711,125. The Company paid US$375,000 in cash and issued 1,072,813 common shares with a fair value of US$336,126.

**vii) Property Lease Arrangement**

On July 15, 2014, the company entered into a lease agreement with a company controlled by the shareholder to lease up to a maximum of 11.2 acres in the Kelowna, B.C. area for a term of ten years with an option to renew for another ten years. Annual base rent shall be $15,000 per acre used by the Company plus a percentage rent equal to 6% of the Company's gross revenue from business conducted at the leased premises. The property is secured as the location of the Company's future production facility once the medical marijuana application is approved by Health Canada. No rent was charged to the Company pursuant to this lease arrangement in the year ended March 31, 2016 and 2017.

All related party transactions were in the ordinary course of business and were measured at their exchange amount as agreed to by the related parties.

## Critical Accounting Estimates

During the period ended March 31, 2017, the Company had some accounting estimates. For detailed descriptions of significant accounting policies, readers are directed to the financial statements for the year ended March 31, 2017 available at www.sedar.com.

## Changes in Accounting Policies

*Accounting standards, amendments and interpretations not yet effective*
The following standards and interpretations have been issued but are not yet effective:

- IFRS 9: Financial Instruments: Classification and Measurement
- IFRS 15: Revenue from Contracts with Customers
- IFRS 16: Leases

Other accounting standards, amendments and interpretations 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 financial statements.

## Financial Instruments and other Instruments

Under IFRS, a three-level hierarchy that reflects the significance of inputs used in making fair value adjustments is required. The three-levels of fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset and liability either directly or indirectly.

Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash and cash equivalents, trade payables and amounts due to related parties. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

## Outstanding Shares

As at the date of this MD&A, the Company had the following outstanding:

- 84,880,436 common shares
- 7,727,750 share purchase warrants
- 1,034,250 finders' warrants
- 6,875,000 share options

## Critical Risks and Uncertainties

***Operating History***

The Company does not have a record of achievement to be relied upon. The Company's operations are subject to all the risks inherent in the establishment of a new business enterprise, including a lack of operating history. The Company cannot be certain that its investment strategy or development of the Company's business will be successful. The likelihood of the Company's success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. If the Company fails to address any of those risks or difficulties adequately, business will likely suffer.

***Competition***

The earnings of the Company depend upon the Company's ability to locate suitable opportunities and locations to establish cleaning and repair centres and to bring to market the proprietary products being developed by its research and development division. Competition may restrict the Company's share of the market, reduce rates of return and/or may reduce profit margins.

## Other Matters

*Legal proceedings:*
There are no ongoing legal proceedings of any kind or initiated by the Company or by third parties against the Company.

*Contingent liabilities:*
At the date of MD&A, management was unaware of any outstanding contingent liabilities relating to the Company's activities.

## Management's Report on Internal Control over Financial Reporting

In connection with Exemption Orders issued in November 2007 by each of the securities commissions across Canada, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements and the audited financial statements and respective accompanying MD&A.

In contrast to the certificate under National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Filings), the Venture Issuer Basic Certification includes a 'Note to Reader' stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financing reporting, as defined in MI 52-109.

## Additional Information

Additional disclosure of the Company's, material change reports, new release, and other information can be obtained on SEDAR at www.sedar.com, or by requesting further information from the Company's head office in Vancouver BC Canada.