ABCANN MEDICINALS INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED MARCH 31, 2017 AND 2016
(In Canadian Dollars)

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

		March 31, 2017		December 31 2016
Assets				
Current assets				
Cash	$	**135,823**	$	1,369,867
Accounts receivable		**73,535**		42,221
Other receivables *(note 4)*		**192,545**		104,786
Inventories *(note 5)*		**1,247,995**		1,335,922
Biological assets *(note 6)*		**589,430**		494,075
Due from related parties *(note 16)*		**4,500**		20,457
Loan receivable *(note 13)*		**407,383**		-
Prepaid expenses		**128,444**		128,123
Current portion of mortgage receivable *(note 14)*		**97,496**		97,832
		2,877,151		3,593,283
Property and equipment *(note 7)*		**5,425,952**		5,447,656
Intangible assets *(note 8)*		**35,313**		43,750
Deposits		**643,459**		383,814
	$	**8,981,875**	$	9,468,503
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	**1,371,690**	$	1,562,129
Due to related parties *(note 16)*		**30,044**		-
Current portion of mortgage payable *(note 9)*		**525,000**		350,000
Loans payable *(note 15)*		**200,000**		1,081,863
		2,126,734		2,993,992
Convertible debenture *(note 17)*		**3,999,811**		3,859,450
Derivative liability *(note 11)*		**4,556,837**		4,118,905
		10,683,382		10,972,347
Shareholders' deficiency				
Share capital *(note 10)*		**9,773,505**		7,167,069
Contributed surplus *(note 10)*		**3,884,563**		4,138,359
Warrant reserve *(note 10)*		**4,901,540**		4,425,411
Deficit		**(20,261,115)**		(17,234,683)
		(1,701,507)		(1,503,844)
	$	**8,981,875**	$	9,468,503

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

Nature of operations *(note 1)*
Commitments and contingencies *(note 12)*
Subsequent events *(note 20)*

On behalf of the Board

"John P. Molloy"	"Ying (Jenny) Guan"
Director	Director

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		For the period ended March 31, 2017		For the period ended March 31, 2016
Revenue:				
Sales	$	**172,483**	$	375
Gain on biological transformation *(note 6)*		**222,608**		760,689
Other income		**14,004**		255,684
Cost of sales *(note 5)*		**(215,180)**		(2,765)
Production salaries and wages		**(190,271)**		(382,800)
Production amortization and depreciation *(notes 7 & 8)*		**(214,615)**		(248,222)
Production supplies and expense		**(189,405)**		(138,873)
Gross profit		**(400,376)**		244,088
Expenses:				
Salaries and wages		**423,587**		78,761
Amortization and depreciation *(notes 7 & 8)*		**37,041**		23,892
Stock-based compensation *(note 10)*		**103,500**		101,731
Consulting fees		**183,059**		182,287
Research & development		**-**		75,001
Professional fees		**218,213**		17,957
Office expense		**117,051**		54,736
Finance expense *(notes 9, 15 & 17)*		**681,252**		191,030
Travel		**53,172**		29,471
Advertising & promotion		**331,878**		238
Communication		**14,017**		10,862
Vehicle		**9,198**		11,751
Rent		**6,000**		8,000
Insurance		**5,347**		11,648
Property tax		**8,010**		7,266
Loss (gain) on change in fair value of derivative liability *(note 11)*		**437,932**		(162,449)
Finance income		**(3,201)**		(1,980)
		2,626,056		640,202
Net loss and comprehensive loss	$	**(3,026,432)**	$	(396,114)
Net loss per share				
Basic and diluted	$	**(0.04)**	$	(0.01)
Weighted average shares outstanding		**70,597,447**		64,330,886

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

Condensed Interim Consolidated Statements of Changes in Shareholders' (Deficiency) Equity
(Expressed in Canadian Dollars)

	Share Capital Class "A" Common	Contributed Surplus	Warrant Reserve	Deficit	Total
Balance, January 1, 2017	$ 7,167,069	$ 4,138,359	$ 4,425,411	$ (17,234,683)	$ (1,503,844)
Class "A" Common shares issued for cash	615,072	-	374,928	-	990,000
Class "A" Common shares issued for services	12,500	-	-	-	12,500
Exercise of options	358,338	(357,296)	-	-	1,042
Stock-based compensation	-	103,500	-	-	103,500
Partial conversion of Officer Debenture	523,695	-	-	-	523,695
Partial settlement of loans payable	668,226	-	319,561	-	987,787
Exercise of broker warrants	428,605	-	(218,360)	-	210,245
Net loss for the period	-	-	-	(3,026,432)	(3,026,432)
Balance, March 31, 2017	**$ 9,773,505**	**$ 3,884,563**	**$ 4,901,540**	**$ (20,261,115)**	**$ (1,701,507)**

	Share Capital Class "A" Common	Contributed Surplus	Warrant Reserve	Deficit	Total
Balance, January 1, 2016	$ 6,938,232	$ 2,516,946	$ 4,303,524	$ (11,007,406)	$ 2,751,296
Class "A" Common shares issued for cash	103,200	-	-	-	$ 103,200
Class "A" Common shares issued for services	-	-	-	-	$ -
Exercise of options	10,225	(10,225)	-	-	$ -
Stock-based compensation	-	101,732	-	-	$ 101,732
Net loss for the period	-	-	-	(396,114)	$ (396,114)
Balance, March 31, 2016	$ 7,051,657	$ 2,608,453	$ 4,303,524	$ (11,403,520)	$ 2,560,114

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

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the periods ended		**March 31, 2017**		March 31, 2016
Cash flow from operating activities				
Net loss	**$**	**(3,026,432)**	$	(396,114)
Add (deduct) items not involving cash				
Accretion and accrued interest		**664,056**		113,512
Amortization and depreciation		**251,655**		272,114
Stock-based compensation		**103,500**		101,731
Issuance of shares in exchange for services		**12,500**		-
Gain on biological transformation		**(222,608)**		(760,689)
Loss (gain) on change in fair value of derivative liability		**437,932**		(162,449)
Change in non-cash working capital				
Accounts receivable		**(31,314)**		-
Other receivables		**(87,759)**		(41,190)
Inventory		**215,180**		2,765
Prepaid expenses		**(321)**		3,471
Accounts payable and accrued liabilities		**(84,516)**		255,775
		(1,768,126)		(611,073)
Cash flow from financing activities				
Private placement of shares, net of issuance costs		**990,000**		103,200
Advances from related parties		**46,001**		3,261
Issuance of convertible debentures, net of issuance costs		**-**		445,578
Exercise of options		**1,042**		-
Exercise of broker warrants		**210,246**		-
Receipt of mortgages payable		**175,000**		32,443
Receipt of loan payable		**-**		58,500
Repayment of loan payable		**-**		-
		1,422,288		642,982
Cash flow from investing activities				
Investment in property and equipment		**(221,514)**		(8,511)
Investment in intangible assets		**-**		(30,000)
Deposits		**(259,645)**		-
Issuance of loan receivable		**(407,383)**		-
Proceeds from mortgage receivable		**336**		307
		(888,206)		(38,204)
Decrease in cash		**(1,234,044)**		(6,295)
Cash, beginning of period		**1,369,867**		21,420
Cash, ending of period	**$**	**135,823**	$	15,125

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

1. Nature of operations

ABcann Medicinals Inc. ("ABcann" or the "Company") was incorporated under the Ontario Business Corporations Act. The Company's principal business activity is the manufacturing and distribution of medical cannabis under a license with Health Canada.

The Company was in the development stage until December 31, 2015 and had commenced earning revenues from the sale of product in 2016.

The Company's condensed interim consolidated financial statements are prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Continuation as a going concern is dependent upon obtaining additional capital and upon the Company's attaining profitable operations. The Company will require a substantial amount of additional funds to complete the development of its products, to build a sales and marketing organization, and to fund additional losses, which the Company expects to incur. Realization values may be substantially different from carrying values as shown and these condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these condensed interim consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. These adjustments could be material.

2. Basis of presentation

(a) Statement of compliance

The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". These financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements were approved by the Company's board of directors on May 29, 2017.

(b) Basis of presentation

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

(c) Functional and presentation currency

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

(d) Principles of consolidation

The Company consolidates its interest in entities which it controls. Control is defined by the power to govern an entity's financial and operating policies so as to be able to obtain benefits from its activities. All intercompany balances and transactions have been eliminated.

(e) Use of estimates and judgments

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

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

Biological assets and inventory

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

Derivative liability

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

The Company uses the Black-Scholes model and a Monte-Carlo simulation to estimate fair value at each reporting date. The key assumptions used in the model are the expected future volatility in the price of the Company's shares, the price of the Company's shares and the expected life of the convertible debenture.

Fair value of stock options

Determining the fair value of stock options on the grant date, including performance based options, requires judgment related to the choice of a pricing model, the estimation of stock price volatility and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's reported operating results, liabilities or components of shareholders' equity. The key estimates used by management are the stock price volatility, expected life of the options, and share price.

Impairment of loan receivable

Determining whether a loan receivable is impaired requires estimates of the present value of future cash flows to be received.

3. Significant accounting policies

These condensed interim consolidated financial statements have been prepared following the same accounting policies used in the preparation of the audited financial statements of the Company for the year ended December 31, 2016.

<u>New standards, amendments and interpretations not yet adopted</u>

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 are 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.

A number of new standards and amendments to standards and interpretations and have not been applied in preparing these consolidated financial statements, as set out below:

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

- IFRS 15, Revenue from Contracts with Customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

- In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low value assets; however, this exemption can only be applied by lessees. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application if IFRS 15 is also applied.

The Company has yet to assess the impact of these standards. 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.

4. Other receivables

		March 31, 2017		December 31 2016
HST recoverable	**$**	**192,545**	$	104,786

5. Inventory

Inventory is comprised of the following:

		March 31, 2017		December 31 2016
Harvested cannabis	**$**	**1,247,995**	$	1,335,922

Inventory recognized as an expense in cost of sales was $215,180 for the period ended March 31, 2017 (March 2016 - $2,765).

6. Biological assets

The Company's biological assets consist of seeds and medical cannabis plants. The continuity of biological assets is as follows:

		Amount
January 1, 2016	**$**	**259,799**
Increase in fair value less costs to sell due to biological transformation		1,726,537
Transferred to inventory upon harvest		(1,492,261)
Balance, December 31, 2016	**$**	**494,075**
Increase in fair value less costs to sell due to biological transformation		222,608
Transferred to inventory upon harvest		(127,253)
Balance, March 31, 2017	**$**	**589,430**

The significant assumptions used in determining the fair value of medical cannabis plants are as follows:

- Yield by plant;
- Wastage of plants based on their various stages; and
- Percentage of costs incurred to date compared to the total costs to be incurred are used to estimate the fair value of growing plant.

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

7. Property, plant and equipment

	Land	Building and improvements	Computer equipment	Office furniture & equipment	Production equipment	Vehicles	Fencing	Total
Cost								
At December 31, 2015	**$ 515,778**	**$ 2,449,298**	**$ 18,891**	**$ 142,339**	**$ 3,470,626**	**$ 112,080**	**$ 86,104**	**$ 6,795,116**
Additions	473	-	14,848	111,972	69,158	-	-	196,451
At December 31, 2016	**516,251**	**2,449,298**	**33,739**	**254,311**	**3,539,784**	**112,080**	**86,104**	**6,991,567**
Additions	177,874	-	9,446	7,276	26,918	-	-	221,514
At March 31, 2017	**$ 694,125**	**$ 2,449,298**	**$ 43,185**	**$ 261,587**	**$ 3,566,702**	**$ 112,080**	**$ 86,104**	**$ 7,213,081**
Accumulated depreciation								
At December 31, 2015	**$ -**	**$ 85,977**	**$ 14,321**	**$ 40,128**	**$ 366,099**	**$ 54,238**	**$ 11,409**	**$ 572,172**
Expense for the year	-	171,955	13,158	39,615	701,041	37,360	8,610	971,739
At December 31, 2016	**-**	**257,932**	**27,479**	**79,743**	**1,067,140**	**91,598**	**20,019**	**1,543,911**
Expense for the period	-	48,008	4,252	6,248	177,662	4,895	2,153	243,218
At March 31, 2017	**$ -**	**$ 305,940**	**$ 31,731**	**$ 85,991**	**$ 1,244,802**	**$ 96,493**	**$ 22,172**	**$ 1,787,129**
Net book value								
At December 31, 2015	$ 515,778	$ 2,363,321	$ 4,570	$ 102,211	$ 3,104,527	$ 57,842	$ 74,695	$ 6,222,944
At December 31, 2016	$ 516,251	$ 2,191,366	$ 6,260	$ 174,568	$ 2,472,644	$ 20,482	$ 66,085	$ 5,447,656
At March 31, 2017	$ 694,125	$ 2,143,358	$ 11,454	$ 175,596	$ 2,321,900	$ 15,587	$ 63,932	$ 5,425,952

8. Intangible assets

	Work flow technology
Cost	
At December 31, 2015	150,000
Additions	40,000
At December 31, 2016	$ 190,000
Additions	-
At March 31, 2017	**$ 190,000**
Accumulated depreciation	
At December 31, 2015	$ 85,000
Expense for the year	61,250
At December 31, 2016	$ 146,250
Expense for the period	8,437
At March 31, 2017	**$ 154,687**
Net book value	
At December 31, 2015	$ 65,000
At December 31, 2016	$ 43,750
At March 31, 2017	$ 35,313

9. Mortgages payable

	March 31, 2017	December 31 2016
Mortgages payable at 8.5% per annum	**$ 525,000**	$ 350,000
Current	**525,000**	350,000
Total	**$ 525,000**	$ 350,000

During the period ended March 31, 2017, the Company borrowed an additional $175,000 at 8.5% per annum, due March 31, 2018, related to the purchase of certain properties. The mortgage payable is secured by a first charge over certain specified properties. Interest expense on mortgages payable was $7,437 for the period ended March 31, 2017 (March 2016 - $39,880).

10. Shareholders' deficiency

Authorized share capital

Class "A" Preference Share – non-voting – unlimited
Class "B" Preference Share – non-voting – unlimited
Class "C" Preference Share – non-voting – unlimited
Class "D" Preference Share – non-voting – unlimited
Class "E" Preference Share – non-voting – unlimited
Class "A" Common Share – voting – unlimited
Class "B" Common Share – non-voting – unlimited

Outstanding share capital

	Number of shares		Amount
Balance, December 31, 2015	**64,311,508**	**$**	**6,938,232**
Class "A" Common shares issued for cash	224,787		118,200
Class "A" Common shares issued for services	244,844		100,412
Exercise of options	25,000		10,225
Balance as at December 31, 2016	**64,806,139**	**$**	**7,167,069**
Class "A" Common shares issued for cash	2,414,633		615,072
Class "A" Common shares issued for services	30,488		12,500
Partial conversion of Officer Debenture	1,512,195		523,695
Partial settlement of loans payable	2,409,235		668,226
Exercise of options	698,171		358,338
Exercise of broker warrants	512,795		428,605
Balance as at March 31, 2017	**72,383,656**	**$**	**9,773,505**

As at March 31, 2017, there were no shares issued and outstanding other than Class "A" Common Shares.

During the period ended March 31, 2017, the Company received gross proceeds of $990,000 via issuance of 2,414,633 Class "A" common shares and 2,414,633 warrants exercisable at $0.50 into Class "A" common shares, expiring 2 years from issuance.

During the period ended March 31, 2017, the Company issued 30,488 Class "A" common shares valued at $0.41 per share, for services rendered.

During the period ended March 31, 2017, $620,000 of the Officer Debenture was converted (note 17), in connection with which the Company issued 1,512,195 Class "A" common shares to an officer of the Company.

During the period ended March 31, 2017, the Company issued 2,409,235 Class "A" common shares valued at $0.41 per share, pursuant to settlements of certain loans payable (note 15).

During the period ended March 31, 2017, 698,171 stock options were exercised into Class "A" common shares for gross proceeds of $1,042. $357,296 of contributed surplus attributable to the exercised options was reclassified to share capital.

During the period ended March 31, 2017, 512,795 broker warrants were exercised into Class "A" common shares for gross proceeds of $210,246. In addition, $218,361 of warrant reserve attributable to the exercised warrants were reclassified to share capital.

During 2016, 25,000 stock options were exercised into Class "A" common shares for nominal proceeds. In addition, $10,225 of contributed surplus attributable to the exercised options was reclassified to share capital.

During 2016, the Company issued 224,787 Class "A" common shares for gross proceeds of $118,200.
During 2016, the Company issued 244,844 Class "A" common shares valued at $0.41 per share for settlement of engineering and other services rendered to the Company.

Warrants

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

The warrant details of the Company are as follows:

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2015	20,838,147	$0.61
Issued in conjunction with amendment of 10% interest bearing loan (note 15)	7,768,000	$0.41
Outstanding, December 31, 2016	28,606,147	$0.56
Issued during private placement	2,414,633	$0.50
Issued in conjunction with partial settlement of loans payable	2,409,235	$0.50
Exercise of broker warrants	(512,795)	$0.41
Outstanding, March 31, 2017	**32,917,220**	**$0.55**

During the period ended March 31, 2017, the Company issued 2,414,633 warrants as part of a private placement offering. The warrants are exercisable at $0.50 for Class "A" common shares, with an expiry of 2 years from the date of issuance. The fair value of these warrants was $374,928.

During the period ended March 31, 2017, the Company issued 2,409,235 warrants pursuant to settlements of certain loans payable (note 15). The warrants are exercisable at $0.50 for Class "A" common shares, with an expiry of 2 years from the date of issuance. The fair value of these warrants was $319,561.

During the period ended March 31, 2017, the Company agreed to extend the life of the 1,025,585 broker warrants while modifying the terms to be exercisable at $0.41 for Class "A" common shares only (removing the additional warrant). In March 2017, 512,795 of the broker warrants were exercised into 512,795 Class "A" common shares for gross proceeds of $210,246 (March 2016 - $nil), with the remainder being exercised in April 2017.

In 2016, 7,768,000 warrants were issued in conjunction with the amendment of the 10% interest bearing note (see note 15). The fair value of the warrants was $121,887.

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

	March 31, 2017	2016
Volatility	**70%**	70%
Risk-free interest rate	**1.17%**	1.06%
Expected life (years)	**2 years**	5 years
Dividend yield	**Nil**	Nil
Forfeiture rate	**0%**	0%
Share price	**$0.41**	$0.41

The following table presents information related to warrants at March 31, 2017:

Weighted average exercise price	Number of Warrants	Weighted average remaining life (years)
$0.56	32,917,220	1.35

Employee options

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

The following table summarizes the stock option activity:

	Number of Options	Weighted average exercise price
Outstanding, December 31, 2015	4,765,000	$0.46
Granted	3,940,122	$0.34
Forfeited	(50,000)	$0.41
Exercised	(25,000)	$0.001
Outstanding, December 31, 2016	**8,630,122**	**$0.40**
Granted	700,000	$0.41
Exercised	(698,171)	$0.001
Outstanding, March 31, 2017	**8,631,951**	**$0.44**

During the period ended March 31, 2017, the Company recognized $103,500 of stock-based compensation related to stock options (March 2016 - $101,731).

During the period ended March 31, 2017, 698,171 stock options were exercised into Class “A” common shares for nominal proceeds. $357,296 of contributed surplus attributable to the exercised options was reclassified to share capital.

During the period ended March 31, 2017, the Company granted 700,000 stock options, exercisable for Class “A” common shares at an exercise price of $0.41 per share, vesting over 36 months. The options expire 5 years from the date of grant. The fair value of these options was $94,258.

In 2016, 3,940,122 stock options were granted, 3,840,122 vesting immediately upon the grant date. The remaining balance of the options granted vest over 7 months. The options had an aggregate fair value of $1,441,816. 25,000 options were exercised in 2016 for nominal proceeds. In addition, $10,225 of contributed surplus attributable to the exercised options was reclassified to share capital.

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

	March 31, 2017	2016
Volatility	**70%**	70% to 80%
Risk-free interest rate	**1.17%**	1.06% to 1.39%
Expected life (years)	**5 years**	5 to 10 years
Dividend yield	**Nil**	Nil
Forfeiture rate	**0%**	0%
Share price	**$0.41**	$0.41 or $0.53

The following table presents information related to stock options at March 31, 2017:

Weighted average exercise price	Number of Options	Weighted average remaining life (years)	Vested
$0.41	6,106,951	4.92	5,315,283
$0.50	2,500,000	1.97	2,500,000
$0.53	25,000	4.67	25,000
Balance as at March 31, 2017	**8,631,951**	**4.07**	**7,840,283**

11. Derivative liability

2015 Debentures

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

The Company used a Monte-Carlo simulation and the Black-Scholes model to estimate fair value of the derivative liability with respect to the 2015 Debentures at each reporting date. This is a Level 3 recurring fair value measurement (note 19). The key Level 3 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's shares and the expected life of the 2015 Debentures. The following assumptions were used:

	March 31, 2017	December 31, 2016	Third tranche	Second tranche	First tranche
Volatility	**70%**	70%	80%	80%	80%
Risk-free interest rate	**0.52%**	0.52%	0.41%	0.60%	0.66%
Expected life (years)	**0.61 years**	0.86 years	1.84 years	1.95 years	2 years
Share price	**$0.53**	$0.53	$0.41	$0.41	$0.41

Upon initial recognition, the Company recorded a derivative liability of $706,835 in 2015 and 278,446 in 2016, and expensed related transaction costs of $50,765 and $7,013, respectively. During the period ended March 31, 2017, the Company recorded a loss of $437,932 on revaluation of the derivative liability (March 2016 – gain of $162,449).

2016 Debentures

The 2016 Debentures (see note 17) can be converted at the option of the holder to Class "A" common shares at a conversion price equal to a 20% discount to the transaction price assigned to each share of the Company on completion of a proposed go-public transaction. As the conversion price depends on the go-public price, there is variability in the number of shares that may be issued. Therefore the Company has classified this instrument as a derivative liability.

The Company used the Black-Scholes model to estimate the fair value of the derivative liability with respect to the 2016 Debentures at each reporting date. This is a Level 2 recurring fair value measurement (note 19). The key Level 2 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's shares and the expected life of the 2016 Debentures. The following assumptions were used:

	March 31, 2017	December 31, 2016
Volatility	**70%**	70%
Risk-free interest rate	**0.75%**	0.75%
Expected life (years)	**1.45 years**	1.50 years

With respect to the 2016 Debentures, upon initial recognition, the Company recorded a derivative liability of $3,660,996 and expensed $45,808 in transaction costs. During the period ended March 31, 2017, the Company recorded a gain of $28,041 on revaluation of the derivative liability (March 2016 - $nil).

12. Commitments and contingencies

Litigation

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

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

Commitments

Effective January 1, 2015, the Company has entered into a Research Contract with the University of Guelph which will continue for a term of the earlier of three years or the completion of the project. The estimated payment schedule is as follows:

2017 - $300,000
2018 - $100,000

13. Loans receivable

		March 31, 2017		December 31 2016
Loan receivable from unrelated entity	**$**	**407,383**	$	160,000
Loan receivable from employees		**-**		18,050
Less: allowance on loans receivable		**-**		(178,050)
Loans receivable balance	**$**	**407,383**	$	-

During the period ended March 31, 2017, the Company advanced $407,383 (March 2016 - $nil) to an unrelated entity. The advance was interest free and due on demand.

14. Mortgage receivable

As part of a disposition of property, the Company took back a mortgage in the amount of $100,000 that bears interest at a rate of 8%, with monthly payments of $763 on account of principal and interest, commencing April 30, 2015. The mortgage was originally due March 31, 2017. During the period ended March 31, 2017, the mortgage was extended from its original maturity for another 180 days.

15. Loans payable

		March 31, 2017		December 31 2016
12% interest bearing loan owed to a director of the Company, repayable at the discretion of the Company		**100,000**		350,000
5% interest bearing loan owed to an officer of the Company, repayable at the discretion of the Company		**-**		481,863
5% interest bearing loan repayable at the discretion of the Company		**-**		150,000
7% interest bearing loan repayable upon a go-public transaction		**100,000**		100,000
Loan payable balance	**$**	**200,000**	$	1,081,863

The Company recognized $3,142 of interest expense related to these loans for the period ended March 31, 2017 (2016 - $28,291)

During the period ended March 31, 2017, the Company settled $250,000, plus accrued interest, of the 12% interest bearing loan owed to a director of the Company (note 15), via the issuance of 728,634 Class “A” common shares and 728,634 warrants to purchase 728,634 Class “A” common shares at $0.50 per share. The warrants expire 2 years from the date of issuance.

During the period ended March 31, 2017, the Company settled $481,863, plus accrued interest, of the 5% interest bearing loan owed to an officer of the Company (note 15), via the issuance of 1,282,873 Class “A” common shares and 1,282,873 warrants to purchase 1,282,873 Class “A” common shares at $0.50 per share. The warrants expire 2 years from the date of issuance.

During the period ended March 31, 2017, the Company settled $150,000, plus accrued interest, of the 5% interest bearing loan owed to an arm’s length party (note 15), via the issuance of 397,728 Class “A” common shares and 397,728 warrants to purchase 397,728 Class “A” common shares at $0.50 per share. The warrants expire 2 years from the date of issuance.

During the period ended March 31, 2017, the Company extended the 7% interest bearing loan to become repayable upon the closing of a go-public transaction.

16. Related party transactions

(a) The Company is owed $4,500 at March 31, 2017 from ABcann Medical Distributors Inc., a company under common control (December 31, 2016 - $20,457).
(b) During the period ended March 31, 2017, the Company was advanced $50,000 from a director of the Company. As at March 31, 2017, $30,043 was outstanding.
(c) Key management includes directors and officers of the Company. Compensation awarded to key management was comprised of the following:

		March 31, 2017		March 31, 2016
Short-term	**$**	**168,076**	$	155,639
Share-based payments		**174,050**		211,565
Total	**$**	**348,100**	$	423,130

17. Convertible debentures

2015 Debentures

On November 10, 2015, the Company entered into an agreement to issue convertible debentures of up to $1,500,000 (the "2015 Debentures"). The 2015 Debentures bear interest at 12% per annum, with accrued interest and principal payable 2 years from the date of issuance. The 2015 Debentures and accrued interest can be converted at the option of the holder to Class "A" common shares at a conversion price of $0.41 per share. The 2015 Debentures contain a down round adjustment provision, which adjusts the conversion price if securities are issued at an effective price per share that is lower than the stated conversion price. This down round adjustment provision is considered a derivative liability, which was initially valued at $706,835 in 2015, with an additional $278,447 for the tranche issued during 2016 (note 11).

In addition, subject to the conversion of the 2015 Debentures to shares, the Company will be required to issue a warrant to purchase Class "A" common shares for gross proceeds of $300,000 for that number of shares that when taken with the number of shares issued under the conversion of the 2015 Debenture and the exercise of the warrant, the weighted average purchase price for all Class "A" common shares purchased and issued to the debenture holder results in the conversion price less $0.05 per share.

The 2015 Debentures automatically convert to shares in the event of a material financing of not less than $4,000,000 prior to the maturity date.

2016 Debentures

On October 13, 2016, the Company issued senior secured convertible debentures of $5,000,000 (the "2016 Debentures"), maturing October 13, 2018. The 2016 Debentures bear interest at 10% per annum, payable semi-annually beginning December 31, 2016. Upon a go-public transaction, the 2016 Debentures can be converted at the option of the holder to Class "A" common shares at a conversion price equal to a 20% discount to the transaction price assigned to each share of the Company. In addition, $2,500,000 of warrants will be issued upon closing of a transaction, at an exercise price equal to the transaction price assigned to each share of the Company. The warrants will expire 24 months from their date of issue.

Officer Debenture

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

	2015 Debentures	2016 Debentures	Officer Debentures	Total
Balance, December 31, 2015	$ 360,773	$ -	$ -	$ 360,773
Amounts issued	450,000	5,000,000	1,442,000	6,892,000
Less: allocated to derivative liability	(278,447)	(3,660,995)	-	(3,939,442)
Less: allocated to equity component	-	-	(169,983)	(169,983)
Less: deferred tax liability	-	-	(61,286)	(61,286)
Less: issuance costs	(4,321)	(16,754)	(4,194)	(25,269)
Accretion	380,376	220,566	9,164	610,106
Accrued interest	192,551	-	-	192,551
Balance, December 31, 2016	$ 1,100,932	$ 1,542,817	$ 1,215,701	$ 3,859,450
Accretion	143,108	307,474	11,139	461,721
Accrued interest	50,992	125,956	25,387	202,335
Partial conversion	-	-	(523,695)	(523,695)
Balance, March 31, 2017	**$ 1,295,032**	**$ 1,976,247**	**$ 728,532**	**$ 3,999,811**

18. Capital management

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

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

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

19. Financial instruments and risk management

Financial instruments

The Company has classified its cash and cash equivalents and derivative liability as fair value through profit and loss ("FVTPL"). Other receivables, short-term investments, due from related parties, loan receivable and mortgage receivable have been classified as loans and receivables, and 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. The mortgage receivable is secured against property, which mitigates the credit risk exposure. The Company regularly monitors the credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

(b) Liquidity risk

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

(c) Interest rate risk

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

20. Subsequent events

Exercise of broker warrants

In April 2017, 512,790 broker warrants were exercised into 512,790 Class "A" common shares for gross proceeds of $210,244.

Cancellation of options

Subsequent to the period, the Company and an optionee agreed to cancel 300,000 previously vested and outstanding options. The cancelled options had an exercise price of $0.50 and were originally set to expire in March 2019.

Closing of reverse takeover transaction

On May 3, 2017, the Company completed a reverse takeover transaction (the "Transaction") pursuant to a definitive amalgamation agreement (the "Amalgamation Agreement") with Panda Capital Inc. ("Panda"), whereby Panda acquired all of the securities of ABcann by way of a three-cornered amalgamation between Panda, the Company and a wholly-owned subsidiary of Panda formed for the purpose of completing the amalgamation ("Newco").

Pursuant to the terms of the Amalgamation Agreement:

i) The Company and Newco amalgamated and continued as Amalco;
ii) each shareholder of the Company transferred their common shares of the Company to Panda in exchange for Panda common shares on a 1:1 basis;
iii) all outstanding convertible securities of the Company (other than stock options) became exercisable into Panda common shares, in accordance with the respective adjustment provisions thereof;
iv) all stock options of the Company outstanding become exercisable into Panda common shares, in accordance with the provisions of the Panda 2017 Stock Option Plan;
v) each Newco common share issued and outstanding immediately before closing was exchanged for one Amalco common share; and
vi) all common shares of the Company held by Panda as a result of the exchange contemplated by subsection were (i) cancelled and Panda received, for each common share of the Company, one Amalco common share.

Upon completion of the Transaction, Amalco became a wholly-owned subsidiary of Panda. The Transaction constituted Panda's Qualifying Transaction (as defined in the policies of the TSXV). The Company changed its name to "ABcann Global Corporation".

Equity financing in connection with closing of the Transaction

In connection with the closing of the Transaction, the Company completed:

i) a brokered private placement pursuant to which it sold an aggregate of 13,407,689 Subscription Receipts at a price of $0.80 per Subscription Receipt (the "Issue Price") for gross proceeds of $10,726,151 (the "Brokered Financing"), and

ii) a non-brokered private placement pursuant to which it sold an aggregate of 1,342,311 Subscription Receipts at the Issue Price for gross proceeds of $1,073,849 (the "Non-Brokered Financing" and, together with the Brokered Financing, the "Subscription Receipt Financings")

In connection with the Brokered Financing, the Company: (i) paid the agents for the Brokered Financing (the "Agents") a cash commission of $743,400, of which $408,369 was settled by the issuance of 510,462 Shares at the Issue Price (the "Agents' Fee"), (ii) issued the Agents 929,250 compensation options, each of which entitles the holder to acquire one Share at the Issue Price until April 28, 2019, and (iii) reimbursed the Agents for their expenses in connection with the Brokered Financing.

Debenture financing in connection with closing of the Transaction

The Company completed a non-brokered private placement of debentures (the "Debentures") in the principal amount of $15,000,000 (the "Debenture Financing") with a conversion price equal to a 30% premium to the Issue Price. The Debentures:

i) mature on April 28, 2020 and bear interest at the rate of 10% per annum, commencing on the issue date of the Debentures, payable semi-annually on the last day of June and December of each year;

ii) are secured by a security interest over all of the assets of the Company and each of its subsidiaries; and

iii) are convertible at the option of the holders into shares at any time prior to the close of business on the maturity date at a conversion price (the "Conversion Price") equal to an amount which represents a 30% premium to the Issue Price. Given that the Issue Price was $0.80, the Conversion Price was $1.04 per share.

In the event that the Company completes a subsequent equity financing at a price below the Conversion Price, the Conversion Price will be adjusted downward to the price per share of any subsequent equity financing, subject to a floor price equal to the Issue Price. If, at any time prior to the maturity date, the volume weighted average 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 $1.80, the Company, at its sole option, may, at any time thereafter, force a conversion of the Debentures.

All outstanding indebtedness of the Company (other than the Replacement Debentures (as defined herein)) was subordinated to the Debentures as of the closing of the Debenture Financing.

In connection with the closing of the Debenture Financing, the Company also issued to the investors under the Debenture Financing:

i) new secured convertible debentures in the aggregate principal amount of $5,262,500 (the "Replacement Debentures") in exchange for 2016 Debentures (note 17) in the aggregate principal amount of $5,000,000 to the investors under the Debenture Financing, with the principal amount of the Replacement Debentures representing the original principal amount of the 2016 Debentures plus accrued interest thereon to the closing of the Transaction, and with the other terms of the Replacement Debentures being substantially similar to those of the 2016 Debentures;

ii) an aggregate of 4,406,250 warrants, each of which is exercisable to acquire one common share at any time until April 28, 2019 at an exercise price of $0.80 per share, 3,906,250 of which were issued pursuant to the terms of the 2016 Debentures; and

iii) an aggregate of 15,000,000 warrants that will vest and become exercisable on July 1, 2018 if the Company has not completed, on or before that date, one or more financings for aggregate proceeds of at least $18,000,000 through: (i) the exercise of outstanding warrants or a new equity issuance from treasury (or a combination of both); (ii) a debt facility acceptable to the lead subscribers in the Debenture Financing, or (iii) a combination of both.