

# **Marapharm Ventures Inc.**

*Watch us grow!*



**MANAGEMENT DISCUSSION & ANALYSIS  
For The Three Months Ended September 30, 2017**

# **MARAPHARM VENTURES INC.**

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

### **FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017**

---

#### **Introduction**

The following management discussion and analysis ("MD&A"), prepared as of November 29, 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.com](http://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 November 29, 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.

#### **Marijuana Industry Involvement Statement**

Marapharm owns marijuana licenses in California and Nevada. Marijuana is legal in each state however marijuana remains illegal under US federal law and the approach to enforcement of US federal law against marijuana is subject to change. Shareholders and investors need to be aware that adverse enforcement actions could affect their investments and that Marapharm's ability to access private and public capital could be affected and or could not be available to support continuing operations. Marapharm's business is conducted in a manner consistent with State law and is in compliance with licensing requirements. Copies of licenses are posted on Marapharm's website. Marapharm has internal compliance procedures in place and has compliance focused attorneys engaged in jurisdictions to monitor changes in laws for compliance with US federal and State law on an ongoing basis.

**MARAPHARM VENTURES INC.  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017**

**TABLE OF CONTENTS**

Description of Business	<b>2</b>	Liquidity & Capital Requirements	<b>8</b>	Financial & Other Instruments	<b>15</b>
Overall Performance & Outlook	<b>3</b>	Capital Disclosure	<b>12</b>	Critical Risks & Uncertainties	<b>15</b>
First Quarter	<b>5</b>	Off-Balance Sheet Arrangements	<b>12</b>	Other Matters	<b>16</b>
Selected Quarterly Financial Info	<b>6</b>	Related Party Transactions	<b>13</b>	Mgmt. Report on Internal Control	<b>16</b>
Discussion of Operations	<b>7</b>	Critical Accounting Estimates	<b>14</b>	Additional Information	<b>16</b>
Summary of Quarterly Results	<b>8</b>	Changes in Accounting Policies	<b>15</b>		

**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, Phenofarm NV LLC, Marapharm DHS California, LLC and EcoNevada, LLC. The Company's head office is located at Suite 102 – 1561 Sutherland Avenue, Kelowna, B.C., V1Y 5Y7. 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.

**Kelowna, BC, Canada**

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.

**Las Vegas, Nevada, United States**

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

**Whatcom County, Washington, United States**

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 13.6 acre property 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.

# MARAPHARM VENTURES INC.

## MANAGEMENT'S DISCUSSION & ANALYSIS

### FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017

---

#### Overall Performance & Outlook

##### Quarterly Highlights

- The Company exercised an option to acquire 100% of the equity interest of PhenoFarm NV LLC who owns a Nevada medical marijuana cultivation license.
- Closed on a second purchase in California, the purchase of 1.25 acres of property located in Desert Hot Springs.
- Received \$3,283,500 in gross proceeds from the exercise of outstanding warrants.
- Received \$1,942,469 in gross proceeds on the warrant offering.
- Continued building improvements on the Company's Washington State leased properties.
- Continued construction on the Las Vegas property.

##### Overall Performance

The Company had an decrease in gross revenues of \$0.07 million for the three months ended September 30, 2017 from the prior quarter ending the quarter at \$0.11 million (2016 – \$0.066 million). The decrease in revenue is a result of a lower foreign exchange rate on the Company's accrued lease and consulting payments on its property in Washington State. Total expenses in determining income (loss) before other items increased by \$1.13 million to \$1.67 million primarily due to the acquisition of two properties in California and the payment of professional fees in the amount of \$0.52 million. An increase in expenses for the period is also due to an increase in shareholder information & investor relations of \$0.66 million from the prior year quarter in 2016. The Company had a loss before other items of \$1.51 million compared to the restated loss of \$1.29 million in the prior year for the same quarter.

The Company's overall net comprehensive loss for the six months increased from a restated \$1.38 million in 2016 to \$5.03 million for the current six months ended September 30, 2017. This loss is mainly attributed to a \$2.89 million loss before other items in addition to: non-cash expenses of \$1.65 million due to stock based compensation; \$1.02 million, amortization and depreciation of \$0.17 million; interest of \$0.03 million; equity loss in associate of \$0.35 million and a foreign currency translation loss of \$0.49 million.

The Company had a net decrease in cash position for the current three months ended September 30, 2017 of \$2.56 million compared to a net decrease in restated cash of \$1.55 million for the same period in the prior year. The decrease in cash is primarily due to land acquisition of \$1.06 million construction costs of \$0.41 and an equity purchase in Veritas Pharma Inc. of \$1.08 million. \$1.7 million of cash was used for operations offset by proceeds received primarily from warrants of \$5.5 million. As at September 30, 2017 the Company had a cash balance of \$3.19 million and working capital of \$6.31 million.

##### Current Developments & Outlook

#### **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 boom 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 28,000 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



**MARAPHARM VENTURES INC.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017**

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 has completed demolition of the building interior allowing for the construction of the new tenant improvements to begin. In order to proceed with the renovations to the 28,000 sq foot building, permission had to be obtained from the County as well as the Liquor Control Board. The original interior had been built out of materials that made it prone to mildew, and, the building design limited cultivation methods and maximum use of cultivation space. The interior has been torn down, surfaces have been cleaned and treated for mold prevention. Spray foam insulation is being applied to the roof and walls to meet State requirements, and once complete, the interior will be re-constructed. The estimated budget for the demolition and construction of new facilities is \$1.5 million. An additional budget of \$1 million will be required for equipment and finishing.

### **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 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 two 5,000-square-foot buildings will be ready for occupancy by mid to late December 2017. Cultivation of specific strains has already begun in two modular trailers onsite. Construction will flow directly into the erection of a 65,000 square foot, three story building, for which, plans are out to bid. The Company plans to continue 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.



**MARAPHARM VENTURES INC.  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017**

---

- 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 in the review stage.
- 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 has closed.

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 square-foot, state-of-the-art cultivation facility, is planned for construction on an 11 acre leased site in Kelowna, British Columbia.

### **Outlook**

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 reported 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.

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.

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.

### **Second Quarter**

The Company had increased gross revenues of \$0.01 million for the three months ended September 30, 2017 ending the quarter at \$0.11 million (2016 – \$0.09 million). The increase in revenue is a result of accrued lease and consulting payments on its property in Washington State. Total expenses in determining income (loss) before other items increased by \$.33 million to \$1.63 million (2016 - \$1.29 million) primarily due to large increases in legal fees, filing fees and travel. An increase in expenses for the period is also due to a significant increase in shareholder information & investor relations ending the quarter at \$0.66 million (2016 - \$845). Travel increased to \$23,476 from \$1,584 in 2016 due to a marketing campaign undertaken in Canada. The Company had a loss before other items of \$1.51 million compared to a loss of \$1.19 million in the prior year for the same quarter, resulting in a 26% increase.

**MARAPHARM VENTURES INC.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017**

The Company's overall net comprehensive loss for the year increased from \$0.89 million in 2016 to \$2.17 million for the current three months ended September 30, 2017. This loss is mainly attributed to a \$1.89 million loss before other items in addition to: non-cash expenses of \$0.05 million due to interest and accretion on bonds; amortization and depreciation of \$0.09 million; equity loss in associate of \$0.18 million and a foreign currency translation loss of \$0.33 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.

<b>For The Quarter Ended September 30</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Revenues	111,328	99,833	-
Operating Expenses	1,626,076	1,292,250	555,383
Income (Loss) Before Other Items	(1,514,748)	(1,192,417)	(555,383)
Amortization of Intangible Assets	(28,170)	-	-
Depreciation of Property & Equipment	(66,061)	(1,991)	(472)
Interest & Accretion on Bond	(50,890)	-	-
Finance Fees & Other	-	(60,541)	-
Foreign Exchange (Loss) Gain	(47,091)	-	-
Share of Loss on Equity Investment	(181,733)	-	-
Stock Base Compensation	-	-	-
Net Income (Loss )	(1,888,693)	(1,185,753)	(555,855)
Basic & Diluted Earnings (Loss) Per Share	(0.03)	(0.02)	(0.02)
Total Assets	17,231,119	4,824,904	1,480,490
Total Long-Term Liabilities	1,248,356	371,874	-

**Segment Information**

During the three months ended September 30, 2017 and 2016, the Company had one reportable operating segment relating to medical marijuana and distribution of hemp based products. Geographical information is as follows:

	<b>Canada</b>	<b>USA</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Three months ended September 30, 2017</b>			
Revenues	854	110,474	111,328
Expenses			
Amortization of Intangible Assets	162	28,008	28,170
Depreciation of Property and Equipment	3,853	62,208	66,061
Share of Loss in Equity Investment	181,733	-	181,733
Other Expenses	1,196,728	527,329	1,724,057
Net Loss for the Year	(1,382,622)	(506,071)	(1,888,693)
Current Assets	4,164,305	2,777,118	6,941,423
Loan Receivable	-	234,166	234,166
Due from Related Party	324,398	-	324,398
Property, Plant and Equipment	1,583,568	3,848,871	5,432,439

**MARAPHARM VENTURES INC.  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017**

Intangible Assets	1	2,142,076	2,142,077
Investment in Associate	2,156,616	-	2,156,616
Segment Assets	8,228,888	9,002,231	17,231,119
Segment Liabilities	1,426,374	335,768	1,762,142
	Canada	USA	Total
	\$	\$	\$
<b>Three months ended September 30, 2016</b>			
Revenues	-	99,833	99,833
Expenses			
Depreciation of Property and Equipment	1,991	-	1,991
Other Expenses	1,206,459	131,093	1,337,552
Net Loss for the Year	(1,208,450)	(31,260)	(1,239,710)
Current Assets	1,159,959	329,429	1,489,388
Loan Receivable	-	295,133	295,133
Due from Related Party	232,468	-	232,468
Property, Plant and Equipment	34,700	1,935,510	1,970,210
Intangible Assets	-	1,444,444	1,444,444
Segment Assets	1,427,127	4,004,516	5,431,643
Segment Liabilities	236,322	441,196	677,518

## Discussion of Operations

Operational activities greatly increased in the three months ended September 30, 2017 over the same period in the prior year. During the year, the Company continued to grow its property acquisitions, expanding into California. The Company focused its efforts on both Las Vegas and Washington in bringing both properties closer to functionality. The Company's total assets increased \$4.6 million to \$17.23 million with shareholders' equity increasing \$4.7 million due to the exercise of warrants and proceeds received from the warrant offering.

The Company recognizes revenues in the period in May 2016, the Company acquired certain assets from a marijuana cultivation and processing licensed company in the State of Washington. The Company subleases this property to a Subtenant for monthly rents of USD \$21,000 that will retroactively increase to \$200,000 upon completion of renovations at the property pursuant to a sublease agreement. The Company also began invoicing for consulting, marketing and branding services to licensed cannabis operators.

Operating expenses increased by 52% 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 \$0.66 million. The results of these efforts we believe has resulted in the shareholders exercising the majority of outstanding warrants and the Company receiving \$1.9 million in proceeds from the on-going warrant offering. Legal fees, travel and filing fees showed significant increases over the prior year quarter due to the Company's focus on its licenses in Nevada, continued construction in both Nevada and Washington and the raising of funds through the warrant offering.
- Commission expense of \$0.09 million (2016 - \$0.002) was high in comparison to the prior year quarter showing an increase of \$0.08 million. Commission was paid as finder fees relating to the warrant offering.



**MARAPHARM VENTURES INC.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017**

The Company recognized bond interest and accretion of \$0.05 million and recorded amortization and depreciation expenses in the amount of \$0.09 million.

The Company had an increase in cash of \$3.17 million from the same quarter in 2016 and has working capital of \$6.3 million.

### Summary of Quarterly Financial Results

The following table provides a summary of the Company's eight quarterly results ending on Sept 30, 2017:

	Quarter ended Dec 31, 2015	Quarter ended Mar 31, 2016	Quarter ended June 30, 2016	Quarter ended Sept 30, 2016
Revenue	-	-	66,363	99,833
Net Income (Loss)	(235,199)	(1,530,785)	(499,394)	(886,005)
Basic and Diluted Net Loss per Share	(0.01)	(0.04)	(0.01)	(0.02)

	Quarter ended Dec 31, 2016	Quarter ended Mar 31, 2017	Quarter ended June 31, 2017	Quarter ended Sept 30, 2017
Revenue	102,058	115,648	118,172	111,328
Net Income (Loss)	(2,901,196)	(5,594,782)	(2,864,088)	(2,167,428)
Basic and Diluted Net Loss per Share	(0.05)	(0.07)	(0.05)	(0.02)

The fluctuations between quarters is due to the following items:

- Expenses were higher than average for the quarter ended March 31, 2016 primarily due to higher consulting fees, stock based compensation of \$0.37.
- Beginning in June 2016 the Company to recognize rental and consulting income from its Washington State operations
- For the quarter ended December 31, 2016, the increase in costs is primarily due to restatement adjustments as discussed in this amended and restated MDA and amended and restated financial statements for the period ended December 31, 2016. The largest restatement is due to the expense of previously reported prepaid expenditures to stock promotion and investor relations expenses and to consulting fees.

### Liquidity and Capital Resources

As of September 30, 2017, the Company had net working capital of \$6,314,686 compared to \$1,095,748 as at September 30, 2016 and cash of \$3,192,545 (\$18,462 – 2016). The Company is dependent upon ongoing positive operations, debt and equity funding to support operating expenditures for the following year.

The Company had a net increase in cash position for the current three months ended September 30, 2017 of \$2.2 million compared to a net decrease in cash of \$0.59 million for the same period in the prior year. The increase in cash is primarily due the exercise of warrants and proceeds received from the on-going warrant offering. \$3.28 million of cash was received from the exercise of warrants and \$1.94 was received from the warrant offering. \$1.89 was used for operations compared to \$1.24 million in 2016.

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 Common Shares

As at September 30, 2017, the Company had 93,834,936 common shares issued and outstanding as presented in the consolidated statements of changes in shareholders' equity.

**MARAPHARM VENTURES INC.  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017**

---

**NOTE 13 – SHARE CAPITAL (Continued)**

**Shares Issued For the Year Ended March 31, 2017**

**i) Shares Issued for Cash**

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.

**ii) 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 Econeveda (Note 9(b)(ii)).

**iii) 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.

**iv) 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.

**v) 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.

**MARAPHARM VENTURES INC.  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017**

**NOTE 13 – SHARE CAPITAL (Continued)**

**vi) 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.

**Shares Issued For the Six Months Ended September 30, 2017**

**vii) Shares Issued for Bond Bonus**

On May 01, 2017, the Company issued 46,800 common shares for the 3% bonus interest (US\$300) for each bond issued, payable in common shares at a deemed price of \$0.85 per share.

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

During the six months ended September 30, 2017, the Company issued a total of 12,826,250 common shares upon the exercise of warrants for total gross proceeds of \$5,130,500, and 1,006,750 common shares upon the exercise of finders' warrants for total gross proceeds of \$402,700.

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

During the six months ended September 30, 2017, the Company issued a total of 940,000 common shares upon the exercise of options for total gross proceeds of \$495,000.

**x) Shares Issued for Intangible Assets**

During the six months ended September 30, 2017, the Company issued a total of 100,000 common shares with a fair value of \$135,000 for the purchase of the remaining 15% interest in Phenofarm NV LLC (Note 9(b)).

**xi) Shares Issued for Services**

During the six months ended September 30, 2017, the Company issued 425,000 common shares with a fair value of \$552,750 to arm's length parties for consulting services.

**c) Share Purchase Warrants**

The continuity of warrants for the six months ended September 30, 2017 is as follows:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>March 31, 2017</u>	<u>Issued</u>	<u>Exercised</u>	<u>Expired/ Cancelled</u>	<u>September 30, 2017</u>
April 14, 2017	\$0.40	1,150,000	-	1,150,000	-	-
June 16, 2017	\$0.40	2,392,500	-	2,367,500	25,000	-
September 6, 2017	\$0.40	9,363,750	-	9,308,750	55,000	-
		12,906,250	-	12,826,250	80,000	-

**MARAPHARM VENTURES INC.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017**

**NOTE 13 – SHARE CAPITAL (Continued)**

The continuity of warrants for the six months ended September 30, 2016 is as follows:

Expiry Date	Exercise Price	March 31, 2016	Issued	Exercised	Expired/ Cancelled	September 30, 2016
October 13, 2016	\$0.45	737,500	-	-	-	737,500
November 6, 2016 <sup>(1)</sup>	\$0.75	1,657,000	-	-	-	1,657,000
November 10, 2016	\$0.45	613,750	-	-	-	613,750
December 9, 2016 <sup>(2)</sup>	\$0.75	4,940,330	-	-	-	4,940,330
January 19, 2017 <sup>(3)</sup>	\$0.75	5,059,670	-	-	-	5,059,670
March 25, 2017 <sup>(4)</sup>	\$0.37	1,100,000	-	-	-	1,100,000
April 14, 2017	\$0.40	-	2,640,000	-	-	1,150,000
June 16, 2017	\$0.40	-	2,817,500	-	-	2,392,500
September 6, 2017	\$0.40	-	10,866,250	-	-	10,866,250
				-		
		14,108,250	5,457,500	-	-	30,432,000

- (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 six months ended September 30, 2017 is as follows:

Expiry Date	Exercise Price	March 31, 2017	Issued	Exercised	Expired/ Cancelled	September 30, 2017
April 14, 2017	\$0.40	367,500	-	355,000	12,500	-
June 17, 2017	\$0.40	221,000	-	206,000	15,000	-
September 16, 2016	\$0.40	445,750	-	445,750	-	-
		1,034,250	-	1,006,750	27,500	-

The continuity of finders' warrants for the six months ended September 30, 2016 is as follows:

Expiry Date	Exercise Price	March 31, 2016	Issued	Exercised	Expired/ Cancelled	September 30, 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
April 14, 2017	\$0.40	-	379,000	-	-	367,500
June 17, 2017	\$0.40	-	226,000	-	-	221,000
September 16, 2016	\$0.40	-	1,022,500	-	-	1,022,500
		118,750	1,627,500	-	-	1,746,250

**MARAPHARM VENTURES INC.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017**

**NOTE 13 – SHARE CAPITAL (Continued)**

**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 September 30, 2017, 5,500,000 options, with an average exercise price of \$0.40 per share and an average remaining life of 1.34 years, have been vested.

Expiry Date	Exercise Price	March 31, 2017	Granted	Exercised	Expired/ Cancelled	September 30, 2017
May 8, 2017	\$0.50	600,000	-	600,000	-	-
September 6, 2017	\$1.49	300,000	-	-	300,000	-
September 6, 2017	\$2.50	800,000	-	-	800,000	-
September 24, 2017	\$0.50	315,000	-	390,000	25,000	-
November 8, 2017	\$0.93	220,000	-	-	-	220,000
September 9, 2018	\$0.40	650,000	-	-	-	650,000
November 8, 2018	\$0.93	430,000	-	-	-	430,000
November 8, 2018	\$1.00	250,000	-	50,000	-	200,000
March 6, 2018	\$1.49	700,000	-	-	-	700,000
June 28, 2019	\$1.02	-	3,300,000	-	-	3,300,000
		4,265,000	3,300,000	945,000	1,125,000	5,500,000

As at September 30, 2016, 3,150,000 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, 2016	Granted	Exercised	Expired/ Cancelled	September 30, 2016
May 8, 2017	\$0.50	2,000,000	-	200,000	-	1,800,000
September 16, 2017	\$0.50	200,000	-	-	-	200,000
September 24, 2017	\$0.50	1,275,000	-	-	1,250,000	25,000
December 15, 2020	\$0.50	100,000	-	-	-	100,000
September 9, 2018	\$0.40	-	675,000	-	-	675,000
		-	100,000	-	-	100,000
		-	250,000	-	-	250,000
		3,575,000	1,025,000	200,000	1,250,000	3,150,000

**f) Stock-Based Compensation**

During the six months ended September 30, 2017, the Company recognized stock based compensation expense of \$1,022,711 (2016 – \$nil) for 3,300,000 stock options (2016 – nil) that were granted and vested in the period. These options have a weighted average fair value of \$0.31 per option (2016 – \$nil) as determined on the date of grant.

During the year ended March 31, 2017, the Company recognized stock based compensation of \$1,042,560 (2016 - \$1,100,628) for 4,000,000 stock options (2016 – 3,575,000) that were granted and vested in the year. These options have a weighted average fair value of \$0.26 per option (2016 - \$0.31) as determined on the date of grant.

**MARAPHARM VENTURES INC.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017**

**NOTE 13 – SHARE CAPITAL (Continued)**

During the year ended March 31, 2017, the Company recognized stock based compensation expense of \$165,842 (2016 - \$nil) in share issuance costs for 1,627,500 finders' warrants (2016 – 108,750) granted in the year. These options have a weighted average fair value of \$0.10 per warrant (2016 - \$nil) as determined on the date of grant.

The fair values of stock options and finders' warrants granted have been estimated using the Black Scholes option pricing model with the following assumptions made during the six months ended September 30, 2017 and the year ended March 31, 2017:

	September 30 2017	March 31 2017
Risk-Free Annual Interest Rate	.53%	0.45% – 0.53%
Expected Stock Price Volatility	110%	107% – 158%
Expected Life of Options and Warrants	0.5 years	0.30 – 0.5years
Expected Annual Dividend Yield	0%	0%

Option pricing models require the input of highly subjective assumptions. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models may not necessarily provide a single reliable measure of the fair value of the Company's stock options, finders' warrants, and finders' unit warrants.

## **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 September 30, 2017, the Company's shareholders' equity was \$15,356,027 (March 31, 2017 - \$10,666,633) and it had current liabilities of \$626,736 (March 31, 2017 - \$681,607). 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 warrants exercised 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 September 30, 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 September 30, 2017 and March 31, 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.



**MARAPHARM VENTURES INC.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017**

	Sept 30 2017 \$	March 31 2017 \$
Due from Related Party		
Due from Pinto Ventures Inc., a company controlled by Brian Lovig.	324,398	340,507
Due to Related Party		
Due to Linda Sampson, CEO, for Services and Expense Reimbursements	-	25,576
Trade and Other Payables		
Directors' Fees	16,500	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.

	Sept 30 2017 \$	Sept 30 2016 \$
Consulting Fees	39,145	-
Directors' Fees	1,500	3,000
Management Fees	41,257	30,000
Stock-Based Compensation	-	-
	81,902	33,000

**c) Compensations and Transactions with a Related Party**

	Sept 30 2017 \$	Sept 30 2016 \$
Consulting Services (i)	-	90,000
Commissions paid on Land Purchase (ii)	-	-
Office Rent (iii)	-	15,000
	-	105,000

The Company has the following related party transactions with companies controlled by a shareholder, Brian Lovig, of the Company who has been appointed as the Interim President of the Company in June 2017. As at September 30, 2017, an amount of \$324,398 (2016 – \$232,468) was owed to the Company by Mr. Lovig.

**i) Consulting Services**

On January 30, 2014, the Company entered into a consulting agreement with Pinto Ventures Inc., a company controlled by Brian Lovig for consulting services. The consulting agreement terminated December 31, 2016. During the three months ended September 30, 2016, the Company paid consulting fees totaling \$90,000.

**ii) Office Lease Arrangement**

During the three months ended September 30, 2016, the Company paid \$15,000 to Pinto Ventures Inc., a company controlled by Brian Lovig. Effective June 1, 2017, the Company relocated its head office to another location.

**MARAPHARM VENTURES INC.  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017**

---

**iv) Property Lease Arrangement**

On July 15, 2014, the company entered into a lease agreement with 11.2 Acre Holding Company Ltd., a company related to Brian Lovig 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 is \$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 three months ended September 30, 2017 and 2016.

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 September 30, 2017, the Company had some accounting estimates. For detailed descriptions of significant accounting policies, readers are directed to the financial statements for the years ended March 31, 2017 and 2016 available at [www.sedar.com](http://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.

**MARAPHARM VENTURES INC.  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017**

---

**Outstanding Shares**

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

- 93,834,936 common shares
- 19,424,690 share purchase warrants
- 5,500,000 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 further develop their facilities into efficient, effective growing, cultivating and harvesting operations. The growth strategy will be to branch out into other areas where there are opportunities to build facilities and acquire licenses. The legalization of cannabis continues to expand into more and more areas whereby the Company must be poised to take advantage of these emerging markets.

**Other Matters**

*Legal proceedings:*

On August 4, 2016, Armadillo Resources Ltd., a company related to the Company's former President and Chief Executive Officer and director, Mr. Les Kjosness, filed a small claims court notice of claim against the Company claiming unpaid office expense and fees totaling \$16,176. The financial effect of this claim is not determinable at this time, however, the Company considers the claim to be frivolous, immaterial and will aggressively defend the action.

*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 NI 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](http://www.sedar.com), or by requesting further information from the Company's head office in Vancouver BC Canada.