CANSORTIUM INC.

ANNUAL INFORMATION FORM

For the year ended December 31, 2023

Dated July 12, 2024

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GENERAL

Unless otherwise noted or the context otherwise requires, all information provided in this Annual Information Form (the "**AIF**") is given as at December 31, 2023, and references to the "**Company**", "**Cansortium**", "we", "us" or "our" refer to Cansortium Inc., its wholly-owned subsidiaries and majority-owned subsidiaries as well as legal entities in which it, directly or indirectly, holds a controlling financial interest. This AIF should be read in conjunction with the information contained in the Company's audited financial statements and related notes for the years ended December 31, 2023 and 2022 (the "**Consolidated Financial Statements**") along with the Company's management discussion and analysis of financial condition and results of operations for the years ended December 31, 2023 and 2022 (the "**Annual MD&A**").

A copy of the Consolidated Financial Statements, which are prepared in accordance with International Financial Reporting Standards, is available under the Company's profile on the System for Electronic Document Analysis and Retrieval+ ("**SEDAR+**") at www.sedarplus.ca. The financial year end of all entities within the Company's corporate structure is December 31. Financial information presented in this AIF is presented in United States ("**U.S.**") dollars ("**USD**" or "**$**"), unless otherwise indicated. All references to "C$" refer to Canadian dollars.

Certain capitalized terms and phrases used in this AIF are defined in the "*Glossary of Terms*".

FORWARD LOOKING INFORMATION

This AIF contains "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities laws and U.S. securities laws (together, "**forward-looking statements**"). Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on management's current beliefs, expectations or assumptions regarding the future of the business, future plans and strategies, operational results and other future conditions of the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal" or the negative of those words or other similar or comparable words and includes, among others, information regarding: expectations for the effects and potential benefits of any transactions; statements relating to the business and future activities of, and developments related to, the Company after the date of this AIF, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's business, operations and plans; expectations that planned acquisitions will be completed; expectations that licenses applied for will be obtained; potential future legalization of adult use and/or medical cannabis under U.S. federal law; expectations of market size and growth in the U.S. and the states in which the Company operates; expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally; the ability for U.S. holders of securities of the Company to sell them on the CSE; and other events or conditions that may occur in the future. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as of and at the date they are made and are based on information currently available and on the then current expectations.

Holders of securities of the Company are cautioned that forward-looking statements are not based on historical facts but instead are based on reasonable assumptions and estimates of management of the Company at the time they were provided or made and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to: the Transaction, including the failure to complete the Transaction and the payment of certain termination fees; the legality of cannabis in the U.S., including the fact that cannabis is a controlled substance under the U.S. CSA; the market for cannabis could decline due to regulatory changes; risks relating to anti-money laundering laws and regulations; risks relating to the lack of access to U.S. bankruptcy protections; risks related to additional financing and restricted access to banking; risks relating to the Amended Credit Agreement and the ability to make payments on existing indebtedness; risks related to the ability to access private and public capital; general regulatory and legal risks, including risk of legal, regulatory or political change; general regulatory and licensing risks; limitation on ownership of licenses; risks relating to regulatory action and approvals from the FDA; the fact that cannabis may become subject to increased regulation by the FDA; risks related to internal controls over financial reporting; litigation risks; increased costs as a result of being a public company in Canada and the U.S.; recent and proposed legislation in respect of U.S. cannabis licensing; risks related to operating in an industry that is still developing and subject to extensive regulation; risks related to industry immaturity or limited comparable, competitive or established industry best practice; environmental risks, including risk related to environmental regulation and unknown environmental risks; general business risks; future acquisitions or dispositions; service providers; enforceability of contracts; the ability of the Cansortium Shareholders to resell their Common Shares on the CSE; the Company's reliance on senior management and key personnel, and the Company's ability to recruit and retain such senior management and key personnel; risks relating to admissibility into the U.S.; competition risks; risks inherent in an agricultural business; unfavorable publicity or consumer perception; product liability; risks associated to cannabis products manufactured for human consumption including potential product recalls; the results of future clinical research; dependence on suppliers; reliance on inputs; risks related to limited market data and difficulty to forecast; intellectual property risks; constraints on marketing products; risks relating to fraudulent or illegal activity by employees, contractors and consultants; risks relating to increased labour costs due to union activity; risks related to information technology systems and cyber-attacks; security breaches; website accessibility; high bonding and insurance coverage; the fact that past performance may not be indicative of future results and that financial projections may prove materially inaccurate or incorrect; risks related to conflicts of interests; challenging global economic conditions; currency fluctuations; risks related to the Company's business structure and securities, including the status of the Company as a holding company; risks relating to the concentrated voting control of the Company by certain shareholders of the Company and the unpredictability caused by the capital structure; risks relating to sales of a substantial amount of the Common Shares; the volatility of the market price for the Common Shares; liquidity risks associated with an investment in the Common Shares; risks related to pricing pressures in the states in which the Company operates; the potentially limited market for the Common Shares for holders of the Company's securities who live in the U.S.; shareholders having little to no rights to participate in the Company's business affairs; enforcement against directors and officers outside of Canada may prove difficult; and tax risks; as well as those risk factors discussed under the heading "*Risk Factors*" herein and as described from time to time in documents filed by the Company with Canadian securities regulatory authorities.

The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. In particular, but without limiting the foregoing, disclosure in this AIF as well as statements regarding the Company's objectives, plans and goals, including future operating results and economic performance may make reference to or involve forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such

expectations will prove to be correct. Certain of the forward-looking statements and other information contained herein concerning the cannabis industry, its medical-use, adult use and hemp-based CBD markets, the general expectations of the Company concerning the industry and the Company's business and operations are based on estimates prepared by the Company using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While the Company is not aware of any misstatement regarding any industry or government data presented herein, the cannabis industry involves risks and uncertainties that are subject to change based on various factors.

A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. You should not place undue reliance on forward-looking statements contained in this AIF. Such forward-looking statements are made as of the date of this AIF. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

GLOSSARY OF TERMS

"**2018 Farm Bill**" has the meaning given to it under "*U.S. Regulatory Environment – U.S. Federal Regulatory Environment – Reform of U.S. Federal Legislation on Industrial Hemp*";

"**2020 Consulting Agreement**" has the meaning given to it under "*Interests of Management and Others in Material Transactions – Consulting Fees*";

"**2021 Private Placement**" has the meaning given to it under "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2021 – 2021 Private Placement*";

"**2021 Warrant**" has the meaning given to it under "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2021 – 2021 Private Placement*";

"**2022 Private Placement**" has the meaning given to it under "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2022 – 2022 Private Placement*";

"**2023 Private Placement**" has the meaning given to it under "*General Development of the Business – Three Year History - Fiscal Year Ended December 31, 2023 – 2023 Private Placement*";

"**2023 Unit**" has the meaning given to it under "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2023 – 2023 Private Placement*";

"**2023 Warrant**" has the meaning given to it under "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2023 – 2023 Private Placement*";

"**Acquiom**" means Acquiom Agency Services LLC;

"**AIF**" or "**Annual Information Form**" means this annual information form dated July 12, 2024 in respect of the fiscal year ended December 31, 2023;

"**Amended and Restated Note**" has the meaning given to it under "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2021 – Restructuring of the Smith Transaction Agreement*";

"**Amended Credit Agreement**" has the meaning given to it under "*General Development of the Business – Recent Developments – The Transaction – Credit Agreement Amendment*";

"**Amended Floor**" has the meaning given to it under "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2021 – Restructuring of the Smith Transaction Agreement*";

"**Amended GSI Agreement**" has the meaning given to it under "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2022 – Termination of the Amended GSI Agreement and Green Standard Note*";

"**Amendment Proposal**" has the meaning given to it under "*General Development of the Business – Recent Developments – The Transaction – Hawthorne Notes Exchange*";

"**Annual MD&A**" has the meaning given to it under "*General*";

"**Arrangement Agreement**" means the arrangement agreement entered into on May 30, 2024 between the Company and RIV Capital pursuant to which the Company will acquire all of the issued and outstanding RIV Capital Shares in exchange for Common Shares;

"**Articles**" means the articles of the Company, as amended on October 30, 2018 and March 13, 2019;

"**ATF**" means the Bureau of Alcohol, Tobacco, Firearms and Explosives;

"**Audit Committee**" means the audit committee of the Company;

"**Bank Secrecy Act**" has the meaning given to it under "*U.S. Regulatory Environment – U.S. Federal Regulatory Environment – Money Laundering Laws*";

"**Board**" means the board of directors of Cansortium;

"**Bridge Loan**" has the meaning given to it under "*General Development of the Business – Recent Developments – The Transaction – Bridge Financing and Bridge Note*";

"**Bridge Note**" has the meaning given to it under "*General Development of the Business – Recent Developments – The Transaction – Bridge Financing and Bridge Note*";

"**Can Endeavour**" means Can Endeavour LLC;

"**Cansortium**" or the "**Company**" means Cansortium Inc.;

"**Cansortium Holdings**" means Cansortium Holdings LLC, a wholly-owned subsidiary of the Company;

"**Cansortium Meeting**" has the meaning given to it under "*General Development of the Business – Recent Developments – The Transaction – Hawthorne Notes Exchange*";

"**Cansortium Pennsylvania**" means Cansortium Pennsylvania, LLC, a wholly-owned subsidiary of the Company;

"**Cansortium Replacement Option**" has the meaning given to it under "*General Development of the Business – Recent Developments – The Transaction – Arrangement Agreement*";

"**Cansortium Shareholders**" means, collectively, the holders of Common Shares and/or Proportionate Voting Shares;

"**Cansortium Texas**" means Cansortium Texas, LLC, a wholly-owned subsidiary of the Company;

"**CAOA**" has the meaning given to it under "*U.S. Regulatory Environment – U.S. Federal Regulatory Environment – The Controlled Substances Act*";

"**CBD**" means cannabidiol;

"**CBP**" means the U.S. Customs and Border Protection;

"**CBP Statement**" has the meaning given to it under "*Risk Factors – General Business Risks – Admissibility into the U.S.*";

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**CIGN**" has the meaning given to it under "*Legal Proceedings and Regulatory Actions – Legal Proceedings*";

"**CIGN Lease**" has the meaning given to it under "*Legal Proceedings and Regulatory Actions – Legal Proceedings*";

"**CIGN Matter**" has the meaning given to it under "*Legal Proceedings and Regulatory Actions – Legal Proceedings*";

"**CIGN Service Agreement**" has the meaning given to it under "*Legal Proceedings and Regulatory Actions – Legal Proceedings*";

"**Code**" has the meaning given to it under "*Description of the Business – Social and Environmental Policies*";

"**Cole Memorandum**" has the meaning given to it under "*U.S. Regulatory Environment – U.S. Federal Regulatory Environment – The Controlled Substances Act*";

"**Common Shares**" means the common shares in the capital of Cansortium;

"**Congress**" has the meaning given to it under "*U.S. Regulatory Environment – U.S. Federal Regulatory Environment – The Controlled Substances Act*";

"**Convertible Notes**" has the meaning given to it under "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2021 – Convertible Notes*";

"**Consolidated Financial Statements**" has the meaning given to it under "*General*";

"**Credit Agreement**" has the meaning given to it under "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2021 – Senior Secured Term Loan*";

"**CSE**" means the Canadian Securities Exchange;

"**DEA**" means the U.S. Drug Enforcement Administration;

"**Director Fees**" has the meaning given to it under "*Interests of Management and Others in Material Transactions – Shares for Debt Conversions*";

"**DOJ**" means the U.S. Department of Justice;

"**DTC**" means The Depository Trust Company;

"**Emergency Rule**" has the meaning given to it under "*U.S. Regulatory Environment – State Regulatory Environment – Florida – OMMU Inspections*";

"**Exchange Ratio**" has the meaning given to it under "*General Development of the Business – Recent Developments – The Transaction – Arrangement Agreement*";

"**Exchangeable Shares**" has the meaning given to it under "*General Development of the Business – Recent Developments – The Transaction – Hawthorne Notes Exchange*";

"**FDA**" means the the U.S. Food and Drug Administration;

"**FDCA**" means the U.S. Food, Drug and Cosmetic Act;

"**FDIC**" mean the Federal Deposit Insurance Corporation;

"**FinCEN**" has the meaning given to it under "*U.S. Regulatory Environment – U.S. Federal Regulatory Environment – Money Laundering Laws*";

"**FinCEN Guidance**" has the meaning given to it under "*U.S. Regulatory Environment – U.S. Federal Regulatory Environment – Money Laundering Laws*";

"**Floor**" has the meaning given to it under "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2022 – Restructuring of the Smith Transaction Agreement*";

"**Floor Entitlement**" has the meaning given to such term under "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2022 – Restructuring of the Smith Transaction Agreement*";

"**Floor Expiration Date**" has the meaning given to it under "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2022 – Restructuring of the Smith Transaction Agreement*";

"**Fluent Servicing**" means Fluent Servicing, LLC, an indirect wholly-owned subsidiary of the Company;

"**forward looking statements**" has the meaning given to it under "*Forward Looking Information*";

"**Freedom Town**" means Freedom Town Holdings, LLC;

"**FTH License Agreement**" has the meaning given to it under "*Description of the Business – Intangible Properties*";

"**FTH Management Agreement**" has the meaning given to it under "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2021 – FTH Management Agreement*";

"**GMP**" has the meaning given to it under "*Description of the Business – Research and Development*";

"**Green Standard Note**" has the meaning given to it under "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2022 – Termination of the Amended GSI Agreement and Green Standard Note*";

"**GSI**" means, collectively, Green Standard Holdings, LLC and Green Standard, Inc.;

"**Hawthorne Exchange Agreement**" has the meaning given to it under "*General Development of the Business – Recent Developments – The Transaction – Hawthorne Notes Exchange*";

"**Hawthorne Investor Rights Agreement**" has the meaning given to it under "*General Development of the Business – Recent Developments – The Transaction – Investor Rights Agreements*";

"**Hawthorne Notes Exchange**" has the meaning given to it under "*General Development of the Business – Recent Developments – The Transaction – Hawthorne Notes Exchange*";

"**HHS**" has the meaning given to it under "*U.S. Regulatory Environment – U.S. Federal Regulatory Environment – The Controlled Substances Act*";

“**HIPAA**” means the Health Insurance Portability and Accountability Act;

“**Initial Floor**” has the meaning given to it under “*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2021 – Restructuring of the Smith Transaction Agreement*”;

“**Initial Smith Note**” has the meaning given to it under “*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2021 – Restructuring of the Smith Transaction Agreement*”;

“**Investor Rights Agreements**” has the meaning given to it under “*General Development of the Business – Recent Developments – The Transaction – Investor Rights Agreements*”;

“**IRS**” means the U.S. Internal Revenue Service;

“**Lenders**” has the meaning given to it under “*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2021 – Senior Secured Term Loan*”;

“**Lender Warrants**” has the meaning given to it under “*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2021 – Senior Secured Term Loan*”;

“**Maturity Date**” has the meaning given to it under “*General Development of the Business – Recent Developments – The Transaction – Bridge Financing and Bridge Note*”;

“**MCTO**” has the meaning given to it under “*Directors and Officers – Cease Trade Orders*”;

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

“**MMTC**” means a Medical Marijuana Treatment Center;

“**MMTC License**” has the meaning given to it under “*Description of the Business – General Overview – Florida*”;

“**MORE Act**” has the meaning given to it under “*U.S. Regulatory Environment – U.S. Federal Regulatory Environment – The Controlled Substances Act*”;

“**MOU**” has the meaning given to it under “*U.S. Regulatory Environment – U.S. Federal Regulatory Environment – Heightened Scrutiny by Regulatory Authorities*”;

“**MXY**” means, collectively, MXY Holdings, Inc. and Florida Leasing and Consulting, LLC;

“**MXY Settlement Agreement**” has the meaning given to it under “*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2023 – Litigation Settlement with MXY*”;

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*;

“**Nittany**” means Nittany Management, LLC;

“**Nittany Lease**” has the meaning given to it under “*Interests of Management and Others in Material Transactions – Commercial Lease in Tampa, Florida*”;

“**OBCA**” means the *Business Corporations Act* (Ontario);

"**Odd Lot**" has the meaning given to it under "*Description of Capital Structure – Common Shares and Proportionate Voting Shares*";

"**OMMU**" means the Florida Department of Health, Office of Medical Marijuana Use;

"**Option Plan**" means the stock option plan of the Company dated effective March 14, 2019 and last approved by the Cansortium Shareholders on August 16, 2023;

"**Petition**" has the meaning given to it under "*U.S. Regulatory Environment – State Regulatory Environment – Florida – OMMU Inspections*";

"**Plan of Arrangement**" has the meaning given to it under "*General Development of the Business – Recent Developments – The Transaction – Arrangement Agreement*";

"**Polk Facility**" has the meaning given to it under "*Description of the Business – General Overview – Florida*";

"**Pre-Funded Warrant**" has the meaning given to it under "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2022 – 2022 Private Placement*";

"**Preferred Share Amendment**" has the meaning given to it under "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2022 – Amendment to the Articles of the Company*";

"**Promoter**" has the meaning ascribed thereto in the *Securities Act* (Ontario);

"**Proportionate Voting Shares**" means the proportionate voting shares in the capital of Cansortium;

"**PVS Offer**" has the meaning given to it under "*Description of Capital Structure – Common Shares and Proportionate Voting Shares*";

"**Q1 2023 Fees**" has the meaning given to it under "*Interests of Management and Others in Material Transactions – Shares for Debt Conversions*";

"**Q2 2023 Fees**" has the meaning given to it under "*Interests of Management and Others in Material Transactions – Shares for Debt Conversions*";

"**Q3 2022 Fees**" has the meaning given to it under "*Interests of Management and Others in Material Transactions – Shares for Debt Conversions*";

"**Q4 2022 Fees**" has the meaning given to it under "*Interests of Management and Others in Material Transactions – Shares for Debt Conversions*";

"**Research Expansion Act**" has the meaning given to it under "*U.S. Regulatory Environment – U.S. Federal Regulatory Environment – The Controlled Substances Act*";

"**RIV Capital**" means RIV Capital Inc.;

"**RIV Capital Meeting**" has the meaning given to it under "*General Development of the Business – Recent Developments – The Transaction – Arrangement Agreement*";

"**RIV Capital Shareholders**" means the shareholders of RIV Capital;

"**RIV Capital Shares**" means the issued and outstanding Class A common shares of RIV Capital;

"**RIV Capital US**" means RIV Capital US Corporation, a wholly-owned subsidiary of RIV Capital;

"**Rohrabacher-Farr Amendment**" has the meaning given to it under "*U.S. Regulatory Environment – U.S. Federal Regulatory Environment – The Controlled Substances Act*";

"**Roza Facility**" has the meaning given to it under "*Description of the Business – General Overview – Florida*";

"**RSU Plan**" means the restricted share unit plan of the Company dated effective May 17, 2021 and last approved by the Cansortium Shareholders on August 16, 2023;

"**RSUs**" means the restricted share units entitling holders to receive Common Shares pursuant to the RSU Plan;

"**Ruskin Facility**" has the meaning given to it under "*Description of the Business – General Overview – Florida*";

"**SAFE Banking Act**" has the meaning given to it under "*U.S. Regulatory Environment – U.S. Federal Regulatory Environment – Money Laundering Laws*";

"**SAFER Banking Act**" has the meaning given to it under "*U.S. Regulatory Environment – U.S. Federal Regulatory Environment – Money Laundering Laws*";

"**SEC**" means the U.S. Securities and Exchange Commission;

"**SEDAR+**" means the System for Electronic Document Analysis and Retrieval+ (www.sedarplus.ca);

"**Smith Convertible Note**" has the meaning given to it under "*General Development of the Business – Recent Developments – The Transaction – Smith Transaction*";

"**Smith Group**" has the meaning given to it under "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2021 – Restructuring of the Smith Transaction Agreement*";

"**Smith Investor Rights Agreement**" has the meaning given to it under "*General Development of the Business – Recent Developments – The Transaction – Investor Rights Agreements*";

"**Smith Transaction**" means the transactions contemplated by the Smith Transaction Termination Agreement;

"**Smith Transaction Agreement**" has the meaning given to it under "*General Development of the Business – Three Year History - Fiscal Year Ended December 31, 2021 – Restructuring of the Smith Transaction Agreement*";

"**Smith Transaction Termination Agreement**" has the meaning given to it under "*General Development of the Business – Recent Developments – The Transaction – Smith Transaction*";

"**SPC**" means Sweetwater Packing Company, Inc.;

"**SPC Debenture**" has the meaning given to it "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2022 – 2022 Private Placement*";

“**SPC Maturity Date**” has the meaning given to it “*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2022 – 2022 Private Placement*”;

“**Spirit Lake**” means Spirit Lake Road Nursery, LLC, a wholly-owned subsidiary of the Company;

“**Staff Notice 51-352**” means Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* dated February 8, 2018;

“**Stock Options**” means the stock options to purchase Common Shares pursuant to the Option Plan;

“**Subordination Agreement**” has the meaning given to it under “*General Development of the Business – Recent Developments – The Transaction – Smith Transaction*”;

“**Sweetwater Facility**” has the meaning given to it under “*Description of the Business – General Overview – Florida*”;

“**Tampa Facility**” has the meaning given to it under “*Description of the Business – General Overview – Florida*”;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder;

“**Term Loan**” has the meaning given to it under “*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2021 – Senior Secured Term Loan*”;

“**THC**” means Tetrahydrocannabinol;

“**The Hawthorne Collective**” means The Hawthorne Collective, Inc.;

“**Transaction**” has the meaning given to it under “*General Development of the Business – Recent Developments – The Transaction – Arrangement Agreement*”;

“**TTB**” means the Alcohol and Tobacco Tax and Trade Bureau;

“**Unit**” has the meaning given to it under “*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2021 – 2021 Private Placement*”;

“**Uriah Settlement Agreement**” has the meaning given to it under “*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2022 – Litigation Settlement with Uriah’s Urban Farms, Inc.*”;

“**U.S.**” or the “**United States**” means the United States of America;

“**U.S. CSA**” means the U.S. Federal Controlled Substances Act (21 U.S.C. § 811);

“**U.S. Tax Code**”) means the United States *Internal Revenue Code of 1986*, as amended, including the rules and regulations made under it, as it or they may have been or may from time to time be amended, supplemented, re-enacted or superseded; and

“**USDA**” means the U.S. Department of Agriculture.

CORPORATE STRUCTURE

Name, Address and Incorporation

The full corporate name of the Company is "Cansortium Inc." The Company was incorporated under the laws of the Province of Ontario, Canada under the OBCA on August 31, 2018. The Company's registered office is located at 365 Bay Street, Suite 800, Toronto, Ontario, M5H 2V1 and its head office is located at 5540 W. Executive Drive, Suite 100, Tampa, Florida 33609.

On March 21, 2019, the Company completed its initial public offering. The Common Shares are listed on the CSE under the trading symbol "TIUM" and on the OTCQB Venture Market under the trading symbol "CNTMF".

On October 30, 2018, the Company amended the Articles to, among other things, create the Proportionate Voting Shares, with each Proportionate Voting Share convertible, at the option of the holder, into ten (10) Common Shares. For more information regarding the Common Shares and the Proportionate Voting Shares, see "*Description of Capital Structure*".

On March 13, 2019, the Company amended the Articles to, among other things, increase the number of directors of the Company to a minimum of three (3) and a maximum of fifteen (15) and amend the conversion rights attached to the Proportionate Voting Shares.

Inter-Corporate Relationships

The following table presents the subsidiaries of the Company, together with the jurisdiction of incorporation of each subsidiary and the percentage of voting securities beneficially owned or over which control or direction is exercised, directly or indirectly, by the Company as of December 31, 2023:

Business Name	Percent (%) Ownership December 31, 2023	Jurisdiction of Incorporation
Cansortium International Inc.	100%	Ontario
Cansortium Canada Holdings Inc.	100%	Ontario
Cansortium Holdings LLC	100%	Florida
Cansortium Pennsylvania, LLC	100%	Pennsylvania
Cansortium Puerto Rico, LLC	100%	Puerto Rico
Cansortium Texas, LLC	100%	Texas
Fluent Servicing, LLC	100%	Florida
Cansortium Brazil dba Knox Medical Comerico de Medicamentos Ltda.	100%	Brazil
Cansortium Florida, LLC	100%	Florida
Cansortium Colombia S.A.S. [(1)]	50%	Colombia
Spirit Lake Road Nursery, LLC	100%	Florida
Cansortium Michigan, LLC	100%	Michigan
Cavern Capital Holdings LLC	100%	Wyoming
Harvest Park Lot 9 Investors LLC	100%	Delaware
Harvest Park Lot 9 Investors No. 2 LLC	100%	Delaware
Fluent Hemp, LLC	100%	Florida
Trick Tail Capital, LLC	100%	Wyoming

Notes:
(1) Cansortium Colombia S.A.S. was 50% divested in 2020 and the Company does not have significant influence over the entity.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

As further described herein, the Company is a vertically-integrated multi-state cannabis operator in the U.S. The Company, through its subsidiaries, is licensed to produce and sell medical cannabis in Florida and Texas and is licensed to sell medical cannabis in Pennsylvania.

The highlights relating to the development of the Company's business over the past three years are described below.

Three Year History

Fiscal Year Ended December 31, 2021

Convertible Notes

On February 1, 2021, the Company announced it amended its 12% convertible promissory notes of the Company in the aggregate principal amount of $10,000,021.50 (the "**Convertible Notes**") that were previously issued pursuant to a private placement offering that closed in four tranches on February 13, 14, 15 and 25, 2019, to, among other things, amend the conversion the price of the Convertible Notes from $2.00 to $0.60 per share and extend the maturity date of the Convertible Notes until December 1, 2022. In exchange, the Company agreed to pay an extension fee equivalent to 1% of the total outstanding principal amount and accrued interest as at January 31, 2021, being $105,685.62, which was satisfied by the Company through the issuance of Common Shares at a price of $0.45 per share and 5,000,000 common share purchase warrants on a pro rata basis, with each warrant exercisable to acquire one Common Share at a price of $0.60 per share until December 1, 2022.

On May 5, 2021, the Company exercised its right under the Convertible Notes to redeem a maximum of $5,000,000 of the Convertible Notes with cash.

On July 2, 2021, the Company announced that it had exercised its right under the Convertible Notes to force the conversion of the outstanding $5,000,000 of Convertible Notes into Common Shares. Under the terms of the Convertible Notes, the principal amount of each Convertible Note was convertible into Common Shares at a conversion price of $0.60 per share and the accrued and unpaid interest was convertible into Common Shares at a conversion price of $1.01 per share. As a result of the conversion of the Convertible Notes, the Company issued an aggregate of 8,426,574 Common Shares and satisfied in full its obligations under the Convertible Notes.

2021 Private Placement

On April 5, 2021, the Company completed the first tranche of a private placement (the "**2021 Private Placement**") of approximately 16,857,143 units of the Company (each, a "**Unit**") at a price of $0.70 per Unit, for aggregate gross proceeds of approximately $11,800,000. The Units consisted of one Common Share and one-half of one common share purchase warrant (each a "**2021 Warrant**"), with each 2021 Warrant entitling the holder to purchase one Common Share at a price of $0.90 per share for a period of 24 months following the closing date.

On April 9, 2021, the Company completed the second tranche of the 2021 Private Placement of approximately 7,428,571 Units, for aggregate gross proceeds of approximately $5,200,000. The Units consisted of one Common Share and one-half of one 2021 Warrant, with each 2021 Warrant entitling the holder to purchase one Common Share at a price of $0.90 per share for a period of 24 months following the closing date.

Senior Secured Term Loan

On April 29, 2021, Cansortium Holdings, a wholly-owned subsidiary of the Company, as borrower, entered into a credit agreement (the "**Credit Agreement**") with Acquiom, as administrative agent and collateral agent, Seaport Global Securities LLC, as placement agent, and each of the lenders party thereto (the "**Lenders**") for a senior secured credit facility in the aggregate principal amount of $71,000,000 (the "**Term Loan**"), bearing interest at a rate of 13% per annum, payable quarterly, and has a stated maturity of April 29, 2025 that has a prepayment premium until the 42-month anniversary of the effective date of the Credit Agreement. The Term Loan consisted of a: (i) $50 million tranche priced with an original issue discount of three percent (3%), plus the Company issued an aggregate of 12,500,000 common share purchase warrants to certain Lenders (the "**Lender Warrants**"), with each Lender Warrant entitling the holder to purchase one (1) Common Share at a price of $1.20 per Common Share until April 29, 2025; and (ii) a $21,000,000 million tranche priced with an original issue discount of seven percent (7%) with no equity component. Odyssey Trust Company, as warrant agent, is the registrar for certain of the Lender Warrants pursuant to a Warrant Registrar Agreement dated March 1, 2024.

The Company and certain subsidiaries are guarantors under the Credit Agreement the Term Loan is secured against certain assets of the Company pursuant to pledge and security agreements that were entered into by the Company and the other loan parties. The Credit Agreement contains certain financial performance covenants of the Company, among other things, including but not limited to, requirements to have minimum liquidity of $4,500,000 as of December 31, 2023 and maintain a minimum debt service coverage ratio of 2.5 times. A copy of the Credit Agreement is available on the Company's SEDAR+ profile at www.sedarplus.ca.

On May 30, 2024, the Company amended the Credit Agreement in connection with the entering into of the Arrangement Agreement, to modify certain terms of the Credit Agreement, as further discussed under the heading "*General Development of the Business – Recent Developments – The Transaction – Credit Agreement Amendment*".

Management and Board Changes

The Company announced: (i) the addition of Robert Beasley, the Chief Executive Officer of the Company, as a director of the Company on January 21, 2021; (ii) the appointment of Patricia Fonseca as Chief Financial Officer of the Company on March 9, 2021; (iii) the appointment of Samantha Hymes as Executive Vice President of the Company on June 25, 2021; and (iv) the addition of Mark Eckenrode, Alex Spiro and William Smith as directors of the Company and the appointment of Mr. Smith as Executive Chairman of the Company on June 30, 2021.

Restructuring of the Smith Transaction Agreement

On August 13, 2018, the Company and certain of its affiliates entered into the Smith Transaction Agreement, as amended by Amendment No. 1 to the Smith Transaction Agreement dated as of January 1, 2019, Amendment No. 2 to the Smith Transaction Agreement dated as of January 16, 2020 and Amendment No. 3 to the Smith Transaction Agreement dated as of December 21, 2022 (collectively, the "**Smith Transaction Agreement**") with William Smith, a current director and the Executive Chairman of the

Company, and certain companies controlled by Mr. Smith (together with Mr. Smith, collectively, the "**Smith Group**"), to acquire the Smith Group's interest in Fluent Servicing from Can Endeavour for an aggregate purchase price of $23,325,000, which was satisfied by the issuance of 4,400,000 membership units of Cansortium Holdings which were subsequently exchanged for 4,400,000 Common Shares and subject to a minimum price "floor" of $2.75 (the "**Initial Floor**"), and the issuance of a promissory note to Can Endeavour in the aggregate principal amount of $11,225,000 (the "**Initial Smith Note**").

On January 1, 2019, the Company, certain of its affiliates, and the Smith Group entered into Amendment No. 1 to the Smith Transaction Agreement, pursuant to which the parties agreed to, among other things, extend the payment terms and amend the principal amount of the Initial Smith Note to $12,561,477.59.

On January 16, 2020, the parties thereto entered into Amendment No. 2 to the Smith Transaction Agreement, which among other things, reduced the Initial Floor from $2.75 to $0.65 (the "**Amended Floor**") per Common Share in exchange for: (i) the issuance of an amended and restated promissory note in the aggregate principal amount of $12,933,290.02 (the "**Amended and Restated Note**"), (ii) the transfer of an additional 14,215,385 Common Shares (or equivalent Proportionate Voting Shares) held by certain directors and officers of the Company, and (iii) the right of Can Endeavour to nominate two members of the Board, one of which was to be Mr. Smith.

On May 6, 2021, the Company satisfied its obligations under the Amended Promissory Note, as Can Endeavour elected to convert the principal amount owing under the Amended and Restated Note into 21,555,483 Common Shares at a price of $0.60 per Common Share and all accrued and unpaid interest owing was repaid by the Company in cash.

Can Endeavour currently maintains a 60% security interest in the membership interests of Fluent Servicing, the Company's principal operating entity in the state of Florida. The obligations of the Company and certain of its affiliates under the Smith Transaction Agreement is secured by a Security Agreement between Cansortium Florida and Can Endeavour dated as of January 1, 2019, a Guaranty Agreement among Cansortium Holdings, Fluent Servicing and Can Endeavour dated as of January 1, 2019, and a Guaranty Agreement between the Company and Can Endeavour dated as of March 22, 2019. Pursuant to the Smith Transaction Termination Agreement, Can Endeavour has agreed to enter into the Subordination Agreement in respect of the obligation under the Smith Convertible Note.

Non-Brokered Private Placement

On December 6, 2021, the Company completed a non-brokered private placement offering of 3,571,428 Common Shares at a price of $0.70 per Common Share for aggregate gross proceeds of approximately $2,500,000. The new proceeds from the private placement were used by the Company to exercise its equity cure right under the Credit Agreement.

FTH Management Agreement

On April 2, 2021, Fluent Servicing entered into a First Amended Management Agreement (the "**FTH Management Agreement**") with Freedom Town, pursuant to which Freedom Town agreed to manage and assist in the cultivation and production of cannabis at the Company's Sweetwater Facility in exchange for certain fees derived from the sale of products from the Sweetwater Facility.

Fiscal Year Ended December 31, 2022

2022 Private Placement

On April 29, 2022, the Company completed a non-brokered private placement offering (the "**2022 Private Placement**") with SPC, issuing a 10.0% unsecured convertible debenture in the principal amount of $3,500,000 (the "**SPC Debenture**") and 3,076,923 pre-funded Warrants (each, a "**Pre-Funded Warrant**") at a price of $0.39 per Pre-Funded Warrant, for aggregate gross proceeds of $4,700,000. The SPC Debenture matures on April 29, 2032 (the "**SPC Maturity Date**") and bears interest at a rate of 10% per annum, accruing daily and payable monthly or on a change of control of the Company. Each Pre-Funded Warrant entitled the holder to purchase one Common Share at an additional exercise price of $0.40 per Common Share (for a total Common Share issue price equal to $0.79) for a period of 12 months from the date of issuance. None of the Pre-Funded Warrants were exercised within the applicable exercise period.

Pursuant to the terms of the SPC Debenture, SPC may, at its option, at any time and from time to time until the close of business on the business day immediately preceding the SPC Maturity Date, convert all or any portion of the outstanding principal amount into Common Shares at a conversion price of $0.79 per share, subject to adjustment. Any accrued and unpaid interest shall be paid in cash by the Company and the Company may prepay the SPC Debenture, in whole or in part, at any time. As of the date hereof, the principal amount outstanding under the SPC Debenture is $3,008,771 and is convertible into 3,808,570 Common Shares.

Termination of the Amended GSI Agreement and Green Standard Note

On June 30, 2022, the Company terminated an amended and restated binding term sheet and agreement dated May 19, 2020 (the "**Amended GSI Agreement**") with GSI and a line of credit note dated May 19, 2020 in an aggregate principal amount of up to $7,500,000 entered in connection therewith (the "**Green Standard Note**") relating to the acquisition of certain cultivation, production and retail licenses in the State of Michigan, resulting in an aggregate loss of $8,011,000.

Amendment to the Articles of the Company

At the annual and special meeting of Cansortium Shareholders held on July 21, 2022, the Cansortium Shareholders approved an amendment to the Articles of the Company to create a new class of preferred shares of the Company, issuable in series (the "**Preferred Share Amendment**"). As of the date of this AIF, the Company has not filed articles of amendment to complete the Preferred Share Amendment.

Litigation Settlement with Uriah's Urban Farms, Inc.

On August 1, 2022, Cansortium Holdings and Spirit Lake, a wholly-owned subsidiary of the Company, entered into a settlement agreement and mutual general release with Uriah's Urban Farms, Inc. (the "**Uriah Settlement Agreement**"), pursuant to which Cansortium Holdings, LLC and Spirit Lake agreed to pay to Uriah's Urban Farms, Inc. an aggregate of $1,000,000 in full and satisfaction of all claims under a consulting agreement dated January 1, 2019. Under the terms of the Uriah Settlement Agreement, the Company agreed to release 400,000 restricted Common Shares previously issued to Uriah's Urban Farms, Inc. which were subject to performance milestones that were not achieved and to pay $250,000 on April 1, 2023 and $375,000 on each of April 1, 2024 and 2025. As of the date hereof, an aggregate of $375,000 remains outstanding, with $375,000 due and payable on or before April 1, 2025.

Management Changes

On November 21, 2022, Patricia Fonseca resigned as Chief Financial Officer of the Company and Liora Boudin was appointed as interim Chief Financial Officer of the Company.

Restructuring of the Smith Transaction Agreement

On December 21, 2022, the Company, certain of its affiliates, and the Smith Group entered into Amendment No. 3 to the Smith Transaction Agreement, pursuant to which the parties agreed to, among other things, reduce the Amended Floor from $0.65 to $0.40 per Common Share (the "**Floor**") in exchange for the issuance by the Company of an additional 11,634,615 Common Shares to Can Endeavour at a deemed price of $0.12 per Common Share, resulting in a total of 30,250,000 Common Shares (on an as converted basis) being subject to the Floor until December 31, 2025 (the "**Floor Expiration Date**"),which entitles the Smith Group to an aggregate of up to $12,100,000 in the event the Smith Group elects to sell its Common Shares at a price that is below the Floor (the "**Floor Entitlement**"). Pursuant to the Smith Transaction Agreement, if on or prior to the Floor Expiration Date, the Smith Group elected to sell some or all of its Common Shares that were subject to the Floor, and the proposed purchase price of such Common Shares was less than $0.40 per Common Share, then the Company could either purchase all or any portion of the Common Shares proposed to be sold by the Smith Group for $0.40 per Common Share or elect to pay in cash the difference between $0.40 per Common Share and the actual sale price per Common Share received by the Smith Group in such sale.

Fiscal Year Ended December 31, 2023

2023 Private Placement

On February 28, 2023, the Company closed a non-brokered private placement offering (the "**2023 Private Placement**") of 30,000,000 units of the Company (each, a "**2023 Unit**") at a price of $0.10 per Unit for aggregate gross proceeds of $3,000,000. Each 2023 Unit is comprised of one Common Share and one-half of one common share purchase warrant (each, a "**2023 Warrant**"), with each 2023 Warrant entitling the holder to purchase one Common Share at an exercise price of $0.15 per Common Share until February 28, 2026. William Smith, a director and the Executive Chairman of the Company invested $1,000,000 in the 2023 Private Placement and received 10,000,000 Common Shares and 5,000,000 2023 Warrants. In connection with the 2023 Private Placement, Can Endeavour, an entity owned or controlled by, Mr. Smith received $870,000 in outstanding consulting fees.

Management and Board Changes

The Company announced: (i) the appointment of Jeffrey Batliner as Chief Financial Officer of the Company on March 14, 2023; (ii) the departure of John McKimm as a director of the Company on June 30, 2023; and (iii) the addition of John Mazarakis as a director of the Company on July 13, 2023. On September 1, 2023, Todd Buchman stepped down from the position of Chief Legal Officer of the Company.

Litigation Settlement with MXY

On April 26, 2021, MXY brought an action against the Company in the state of Florida for breach of a Management Services Agreement for certain management consulting services. On February 7, 2023, the Company entered into a settlement agreement and mutual general release with MXY (the "**MXY Settlement Agreement**"), pursuant to which the Company agreed to pay to MXY an aggregate of $1,000,000. As of the date hereof, an aggregate amount of $250,000.00 remains outstanding under the MXY Settlement Agreement.

Cansortium Beverage Company Inc.

On December 22, 2023, the Company dissolved its wholly-owned subsidiary, Cansortium Beverage Company Inc.

Recent Developments

Management Changes

On May 13, 2024, Jeffrey Batliner, Chief Financial Officer, left the Company and Patricia Fonseca was re-appointed as Chief Financial Officer, each effective as of the same date.

The Transaction

Arrangement Agreement

On May 30, 2024, the Company announced that it had entered into the Arrangement Agreement with RIV Capital, pursuant to which the Company will acquire all of the issued and outstanding RIV Capital Shares in exchange for Common Shares on the basis of 1.245 of a Common Share (the "**Exchange Ratio**") for each issued and outstanding RIV Capital Share held (the "**Transaction**"). The Transaction will be implemented pursuant to, and in accordance with the provisions of, a plan of arrangement under Section 182 of the OBCA (the "**Plan of Arrangement**"), a copy of which is appended to the Arrangement Agreement as Schedule "A". Following completion of the Transaction, RIV Capital will become a wholly-owned subsidiary of the Company and the former RIV Capital Shareholders and The Hawthorne Collective, together are expected to hold approximately 48.75% of the outstanding Common Shares, with the Cansortium Shareholders immediately prior to the Transaction expected to hold the remaining approximately 51.25% of the outstanding Common Shares, on a fully diluted basis. In addition, the holders of stock options of RIV Capital to purchase RIV Capital Shares will receive up to 2,815,567 replacement options to purchase Common Shares (each, a "**Cansortium Replacement Option**"), with an exercise price per Cansortium Replacement Option on the same economic terms based on the Exchange Ratio in accordance with the Plan of Arrangement. The Cansortium Replacement Options will be governed by the terms of the Option Plan.

The Transaction is conditional upon, among other things, (i) the approval of the Transaction by at least two-thirds of the votes cast by RIV Capital Shareholders, and by a majority of the minority of RIV Capital Shareholders, pursuant to MI 61-101 at an annual general and special meeting of RIV Capital Shareholders expected to be held on August 27, 2024 (the "**RIV Capital Meeting**"); (ii) the approval of Amendment Proposal (as defined below) by at least two-thirds of the votes cast by Cansortium Shareholders at an annual general and special meeting of Cansortium Shareholders expected to be held concurrently with the RIV Capital Meeting on August 27, 2024; (iii) the receipt of regulatory approval and the approval of the Superior Court of Justice (Ontario); (iv) the closing of the Hawthorne Notes Exchange (as defined below); (v) the completion of the Smith Transaction; (vi) the requirement for RIV Capital to maintain a certain minimum cash balance as of a specified date prior to closing; and (vii) the satisfaction of certain other conditions customary for transactions of this nature. For further details relating to the Hawthorne Notes Exchange and the Smith Transaction, see "*Hawthorne Notes Exchange*" and "*Smith Transaction*" below.

Certain of RIV Capital's directors and officers and a significant shareholder holding an aggregate 20.2% of the RIV Capital Shares have entered into voting support agreements with the Company to, among other things, vote in favor of the Transaction.

Pursuant to the Arrangement Agreement, upon completion of the Transaction, the Board will consist of seven (7) directors, which shall include: (i) two (2) of the current members of the Board, plus one (1) independent member (within the meaning of NI 52-110); (ii) two (2) of the current members of the board of directors of RIV Capital, plus one (1) independent member; and (iii) Robert Beasley, the current Chief Executive Officer of the Company, who is also expected to act as the Chief Executive Officer of the post-Transaction Company. The Arrangement Agreement also includes customary provisions, including non-solicitation, "fiduciary out" and "right to match" provisions as well as a termination fee of $3,000,000 payable by RIV Capital to the Company and a termination fee of $5,000,000 payable by the Company to RIV Capital, in certain specified circumstances.

Assuming timely receipt of all necessary court, shareholder, regulatory and other third-party approvals, the closing of the Hawthorne Notes Exchange and the completion of the Smith Transaction and the satisfaction of all other conditions precedent to the completion of the Transaction, closing of the Transaction is expected to occur in the fourth quarter of 2024.

A full description of the Transaction will be set forth in the management information circular of RIV Capital, which will be mailed to RIV Capital Shareholders and filed with the Canadian securities regulators on SEDAR+ at www.sedarplus.ca.

A copy of the Arrangement Agreement is available on the Company's SEDAR+ profile at www.sedarplus.ca.

Hawthorne Notes Exchange

In connection with the Transaction, the Company and The Hawthorne Collective have entered into a letter agreement dated May 30, 2024, whereby the parties have agreed to enter into a notes exchange and protection agreement (the "**Hawthorne Exchange and Protection Agreement**") on the business day immediately prior to the closing date of the Transaction, pursuant to which, among other things, The Hawthorne Collective will exchange its existing unsecured convertible notes that were issued for an aggregate principal amount of $175,000,000, including any previously accrued and unpaid interest, for 153,069,395 non-voting exchangeable shares of Cansortium (the "**Exchangeable Shares**") (the "**Hawthorne Notes Exchange**"). The Exchangeable Shares will not carry voting rights. The Exchangeable Shares will be entitled to dividends, will participate on the same terms as the Common Shares upon dissolution of Cansortium, and will be convertible into Common Shares on a one-for-one basis. If The Hawthorne Collective were to convert its Exchangeable Shares immediately following the closing of the Transaction, such conversion would result in The Hawthorne Collective owning approximately 153,069,395 Common Shares (22.91% of the pro forma Company), on an as converted basis, as at the completion of the Transaction.

Cansortium expects to hold an annual general and special meeting of shareholders (the "**Cansortium Meeting**") on August 27, 2024 where the Cansortium Shareholders will be asked to consider a special resolution authorizing an amendment to the Articles (the "**Amendment Proposal**") to, among other things, create the Exchangeable Shares. The Amendment Proposal must be approved by at least two-thirds of the votes cast by Cansortium Shareholders voting at the Cansortium Meeting.

Exchange and Protection Agreement

The following description of the Exchange and Protection Agreement is based on the draft terms and conditions of the agreement as at the date hereof and is qualified in its entirety by reference to the full text of the Exchange and Protection Agreement, which will be available under Cansortium's profile on SEDAR+ at www.sedarplus.ca upon the completion of the Transaction.

The Exchange and Protection Agreement provides that, during the period commencing on the Effective Date until the conversion of the Exchangeable Shares (the "**Interim Period**"), except: (i) with the prior consent of The Hawthorne Collective, (ii) as expressly required or permitted by the Exchange and Protection Agreement, or (iii) as required by applicable laws, (A) Cansortium and its subsidiaries shall conduct its business in the ordinary course and in accordance with its organizational documents and all applicable laws, with the exception of the CSA, as it applies to marijuana or any other United States federal cannabis laws, and (B) Cansortium shall not, and, as applicable, shall not permit any of its subsidiaries to, directly or indirectly (subject to the limitations and exceptions provided in the Exchange and Protection Agreement): (i) amend its organizational documents; (ii) declare, set aside or pay any dividend or other distribution of any kind or nature (whether in cash, stock or property or any combination thereof) in respect of any securities, other than dividends or other distributions between Cansortium and wholly-owned subsidiaries; (iii) redeem, repurchase, or otherwise acquire, or offer to redeem, repurchase or otherwise acquire, any securities of Cansortium; (iv) amend the terms of the Exchangeable Shares; (v) amend the terms of any other securities of Cansortium or any subsidiary in a way that would disproportionately and adversely impact The Hawthorne Collective in its capacity as the holder of the Exchangeable Shares, as determined by the Board, acting in good faith; (vi) reorganize, amalgamate or merge Cansortium or any subsidiary with a third-party; (vii) undertake any voluntary dissolution, liquidation or winding-up of Cansortium or any subsidiary or any other distribution of assets of Cansortium or any subsidiary for the purpose of winding-up its affairs; (viii) adopt a plan of liquidation or resolution providing for the liquidation or dissolution of Cansortium or any of its subsidiaries; (ix) incur debt that in the aggregate exceeds a specified threshold; (x) enter into any contract containing any provision restricting, impeding or preventing The Hawthorne Collective from converting the Exchangeable Shares into Common Shares; (xi) knowingly take any action or fail to take any action which action or failure to act would result in the loss, expiration or surrender of, or the loss of any material benefit under, or could reasonably be expected to cause any governmental body to institute proceedings for the suspension, revocation or limitation of rights under, any material authorizations necessary to conduct its businesses as now conducted, or fail to prosecute any pending applications to any governmental bodies for material authorizations; (xii) take any action, or refrain from taking any action, or permitting any action to be taken or not taken, which would reasonably be expected to prevent, materially delay or otherwise impede the ability for The Hawthorne Collective to convert the Exchangeable Shares into Common Shares; or (xiii) authorize, agree, resolve or otherwise commit, whether or not in writing, to do any of the foregoing.

In addition, during the Interim Period, the Exchange and Protection Agreement requires Cansortium to, among other things: (a) preserve and maintain the existence of Cansortium and its subsidiaries; (b) take all actions reasonably necessary or desirable to maintain Cansortium's and its subsidiaries' good standing and qualification to conduct business in its jurisdiction of formation and in any other jurisdiction in which it is required to be so qualified; (c) prepare and file when due all tax returns required to be filed by Cansortium and its subsidiaries, and pay or cause to be paid all taxes due on such tax returns; (d) take all reasonable steps and actions that are within its power and control to obtain and maintain all material third party or other consents, waivers, permits, exemptions, orders, approvals, agreements, amendments or confirmations that are required in order to permit the conversion of the Exchangeable Shares by The Hawthorne Collective into Common Shares, in accordance with and as more particularly set out in the Exchange and Protection Agreement; (e) oppose, lift or rescind any injunction, restraining or other order, decree or ruling, and defend or cause to be defended, any proceedings seeking to restrain, enjoin or otherwise prohibit or delay or otherwise adversely affect the ability for The Hawthorne Collective to convert the Exchangeable Shares into Common Shares; and (f) maintain, or cause to be maintained, public liability and casualty insurance, all in such form, coverages and amounts as are reasonably consistent with Cansortium's best practice. The Exchange and Protection Agreement also includes various information rights that require Cansortium to notify The Hawthorne Collective of certain specified developments and provide ongoing quarterly and annual financial information.

Pursuant to the Hawthorne Exchange and Protection Agreement, the Hawthorne Collective will be prohibited from converting its Exchangeable Shares into Common Shares where such conversion would result in The Hawthorne Collective, together with any person or company acting jointly or in concert with The Hawthorne Collective having an aggregate beneficial ownership of, or control or direction over, directly or indirectly, over 20% of the Company's issued and outstanding voting securities of Cansortium immediately after giving effect to such conversion, unless and until the Company has received the necessary shareholder approval in accordance with all applicable policies of the CSE.

Smith Transaction

In connection with the Transaction, the Company, certain of its affiliates and the Smith Group have entered into a termination agreement dated May 30, 2024 (the "**Smith Transaction Termination Agreement**"), which, effective upon the completion of the Transaction, will terminate the Smith Transaction Agreement, which, as described above, provides that an aggregate of 30,250,000 Common Shares (on an as converted basis) held by the Smith Group will be subject to the Floor ($0.40) until the Floor Expiration Date, which entitles the Smith Group to the Floor Entitlement. Pursuant to the terms of the Smith Transaction Termination Agreement, upon consummation of the Transaction, the Smith Group will no longer be entitled to the Floor Entitlement (and, in the interim, so long as the Smith Transaction Termination Agreement has not been terminated, the Smith Entities have agreed not to exercise the Floor Entitlement), and in consideration thereof, on closing of the Transaction, the Company will, among other things, issue to the Smith Group a 15% secured subordinate convertible note in an initial aggregate principal amount of $6,500,000 payable three years from the date of issuance (the "**Smith Convertible Note**"). Upon issuance, the Smith Convertible Note will be guaranteed by, and secured by a junior lien on substantially all assets of, the Company and its subsidiaries, and will be subordinated in right of payment to prior payment in full of the Credit Agreement (and any "eligible refinancing" of the Credit Agreement) pursuant to a subordination agreement to be entered into concurrently with the issuance of the Smith Convertible Note (the "**Subordination Agreement**"). The Smith Convertible Note will be convertible, at the discretion of the Smith Group, into Common Shares at a price of $0.21 per Common Share. Assuming full conversion of the Smith Convertible Note, including the full amount of the anticipated accrued interest over the life of the Smith Convertible Note, the Smith Group would be entitled to receive 44,880,952 Common Shares.

Bridge Financing and Bridge Note

In connection with the Transaction, RIV Capital US, a wholly-owned subsidiary of RIV Capital, entered into an interest-bearing bridge loan with the Company pursuant to which RIV Capital US agreed to advance up to an aggregate principal amount of $8,975,000 (the "**Bridge Loan**"). The Bridge Loan is unsecured and advances under the Bridge Loan bear interest at a rate of 10% per annum. The Bridge Loan, which will mature, if not earlier converted or prepaid in accordance with its terms, on May 1, 2025 (the "**Maturity Date**"), is subordinated in right of payment to prior payment in full of the Credit Agreement (and any "eligible refinancing" of the Credit Agreement). The Bridge Loan is evidenced by an unsecured convertible promissory note (the "**Bridge Note**") issued to and in favour of RIV Capital US. The principal amount outstanding under the Bridge Note, along with any accrued but unpaid interest, will automatically be convertible into Common Shares upon the occurrence of certain events of default, and at the option of RIV Capital US on the business day immediately preceding the Maturity Date, in each case at a price of $0.17 per Common Share. In connection with signing the Arrangement Agreement, RIV Capital US made an initial advance to the Company under the Bridge Loan in the amount of $3,000,000. As of the date hereof, $3,000,000 is outstanding under the Bridge Loan.

Investor Rights Agreements

In connection with the Hawthorne Notes Exchange and the Smith Transaction, and as a condition precedent to the completion thereof, the Company will enter into an investor rights agreement with each of (A) The Hawthorne Collective (the "**Hawthorne Investor Rights Agreement**"), which shall provide, among other things, The Hawthorne Collective with the right to nominate up to two members of the Board, and will be granted pro rata participation rights in any future equity financings of the Company; and (B) the Smith Group (the "**Smith Investor Rights Agreement**" and together with the Hawthorne Investor Rights Agreement, the "**Investor Rights Agreements**"), which shall provide for, among other things, the Smith Group's continued right to nominate two members of the Board, subject to the terms and conditions set forth therein.

Credit Agreement Amendment

In connection with the Transaction, the Company entered into a First Amendment to Credit Agreement and Consent to Arrangement dated May 30, 2024 (the "**Amended Credit Agreement**") by and among, *inter alios,* Cansortium Holdings, the Lenders party thereto from time to time, and Acquiom, as administrative agent and collateral agent for the Lenders, which amends the Credit Agreement, in order to, among other things: (i) obtain the consent of the Lenders to the entering into of the Arrangement Agreement; (ii) obtain the consent of the Lenders to the consummation of the Transaction; and (iii) agree to certain amendments to the Credit Agreement to permit the Transaction and any necessary transactions reasonably required therein in order to enter into and perform obligations under the Transaction, including to provide for the issuance of: (A) the Bridge Note to RIV Capital US, and (B) the Smith Convertible Note to be issued by the Company to the Smith Group concurrently with the consummation and effectiveness of the Transaction. Among other things, the Amended Credit Agreement provides that,

(a) upon consummation of the Transaction, RIV Capital and its subsidiaries shall become loan parties under the Amended Credit Agreement and shall pledge their assets to secure the Amended Credit Agreement;

(b) the Consolidated Leverage Ratio (as defined in the Amended Credit Agreement), for purposes of triggering a 2.5% prepayment of the loans under the Amended Credit Agreement, was amended to (i) 2.5:1.0 for the fiscal quarter ending March 31, 2022 and each fiscal quarter thereafter prior to the fiscal quarter in which the Transaction is consummated and (ii) 3.0:1.0 for the fiscal quarter in which the Transaction is consummated and each fiscal quarter thereafter;

(c) the Consolidated Interest Coverage (as defined in the Amended Credit Agreement) covenant was amended to (i) 2.5:1:0 for the period ending March 31, 2022 through the fiscal quarter immediately prior to the fiscal quarter in which the Transaction is consummated and (ii) 1.2:1.0 for the fiscal quarter in which the Transaction is consummated and each fiscal quarter thereafter;

(d) the Minimum Liquidity (as defined in the Amended Credit Agreement) covenant was amended to provide that (i) the quarterly Minimum Liquidity shall apply up to the fiscal quarter immediately prior to the fiscal quarter in which the Transaction is consummated and (ii) commencing with the calendar month in which the Transaction is consummated and each calendar month thereafter, Liquidity (as defined in the Amended Credit Agreement) shall be not less than US$10,000,000;

(e) on the Transaction closing date, after giving effect to the Transaction and the prepayment required under the Amended Credit Agreement, pro forma Liquidity shall be not less than $10,000,000;

(f) upon consummation of the Transaction, the Company will prepay $10,000,000 of the principal amount outstanding under the Amended Credit Agreement, together with accrued interest and the applicable Prepayment Premium (as defined in the Amended Credit Agreement) thereon (if applicable); and

(g) certain additional covenants events of default were added.

As of the date hereof, the principal amount outstanding under the Amended Credit Agreement is $65,830,000.

No fee was payable to the lenders in connection with the Amended Credit Agreement. A copy of the Amended Credit Agreement is available on the Company's SEDAR+ profile at www.sedarplus.ca.

DESCRIPTION OF THE BUSINESS

General Overview

The Company, through its various U.S. subsidiaries, is licensed to produce and sell medical cannabis in the States of Florida and Texas and is licensed to sell medical cannabis in the Commonwealth of Pennsylvania. The Company operates under the Fluent™ brand and is dedicated to being one of the highest quality cannabis companies for the communities it serves. The Company is headquartered in Tampa, Florida. As of the date of this AIF, in the U.S., the Company has consolidated operations in 3 states and operating 38 dispensaries, five (5) cultivation sites and one (1) processing site through which the Company produces and sells medical cannabis.

The Company discontinued its operations in Michigan following the termination of the Amended GSI Agreement. Internationally, the Company discontinued it operations in Puerto Rico, Canada and Colombia during 2019 and in Brazil during 2022 and does not currently operate outside of the U.S.

All of the Company's operations are in one segment, the cultivation, production and sale of medical cannabis. The following table outlines the revenue for each category of products that accounted for fifteen percent (15%) or more of the total consolidated revenue for each of the Company's two most recently completed financial years:

Product	Year Ended December 31, 2023	Year Ended December 31, 2022
Cannabis Products	$96,405,908 (99.1%)	$86,889,550 (99.1%)
Non-Cannabis Products	$884,181 (0.9%)	$792,268 (0.9%)

In the U.S., licensing for medical or recreational cannabis cultivation, production, sale, and use is determined at a state level basis and not federally. Cultivation, sale and use of cannabis is illegal under federal law in the U.S. pursuant to the U.S. CSA. Each state which allows the production, sale and/or use of cannabis has its own legislation, rules, regulations and policies with respect to the licensing of medical or recreational cannabis-related activities. The Company believes that its operations are in full compliance with all applicable state and local laws, regulations and licensing requirements.

Florida

The vast majority of the Company's existing business takes place in the State of Florida in which the Company began operations in 2016. In the State of Florida, the Department of Health, Office of Medical Marijuana Use issues licenses to MMTCs to cultivate, process and sell medical cannabis (referred to as an "**MMTC License**"). The Company operates under an MMTC License issued to Spirit Lake, a wholly-owned indirect subsidiary of the Company. The Company, through its subsidiaries, holds the following licenses in the State of Florida:

Holding Entity	Permit/License	Issuing Department	Term	Description
Spirit Lake Road Nursery, LLC dba Fluent	Medical Marijuana Treatment Center (License No. MMTC-2015-00003)	State of Florida Department of Health, Office of Medical Marijuana Use	August 12, 2022 – August 12, 2024	License to operate a MMTC
	Certificate of Nursery Registration (Registration No. 48027835)	Florida Department of Agriculture and Consumer Services	September 29, 2023 – September 28, 2024	Registration for producing or growing plant material for sale or distribution
Fluent Hemp, LLC	Annual Food Permit (Permit No. 2024-R-2104982)	Florida Department of Agriculture and Consumer Services, Division of Food Safety	December 5, 2023 – December 4, 2024	Permit to sell food products directly to customers
Fluent Servicing, LLC	Annual Food Permit (Permit No. 2024-R-2072163)	Florida Department of Agriculture and Consumer Services, Division of Food Safety	November 15, 2023 – November 14, 2024	Permit to sell food products directly to customers

As of the date of this AIF, the Company operates the following facilities in Florida: (i) a cultivation facility in Zolfo Springs, Florida (the "**Sweetwater Facility**"); (ii) a cultivation facility in Polk City, Florida (the "**Polk Facility**"); (iii) a cultivation and production facility in Tampa, Florida (the "**Tampa Facility**"); (iv) a cultivation facility in Ruskin, Florida (the "**Ruskin Facility**"); and (v) a cultivation facility in Tampa, Florida (the "**Roza Facility**").

The Sweetwater Facility commenced operations in the fourth quarter of 2020 and includes 26,000 square feet of indoor cultivation, production, administrative space, and a 40,000 square feet greenhouse, on 15 acres. Current cultivation is 15,400 square feet of indoor flowering canopy. Its first harvest occurred in March 2021. Additionally, the Sweetwater Facility has expansion capacity for up to seven additional greenhouses.

The Polk Facility commenced operations in the third quarter of 2022 and includes a 27,000 square feet greenhouse, on 72 acres. Its first harvest occurred in December 2022. Additionally, the Polk Facility has expansion capacity for up to five acres of additional greenhouses.

The Tampa Facility produces various products ranging from topicals, inhalation vaporizers, oral, smoking and edibles. The Tampa Facility is approximately 22,000 square feet of indoor cultivation which includes 20,160 square feet of flowering canopy over six levels. In August 2020, the Company secured the addition

of a new 24,225 square feet building to the existing Tampa Facility with approximately 9,000 square feet of new cultivation area and approximately 15,000 square feet of new production and office space that became fully operational during the second quarter of 2022.

The Ruskin Facility has greenhouses and indoor grow space that combine for 20,000 square feet of canopy and the Roza Facility will have 24,500 square feet of canopy and is anticipated to begin operations in the fourth quarter of 2024.

As of the date of this AIF, the Company operated 35 dispensaries throughout the State of Florida and expects to continue to grow its retail footprint in Florida throughout 2024.

Pennsylvania

The Company began operations in Pennsylvania in the third quarter of 2017. The Company currently operates the three dispensaries it is licensed to operate in the south-central region of Pennsylvania for the sale of medical cannabis. This dispensing permit allows for the purchase of finished products from permitted processors in the Commonwealth of Pennsylvania. The Company's three dispensaries in Pennsylvania are located in Hanover (opened in June 2018), Mechanicsburg (opened in August 2021) and Annville (opened in April 2022). In 2024, the Company expanded the square footage of the Hanover dispensary to allow for more traffic/inventory/increase. The Company, through its subsidiaries, holds the following licenses from the Pennsylvania Department of Health, Office of Medical Marijuana in the Commonwealth of Pennsylvania:

Holding Entity	Permit/License	Issuing Department	Term	Description
Cansortium Pennsylvania, LLC	Permit to Operate a Medical Marijuana Dispensary Facility for the premises located at 1015 East Main St., Annville, PA 17003 (Permit No. D-3029-17)	Pennsylvania Department of Health, Office of Medical Marijuana	June 29, 2024 – June 29, 2025	License to operate a medical cannabis dispensary
	Permit to Operate a Medical Marijuana Dispensary Facility for the premises located at 6200 Carlisle Pike Mechanicsburg, PA 17050 (Permit No. D-3029-17)	Pennsylvania Department of Health, Office of Medical Marijuana	June 29, 2024 – June 29, 2025	License to operate a medical cannabis dispensary
	Permit to Operate a Medical Marijuana Dispensary Facility for the premises located at 648 Frederick St., Hanover, PA 17331	Pennsylvania Department of Health, Office of Medical Marijuana	June 29, 2024 – June 29, 2025	License to operate a medical cannabis dispensary

	(Permit No. D-3029-17)			

Texas

The Company began operations in Texas in the second quarter of 2017. The Company was granted the first dispensing organization license in Texas from the Texas Department of Public Safety on September 1, 2017 (as of December 31, 2023, there were three such licenses issued), which allows the Company to cultivate and produce cannabis as well as operate a dispensary at the cultivation site. The Company owns and operates 1,300 square feet of cultivation space in climate and humidity-controlled C-containers which include 1,920 square feet of flowering canopy over 2 levels. Currently, in compliance with Texas law, the Company does not operate a dispensary and only sells medical cannabis in Texas via home deliveries. Cansortium is in the process of adding an education center and order pick up location in Houston, Texas. The Company, through one of its subsidiaries, holds the following license in the State of Texas:

Holding Entity	Permit/License	Issuing Department	Term	Description
Cansortium Texas, LLC dba Fluent	License to Operate as a Dispensing Organization (License No. 0004)	Texas Department of Public Safety, Regulatory Services Division	September 2023 – October 1, 2025	Licence to operate a cannabis dispensing organization

Production and Services

The Company and affiliates operate in highly regulated markets that require expertise in cultivation, manufacturing, retail operations and logistics. Currently, the Company cultivates, processes, markets and/or dispenses a wide range of permitted cannabis products across its operating markets.

The Company’s medical cannabis products are offered in oral drops, capsules, suppositories, topicals, syringes, dried flower, pre-rolls, cartridges and edibles and accessories. All of the Company’s products are marketed under the Fluent™ brand name, which was launched in May 2019 to convey the Company’s commitment to gaining a deeper understanding of cannabis’ potential positive impacts on human health and wellness. Prior to the launch of the Fluent™ brand, the Company had operated under the Knox Medical brand. In Pennsylvania, the Company’s product portfolio is a variety of third-party branded medical cannabis products.

The Company’s licensed entities in Florida and Texas are vertically-integrated, meaning the entire supply chain is managed from seed to sale: cultivating cannabis flower, processing the flower into manufactured products and selling the product to registered patients and/or legal adult use consumers. The Company believes that it has developed the in-house resources to ensure its Florida and Texas licensed entities maintain best practices in cannabis cultivation, processing and dispensing and are dedicated to staying at the forefront of technology in the industry. The Company continues to invest strategically in infrastructure to ensure its U.S. state-licensed entities maintain low overall production costs and adaptability in their product mix to ensure timely response to the rapidly developing cannabis market.

Research and Development

The Company's research and development activities primarily focus on optimizing cultivation and manufacturing techniques, developing new manufactured products and on the medical benefits of cannabis. The Company collects data on the number of grams of cannabis flower produced per watt of light, per square foot and per plant. This allows cultivators to gain insights on optimal cultivation methods by adjusting certain variables such as cannabis strain variety and plant spacing. The Company's cultivators also institute pest management techniques in facilities and document successes and failures, sharing this knowledge across its cultivation operations. The Company also researches new methods of cannabis extraction for the development of new manufactured products. The Company's research and development activities operate on an on-going basis as the Company continually seeks to improve current methods for its licensed businesses.

The Company has developed proprietary equipment, which allows for better drying and processing yields after harvest of cultivated cannabis. The Company has secured the services of an engineering firm to oversee all retrofits and new construction facilities in all of its operations. This will result in a unified set of Standard Operating Procedures that can be utilized in all markets. This enables the Company to provide assurances to all levels of consumers that the facilities will achieve any local standard required, such as Good Manufacturing Practices ("**GMP**"). This process also allows for the development of unique and proprietary systems, practices, machinery and procedures to increase efficiency.

The Company views cannabis with a longer temporal lens and aims to borrow best practices from the pharmaceutical, commercial cultivation, consumer packaged goods and consumer products industries. The Company has acquired technical expertise and experience from the pharmaceutical, agricultural and educational industries to develop new technology and intellectual property. The Company plans to continue to make strategic additions to its research and development team.

The Company's vision is to become a leading brand. With a focus on research and development, the Company plans to generate a diverse product offering and advanced biopharmaceutical intellectual property.

Specialized Skills and Knowledge

All aspects of the Company's business require specialized skills and knowledge. The Company's management is comprised of individuals with extensive experience and expertise in areas including, but not limited to, the cultivation and growing of cannabis, consumer packaged goods, product development, strategy, science, innovation, analytical testing, internationally regulated products and legal and regulatory compliance. The Company is dedicated to ensuring regulatory compliance in all aspects of the business with the end goal of patient and consumer satisfaction. There is a high level of quality assurance and testing protocols in place within the Company, including a system that provides additional certainty regarding the purity and safety of the cannabis we produce and sell. Therefore, the Company must employ skilled personnel within these areas. Experience in cannabis or other regulated industries assists the Company with compliance with applicable laws and regulations. Specialized skills and knowledge are important to the Company's success as the Company continues to evolve with the industry and grow its brands, and we continue to build on the skills and knowledge required within our organization to meet our objectives.

The Company believes that it currently possesses all the specialized skills and knowledge it requires but will continue to compete with other cannabis and manufacturing companies to secure and retain such qualified staff.

Competitive Conditions

The U.S. cannabis industry is highly competitive. The Company competes on quality, price, brand recognition and distribution strength. The Company's cannabis products compete with other products for consumer purchases as well as for shelf space in retail dispensaries and wholesaler attention. The Company competes with numerous cannabis producing companies with various business models, from small family-owned operations to multi-billion-dollar market capitalized multi-state operators. In certain markets, there are also a number of illegally operating dispensaries, which serve as competition. In some markets, the number of illegal retail dispensaries has been publicly reported to far exceed the number of legal (licensed) cannabis dispensaries. The Company maintains an operational footprint primarily in U.S. states with high barriers to entry and limited market participants, due to the limited availability of state licenses or local permitting, as well as stringent operating requirements.

As cannabis remains illegal at the federal level in the U.S., businesses seeking to enter the industry face additional challenges when accessing capital. Presently, there exists no reliable source of U.S. bank lending or equity capital available to fund operations in the U.S. cannabis sector. Nevertheless, the Company is well-capitalized, and believes that the level of expertise and significant capital investment required to operate its large-scale, vertically-integrated cannabis operations make it difficult and inefficient for smaller cannabis operators to enter this sector of the market. As the cannabis industry continues to rapidly expand and its liberalization accelerates, it should be expected that the Company will face competition from other companies, some of which can be expected to have longer operating histories and more financial, production resources, marketing resources and experience than the Company.

For additional details on the competition faced by the Company, refer to the "*Risk Factors*" section of this Annual Information Form. For additional details on the U.S. regulatory environment and the U.S. states in which the Company operates, please refer to the "*U.S. Regulatory Environment*" section of this Annual Information Form.

Products and Pricing

The main raw materials and components used in the production of the Company's products are cannabis seeds and clones, water, plant nutrients and electricity. Water for operations is obtained from the respective municipal water systems. The price of water is determined by the respective local governments. Raw materials include soil, nutrients, organic integrated pest and disease management, environmental supplementation, disposable supplies and other miscellaneous inputs, all of which are readily available from multiple sources at wholesale or lower prices.

The Company sources its cannabis biomass needs almost entirely from its existing cultivation facilities. The Company has more than enough capacity to supply all of its flower related brands for the foreseeable future. Currently, the Company is externally sourcing manufactured cannabis extracts for its edible products. The Company believes this material is readily available from multiple third-party sources at competitive prices. The Company's dispensaries sell both the Company's brands and other cannabis brands sourced from third parties at its dispensaries.

The Company's prices vary based on the market conditions and product pricing of vendor partners. Cannabis and cannabis product pricing is based on operating costs, materials costs, growth time and other applicable variables. Additionally, product pricing reflects existing pricing regulations in the Company's markets where applicable.

New Products

On February 23, 2023, the Company publicly announced that it broadened its cannabis genetic portfolio by collaborating with Marty Calabrese, the founder of Origins TK Selects and creator of OG Kush and Triangle Kush with the introduction of products by Origins TK Selects in all of the Company's Florida retail locations. In addition, on May 24, 2023, the Company announced that the launch of its new cannabis-infused dark chocolate bar in the Company's Florida retail locations. The bar is made with Fluent's high quality cannabis extract and Caraïbe 66% chocolate from Valrhona, the legendary French chocolatier.

Intangible Properties

The Company has spent considerable time and resources to establish premium and recognizable brands amongst consumers and retailers in the cannabis industry. In addition to its trademarks (listed below), as of December 31, 2023, the Company owned numerous trade names, website domains, including getfluent.com, as well as numerous social media accounts across all major platforms.

Cansortium engages outside legal counsel to actively monitor and identify potential infringements on its intellectual property.

Trademarks

As of December 31, 2023, the Company had the following three trademark registrations:

Mark	Country	Owner	Registration No.	Status	Registration Date
FLUENT	United States	Trick Tail Capital LLC	6003519	Registered	March 3, 2020
CANSORTIUM	Canada	CAVERN CAPITAL HOLDING LLC	TMA1134449	Registered	July 16, 2022
CANSORTIUM	United Kingdom	CAVERN CAPITAL HOLDING LLC	UK00801445720	Registered	June 26, 2019

In addition to the trademarks listed above, Fluent Servicing, a wholly-owned subsidiary of the Company, licenses certain strain names claimed as proprietary by Freedom Town pursuant to a Trademark License Agreement between Freedom Town and Fluent Servicing dated July 17, 2020 (the "**FTH License Agreement**").

Seasonality

The Company's business and operations in Florida experience seasonality effects in the summer months with a slight decrease in production due to the humidity and temperature. In certain regions, the cannabis industry can be subject to seasonality in some states that allow home grow. Because homegrown plants are typically harvested in the late summer or early fall, there can be some deceleration in retail and wholesale sales trends during these months as these private supplies are consumed.

Economic Dependence

Fluent Servicing licenses certain trademarks from Freedom Town pursuant to the FTH License Agreement. Pursuant to the FTH License Agreement, Freedom Town has granted Fluent Servicing an indefinite, non-exclusive licence to manufacture, promote, advertise, distribute and sale of certain marks and products owned by Freedom Town in exchange for providing management services to Freedom Town under the First FTH Management Agreement.

Changes to Contracts

On May 30, 2024, the Company and the Smith Group entered into the Smith Transaction Termination Agreement, which, effective upon the completion of the Transaction, will terminate the Smith Transaction Agreement. For additional information regarding the Smith Transaction Termination Agreement, see "*General Development of the Business – Recent Developments – The Transaction – Smith Transaction*".

On May 30, 2024, the Company entered into the Amended Credit Agreement. For additional information regarding the Amended Credit Agreement, see "*General Development of the Business – Recent Developments – The Transaction – Credit Agreement Amendment*".

Environmental Protection

Although a number of environmental restrictions apply to the Company, they are of a general nature and often tied to limitations on land use and thus do not materially affect ongoing operations. The environmental regulations that do affect operations generally relate to natural resource use, such as water use permits, wastewater management, energy generation, pest management and air pollution limitations. Although these regulations limit the scope of potential operations, such financial and operational obligations related to such regulations are not expected to have a material impact on the Company's financial position or operations as currently conducted.

Employees

As at December 31, 2023, the Company had 714 employees (714 of which were located in the U.S. and nil of which were based elsewhere).

Reorganizations

On May 30, 2024, the Company and RIV Capital announced that they entered into the Arrangement Agreement pursuant to which the Company will acquire all of the issued and outstanding RIV Capital Shares pursuant to the Plan of Arrangement in exchange for Common Shares. For additional information regarding the Arrangement Agreement, see "*General Development of the Business – Recent Developments – The Transaction – Arrangement Agreement*".

In connection with the Hawthorne Notes Exchange, the Company will hold the Cansortium Meeting where Cansortium Shareholders will be asked to consider the Amendment Proposal to, among other things, create the Exchangeable Shares. For additional information regarding the Amendment Proposal and the Exchangeable Shares, see "*General Development of the Business – Recent Developments – The Transaction – Hawthorne Notes Exchange*".

Social and Environmental Policies

The Company has adopted a code of ethics and business conduct (the "**Code**") for the Company's directors, officers and employees. Among other things, the Code promotes honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest. A copy of the Code is available on the Company's website at investors.getfluent.com.

U.S. REGULATORY ENVIRONMENT

In accordance with Staff Notice 51-352, below is a discussion of the federal and state-level U.S. regulatory regimes in those U.S. states where the Company is currently directly and indirectly involved through its subsidiaries and investments in the cannabis industry. In accordance with Staff Notice 51-352, the Company evaluates, monitors and reassesses this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended, and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding the cannabis industry. Any non-compliance, citations or notices of violation which may have an impact on the Company's licenses, business activities or operations will be promptly disclosed by the Company.

The Company derives its revenues from the cannabis industry in certain states of the U.S., and the industry is illegal under U.S. federal law.

The Company is involved (through its licensed subsidiaries) in the cannabis industry in the U.S. where local state laws permit such activities. Currently, the Company's subsidiaries and managed entities are directly engaged in the cultivation, manufacture, processing, sale and distribution of cannabis and hold cannabis-related licenses in the states of Florida, Pennsylvania and Texas.

The Company's Exposure to U.S. Cannabis-Related Activities

As of the date of this AIF, the vast majority of the Company's business is directly derived from U.S. cannabis-related activities. As such, the Company's balance sheet and operating statement exposure to U.S. cannabis-related activities is nearly 100%. The Company is considered to be directly engaged in the cultivation or distribution of cannabis in the U.S. for purposes of Staff Notice 51-352.

U.S. Federal Regulatory Environment

The Controlled Substances Act

The U.S. federal government regulates drugs through the U.S. CSA, which places controlled substances, including cannabis, in one of five different schedules. Cannabis, except hemp containing less than 0.3% (on a dry weight basis) of THC, the psychoactive ingredient in cannabis, is classified as a Schedule I drug. As a Schedule I drug, the DEA considers cannabis to have a high potential for abuse, no currently accepted medical use in treatment in the U.S. and a lack of accepted safety for use of the drug under medical supervision. The classification of cannabis as a Schedule I drug is inconsistent with what the Company believes to be many valuable medical uses for cannabis accepted by physicians, researchers, patients and others. As evidence of this, the FDA on June 25, 2018, approved Epidiolex an oral solution with an active ingredient, CBD, that is derived from the cannabis plant for the treatment of seizures associated with two rare and severe forms of epilepsy, Lennox-Gastaut syndrome and Dravet syndrome, in patients two years of age and older. Epidiolex was initially placed on Schedule V, the least restrictive schedule of the U.S. CSA. On April 6, 2020, the DEA removed Epidiolex entirely from the U.S. CSA. This is the first FDA-approved drug that contains a purified drug substance derived from the cannabis plant. CBD is a chemical component of cannabis that does not contain the intoxicating properties of THC, the primary psychoactive

component of cannabis.[1] The Company believes the U.S. CSA categorization as a Schedule I drug is not reflective of the medicinal properties of cannabis or the public perception thereof, and numerous studies show cannabis is not able to be abused in the same way as other Schedule I drugs, has medicinal properties and can be safely administered.[2]

The federal position is also not necessarily consistent with democratic approval of cannabis at the state level in the U.S. Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of cannabis under the *Cannabis Act*, S.C. 2018, c. 16, (Canada) and the Cannabis for Medical Purposes Regulations, in the U.S., cannabis is largely regulated at the state and local level. U.S. state laws regulating cannabis conflict with the U.S. CSA, which makes cannabis use and possession federally illegal. Although certain states and territories of the U.S. authorize medical or adult use cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts. Although the Company's activities are compliant with applicable state and local laws, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law nor provide a defense to federal criminal charges that may be brought against the Company. The Supremacy Clause of the U.S. Constitution establishes that the U.S. Constitution and federal laws made pursuant to it are paramount and, in case of conflict between federal and state law, federal law shall apply.

Nonetheless, 47 U.S. states, the District of Columbia, and the territories of Puerto Rico, the U.S. Virgin Islands, Guam and the Northern Mariana Islands have legalized some form of cannabis for medical use, while 24 states, the Northern Mariana Island, Guam and the District of Columbia have legalized the adult use of cannabis for recreational purposes. As more and more states legalized medical and/or adult use cannabis, the federal government has attempted to provide clarity on the incongruity between federal prohibition under the U.S. CSA and these state-legal regulatory frameworks. Notwithstanding the foregoing, cannabis remains illegal under U.S. federal law, with cannabis listed as a Schedule I drug under the U.S. CSA.

Until 2018, the federal government provided guidance to federal law enforcement agencies regarding cannabis through a series of memoranda from the DOJ. The most recent such memorandum was drafted by former Deputy Attorney General James Cole on August 29, 2013 (the "**Cole Memorandum**"). The Cole Memorandum offered guidance to federal enforcement agencies as to how to prioritize civil enforcement, criminal investigations and prosecutions regarding cannabis in all states and acknowledged that, notwithstanding the designation of cannabis as a Schedule I controlled substance at the federal level, several states have enacted laws authorizing the use of cannabis. The Cole Memorandum also noted that jurisdictions that have enacted laws legalizing cannabis in some form have also implemented strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale and possession of cannabis. As such, conduct in compliance with those laws and regulations is less likely to be

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[1] Cannabis containing THC in excess of 0.3% on a dry weight basis is defined federally as marijuana. The federal definition of marijuana is commonly incorporated into state laws and regulations. Unless otherwise noted herein, we use cannabis and marijuana interchangeably.

[2] See Lachenmeier, DW & Rehm, J. (2015). Comparative risk assessment of alcohol, tobacco, cannabis and other illicit drugs using the margin of exposure approach. Scientific Reports, 5, 8126. doi: 10.1038/srep08126; see also Thomas, G & Davis, C. (2009). Cannabis, Tobacco and Alcohol Use in Canada: Comparing risks of harm and costs to society. Visions Journal, 5. Retrieved from http:// www.heretohelp.bc.ca/sites/default/files/visions_cannabis.pdf; see also Jacobus et al. (2009). White matter integrity in adolescents with histories of marijuana use and binge drinking. Neurotoxicology and Teratology, 31, 349-355. https://doi.org/10.1016/j.ntt.2009.07.006; Could smoking pot cut risk of head, neck cancer? (2009 August 25). Retrieved from https://www.reuters.com/article/us-smoking-pot/ could-smoking-pot-cut-risk-of-head-neck-cancer-idUSTRE57O5DC20090825; Watson, SJ, Benson JA Jr. & Joy, JE. (2000). Marijuana and medicine: assessing the science base: a summary of the 1999 Institute of Medicine report. Arch Gen Psychiatry Review, 57, 547-552. Retrieved from https://www.ncbi.nlm.nih.gov/pubmed/10839332; see also Hoaken, Peter N.S. & Stewart, Sherry H. (2003). Drugs of abuse and the elicitation of human aggressive behavior. Addictive Behaviours, 28, 1533-1554. Retrieved from http://www.ukcia.org/research/AgressiveBehavior.pdf; and see also Fals-Steward, W., Golden, J. & Schumacher, JA. (2003). Intimate partner violence and substance use: a longitudinal day-to-day examination. Addictive Behaviors, 28, 1555-1574. Retrieved from https://www.ncbi.nlm.nih.gov/ pubmed/14656545.

a priority at the federal level. The Cole Memorandum was seen by many state-legal cannabis companies as a safe harbor for their licensed operations that were conducted in full compliance with all applicable state and local regulations. However, on January 4, 2018, former U.S. Attorney General Jeff Sessions rescinded the Cole Memorandum. In the absence of a uniform federal policy, U.S. Attorneys with state-legal cannabis programs within their jurisdictions are responsible for establishing enforcement priorities for their respective offices. For instance, Andrew Lelling, a former U.S. Attorney for the District of Massachusetts, stated that while his office would not immunize any businesses from federal prosecution, he anticipated focusing the office's cannabis enforcement efforts on: (1) overproduction; (2) targeted sales to minors; and (3) organized crime and interstate transportation of drug proceeds. Other U.S. attorneys provided less assurance, promising to enforce federal law, including the U.S. CSA in appropriate circumstances.

Following his election, President Biden appointed Merrick Garland to serve as the U.S. Attorney General. While Attorney General Garland indicated in his confirmation hearing that he did not feel that enforcement of the federal cannabis prohibition against state-licensed business would not be a priority target of DOJ resources, no formal enforcement policy has been issued to date. There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the U.S. congress ("**Congress**") amends the U.S. CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law.

As an industry best practice, despite the rescission of the Cole Memorandum, the Company abides by the following standard operating policies and procedures:

1. ensure that its operations are compliant with all licensing requirements as established by the applicable state, county, municipality and other political/administrative divisions;

2. ensure that its cannabis related activities adhere to the scope of the licensing obtained (for example: in the states where cannabis is permitted only for medical or adult use, the products are only sold to individuals who meet the requisite requirements);

3. implement policies and procedures to ensure that cannabis products are not distributed to minors;

4. implement policies and procedures to ensure that funds are not distributed to criminal enterprises, gangs or cartels;

5. implement an inventory tracking system and necessary procedures to ensure that such compliance system is effective in tracking inventory and preventing diversion of cannabis or cannabis products into those states where cannabis is not permitted by state law, or across any state lines in general;

6. ensure that its state-authorized cannabis business activity is not used as a cover or pretense for trafficking of other illegal drugs, is engaged in any other illegal activity or any activities that are contrary to any applicable anti- money laundering statutes; and

7. ensure that its products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

In addition, the Company conducts background checks to ensure that the principals and management of its operating subsidiaries are of good character, have not been involved with other illegal drugs, engaged in

illegal activity or activities involving violence, or use of firearms in cultivation, manufacturing or distribution of cannabis. The Company will also conduct ongoing reviews of the activities of its cannabis businesses, the premises on which they operate and the policies and procedures that are related to possession of cannabis or cannabis products outside of the licensed premises, including the cases where such possession is permitted by regulation. See the "*Compliance Program*" section below for additional details.

One legislative safeguard for the medical cannabis industry remains in place: Congress has passed a so-called "rider" provision in the FY 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 Consolidated Appropriations Acts to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. The rider is known as the "Rohrabacher-Farr" Amendment after its original lead sponsors (it is also sometimes referred to as the "Rohrabacher-Blumenauer" or "Joyce-Leahy" Amendment, but it is referred to in this AIF as the "**Rohrabacher-Farr Amendment**"). The Rohrabacher-Farr Amendment was included in the Consolidated Appropriations Act, 2023 signed into law by President Biden on December 29, 2022. The Rohrabacher-Farr Amendment will remain in effect through September 30, 2024. At such time, it may or may not be included in the omnibus appropriations package or a continuing budget resolution, and its inclusion or non-inclusion, as applicable, is subject to political changes.

On October 6, 2022, President Biden announced a series of marijuana-related initiatives. Included amongst them was a directive to the Secretary of Health and Human Services ("**HHS**") and the Attorney General "to initiate the administrative process to review expeditiously how marijuana is scheduled under federal law. Federal law currently classifies marijuana in Schedule I of the U.S. CSA, the classification meant for the most dangerous substances." This administrative review would be conducted by the FDA and the DEA. On August 29, 2023, the HHS and FDA issued a recommendation that the DEA reschedule marijuana from its current status in Schedule I, to Schedule III of the U.S. CSA. The DEA announced on December 19, 2023 that it was reviewing the HHS/FDA recommendation. It is unclear when the DEA will complete its review of the HHS/FDA recommendation, nor is it clear whether the review will result in any change in the classification of marijuana.

On December 2, 2022, President Biden signed into law H.R. 8454, the "Medical Marijuana and Cannabidiol Research Expansion Act," (the "**Research Expansion Act**") which establishes a new registration process for conducting research on marijuana and for manufacturing marijuana products for research purposes and drug development. The Research Expansion Act is the first piece of standalone federal cannabis reform legislation in U.S. history. Among other things, the Research Expansion Act: (i) directs the DEA to register practitioners to conduct cannabis and CBD research and manufacturers to supply cannabis for research purposes; (ii) expressly allows the DEA to register manufacturers and distributors of cannabis or CBD for the purposes of commercial production of a drug approved by the FDA; (iii) requires the DEA to assess whether there is an adequate and uninterrupted supply of cannabis for research purposes; (iv) permits registered entities to manufacture, distribute, dispense, or possess cannabis or CBD for purposes of medical research; (v) clarifies that physicians do not violate the U.S. CSA when they discuss the potential harms and benefits of cannabis and CBD with patients; and (vi) directs the HHS to coordinate with the National Institutes of Health and other agencies to report on the "therapeutic potential" of cannabis for conditions such as epilepsy, and the impact of cannabis on adolescent brain development.

Nevertheless, for the time being, cannabis remains a Schedule I controlled substance at the federal level. The federal government of the U.S. has always reserved the right to enforce federal law regarding the sale and disbursement of medical or adult use cannabis, even if state law sanctions such sale and disbursement. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects could be materially adversely affected.

There is a growing consensus among cannabis businesses and numerous members of Congress that prosecutorial discretion is not law and temporary legislative riders, such as the Rohrabacher-Farr Amendment, are an inappropriate way to protect lawful medical cannabis businesses. Numerous bills have been introduced in Congress in recent years to decriminalize aspects of state-legal cannabis trades. The Company has observed that each year more congressmen and congresswomen sign on and cosponsor cannabis legalization bills. In light of all this, the Company anticipates that the federal government will eventually repeal the federal prohibition on cannabis and thereby leave the states to decide for themselves whether to permit regulated cannabis cultivation, production and sale, just as states are free today to decide policies governing the distribution of alcohol or tobacco.

The most comprehensive proposal for reform of federal legislation on cannabis was introduced on July 21, 2022, by U.S. Senate Majority Leader Chuck Schumer (D-NY) along with Cory Booker (D-NJ), and Ron Wyden (D-OR) when they filed the Cannabis Administration and Opportunity Act (the "**CAOA**"). The CAOA would have removed cannabis from Schedule I of the U.S. CSA, which would permit its decriminalization and allow the expungement of federal non-violent cannabis crimes. The CAOA would also have imposed a federal tax on cannabis of 10% in its first year of enactment, eventually increasing to 25% in 5% increments. The taxes raised would be used to petition fund programs to benefit communities disproportionately impacted by the "War on Drugs".

The CAOA would have enshrined the current state cannabis licensing regimes but introduces additional federal permitting of cannabis wholesalers. Regulatory responsibility for cannabis control would be transferred from the DEA to the TTB, the ATF as well as the FDA to protect public health.

The filing of the CAOA by Democratic congressional leaders in the 117th Congress represented a significant milestone in the move toward federal legalization of cannabis. While the CAOA suggested that legalization may come with significant federal tax burden, federal legalization will also bring long-awaited benefits to the industry of the removal of the Section 280E tax burden, clarity as to the status of state-licensed cannabis businesses, broad access to the banking and card payment system, increased availability, and reduced cost of capital. The CAOA failed to pass the 117th Congress.

Another bill, the Marijuana Opportunity Reinvestment and Expungement Act (the "**MORE Act**"), proposed in the U.S. House of Representatives would have decriminalized and de-scheduled cannabis from the U.S. CSA, provided for reinvestment in certain persons adversely impacted by the "War on Drugs," provided for expungement of certain cannabis offenses, among other things. The MORE Act passed U.S. House of Representatives December 4, 2020 and again on April 1, 2022, but was not taken up in the Senate before the end of the 117th Congress. On September 20, 2023, the MORE Act was reintroduced into the House of Representatives.

There can be no assurance that the CAOA, the MORE Act or similar comprehensive legislation that would de-schedule cannabis and decriminalize will be passed in the near future or at all. If such legislation is passed, there is no guarantee that it will include provisions that preserve the current state-based cannabis programs under which the Company operates or that such legislation will otherwise be favorable the Company and its business.

Money Laundering Laws

Under U.S. federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of any Schedule I controlled substance. Due to the U.S. CSA categorization of marijuana as a Schedule I drug, federal law makes it illegal for financial institutions that depend on the Federal Reserve's money transfer system to take any proceeds from marijuana sales as deposits. Banks and other financial institutions could be prosecuted and possibly convicted of money

laundering for providing services to cannabis businesses under the U.S. Currency and Foreign Transactions Reporting Act of 1970 (the "**Bank Secrecy Act**"). Therefore, under the Bank Secrecy Act, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan or any other service could be charged with money laundering or conspiracy.

While there has been no change in U.S. federal banking laws to accommodate businesses in the large and increasing number of U.S. states that have legalized medical and/or adult use marijuana, in 2014, the Department of the Treasury Financial Crimes Enforcement Network ("**FinCEN**") issued guidance to prosecutors of money laundering and other financial crimes (the "**FinCEN Guidance**") and notified banks that it would not seek enforcement of money laundering laws against banks that service cannabis companies operating under state law, provided that strict due diligence and reporting standards are met. The FinCEN Guidance advised prosecutors not to focus their enforcement efforts on banks and other financial institutions that serve marijuana-related businesses so long as that business is legal in their state and none of the federal enforcement priorities referenced in the Cole Memorandum are being violated (such as keeping marijuana away from children and out of the hands of organized crime). The FinCEN Guidance also clarifies how financial institutions can provide services to marijuana-related businesses consistent with their Bank Secrecy Act obligations, including thorough customer due diligence, but makes it clear that they are doing so at their own risk. The customer due diligence steps include:

1. verifying with the appropriate state authorities whether the business is duly licensed and registered;

2. reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business;

3. requesting from state licensing and enforcement authorities available information about the business and related parties;

4. developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus adult use customers);

5. ongoing monitoring of publicly available sources for adverse information about the business and related parties;

6. ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and

7. refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk.

With respect to information regarding state licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state licensing authorities, where states make such information available.

Because most banks and other financial institutions are unwilling to provide any banking or financial services to cannabis businesses, these businesses can be forced into becoming "cash-only" businesses. While the FinCEN Guidance decreased some risk for banks and financial institutions considering serving the industry, in practice it has not increased banks' willingness to provide services to cannabis businesses, and most banks continue to decline to operate under the strict requirements provided under the FinCEN Guidance. This is because, as described above, the current law does not provide banks immunity from

prosecution, and it also requires banks and other financial institutions to undertake time- consuming and costly due diligence on each cannabis business they accept as a customer.

The few state-chartered banks and/or credit unions that have agreed to work with marijuana businesses are limiting those accounts to small percentages of their total deposits to avoid creating a liquidity risk. Since, theoretically, the federal government could change the banking laws as it relates to marijuana businesses at any time and without notice, these state-charted banks and credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from marijuana businesses in a single day, while also keeping sufficient liquid capital on hand to serve their other customers. Those state-chartered banks and credit unions that do have customers in the marijuana industry charge marijuana businesses high fees to pass on the added cost of ensuring compliance with the FinCEN Guidance. Unlike the Cole Memorandum, however, the FinCEN Guidance from 2014 has not been rescinded.

The former Secretary of the U.S. Department of the Treasury, Steven Mnuchin, publicly stated that he did not have a desire to rescind the FinCEN Guidance. The current Secretary of the Treasury, Janet Yellen, has not yet articulated an official position of the U.S. Department of the Treasury with regard to the FinCEN Guidance and thus as an industry best practice and consistent with its standard operating procedures, the Company adheres to all customer due diligence steps in the FinCEN Guidance.

In both Canada and the U.S., transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Legislative changes could help to reduce or eliminate these challenges for companies in the cannabis space and would improve the efficiency of both significant and minor financial transactions.

In the absence of comprehensive reform of federal cannabis legislation that would decriminalize the cannabis industry, a growing number of members of Congress have expressed support for federal legislation that would eliminate from the scope of federal money laundering statutes the financing activity of businesses operating under state-sanctioned cannabis programs. On September 26, 2019, the U.S. House of Representatives passed the Secured and Fair Enforcement Banking Act of 2019 (commonly known as the "**SAFE Banking Act**"), which aims to provide safe harbor and guidance to financial institutions that work with legal U.S. cannabis businesses. The SAFE Banking Act has since been introduced and has passed the U.S. House of Representatives on seven separate occasions since 2019, either as a standalone bill or attached to other legislation, including most recently in 2022 with the America Competes Act which passed the House of Representatives on February 4, 2022, but the proposed bills either failed to pass through the Senate or the SAFE Banking Act provisions were ultimately removed from enacted legislation. Most recently, a slightly revised bill known as the Secure and Fair Enforcement Regulation Banking Act ("**SAFER Banking Act**") was introduced in the Senate on September 21, 2023. The SAFER Banking Act bill was heard by the Senate Banking Committee and was adopted on September 27, 2023 by a notable bipartisan majority of 14-9. It has not moved any further since such date. Once again, there can be no assurance of the content of any final proposed legislation or that such legislation is ever passed. The Company's inability, or limitations on the Company's ability, to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

While Congress may consider legislation in the future that may permanently address these issues, there can be no assurance of the content of any proposed legislation or that such legislation is ever passed. The Company's inability, or limitations on the Company's ability, to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

U.S. Federal Taxation of Cannabis Business

An additional challenge to cannabis-related businesses is that the provisions of Section 280E are being applied by the IRS to businesses operating in the medical and adult use cannabis industry. Section 280E prohibits businesses from deducting certain expenses associated with the trafficking of controlled substances within the meaning of Schedule I and II of the U.S. CSA. The IRS has applied Section 280E broadly in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state laws, seeking substantial sums in tax liabilities, interest and penalties resulting from underpayment of taxes due to the lack of deductibility of otherwise ordinary business expenses, the deduction of which is prohibited by Section 280E. Although the IRS issued a clarification allowing the deduction of certain expenses that can be categorized as cost of goods sold, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted. Therefore, businesses in the state-legal cannabis industry are subject to higher effective tax rates and thus may be less profitable than they would otherwise be.

Reform of U.S. Federal Legislation on Industrial Hemp

On December 20, 2018, former President Donald Trump signed the Agriculture Improvement Act of 2018, Pub. L. 115-334, (popularly known as the "**2018 Farm Bill**") into law. Under the 2018 Farm Bill, industrial and commercial hemp is no longer to be classified as a Schedule I controlled substance in the U.S. Hemp includes the plant cannabis sativa L and any part of that plant, including seeds, derivatives, extracts, cannabinoids and isomers, which contain no more than 0.3% of delta-9-THC concentration by dry weight. The 2018 Farm Bill allows states to create regulatory programs allowing for the licensed cultivation of hemp and production of hemp-derived products. Hemp and products derived from it, such as CBD, may then be sold into commerce and transported across state lines, provided that the hemp from which any product is derived was cultivated under a license issued by an authorized state program approved by the U.S. Department of Agriculture and otherwise meets the definition of hemp.

Despite the removal of CBD extracted from hemp and other hemp extracts, produced under authorized state hemp programs from the U.S. CSA, the FDA's stated position remains that it is a prohibited act under the Federal Food, Drug, and Cosmetic Act to introduce into interstate commerce a food to which CBD, THC or cannabinoids has been added, or to market a product containing these ingredients as a dietary supplement.[3] However, on January 26, 2023, the FDA concluded that a new regulatory pathway for CBD is needed that balances individual's desire for access to CBD products with the regulatory oversight needed to manage risks. The FDA is seeking support from Congress to develop a new regulatory pathway.

Service Providers

As a result of any adverse change to the approach in enforcement of U.S. cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third party service providers to the Company could suspend or withdraw their services, which may have a material adverse effect on the Company's business, revenues, operating results, financial condition or prospects.

Ability to Access Capital

Given the current U.S. federal laws regarding cannabis, traditional bank financing is typically not available to U.S. cannabis companies. Specifically, the federal illegality of marijuana in the U.S. means that financial transactions involving proceeds generated by cannabis-related conduct can form the basis for prosecution

[3] Notably, to date the FDA's enforcement activities in respect of the sale of CBD foods and supplements has been largely focused upon those manufacturers and distributors that have made impermissible claims about the efficacy of CBD for treating certain diseases and medical conditions.

under money laundering statutes, the unlicensed money transmitter statute and the Bank Secrecy Act. As a result, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. Banks who do accept deposits from cannabis-related businesses in the U.S. must do so in compliance with the Cole Memorandum and the FinCEN guidance, both discussed above. The Company's inability to raise financing through traditional banking to fund on-going operations, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

If additional funds are raised through further issuances of equity or convertible debt securities, existing Company shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to existing holders of Common Shares.

Heightened Scrutiny by Regulatory Authorities

For the reasons set forth above, the Company's existing operations in the U.S., and any future operations or investments of the Company, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate or invest in the U.S. or in any other jurisdictions, or have consequences for its stock exchange listing or Canadian reporting obligations, in addition to those described herein.

Change to government policy or public opinion may also result in a significant influence on the regulation of the cannabis industry in Canada, the U.S., or elsewhere. A negative shift in the public's perception of medical or adult use cannabis in the U.S. or any other applicable jurisdiction could affect future legislation or regulation or enforcement. Such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical or adult use cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's business strategy in the states in which the Company currently operates or in the Company's ability to expand its business into new states, may have a material adverse effect on the Company's business, financial condition, and results of operations. See the "*Risk Factors*" section below for additional details.

Further, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions, or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, asset forfeiture, and cessation of business activities or divestiture. Any enforcement action against the Company or any of its licensed operating facilities could have a material adverse effect on (1) the Company's reputation, (2) the Company's ability to conduct business, (3) the Company's holdings (directly or indirectly) of medical or adult use cannabis licenses in the U.S., (4) the listing or quoting of the Company's securities on various stock exchanges, (5) the Company's financial position, (6) the Company's operating results, profitability, or liquidity, or (7) the market price of the Company's publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or their final resolution because the time and resources that may be necessary depend on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. See the "*Risk Factors*" section below for additional details. The Company's business activities, while believed to be compliant with applicable U.S. state and local laws, currently are illegal under U.S. federal law.

Further to the indication by CDS, Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets that it would refuse to settle trades for cannabis issuers that have investments in the U.S., the TMX Group, the owner and operator of CDS, subsequently issued a

statement in August 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S., despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

In February 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("**MOU**") with The Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the Common Shares are listed on a stock exchange, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to affect a trade of securities through the facilities of the applicable stock exchange. The Company has obtained eligibility with DTC for its Common Shares quotation on the OTCQX and such eligibility provides another possible avenue to clear the Common Shares in the event of a CDS ban. Revocation of DTC eligibility or implementation by DTC of a ban on the clearing of securities of issuers with cannabis-related activities in the U.S. would similarly have a material adverse effect on the ability of holders of the Common Shares to make and settle trades.

U.S. Legal Advice

To the Company's knowledge, the Company and its subsidiaries are in compliance with U.S. state laws and the related licensing frameworks. The Company and its subsidiaries use reasonable commercial efforts to confirm, through the advice of U.S. counsel in each state in which the Company operates, the monitoring and review of its business practices, and regular monitoring of changes to U.S. federal enforcement priorities, that its businesses are in compliance with applicable licensing requirements and regulatory frameworks. Other than as disclosed herein, the Company's U.S. based subsidiaries have not received non-compliance orders, citations or notices of violation that may have an impact on such entity's licenses, business activities and/or operations. The Company's U.S. based subsidiaries have obtained legal advice regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.

Compliance Program

The Company's Director of Compliance oversees, maintains, and implements the compliance program and personnel in conjunction with the Chief Executive Officer and Executive Vice President. The Director of Compliance serves as a liaison to the various state and local regulators at all times. It is the responsibility of the Director of Compliance to work with all operational department heads to ensure operations and employees strictly comply with applicable laws, regulations and licensing requirements to ensure that the operations do not endanger the health, safety, or welfare of the communities that the Company operates in. The Director of Compliance works closely with the operations and security directors to ensure that operations and all employees are following and complying with the Company's written standard operating procedures.

The Company has developed a uniform set of standard operating procedures that establish minimum standards and requirements for operations in each market, encompassing operational aspects such as

cultivation, manufacturing, packaging of product, the handling of confidential or personal information and method by which an employee may dispense cannabis to an authorized individual. Upon the Company's entry into a new market, the Director of Compliance works with each department director to adapt these uniform policies into a unique set of operating procedures for each respective market. It is these respective market-specific procedures that are based upon the regulatory requirements unique to each such market.

Working with the operations, human resources, marketing, retail, and security departments, the Director of Compliance oversees compliance training for all employees, including on the following topics: (i) compliance with applicable state and local laws; (ii) safe cannabis use; (iii) dispensing procedures; (iv) cultivation and processing procedures; (v) security and safety policies and procedures; (vi) inventory control; (vii) point of sale and seed to sale tracking software; (viii) quality control; and (ix) transportation procedures.

The Company's compliance protocols emphasize quality assurance, as evidenced by its efforts to obtain GMP (or similar) certification in its facilities, security and inventory controls, as well as patient safety. These efforts ensure strict monitoring of cannabis and inventory in all phases of the process. Only authorized and properly trained employees are permitted to access any seed-to-sale system or dispense cannabis to an authorized individual.

The Director of Compliance monitors compliance notifications from various state regulators, and ensure timely response and corrective action if necessary. No notifications have been received other than as set out below. The Company maintains comprehensive recordkeeping and retention procedures for any action involving the products it cultivates, processes, and/or dispenses. In addition, the Company maintains accurate records of all activities it is licensed to conduct in each market and does so in compliance with applicable laws and regulations. Adherence to the Company's compliance protocols in each market is mandatory and ensures that all operations remain compliant with the regulation(s) set forth by the applicable regulatory bodies, as well as all requirements of licensure.

Each facility is monitored and supervised under a uniform set of policies and procedures that also requires daily, weekly, monthly and quarterly reporting on applicable activities that occur at each facility. These reports, completed by or under the supervision of the applicable facility manager include: germination, cloning, plant destruction, harvest details, extraction rates, product formulation details, logistics, transportation, delivery, sales and customer complaints. Each facility also utilizes a password protected, role-based, seed-to-sale inventory tracking and reporting software system. The Director of Compliance and the Executive Vice President - Operations all have full administrative access to the seed-to-sale tracking and reporting software. The seed-to-sale software program gives the Director of Compliance real time access to the source data, which reports all daily activities of each subsidiary in order to conduct independent analysis and verification of the standard reports submitted by each subsidiary.

In addition to the standard reports submitted by each facility and the seed-to-sale software program access, the Director of Compliance and staff perform scheduled and unscheduled site visits and audits of each facility. The scheduled and unscheduled site visits and audits are performed at least quarterly and are used to verify source data on all reported subsidiary activities, debrief and interview key employees, and conduct an overall review of the operating conditions of all Company facilities.

State Regulatory Environment

Florida

Regulatory Framework

Florida regulates medical marijuana as set forth in the Florida Constitution, Florida Statutes, implementing regulations of the Florida Administrative Code and other applicable laws. The OMMU is responsible for oversight and implementation of medical marijuana laws in Florida. Under Florida law, the Company is a licensed MMTC.

Florida Statutes

Section 381.986, Florida Statutes, governs the cultivation, processing, dispensing and ordering of marijuana for medical use in Florida by qualified Florida-licensed physicians for medical use by qualified patients. Under this law, "medical use" means "acquisition, possession, use, delivery, transfer, or administration of marijuana authorized by a physician certification". Legally permitted routes of administration include oil-based products, edibles and smokable forms.

Only Florida-licensed physicians who undergo the required training can recommend marijuana for medical use in Florida. Qualified patients must be permanent Florida residents and must be diagnosed with one of the qualifying medical conditions set forth in Section 381.986(2), Florida Statutes.

Chapter 64-4, Florida Administrative Code

As required by Florida Statutes, OMMU implements regulations governing the use of medical marijuana in the state, including the licensing of businesses to cultivate, process and dispense medical marijuana to qualified patients. These regulations are found in Chapter 64-4, Florida Administrative Code.

U.S. Attorney Statements

To the knowledge of management of the Company, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Florida.

Licensing and Compliance in Florida

In Florida, OMMU administers and maintains the state's medical marijuana program pursuant to the Florida Constitution and Florida Statutes. Florida law currently requires each MMTC to be vertically integrated, which means the MMTC must control all aspects of the operations from "seed to sale". Additionally, as a condition to becoming operational, each MMTC is statutorily required to comply with all disclosures made to obtain the license. All cannabis must be grown in an enclosed, secure building, or an enclosure within a building with adequate security requirements to prevent diversion. Each cultivation or manufacturing facility must also have security on site. MMTCs must track cannabis from "seed to sale", accounting for all disposed and dispensed cannabis and related materials in the process. All buildings and vehicles must have extensive security features, surveillance capabilities and the ability to maintain records of all activities as well as video surveillance maintenance. Only qualified patients or registered caregivers can be dispensed cannabis pursuant to a qualified physician's active recommendation; all of which must be confirmed prior to dispensation. The MMTC must maintain approved waste management and sanitation policies and be certified by a nationally accredited certifying body as compliant with Good Manufacturing Practices at all of its processing facilities. All medical marijuana products must be approved by OMMU before they may be offered for dispensing to patients. Furthermore, as part of the application process, each MMTC must

outline how it intends to maintain HIPPA compliant guidelines. Because HIPAA is a federal law that does not apply to activities relating to the sale of cannabis, MMTCs must also comply with the privacy requirements of Section 381.987, Florida Statutes, which mandate that all patient information in the state's registry be kept confidential, with limited exceptions for law enforcement, government investigations and pre-approved research activities. Additionally, all employees must pass state mandated criminal history background screenings.

To ensure compliance with state requirements, the Company has implemented a robust compliance program based on its standard operating procedures, which have been adapted to comply with the requirements of Florida law. Regular audits are conducted of all sales, deliveries and video surveillance to ensure dispensation are conducted appropriately to identify and/or prevent diversion activities. All departments conduct regular staff meetings to discuss and identify updated needs or issues to address. Products are scanned and tracked throughout the entire process to ensure appropriate chain of custody from initial plant to finished product being dispensed to the patient. Patients and caregivers, furthermore, must have their identification confirmed in the statewide secure database, and they must have an active recommendation from a physician to be dispensed medication. All employees must not only pass the state required criminal history screening as a condition to hiring but must pass a drug screening as well. The company also utilizes either cloud-based or internal secure servers for the storage of information, both of which follow HIPAA guidelines. Lastly, OMMU makes regular announced or unannounced inspections of the facility, therefore ensuring compliance on a daily basis is a top priority.

Licenses

The Company, through its direct and indirect wholly owned subsidiaries, is licensed to cultivate, process and sell medical cannabis and to own and operate individual dispensary locations as well as deliver product directly to customer's homes throughout the State of Florida.

In the State of Florida, the OMMU issues licenses to produce and sell medical cannabis (i.e., the MMTC License (formerly a Dispensing Organization License)).

The MMTC License held by the Company's Florida subsidiary was renewed for a two-year term effective August 12, 2022. The renewal application for the MMTC License is pending and expected to be renewed for another two-year term.

Dispensary Requirements

MMTCs may dispense up to a 70-day supply of medical marijuana in non-smokable forms or up to a 35-day supply in smokable forms at any time. The MMTC employee responsible for dispensing has a unique employee ID number that is used in a mandated point of sale program utilized to track all interactions with patients and/or their caregivers. The MMTC employee must verify that: (i) the patient and/or caregiver (if applicable) must each have an approved registration in the State Registry as well as the proper identification card issued by the State of Florida; (ii) the quantity and type of cannabis being ordered must match the physician directed registry entry; and (iii) the physician directed amount has not already been dispensed at another dispensary of any MMTC. No patient under the age of 18 may receive dispensed product. For patients under 18 years of age, product may only be dispensed to a properly registered and identified caregiver of the patient. In every case, the MMTC must be able to provide a record of activity in the registry indicating: (i) the date, time, quantity and form of cannabis dispensed; (ii) the delivery device for the cannabis that was dispensed; and (iii) the name and identification number of the individual that received the dispensed product. At all times, the MMTC employee must ensure the privacy of information in regards to the patient records as required by Florida legislation and applicable privacy laws.

Security and Storage Requirements for Cultivations, Processing and Dispensing Facilities

Adequate outdoor lighting is required from dusk to dawn for all MMTCs. 24-hour per day video surveillance is required and all MMTCs must maintain at least a rolling 45-day period that is made available to law enforcement upon demand. Alarm systems must be active at all items for all entry points and windows. Interior spaces must also have motion detectors and all cameras must give unobstructed view of key areas. Panic alarms must also be available for employees to be able to signal authorities when needed.

In dispensaries, the MMTC must provide a waiting area with a sufficient seating area. There must also be a minimum of one private consultation/education room for the privacy of the patient(s) and their caregiver (if applicable). The MMTC may only provide dispensing duties between 7:00 am and 9:00 pm. All active products must be kept in a secure location within the dispensary and only empty packaging may be kept in the general area of the dispensary. No product or delivery devices may be on display in the waiting area.

An MMTC must at all times provide secure and logged access for all cannabis materials. This includes approved vaults or locked rooms. There must be at least two employees of the MMTC or an approved security provider on site at all times. All employees must wear proper identification badges and visitors must be logged in and wear a visitor badge while on the premises. The MMTC has a 24-hour period in which it must report any suspected activity of loss, diversion, or theft of cannabis materials.

Transportation Requirements

When transporting cannabis to dispensaries or to patients for delivery, a manifest must be prepared, and transportation must be done using an approved vehicle. The cannabis must be stored in a separate, locked area of the vehicle and at all times there must be two people in a delivery vehicle. During deliveries, one person must remain with the vehicle. The delivery employees must at all times have identification badges. The manifest for all deliveries must be generated by the State approved tracking software. The manifest must include the following information: (i) departure date and time; (ii) name, address and license number of the originating MMTC; (iii) name and address of the receiving entity; (iv) the quantity, form and delivery device of the cannabis; (v) arrival date and time; (vi) the make, model and license plate of the delivery vehicle; and (vii) the name and signatures of the MMTC delivery employees. These manifests must be kept by the MMTC for inspection for up to three (3) years. During the delivery, a copy of the manifest is also provided to the recipient.

OMMU Inspections

The OMMU conducts announced and unannounced inspections of MMTC's to determine compliance with the laws and regulations. The OMMU also must inspect an MMTC upon receiving a complaint or notice that the MMTC has dispensed cannabis containing mold, bacteria, or other contaminants that may cause an adverse effect to humans or the environment. The OMMU conducts at least a biennial inspection of each MMTC to evaluate the MMTC's records, personnel, equipment, security, sanitation practices and quality assurance practices.

The Company's Florida MMTC license-holding entity received a Notice of Violation from the Florida Department of Health on October 12, 2023 alleging inaccurate potency labeling on certain products in contravention of Emergency Rule 64ER20-39, 46.226 Fla. Admin. Reg. 5030 (Nov. 19, 2020) (the "**Emergency Rule**"). Spirit Lake filed an Amended Petition for Formal Administrative Hearing, Challenging Agency Statements as Unadopted Rules, and Emergency Rule Challenge on November 27, 2023 (the "**Petition**") to challenge the Emergency Rule on the grounds that it has not yet been formally adopted by the State of Florida. If the Petition is not successful, the potential penalty could be greater than $100,000.

Pennsylvania

Regulatory Framework

Pennsylvania legalized medical marijuana when it adopted the Pennsylvania Medical Marijuana Act in 2016. It is found in Chapters 1131 through 1210 of the Pennsylvania Code. Most of the regulation of Pennsylvania's medical marijuana program to date has occurred under this law and through temporary regulations, all of which are summarized below under the heading "*Pennsylvania Medical Marijuana Act*".

Pennsylvania Medical Marijuana Act

Under the Pennsylvania Medical Marijuana Act, the term "medical marijuana" refers to marijuana obtained for a certified medical use by a Pennsylvania resident with a serious medical condition. A serious medical condition includes 17 different conditions including cancer, HIV-positive status, AIDS, several neurological conditions and issues and severe intractable pain.

Under the Pennsylvania Medical Marijuana Act, patients who are residents of the commonwealth and have a serious medical condition as certified by a physician will be able to obtain medical marijuana at dispensaries that are located in the commonwealth and have a validly issued permit from the Pennsylvania Department of Health. A "caregiver" who is designated by the patient and is registered with the Pennsylvania Department of Health will be able to obtain medical marijuana from a dispensary located in the commonwealth that has a validly- issued permit from the Pennsylvania Department of Health in order for the caregiver to deliver medical marijuana to the patient. The Pennsylvania Medical Marijuana Act provides for issuance of permits to grower/processors, dispensaries and clinical registrants.

A dispensary may only dispense medical marijuana to a patient or caregiver in an indoor, enclosed, secure facility as approved by the Pennsylvania Department of Health. The dispensary must have an approved operation plan that includes appropriate safety, security, surveillance, inventory tracking, record keeping and maintenance measures. It may only dispense medical marijuana to a patient or caregiver who presents a valid identification card to an employee at the facility who is authorized to dispense medical marijuana at the facility. The dispensary must employ and have on-site at all times the facility is open for dispensing a physician, pharmacist, physician assistant or certified registered nurse practitioner who has undergone required medical marijuana training. This medical professional may consult with patients regarding proper dosage and administration of medical marijuana for their condition if the referring physician has not done so. The entire transaction must be tracked in the commonwealth's seed-to-sale electronic tracking system.

Licensing and Compliance in Pennsylvania

In Pennsylvania, the Department of Health administers and maintains the state's medical marijuana program pursuant to Pennsylvania laws and regulations. Pennsylvania awards permits separately for the growing and processing of medical marijuana, as well as for the dispensing of medical marijuana. As a dispensary permit holder, Pennsylvania law requires the use of state-mandated point of sale and product tracking software to log and record all inventory and sales activities, as well as all patient interactions. All marijuana must be stored with adequate security requirements to prevent diversion. Each facility must also have security measures to prevent unauthorized access and video surveillance; as well as the ability to maintain records of all activities. Only qualified patients or registered caregivers can be dispensed cannabis pursuant to a qualified physician's active recommendation; all of which must be confirmed prior to dispensation. Each dispensary must also employ a licensed pharmacist, doctor or registered nurse practitioner. Additionally, all employees must pass state mandated criminal history background screenings.

The Company's subsidiary in Pennsylvania, Cansortium Pennsylvania, currently holds and operates the dispensary permit in the Commonwealth of Pennsylvania. To ensure compliance with state requirements, Cansortium Pennsylvania, LLC has implemented a robust compliance program based on its standard operating procedures. which have been adapted to comply with the requirements of Pennsylvania law. Regular audits are conducted of all sales, deliveries and video surveillance to ensure dispensation are conducted appropriately and identify and/or prevent diversion activities. All departments conduct regular staff meetings to discuss and identify updated needs or issues to address. Products are scanned and tracked throughout the entire process and are inspected upon receipt from any grower/processor facility. This ensures appropriate chain of custody of finished product being dispensed to the patient and that defective products are returned back to grower/processors and not placed into inventory. Additionally, all visitor request forms must be approved for all non-employee guests visiting any facility, and such guests must be logged upon entry and wear a visitor ID badge at all times. All deliveries must be scheduled in advance and received at the dispensary within an enclosed area outside of the public view or access. Patients and caregivers, furthermore, must have their identification confirmed in the statewide secure database, and they must have an active recommendation from a physician to be dispensed medication. All employees must not only pass the state required criminal history screening as a condition to hiring but must pass a drug screening as well. The Company also utilizes either cloudbased or internal secure servers for the storage of information, both of which follow HIPAA guidelines. Lastly, the state has the capability to make announced or unannounced inspections of any facility, therefore ensuring compliance on a daily basis is a top priority.

Permits

Cansortium Pennsylvania received its original dispensary permit on June 29, 2017 and was valid for one year. The permit has been renewed each year since, and the current permit is valid through June 29, 2025. The permit allows the holder to operate up to three (3) dispensaries in the Southcentral Region of Pennsylvania (i.e., Adams, Bedford, Blair, Cumberland, Dauphin, Franklin, Fulton, Huntingdon, Juniata, Lebanon, Mifflin, Perry and York counties).

Dispensary Requirements

A dispensary may only dispense medical marijuana products to a patient or caregiver who presents a valid identification card to an employee at the facility who is authorized to dispense medical marijuana products at the facility. Prior to dispensing medical marijuana products to a patient or caregiver, the dispensary shall: (1) verify the validity of the patient or caregiver identification card using the electronic tracking system; and (2) review the information on the patient's most recent certification by using the electronic tracking system to access the Pennsylvania Department of Health's database. The following requirements apply: (i) if a practitioner sets forth recommendations, requirements or limitations as to the form and/or dosage of a medical marijuana product on the patient certification, the medical marijuana product dispensed to a patient or caregiver by a dispensary must conform to those recommendations, requirements or limitations; (ii) if a practitioner does not set forth recommendations, requirements or limitations as to the form or dosage of a medical marijuana product on the patient certification, the physician, pharmacist, physician assistant or certified registered nurse practitioner employed by the dispensary and working at the facility shall consult with the patient or the caregiver regarding the appropriate form and dosage of the medical marijuana product to be dispensed; and (iii) the dispensary shall update the patient certification in the electronic tracking system by entering any recommendation as to the form or dosage of medical marijuana product that is dispensed to the patient. Prior to the completion of the transaction, the employee conducting the transaction at the dispensary shall prepare a receipt of the transaction and file the receipt information with the Pennsylvania Department of Health utilizing the electronic tracking system. A dispensary shall provide a copy of the receipt to the patient or the caregiver, unless the patient or the caregiver declines the receipt. The receipt must include all of the following information: (1) the name, address and any permit number assigned to the dispensary by the Pennsylvania Department of Health; (2) the name and address of the

patient and, if applicable, the patient's caregiver; (3) the date the medical marijuana product was dispensed; (4) any requirement or limitation noted by the practitioner on the patient's certification as to the form of medical marijuana product that the patient should use; and (5) the form and the quantity of medical marijuana product dispensed.

Security and Storage Requirements for Cultivation, Processing and Dispensing Facilities

Pennsylvania dispensaries must have security and surveillance systems, utilizing commercial-grade equipment, to prevent unauthorized entry and to prevent and detect an adverse loss. The security and surveillance systems must include all of the following:

(1) A professionally-monitored security alarm system that includes the following: (i) coverage of all facility entrances and exits; rooms with exterior windows, exterior walls, roof hatches or skylights; storage rooms, including those that contain medical marijuana and safes; and the perimeter of the facility; (ii) a silent security alarm system signal, known as a duress alarm, generated by the entry of a designated code into an arming station in order to signal that the alarm user is being forced to turn off the system; (iii) an audible security alarm system signal, known as a panic alarm, generated by the manual activation of a device intended to signal a life-threatening or emergency situation requiring law enforcement response; (iv) a silent alarm signal, known as a holdup alarm, generated by the manual activation of a device intended to signal a robbery in progress; (v) an electrical, electronic, mechanical or other device capable of being programmed to send a pre-recorded voice message requesting dispatch, when activated, over a telephone line, radio or other communication system to a law enforcement, public safety or emergency services agency; (vi) a failure notification system that provides an audible, text or visual notification of any failure in the systems. The failure notification system must provide by telephone, e-mail or text message an alert to a designated security person within the facility within 5 minutes after the failure; (vii) smoke and fire alarms; (viii) auxiliary power sufficient to maintain security and surveillance systems for at least 48 hours following a power outage; (ix) ability to ensure all access doors are not solely controlled by an electronic access panel to prevent locks from becoming released during a power outage; and (x) motion detectors.

(2) A professionally monitored security and surveillance system that is operational 24 hours per day, 7 days per week and records all activity in images capable of clearly revealing facial detail. The security and surveillance system must include all of the following: (i) fixed camera placement that allows for a clear image of all individuals and activities in and around the following: (A) any area of a facility where medical marijuana products are loaded or unloaded into or from transport vehicles; (B) entrances to and exits from a facility. Entrances and exits must be recorded from both indoor and outdoor vantage points; (C) rooms with exterior windows, exterior walls, roof hatches or skylights and storage rooms, including those that may contain medical marijuana products and safes; (D) five feet from the exterior of the perimeter of a facility; (E) all limited access areas; (ii) auxiliary power sufficient to maintain security and surveillance systems for at least 48 hours following a power outage; (iii) the ability to operate under the normal lighting conditions of each area under surveillance; and (iv) the ability to immediately produce a clear, color, still photograph in a digital format that meets the requirements of this subsection.

(3) The ability to display the date and time clearly and accurately. The date and time must be synchronized and set correctly and may not significantly obscure the picture.

(4) The ability to record and store all images captured by each surveillance camera for a minimum of two (2) years in a format that may be easily accessed for investigative purposes. The recordings must be kept: (i) at the facility: (A) in a locked cabinet, closet or other secure place to protect it

from tampering or theft; (B) in a limited access area or other room to which access is limited to authorized individuals; and (ii) at a secure location other than the location of the facility if approved by the Pennsylvania Department of Health.

(5) A security alarm system that is separate from the facility's primary security system covering the limited access area or other room where the recordings are stored. The separate security alarm system must meet the same requirements as the facility's primary security alarm system. The following apply regarding the inspection, servicing or alteration of, and the upgrade to, the dispensary facility's security and surveillance systems: (i) the systems shall be inspected and all devices tested once every year by a qualified alarm system vendor and a qualified surveillance system vendor, as approved by the Pennsylvania Department of Health; (ii) the dispensary shall conduct maintenance inspections once every month to ensure that any repairs, alterations or upgrades to the security and surveillance systems are made for the proper operation of the systems; (iii) the dispensary shall retain at the facility, for at least four (4) years, records of all inspections, servicing, alterations and upgrades performed on the systems and shall make the records available to the Pennsylvania Department of Health and its authorized agents within two (2) business days following a request; (iv) in the event of a mechanical malfunction of the security or surveillance system that the dispensary anticipates will exceed a 4-hour period, the dispensary shall notify the Pennsylvania Department of Health immediately and, with Pennsylvania Department of Health approval, provide alternative security measures that may include closure of the facility; and (v) the dispensary shall designate an employee to continuously monitor the security and surveillance systems at the facility.

(6) Records retention: (i) if a dispensary has been notified in writing by the Pennsylvania Department of Health or its authorized agents, law enforcement, or other Federal, State or local government officials of a pending criminal or administrative investigation for which a recording may contain relevant information, the dispensary shall retain an unaltered copy of the recording for four (4) years or until the investigation or proceeding is closed or the entity conducting the investigation or proceeding notifies the dispensary that it is not necessary to retain the recording, whichever is longer; (ii) a dispensary shall install commercial-grade, non-residential steel doors and door locks on each room where medical marijuana products are stored and on each external door of the facility. Keys or key codes for all doors shall remain in the possession of designated authorized individuals; (iii) during all nonworking hours, all entrances to and exits from the facility must be securely locked; (iv) a dispensary shall have an electronic back-up system for all electronic records; (v) a dispensary shall install lighting to ensure proper surveillance inside and outside of the facility; and (vi) a dispensary shall limit access to a room in a facility containing security and surveillance monitoring equipment to persons who are essential to maintaining security and surveillance operations including, Federal, State and local law enforcement, security and surveillance system service employees, the Pennsylvania Department of Health or its authorized agents, and other persons with the prior written approval of the Pennsylvania Department of Health. The following requirements apply: (1) a dispensary shall make available to the Pennsylvania Department of Health or the Pennsylvania Department of Health's authorized agents, upon request, a current list of authorized employees and service employees or contractors who have access to any security and surveillance areas; and (2) a dispensary facility shall keep security and surveillance rooms locked at all times and may not use these rooms for any other purpose or function.

Storage Requirements

A dispensary shall have separate and locked limited access areas for storage of medical marijuana products that are expired, damaged, deteriorated, mislabeled, contaminated, recalled, or whose containers or packaging have been opened or breached until the medical marijuana products are returned to a

grower/processor, destroyed or otherwise disposed of as required under § 1151.40 (relating to management and disposal of medical marijuana waste). A dispensary shall maintain all storage areas in a clean and orderly condition and free from infestation by insects, rodents, birds and pests.

Pennsylvania Department of Health Inspections

The Pennsylvania Department of Health may conduct announced or unannounced inspections or investigations to determine the medical marijuana organization's compliance with its permit. An investigation or inspection may include an inspection of a medical marijuana organization's site, facility, vehicles, books, records, papers, documents, data and other physical or electronic information.

Texas

Regulatory Framework

Texas initially limited the scope of authorization of cannabis for medical purposes to the cultivation, processing and dispensing of low-THC cannabis prescribed to epilepsy patients.

In May 2019, the Texas legislature passed a bill that significantly expanded the Texas Compassionate Use Act. It was subsequently signed into law by the Governor of Texas. The May 2019 law increased legal access to medical cannabis products containing up to 0.5 percent THC for patients coping with a broader list of chronic medical conditions and diseases including epilepsy, a seizure disorder, multiple sclerosis, spasticity, amyotrophic lateral sclerosis, autism and terminal cancer.

Compassionate Use Act

The Texas Legislature enacted the Texas Compassionate Use Act, found in Chapter 169 of the Texas Occupations Code and Chapter 487 of the Texas Health and Safety Code, in 2015. The Texas Compassionate Use Act directs the Texas Department of Public Safety to create a secure registry of Texas-licensed physicians who are authorized to treat qualifying conditions by prescribing low-THC cannabis to qualified, registered patients who have been diagnosed with epilepsy, a seizure disorder, multiple sclerosis, spasticity, amyotrophic lateral sclerosis (ALS), autism, terminal cancer, or an incurable neurodegenerative disease. In addition, the bill required the Texas Department of Public Safety to license at least three dispensing organizations by September 1, 2017, should they meet the requirements. The license authorizes the organizations to cultivate, process and dispense low-THC cannabis to prescribed patients.

The act defines low-THC cannabis as: the plant Cannabis Sativa L., and any part of that plant or any compound, manufacture, salt, derivative, mixture, preparation, resin or oil of that plant that contains: (A) not more than 0.5 percent by weight of tetrahydrocannabinols; and (B) not less than 10 percent by weight of cannabidiol.

Under the act, medical use of low-THC cannabis means "ingestion by a means of administration other than by smoking of a prescribed amount of low-THC cannabis by a person for whom low-THC cannabis is prescribed."

Administrative Rules

The Texas Department of Public Safety adopted the rules implementing the Texas Compassionate Use Act in 2017. These rules, the Compassionate Use/Low-THC Cannabis Program Administrative Rules, are found in 37 Texas Administrative Code 1, Chapter 12. They specify licensing requirements and standards that licensees must satisfy for a variety of subjects, including building design and construction, records, testing,

production (including limitations on the use of pesticides and other products that could harm patient health), packaging, labeling, restrictions on eligible persons who can receive low-THC cannabis, criminal history disqualifiers for licensees and their employees, sanitation and waste disposal.

All low-THC cannabis must be grown in an enclosed, secure building, or an enclosure within a building with adequate security requirements to prevent diversion. Licensees must track low-THC cannabis from "seed to sale," accounting for all disposed and dispensed low-THC cannabis and related materials in the process. All licensee buildings and vehicles must have extensive security features, surveillance capabilities and the ability to maintain records of all activities. All licensees must confirm that patients are properly registered and that prescriptions for low-THC cannabis were properly submitted before completing a sale.

Production is limited under the rules; the Texas Department of Public Safety will only issue sufficient licenses to provide the epileptic population of Texas with the most current scientifically accepted dosage. The amount of production permitted is recalculated every year as provided in the rules. As of December 31, 2022, the Texas Department of Public Safety has issued three (3) dispensing organization licenses: The Company's subsidiary in Texas was licensed on September 1, 2017 and holds one (1) of the three (3) issued licenses.

U.S. Attorney Statements

To the knowledge of management of the Company, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Texas.

Licensing and Compliance in Texas

In Texas the Department of Public Safety administers the state's compassionate use program. State law currently requires each license holder to be vertically integrated, which requires the license holder to control all aspects of the operations from "seed to sale". State law requires strict limits on THC content which subsequently requires regular testing and maintenance of records. All low-THC cannabis must be grown in an enclosed, secure building, or an enclosure within a building with adequate security requirements to prevent diversion. Licensees must track low-THC cannabis from "seed to sale", accounting for all disposed and dispensed low-THC cannabis and related materials in the process. All licensee buildings and vehicles must have extensive security features, surveillance capabilities and the ability to maintain records of all activities as well as video surveillance maintenance. Each facility must also maintain armed security on site. All licensees must confirm that patients are properly registered and that prescriptions for low-THC cannabis were properly submitted before completing a sale. Department of Public Safety also maintains production and dosage limitations which are re-evaluated annually to comport with the needs of the applicable patient population. Additionally, all employees must pass state mandated criminal history background screenings.

Cansortium Texas currently holds and operates a Dispensing Organization license in Texas. To ensure compliance with state requirements, the Company has implemented a robust compliance program based on its standard operating procedures which have been adapted to comply with the requirements of Texas law. Regular audits are conducted of all sales, deliveries and video surveillance to ensure dispensation are conducted appropriately and identify and/or prevent diversion activities. All departments conduct regular staff meetings to discuss and identify updated needs or issues to address. Products are scanned and tracked throughout the entire process to ensure appropriate chain of custody from initial plant to finished product being dispensed to the patient. This ensures that in the event of a recall event, the company has the capability of identifying the suspect products back to the original batch from the greenhouse. Additionally, a visitor request form must be approved for all non-employee guests visiting any facility, and such guests must be logged upon entry and wear a visitor ID badge at all times. All deliveries to patients or dispensaries are

conducted in unmarked, nondescript vehicles which maintain interior and exterior security and surveillance features, as well as global positioning system tracking capabilities. Patients and caregivers, furthermore, must have their identification confirmed in the statewide secure database, and they must have an active recommendation from a physician to be dispensed medication. All employees must not only pass the state required criminal history screening as a condition to hiring but must pass a drug screening as well. The company also utilizes either cloud-based or internal secure servers for the storage of information, both of which follow HIPAA guidelines. Lastly, the state has the capability to make announced or unannounced inspections of any facility, therefore ensuring compliance on a daily basis is a top priority.

Licenses

The Company's subsidiary in Texas, Cansortium Texas, obtained a Dispensing Organization License from the Department of Public Safety on September 1, 2017. This license allows Cansortium Texas to cultivate and produce cannabis as well as operate a dispensary at the cultivation site. The license also allows for home delivery of the product. The current license was renewed in September 2023 and expires on October 1, 2025. Cansortium Texas holds one (1) of the three (3) licenses issued by the Department of Public Safety in Texas (as of December 31, 2023).

Dispensary Requirements

The State of Texas allows each Dispensing Organization to operate one retail dispensary located where they cultivate and manufacture low-THC medical cannabis. As the Company does not operate a dispensary currently, all dispensations are through the Company's home delivery program. Prior to making a home delivery, Dispensing Organizations must verify a patient has an active order in Texas' Compassionate Use Registry of Texas (CURT) System.

Security and Storage Requirements for Cultivation, Processing and Dispensing Facilities

The cultivation and processing facility has a security guard present 24 hours a day, 7 days per week who monitors the security cameras and provides access to the main gate and signs in all visitors. The facility has a security fence around the perimeter of the property and a second fence around the immediate cultivation and production campus. There is a video surveillance system that has 360-degree views of the interior and exterior of the facility including the fence perimeter. All cannabis products are stored in a secured storage room with limited access and video surveillance. The cannabis product is stored in a secured vault and cash is stored in a separate cash vault in the secured storage room. Security records are maintained including building access, visitor logs, video recordings and transportation trip plans.

Staff may not allow access to the facility's cultivation, processing and/or product storage areas by unauthorized individuals or to the public unless they are escorted at all times. All cultivation of low-THC cannabis shall take place in an enclosed, secured building, or an enclosure within a building that provides reasonably adequate protection against the diversion of low-THC cannabis or raw materials used in or by-products created by the production or cultivation of low-THC cannabis. Staff must limit access to each area to the minimum number of individuals or employees necessary for the licensee's activities, designate an individual or a limited number of individuals with responsibility for each area where a controlled item is cultivated, processed, dispensed, produced or stored, and control entry into the area for authorized personnel only. Access to the enclosed, locked area is limited to a licensee, director, manager or registered employee when acting in his or her official capacity.

The facility has an alarm system capable of continuously monitoring the regulated premises for fire and intrusion by means of camera recording, door switches, motion sensors, and fire and smoke detectors. The

camera monitoring system is capable of recording at least 90 days of footage to an external hard drive. All cameras have a battery back-up.

Transportation Requirements

Any vehicle used by a dispensing organization for the transportation of low-THC cannabis must have a vehicle security system and a securely attached and locked container within the vehicle. It is the responsibility of the licensee to ensure that only authorized registered employees have access to the locked secure container within the vehicle. Prior to transportation of any product, a licensee shall complete a trip plan that includes: (1) the name of the registrant responsible for the transportation; (2) the date and start time of the trip; (3) the anticipated route of transportation and destination; and (4) a detailed invoice or log of the specific type of product and amount to be transported. Promptly following transportation, the licensee shall enter the end time of the trip and any changes to the trip plan, including any changes to the amount of product delivered to the location.

Department Inspections

The Department of Public Safety performs weekly inspections of the facility. All requested records are given onsite or electronically as requested.

On January 17, 2019, Cansortium Texas received a notice of violation from the Texas Department of Public Safety Regulatory Services Division for failure to adequately respond to the Department's requests for records on inventory and testing at its cultivation facility, in violation of Texas law. On February 1, 2019, the Department issued a violation remediation letter confirming that the matter had been resolved to its satisfaction and that no further action would be taken.

RISK FACTORS

AN INVESTMENT IN SECURITIES OF CANSORTIUM IS SPECULATIVE AND INVOLVES A DEGREE OF RISK AND SHOULD ONLY BE MADE BY INVESTORS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT.

Prior to making an investment decision, investors should consider the investment risks set forth below and those described elsewhere in this document, which are in addition to the usual risks associated with such an investment. The directors of the Company consider the risks set forth below to be the most significant, but do not consider them to be all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the directors are currently unaware or which they consider not to be material in connection with the Company's business, actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

Marijuana is illegal under U.S. federal law and enforcement of relevant laws is a significant risk. Readers are strongly encouraged to carefully read all risk factors contained in this section.

Risks Related to the Transaction

Risk that the Transaction May Not Be Completed

There are risks of non-completion of the Transaction, including that each of the Company and RIV Capital has the right to terminate the Arrangement Agreement in certain circumstances. Accordingly, there is no certainty, nor can the Company provide any assurance, that the Arrangement Agreement will not be terminated by the Company or RIV Capital before the completion of the Transaction. In addition, the completion of the Transaction is subject to the satisfaction of a number of conditions, certain of which are outside the control of the Company and RIV Capital, including receipt of the required approvals by the Cansortium Shareholders and the RIV Capital Shareholders, approval from the Superior Court of Justice (Ontario) and certain regulatory approvals. There can be no certainty, nor can the Company provide any assurance, that these conditions will be satisfied or, if applicable, waived or, if satisfied or waived, when they will be satisfied or waived.

If the Transaction is not completed, the market price of the Common Shares (to the extent that the market price reflects a market assumption that the Transaction will be completed) may be adversely affected by many factors, including but not limited to (i) the reason the Transaction is not completed and whether such incompletion results from factors adversely affecting the Company; and (ii) the possible sale of Common Shares by investors following the announcement that the Transaction is not completed.

Certain costs related to the Transaction, such as legal, and certain financial advisor fees, must be paid by the Company even if the Transaction is not completed. The Transaction could cause the attention of management to be diverted from the day-to-day operations of the Company. These disruptions could be exacerbated by a delay in the completion of the Transaction and could have an adverse effect on the business, operating results or prospects of the Company. In addition, since the completion of the Transaction is subject to uncertainty, officers and employees of the Company may experience uncertainty about their future roles with the Company. This may adversely affect the Company's ability to attract or to retain key management and personnel in the period until the Transaction is completed or terminated.

Failure to Complete the Transaction Could Result in Termination Fees Being Payable

Under the Arrangement Agreement, the Company is required to pay a termination fee of $5,000,000 to RIV Capital in the event the Arrangement Agreement is terminated in certain circumstances. This termination payment may discourage other parties from attempting to propose a significant business transaction to the Company, even if a different transaction could provide better value than the Transaction to the Cansortium Shareholders.

Dedication of Significant Resources to Pursuing the Transaction and Certain Restrictions

Under the Arrangement Agreement, the Company is subject to customary non-solicitation provisions and must generally conduct its business in the ordinary course. Before the completion of the Transaction or termination of the Arrangement Agreement, the Company is restricted from taking certain specified actions without the consent of the RIV Capital. These restrictions may prevent the Company from pursuing attractive business opportunities that may arise prior to the completion of the Transaction.

In addition, the pending Transaction could cause the attention of the Company's management to be diverted from the day-to-day operations of the Company, which may lead to disruptions in the business and affairs of the Company. These disruptions could be exacerbated by a delay in the completion of the Transaction and could have an adverse effect on the business, operating results or prospects of the Company. If the Transaction is not completed for any reason, the announcement of the Transaction, the dedication of the

Company's resources to the completion thereof and the restrictions that were imposed on the Company under the Arrangement Agreement may have an adverse effect on the current and future operations, financial condition and prospects of the Company.

Risk that Directors and Officers of the Company May Have Interests that are Different from those of the Cansortium Shareholders

In considering the unanimous recommendation of the Board to vote in favour of the Amendment Proposal, the Cansortium Shareholders should be aware that William Smith, a member of the Board and the Executive Chairman of the Company, has entered into the Smith Transaction Termination Agreement that may provide him and his affiliates with interests in the Transaction that differ from, or are in addition to, those of Cansortium Shareholders, generally. See "*General Development of the Business - Recent Developments – The Transaction - Smith Transaction*".

Risks Relating to the Integration of RIV Capital's Business

The ability to realize the benefits of the Transaction will depend in part on successfully consolidating functions and integrating operations, procedures and personnel of the Company and RIV Capital in a timely and efficient manner. This integration will require the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities of the pro forma company following completion of the Transaction, and from operational matters during this process.

Risks Relating to Issuance of a Significant Number of Common Shares

The issuance of a significant number of Common Shares in connection with the Transaction could adversely affect the market price of the Common Shares. If the Transaction is completed, a significant number of additional Common Shares will be issued and will become available for trading in the public market. The increase in the number of Common Shares will dilute existing shareholdings to the extent that Cansortium Shareholders are not also RIV Capital Shareholders. Further, completion of the Transaction may lead to sales of the Common Shares or the perception that such sales may occur, either of which may adversely affect the market for, and the market price of, the Common Shares.

Risks Related to Legality of Cannabis

Cannabis is a Controlled Substance under the U.S. CSA

The Company is engaged directly and indirectly in the medical and adult use cannabis industry in the U.S. where only state law permits such activities. Investors are cautioned that in the U.S., cannabis is largely regulated at the state level. To the Company's knowledge, some form of cannabis has been legalized in 47 states and Washington, D.C., Puerto Rico, the U.S. Virgin Islands, Guam and the Northern Mariana Islands as of December 2023. Additional states have pending legislation regarding the same. Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the U.S. CSA and as such, cultivation, distribution, sale and possession of cannabis violates federal law in the U.S. As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. Refer to the discussion above under the heading "*U.S. Regulatory Environment*".

On May 16, 2024, the DEA issued a Notice of Proposed Rulemaking to reschedule cannabis (or "marijuana," as it is called in the U.S. CSA) from Schedule I to Schedule III of the U.S CSA. If the rescheduling occurs, as most observers expect that it will, it would be a momentous change but its full

implications are currently unknown. Under the CSA, Schedule III drugs carry a moderate to low potential for physical and psychological dependence, and thus, the rescheduling of cannabis from Schedule I to Schedule III would loosen DEA restrictions. Nonetheless, the DEA has made clear that if rescheduling takes place, the "regulatory controls applicable to Schedule III controlled substances would apply," which include controls related to the manufacture, distribution, dispensing, and possession of cannabis. Rescheduling would neither legalize nor likely eliminate current state cannabis programs. If placed under Schedule III, cannabis will remain a controlled substance and state-legal programs will continue to operate outside of federally legal channels in their distribution of the substance, in part because no state cannabis operator holds a DEA registration to possess or distribute cannabis. The rescheduling of cannabis to Schedule III would remove the tax penalties imposed by Section 280E of the U.S. Tax Code, and cannabis-related businesses (whether involved in medical or adult-use cannabis) would be able to take advantage of all applicable deductions and credits on their business taxes that other businesses enjoy. However, some fear that the DEA or the FDA may impose additional requirements or begin to target enforcement on state cannabis programs. Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil Proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical and adult use cannabis licenses in the U.S., the listing of its securities on the CSE, its financial position, results of operation, profitability or liquidity or the market price of its publicly traded shares, in each case even if such proceedings were concluded successfully in favor of the Company. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry, which are either used in the course of conducting such business or were purchased using the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

There can be no assurances that the federal government of the U.S. will not seek to enforce the applicable laws against us. Without further guidance, federal prosecutors may use their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws permitting such activity, subject to the rider that is known as the Rohrabacher-Farr Amendment, which prohibits federal prosecutors from expending federal funds against medical cannabis activities that are in compliance with state law. This amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. The Rohrabacher-Farr Amendment will remain in effect until September 30, 2024. At such time, it may or may not be included in the omnibus appropriations package or a continuing budget resolution, and its inclusion or non-inclusion, as applicable, is subject to political changes. While numerous U.S. Attorneys across the country have affirmed that their view of federal enforcement priorities has not changed, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law, including in the event the Rohrabacher-Farr Amendment is not renewed upon expiration in subsequent spending bills.

Market for Cannabis Could Decline due to Regulatory Changes

There can be no assurance that the number of states that allow the use of medicinal or adult use cannabis will increase. Furthermore, there can be no assurance that the existing states, districts and territories that permit the sale and use of medicinal or adult use cannabis will not reverse their position. If either of these things happens at any future time, then growth of the Company's business may be materially impacted. The Company may not be able to achieve targeted revenue levels and may experience declining revenue as the potential market for its products and services diminishes.

If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, the Company's financial results, business or operations would be materially and adversely affected. Federal actions against any individual or entity engaged in the cannabis industry or a substantial repeal of cannabis related legislation could adversely affect the Company, its business and its assets or investments.

Investors should understand that any new administration or attorney general could change this policy and decide to enforce the federal laws more strongly. A change in the federal approach towards enforcement could negatively affect the industry, potentially ending it entirely. Any such change in the federal government's enforcement of current federal laws could cause significant financial damage to the Company.

Anti-Money Laundering Laws and Regulations

The Company is subject to a variety of laws and regulations internationally and domestically in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), Sections 1956 and 1957 of U.S.C. Title 18 (the Money Laundering Control Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada.

In the event that any of the Company's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the U.S. were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation, which would subject the Company to criminal liability and significant penalties and fines. Proceeds from the Company's business activities could also be subject to seizure or forfeiture. Any violations of these laws, or allegations of such violations could disrupt the Company's operations and involve significant management distraction and expenses. As a result, money laundering charges could materially affect the Company's business, financial condition or results of operations, including restricting or otherwise jeopardizing the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while there are no current intentions to declare or pay dividends on the Common Shares in the foreseeable future, in the event that a determination was made that the Company's proceeds from operations (or any future operations or investments in the U.S.) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Lack of Access to U.S. Bankruptcy Protections

Because the use of cannabis is illegal under U.S. federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Company were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to the Company's U.S. operations, which would have a material adverse effect on the Company, its lenders and other stakeholders.

Financing Risks

Additional Financing Needs

The Company may require equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. If the Company is required to access capital markets to carry out its development objectives, the state of capital markets and other financial systems could affect the Company's access to, and cost of, capital. The Company's inability to raise financing to fund on-going operations, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

If additional funds are raised through further issuances of equity or convertible debt securities, existing Company shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to existing holders of Common Shares. Moreover, additional Common Shares may be issued by us upon the conversion of the Proportionate Voting Shares in accordance with their terms. To the extent holders of other convertible securities convert or exercise their securities and sell Common Shares they receive, the trading price of the Common Shares may decrease due to increase dilution and subsequent trading.

Debt financing may involve restrictions on the Company's financing and operating activities, including its ability to acquire or dispose of assets or businesses, incur additional indebtedness, make capital expenditures, and make cash distributions. Debt financing may be convertible into other securities of the Company or involve the issuance of equity fees, either of which may result in immediate or resulting dilution. Any default under such debt instruments could have a material adverse effect on the Company, its business or the results of its operations.

Refinancing of the Amended Credit Agreement

The Amended Credit Agreement requires the Company to satisfy certain negative covenants, including items such as restrictions on its ability to dispose of assets, make certain investments or incur additional debt. These covenants may prevent the Company from taking actions that it believes would be in the best interest of its business and may make it difficult for it to execute its business strategy successfully or effectively compete with businesses that are not subject to the same restrictions. The Company's ability to comply with these covenants may be affected by economic, financial and industry conditions beyond its control, including credit or capital market disruptions. The breach of any of these covenants could result in a default that would permit the lenders under the notes to declare all amounts outstanding to be due and payable, together with accrued and unpaid interest. There is no assurance that the Company will be able to secure additional financing to repay the loan should cash flows from operations be insufficient to repay the indebtedness, whether it is in default or not. If the Company is unable to repay the indebtedness, the lenders could proceed against the collateral securing the indebtedness. This could have serious consequences to the Company's financial position and results of operations and could cause it to become bankrupt or insolvent.

The Company is also subject to the risk that the Amended Credit Agreement will not be able to be refinanced prior to maturity or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. If the Company is unable to refinance the indebtedness under the Amended Credit Agreement on acceptable terms, or at all, it might be forced to dispose of one or more of its properties on disadvantageous terms, which might result in losses. Such losses could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows. If the Company is unable to refinance its indebtedness on acceptable terms, or at all, the Company could also be required to renegotiate such payments or issue additional equity or debt or obtain other financing. The failure of the Company to make or renegotiate interest or principal payments or issued additional equity or debt or obtain other financing could materially adversely affect the Company's financial condition and results of operations.

Ability to Access Private and Public Capital

The Company has historically relied on access to private and public capital in order to support its continuing operations and the Company expects to continue to rely almost exclusively on the capital markets to finance its business in the U.S. legal cannabis industry. Although such business carries a higher degree of risk, and is not legal pursuant to U.S. federal law, Canadian based issuers involved in the U.S. cannabis industry have been successful in completing public financings. However, there is no assurance the Company will be successful, in whole or in part, in raising funds in the future, particularly if the U.S. federal authorities change their position toward enforcing the U.S. CSA. Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate U.S. federal laws.

Restricted Access to Banking

In February 2014, the FinCEN bureau of the U.S. Department of Treasury issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis businesses, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the U.S. do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the federal administration. In addition to the foregoing, banks may refuse to process debit card or ACH payments or transfers and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the U.S. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently. Additionally, cannabis businesses in the U.S. are largely cash-based. This complicates the implementation of financial controls and increases security issues.

Adverse Developments with respect to Financial Institutions and Associated Liquidity Risk

The global economic slowdown, inflation, rising interest rates and the prospects for recession, as well as recent and potential future disruptions in access to bank deposits or lending commitments due to bank failure, could materially and adversely affect the Company's liquidity, business and financial condition. The recent closures of Silicon Valley Bank and Signature Bank and their placement into receivership with the FDIC have identified bank-specific liquidity risks and concerns. Although the Department of the Treasury, the Federal Reserve, and the FDIC jointly released a statement that depositors at Silicon Valley Band and Signature Bank would have access to their funds, even deposit amounts that exceed FDIC deposit insurance limits, future adverse developments with respect to specific financial institutions or the broader

financial services industry may lead to market-wide liquidity shortages. The failure of any bank in which the Company deposits funds or with which it has a credit facility could reduce the amount of cash the Company has available for its operations or delay its ability to access such funds. Any such failure may increase the possibility of a sustained deterioration of financial market liquidity, or illiquidity at clearing, cash management and/or custodial financial institutions. The Company does not currently have a commercial relationship with a bank that has failed or is, to our knowledge, otherwise is experiencing operational distress, nor has the Company experienced delays or other issues in meeting its financial obligations. If other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, the Company's ability to access its cash and cash equivalents and investments may be threatened and could have a material adverse effect on the Company's business operations and financial condition.

General Regulatory and Legal Risks

Legal, Regulatory or Political Change

The political environment surrounding the marijuana industry in general can be volatile and the regulatory framework remains in flux.

Delays in enactment or implementation of new state or federal regulations could restrict the ability of the Company to reach strategic growth targets. The growth strategy of the Company is contingent upon certain federal and state regulations being enacted to facilitate the legalization of medical or adult use marijuana. If such regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of the Company, and thus, the effect on the return of investor capital, could be detrimental. The Company is unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If existing applicable state laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of cannabis in a manner that will make it extremely difficult or impossible to transact business in that jurisdiction, which may adversely affect the Company's continued operations. Repeal of applicable marijuana legislation could adversely affect the Company and its business, results of operations, financial condition and prospects.

The Company is also aware that multiple states are considering special taxes or fees on businesses in the cannabis industry. For example, in California a significant per-pound tax on cannabis was added in 2021, imposing an additional burden on operators. Other states are in the process of reviewing such additional fees and taxation. Should such special taxes or fees be adopted, this could have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

The commercial medical and adult use marijuana industry is in its infancy. The Company's business activities rely on newly established and/or developing laws and regulations in the states in which it operates and the Company anticipates that such regulations will be subject to change as the jurisdictions in which the Company does business matures, often times with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may also come under scrutiny or further scrutiny by the FDA, USDA, DEA, IRS, SEC, the DOJ, the Financial Industry Regulatory Advisory or other federal or applicable state or non-governmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or adult use purposes in the U.S. It is impossible to determine the extent of the

impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital.

The Company has in place a robust compliance program headed by its Director of Compliance. See above for more information regarding the compliance program under "*U.S. Regulatory Environment – Compliance Program*". In addition to the Company's robust legal and compliance departments, the Company also has local legal/ regulatory counsel engaged or available in every jurisdiction in which it operates. The Company's compliance program is designed to provide meaningful advice, oversight and challenge for the Company's operations that includes regular site visits to ensure compliance with Company policies and procedures as well as applicable regulatory requirements, including but not limited to marketing materials review to ensure compliance with State and local regulations, and security and inventory control to ensure strict monitoring of cannabis and inventory from delivery by a licensed distributor to sale or disposal. The Company will continue to monitor compliance on an ongoing basis in accordance with its compliance program, standard operating procedures, and any changes to regulation in the marijuana industry.

Overall, the medical and adult use marijuana industry is subject to significant regulatory change at both the state and federal level. The inability of the Company to respond to the changing regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

General Regulatory and Licensing Risks

The Company's business is subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana, including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Achievement of the Company's business objectives is contingent, in part, upon compliance with applicable regulatory requirements and obtaining all requisite regulatory approvals. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company is required to obtain or renew further government permits and licenses for its current and contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, involving public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain, amend and renew permits and licenses are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Company may not be able to obtain, amend or renew permits or licenses that are necessary to its operations or to achieve the growth of its business. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Company. To the extent necessary permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, the Company may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Several of the Company's licenses are subject to renewal on an annual or periodic basis. Such licenses are generally renewed, as a matter of course, if the license holder continues to operate in compliance with

applicable legislation and regulations and without any material change to its operations, however there is no guarantee such licenses will be renewed on the same terms, or at all, going forward.

While the Company's compliance controls have been developed to mitigate the risk of any material violations of any license it holds arising, there is no assurance that the Company's licenses will be renewed by each applicable regulatory authority in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process for any of the licenses held by the Company could impede the ongoing or planned operations of the Company and have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition, results of operations or prospects.

Limitations on Ownership of Licenses

In certain states, the cannabis laws and regulations limit not only the number of cannabis licenses issued, but also the number of cannabis licenses that one person may own. For example: (i) in Florida, there are limitations on owning more than one of the vertically integrated medical cannabis licenses offered in that state; (ii) in Pennsylvania, the permit held by the Company (through its subsidiary) only authorizes the Company to operate up to three dispensaries in the South Central Region of Pennsylvania; and (iii) in Texas, the Company (through its subsidiary) hold one of only three issued licenses in the state. The Company believes that, where such restrictions apply, it may still capture significant share of revenue in the market through wholesale sales, exclusive marketing relations, provision of management or support services, franchising and similar arrangement with other operators. Nevertheless, such limitations on the acquisition of ownership of additional licenses within certain states or enforcement by regulators in certain states against such services arrangements may limit the Company's ability to grow organically or to increase its market share in such states, which could have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

Regulatory Action and Approvals from the Food and Drug Administration

The Company's medical cannabis-based products are supplied to patients diagnosed with certain medical conditions. However, the Company's cannabis-based products are not approved by the FDA as "drugs" or for the diagnosis, cure, mitigation, treatment, or prevention of any disease. Accordingly, the FDA may regard any promotion of the cannabis-based products as the promotion of an unapproved drug in violation of the FDCA.

Cannabidiol, a compound referred to as CBD, is one of the non-psychotropic cannabinoids in industrial hemp from the plant species Cannabis sativa L. There has been growing interest in CBD in recent years. CBD is increasingly used as an ingredient in food and beverages, as an ingredient in dietary supplements and as an ingredient in cosmetics, thereby generating new investments and creating employment in the cultivation and processing of hemp and hemp-derived products. Pharmaceutical products with CBD as an active ingredient have also been developed, including one product approved by the FDA (Epidiolex®). Foods and beverages, dietary supplements, pharmaceuticals, and cosmetics containing CBD are all subject to regulation under the FDCA. The FDA has asserted that CBD is not a lawful ingredient in foods and

beverages, supplements and pharmaceuticals (unless FDA-approved), although FDA has generally refrained from taking enforcement action against those products. CBD-containing products may also be subject to the jurisdiction of state and local health authorities.

In recent years, the FDA has issued letters to a number of companies selling products that contain CBD oil derived from hemp warning them that the marketing of their products violates the FDCA. FDA enforcement action against the Company could result in a number of negative consequences, including fines, disgorgement of profits, recalls or seizures of products, or a partial or total suspension of the Company's production or distribution of its products. Any such event could have a material adverse effect on the Company's business, prospects, financial condition, and results of operations.

The Company sells and distributes certain products containing CBD. The Company's compliance program also includes coverage of the CBD-related business with a focus on reviewing proposed marketing materials related to these products. There is a risk that the FDA or state or local Departments of Health will seek to stop the Company from selling its CBD products or seek to have the claims made for those products revised.

Cannabis may Become Subject to Increased Regulation by the FDA.

Cannabis remains a Schedule I controlled substance under U.S. federal law. If the federal government de-schedules cannabis or reclassifies cannabis to a Schedule II controlled substance, it is possible that the FDA would regulate it under the FDCA. The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements and cosmetics, among other products, through its enforcement authority pursuant to the FDCA. The FDA's responsibilities include regulating the ingredients as well as the marketing and labeling of food, drugs and cosmetics sold in interstate commerce.

Additionally, the FDA may issue rules and regulations, including good manufacturing practices, related to the growth, cultivation, harvesting and processing of cannabis. Clinical trials may be needed to verify the efficacy and safety of cannabis products. It is also possible that the FDA would require facilities that grow medical-use cannabis to register with the FDA and comply with federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If we become subject to these enhanced regulations prescribed by the FDA and are unable to comply, it may have a material adverse effect on our business, financial condition and results of operations.

Loss of Foreign Private Issuer Status

The Company is no longer considered a Foreign Private Issuer as defined in Rule 405 under the U.S. Securities Act of 1933, as amended, and Rule 3b-4 under the U.S. Exchange Act of 1934, as amended, however, the Company is not yet required to report to the SEC due to the composition of its shareholder base. The loss of the Company's Foreign Private Issuer status may have adverse consequences on the Company's ability to raise capital in private placements or Canadian prospectus offerings and may likely result in increased reporting requirements and increased audit, legal and administration costs. These increased costs may significantly affect the Company's business, financial condition and results of operations.

Internal Controls over Financial Reporting

Effective internal control is necessary for the Company to provide timely, reliable and accurate financial reports, identify and proactively correct any deficiencies, material weaknesses or fraud and meet the Company's reporting obligations. A material weakness is a deficiency, or a combination of deficiencies, in

financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be presented or detected on a timely basis.

In the past, certain material weaknesses in internal controls were identified, including material weaknesses existing as of December 31, 2023. Remediation efforts have placed, and may continue to place, a significant burden on management and add increased pressure on the Company's financial reporting resources and processes. In addition, if additional material weaknesses or significant deficiencies in the Company's internal control over financial reporting occur in the future, the Company could be required to implement additional remediation measures and could potentially have to restate its financial statements again, which could materially and adversely affect its business, results of operations and financial condition, restrict its ability to access the capital markets, require the Company to expend significant resources to correct the material weaknesses or deficiencies, subject the Company to regulatory investigations and penalties, harm its reputation, cause a decline in investor confidence or otherwise cause a decline in the market price of the Company's Common Shares.

If the Company's internal controls contain material weaknesses that it is unable to identify, the Company may not detect errors on a timely basis and its financial statements may be materially misstated. This may cause investors to lose confidence in the accuracy and completeness of the Company's financial reports and the market price of the Company's Common Shares could be negatively affected.

Litigation

The Company may become threatened by a party, or otherwise become party to litigation from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Common Shares. Even if the Company is involved in litigation and is successful, such litigation could redirect significant company resources from business operations to prosecuting or defending such litigation, which can adversely affect the financial results, business and operations of the Company or its subsidiaries, as applicable. There also may be adverse publicity associated with litigation that could negatively affect customer perception of the business, regardless of whether the allegations are valid or whether the Company is ultimately found liable. See "*Legal Proceedings and Regulatory Actions*" for an overview of the material proceedings affecting the Company.

The Company's Status as a Public Company

As a public company in Canada and the U.S., the Company is subject to the reporting requirements, rules and regulations under the applicable Canadian and American securities laws and rules of stock exchanges on which the Company's securities may be listed from time to time. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. Additional or new regulatory requirements may be adopted in the future by the CSE or other securities law regulators. The requirements of existing and potential future rules and regulations increase the Company's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly, and may also place undue strain on its personnel, systems, and resources, which could adversely affect its business and financial condition.

Recent and Proposed State Legislation Relating to Cannabis Licensing

Recent and proposed state legislation throughout the U.S. has prioritized minority and diversity participation in the cannabis industry, including providing licensing preferences to minority owners,

individuals with specified criminal convictions, local residents and individuals and businesses from economically depressed or disadvantaged areas. As new medical and adult use legislation is passed, multi-state operators such as the Company may be prevented, limited or discouraged from obtaining new licenses, renewing licenses or from participating in new markets or existing markets, or may be required to partner with specific individuals, who may be difficult to find and agree to terms with. Social equity initiatives could adversely impact the Company's ability to increase or maintain market share and revenues in certain states, expand the Company's geographic footprint or obtain a positive return on acquisitions or investments, all of which could have a material adverse impact on the Company's business, financial condition and results of operations.

The Industry in Which the Company Operates is Still Developing and Subject to Extensive Regulation

The cannabis industry is a new industry that may not succeed. Should the federal government in the U.S. change course and decide to prosecute those dealing in medical or other cannabis under applicable law, there may not be any market for the Company's products and services in the U.S. Cannabis is a new industry subject to extensive regulation, and there can be no assurance that it will grow, flourish or continue to the extent necessary to permit the Company to succeed. Management is treating the cannabis industry as a deregulating industry with significant unsatisfied demand for the Company's proposed products and will adjust future operations, product mix and market strategy as the industry develops and matures. Further, few clinical trials on the benefits of cannabis or isolated cannabinoids have been conducted. Future research and clinical trials may draw opposing conclusions to statements contained in the articles, reports and studies currently favored, or could reach different or negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing or other facts and perceptions related to medical cannabis, which could adversely affect social acceptance of cannabis and the demand for the Company's products and dispensary services.

Accordingly, there is no assurance that the cannabis industry and the market for medicinal and/or adult-use cannabis will continue to exist and grow as currently anticipated or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry, such as the imposition of further restrictions on sales and marketing or further restrictions on sales in certain areas and markets could have a material adverse effect on the Company's business, financial condition and results of operations.

General Business Risks

Future Acquisitions or Dispositions

The Company historically grew through acquisitions and currently expects to complete additional transactions and acquisitions in the future. These acquisitions are subject to a number of customary closing conditions, which may include in certain instances, regulatory approval and may not close for a variety of reasons including if the closing conditions are not satisfied or waived, some of which may not be within the control of the Company. In addition, even if these transactions were to be completed, they may not close on terms or within the timing currently expected. If one or more of these transactions do not close or are completed pursuant to terms or timelines different than expected, it could have an adverse effect on the Company's future capital plans and require the Company to reallocate funds.

Without realizing any of the benefits of having completed such transactions, material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business, including negative reactions from the financial markets, including negative impacts on the price of the Common Shares; (ii) distraction of management which would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to the Company; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected;

(v) increase in the scope and complexity of the Company's operations; (vi) loss or reduction of control over certain of the Company's assets; (vii) in the case of a proposed acquisition, the Company may need to find an alternative use of any capital earmarked for such proposed acquisitions, to the extent the consideration for such acquisition is paid partly or entirely in cash; and (viii) in the case of a proposed disposition, the Company may not receive the anticipated proceeds of such disposition and accordingly may not be able to execute on other business opportunities for which such proceeds have been earmarked. Additionally, the Company may issue a significant number of additional Common Shares which would dilute the current shareholders' holding in the Company or indirect holdings in the Company.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Service Providers

As a result of any adverse change to the approach in enforcement of cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third party service providers to the Company could suspend or withdraw their services to, or business relationship with, the Company and its subsidiaries which may have a material adverse effect on the Company and its subsidiaries' business, revenues, results of operations, financial condition or prospects.

Enforceability of Contracts

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal at a federal level, judges may refuse to enforce contracts in connection with activities that violate federal law, even if there is no violation of state law. There remains doubt and uncertainty that the Company will be able to legally enforce contracts it enters into if necessary. The Company cannot be assured that it will have a remedy for breach of contract, the lack of which may have a material adverse effect on the Company's business, revenues, results of operations, financial condition or prospects.

Reliance on Management and Key Personnel and Management of Growth

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and other key employees. While employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. If one or more of these individuals were unable or unwilling to continue in their present positions, the Company might not be able to replace them easily or at all. Any loss of the services of such individuals could have a material adverse effect on the Company's business, results of operations, financial condition or prospects.

Social, demographic and economic trends observed on a global basis, are making it more challenging to hire and retain personnel in most industries. Inflationary pressures, shortages, competitiveness in the labour markets where the Company operates, increased employee turnover and changes in the availability of its employees have resulted in, and could continue to result in, increased labor-related costs, which could have a material adverse effect on the Company's results and financial condition. In addition, these factors have impacted, and could continue to impact, its ability to meet consumer demand, which could negatively affect

its financial condition, results, or cash flows. The failure to recruit, retain, motivate, effectively communicate with, and train and develop highly skilled and competent people at all levels of the Company's organization could also result in shortages in the availability of appropriately skilled people at any particular levels within the organization and significantly affect its financial results.

In addition, the Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

News media have reported that U.S. immigration authorities have increased scrutiny of Canadian citizens who are crossing the U.S.-Canada border with respect to persons involved in cannabis businesses in the U.S. There have been a number of Canadians barred from entering the U.S. as a result of an investment in or act related to U.S. cannabis businesses. In some cases, entry has been barred for extended periods of time. Company employees who are not U.S. citizens traveling from Canada to the U.S. for the benefit of the Company may encounter enhanced scrutiny by U.S. immigration authorities that may result in the employee not being permitted to enter the U.S. for a specified period of time. If this happens to Company employees who are not U.S. citizens, then this may reduce our ability to manage effectively our business in the U.S. For additional details, see "*Admissibility into the U.S.*" below.

Admissibility into the U.S.

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with cannabis businesses. Admissibility into the U.S. for those individuals involved with cannabis remains uncertain since the sale, possession, production and distribution of marijuana or the facilitation of the aforementioned remain illegal under U.S. federal law. U.S. Customs practices continue to evolve and the CBP released a statement on October 11, 2018 (the "**CBP Statement**") confirming that CBP enforces the laws of the U.S. and U.S. laws have not changed following Canada's legalization of marijuana. Requirements for international travelers wishing to enter the United States are governed by and conducted in accordance with U.S. federal law, which supersedes state laws. Although medical and recreational marijuana may be legal in some U.S. States and Canada, the sale, possession, production and distribution of marijuana or the facilitation of the aforementioned remain illegal under U.S. federal law. Consequently, crossing the border or arriving at a U.S. port of entry in violation of this law may result in denied admission, seizure, fines and apprehension.

The CBP Statement also stated that CBP officers are thoroughly trained on admissibility factors and the Immigration and Nationality Act, which broadly governs the admissibility of travelers into the U.S. Determinations about admissibility and whether any regulatory or criminal enforcement is appropriate are made by a CBP officer based on the facts and circumstances known to the officer at the time. Generally, any arriving alien who is determined to be a drug abuser or addict, or who is convicted of, admits having committed, or admits committing, acts which constitute the essential elements of a violation of (or an attempt or conspiracy to violate) any law or regulation of a State, the U.S. or a foreign country relating to a controlled substance, is inadmissible to the U.S. The CBP Statement also states that a Canadian citizen working in or facilitating the proliferation of the legal marijuana industry in Canada, coming to the U.S. for reasons unrelated to the marijuana industry will generally be admissible to the U.S. However, if a traveler is found to be coming to the U.S. for reason related to the marijuana industry, they may be deemed inadmissible.

Competition

The cannabis industry remains quite nascent, and so what the landscape will be in the future remains largely unknown, which in itself is a risk. Potential competitors, which in the future may include pharmaceutical companies, are also larger and better capitalized than the Company, may enter markets through acquisitive growth, may have longer operating histories and have significantly greater financial, technological, engineering, manufacturing, marketing and distribution resources. The market for the products that the Company offers or intends to offer is competitive. The competition will most likely increase as more U.S. states permit the use of medicinal cannabis and new industry participants and diversified products emerge. Increased competition may hinder the Company's ability to successfully market its products and services. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales, talent retention and client support. The Company may not have the resources, expertise or other competitive requirements to compete successfully in the future and pressure from the Company's competitors may have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Moreover, the cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and the formation of strategic relationships. This competition may increase the price the Company must pay for acquisitions and make it more difficult for the Company to purchase additional businesses and assets. Acquisitions conducted by our competitors or other consolidating transactions could, in turn, harm us in a number of ways, including losing customers, revenue and market share, or forcing us to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's results of operations. As competitors enter the market and become increasingly sophisticated, competition in our industry may intensify and place downward pressure on retail prices for the Company's products and services, which could negatively impact profitability.

The pharmaceutical industry may attempt to compete with or dominate the cannabis industry, and in particular, legal cannabis, through the development and distribution of synthetic products that emulate the effects and treatment of organic cannabis. If they are successful, the widespread popularity of such synthetic products could change the demand, volume and profitability of the cannabis industry. This could have a material adverse effect on the business, financial condition or results of operations or prospects of the Company.

The Company also faces competition from the illicit market and illegal dispensaries and products that are unlicensed and unregulated and that are selling cannabis and cannabis products, including products with higher concentrations of active ingredients, and using delivery methods, including edibles and extract vaporizers that the Company may be prohibited from offering to individuals due to laws and regulations. Any inability or unwillingness of law enforcement authorities to enforce existing laws prohibiting the unlicensed production and sale of cannabis and cannabis products could result in increased competition for the Company, which could have a material adverse effect on the Company's business, financial condition or results of operations.

Agricultural Business Risks

The Company's business involves the cultivation of the cannabis plant. The cultivation of this plant is subject to agricultural risks related to insects, plant diseases, water and electricity availability and costs, unstable growing conditions and similar agricultural risks, as well as force majeure events. Although the Company cultivates its cannabis plants in indoor, climate controlled rooms staffed by trained personnel and in the future plans to cultivate cannabis plants in greenhouses, there can be no assurance that agricultural risks will not have a material adverse effect on the cultivation of its cannabis and, accordingly, the

Company's business, financial condition and results of operations. The Company may in the future cultivate cannabis plants outdoors, which would also subject it to related agricultural risks.

Unfavorable Publicity or Consumer Perception

The Company believes the adult use and medical marijuana industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of the marijuana produced. In particular, the Company's financial performance in each state will depend on whether patients and physicians view its products as effective and safe for use. Under the laws of the states in which the Company and its affiliates operate, the participation of physicians and health care providers in the certification process is voluntary and therefore depends on a number of variables, including: medical professionals' views as to the use of medical cannabis to treat qualifying conditions; the risks and benefits to individual patients or patient groups; the policies of particular medical practices; and patient demand. If physicians and other medical professionals do not certify patients where certification is required under state law, the Company's business, financial position and results of operations may be negatively affected.

Public perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of marijuana products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand for adult use or medical marijuana and on the business, results of operations, financial condition, cash flows or prospects of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of marijuana in general, or associating the consumption of adult use and medical marijuana with illness or other negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports or other media attention will not arise. A negative shift in the public's perception of cannabis in the U.S. or any other applicable jurisdiction could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or adult use cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, results of operations or prospects.

Acceptance of the Company's products depends on several factors, including availability, cost, ease of use, familiarity of use, convenience, effectiveness, safety and reliability. The ability to gain and increase market acceptance of the Company's products may require the Company to establish and maintain its brand name and reputation. In order to do so, substantial expenditures on product development, strategic relationships and marketing initiatives may be required. There can be no assurance that these initiatives will be successful and their failure may have an adverse effect on the Company's business, results of operations or prospects.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of marijuana involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of marijuana alone or in combination with other medications or substances could occur. As a manufacturer, distributor and retailer

of adult use and medical marijuana, or in its role as an investor in or service provider to an entity that is a manufacturer, distributor and/or retailer of adult use or medical marijuana, the Company may be subject to various product liability claims, including, among others, that the marijuana product caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company. There can be no assurances that the Company will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Risks Regarding Vaping Products

On October 4, 2019, the FDA issued a warning to the public to stop using vaping products containing THC, in light of a potential but unconfirmed link to lung injuries such as severe pulmonary illness. These warnings appear to be particularly focused on the use of vaping liquids purchased from unlicensed or unregulated retailers in the U.S. There have also been reported cases in Canada of lung injuries associated with the use of cannabis derivatives containing vaping liquid. Health Canada has issued an information update advising Canadians who use cannabis derivatives containing vaping liquids to monitor themselves for symptoms of pulmonary illness. Governments and the private sector may take further actions aimed at reducing the sale of cannabis containing vaping liquids and/or seeking to hold manufacturers of cannabis containing vaping liquids responsible for the adverse health effects associated with the use of these vaping products. For instance, the provincial governments in Quebec and Newfoundland have already imposed provincial regulatory restrictions on the sale of cannabis vape products. These actions, together with potential deterioration in the public's perception of cannabis containing vaping liquids, may result in a reduced market for the vaping products of the Company. Federal, state and local regulations or actions that prohibit or restrict the sale of the vaping products of the Company, including cannabis derivative vaping liquids, or that decrease consumer demand for these products by prohibiting their use, raising the minimum age for their purchase, raising the purchase prices to unattractive levels via taxation, or banning their sale, could adversely impact the Company.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales and the Company may not be able to replace those sales at an acceptable margin, if at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's products were subject to recall, the image of that product and the Company could be harmed. Additionally, product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses. A recall may lead to

decreased demand for products produced by the Company and could have a material adverse effect on its results of operations and financial condition.

Results of Future Clinical Research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC) and future research and clinical trials may discredit the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of the Company's securities should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Dependence on Suppliers

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure plans may be significantly greater than anticipated by the Company's management and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the business, financial condition, results of operations or prospects of the Company.

Reliance on Inputs

The marijuana business is dependent on a number of key inputs and their related costs including raw materials and supplies related to growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of the Company. In addition, any restrictions on the ability to secure required supplies or utility services or to do so on commercially acceptable terms could have a materially adverse impact on the business, financial condition and results of operations. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. In 2022, the cost of raw materials, as well as energy, transportation, and logistics necessary for the production and distribution of the Company's products has rapidly increased. The Company expects the inflationary pressures on input costs to continue to impact its business in 2024.

The Company's cannabis growing operations consume considerable energy, which makes it vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may adversely affect the business of the Company and its ability to operate profitably.

Limited Market Data and Difficulty to Forecast

As a result of recent and ongoing regulatory and policy changes in the medical and adult use marijuana industry, the market data available is limited and unreliable. Federal and state laws prevent widespread participation and hinder market research. Therefore, the Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. Due to the early stage of the regulated cannabis industry, forecasts regarding the size of the industry and the sales of products by the Company are inherently difficult to prepare with a high degree of accuracy and reliability. Market research and projections by the Company of estimated total retail sales, demographics, demand, and similar consumer research are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of the Company's management team as of the date of this AIF. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Intellectual Property Risks

The Company's ability to compete in the future partly depends on the superiority, uniqueness and value of its intellectual property and technology, including both internally developed technology and technology licensed from third parties. To the extent the Company is able to do so, in order to protect its proprietary rights, the Company will rely on a combination of trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions which may prove insufficient to protect the Company's proprietary rights. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology. Third parties may otherwise gain access to the Company's proprietary information and adopt it in a competitive manner. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions. Failure of the Company to adequately maintain and enhance protection over its proprietary techniques and process may have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the U.S. CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level. While many states do offer the ability to protect trademarks independent of the federal government, patent protection is wholly unavailable on a state level, and state-registered trademarks provide a lower degree of protection than would federally-registered marks.

Constraints on Marketing Products

The development of the Company's business and results of operations may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies for products containing cannabis or ingredients derived from cannabis. Restrictions may include regulations that specify what, where and to whom product information and descriptions may appear and/or be advertised. Marketing, advertising, packaging and labeling regulations also vary from state to state, potentially limiting the consistency and scale of consumer branding communication and product education efforts. The regulatory environment in the U.S. limits companies' abilities to compete for market share in a manner

similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and results of operations could be adversely affected.

Fraudulent or Illegal Activity by Employees, Contractors and Consultants

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and state healthcare fraud and abuse laws and regulations; (iv) laws that require the true, complete and accurate reporting of financial information or data; or (v) revenue recognition rules under accounting general standards. It may not always be possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations, or steaming from weaknesses in internal controls. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

We may have increased labor costs based on union activity.

Labor unions are working to organize workforces in the cannabis industry in general. It is possible that large portions of our workforce at retail and/or manufacturing locations will be organized in the future, which could lead to work stoppages or increased labor costs and adversely affect the Company's business, profitability and its ability to reinvest into the growth of its business. The Company cannot predict how stable its relationships with U.S. labor organizations will remain or whether it can meet any unions' requirements without impacting the Company's financial condition. Labor unions may also limit the Company's flexibility in dealing with its workforce. Work stoppages and instability in union relationships could delay the production and sale of the Company's products, which could strain relationships with customers and cause a loss of revenues which would adversely affect operations.

Information Technology Systems and Cyber-Attacks

The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as preemptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or an increase in capital expenses.

In addition, the Company collects and stores personal information about its patients and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk, whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. To the extent that any disruption or

security breach were to result in a loss of, or damage to, the Company's data, including any personal medical information, the Company could incur liability and reputational damage and could be subject to civil fines and penalties. Any such theft or privacy breach would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Security Breaches

Given the nature of the Company's products and its lack of legal availability outside of channels approved by the government of the U.S., as well as the concentration of inventory in its facilities, there remains a risk of shrinkage as well as theft. If there was a breach in security systems and the Company becomes victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment or if there was a failure of information systems or a component of information systems, it could, depending on the nature of any such breach or failure, adversely impact the Company's reputation, business continuity and results of operations. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products. Although the Company maintains insurance to protect against such risks in such amounts as it considers to be reasonable, its insurance does not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability.

Website Accessibility

Internet websites are visible by people everywhere, not just in jurisdictions where the activities described therein are considered legal. As a result, to the extent the Company sells services or products via web-based links targeting only jurisdictions in which such sales or services are compliant with state law, the Company may face legal action in other jurisdictions which are not the intended object of any of the Company's marketing efforts for engaging in any web-based activity that results in sales into such jurisdictions deemed illegal under applicable laws.

High Bonding and Insurance Coverage

There is a risk that a greater number of state regulatory agencies will begin requiring entities engaged in certain aspects of the business or industry of legal cannabis to post a bond or significant fees when applying, for example, for a dispensary license or renewal as a guarantee of payment of sales and franchise tax. The Company is not able to quantify at this time the potential scope for such bonds or fees in the states in which it currently or may in the future operate. Any bonds or fees of material amounts could have a negative impact on the ultimate success of the Company's business.

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, public health crisis, labor disputes and changes in the regulatory

environment. Such occurrences could result in the interruption of our business, damage to assets, shortage of staff, disruption of supply chain, market volatility, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance does not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its business, results of operations, financial condition or prospects.

Performance Not Indicative of Future Results

The prior investment and operational performance of the Company is not indicative of the future results of operations of the Company. There can be no assurance that the historical results of operations achieved by the Company or its affiliates will be achieved by the Company, and the Company's performance may be materially different.

Financial Projections May Prove Materially Inaccurate or Incorrect

The Company financial estimates, projections and other forward-looking information or statements included in this AIF are based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in this AIF. Shareholders of the Company should inquire of the Company and become familiar with the assumptions underlying any estimates, projections or other forward-looking information or statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, the Company's shareholders and prospective investors should not rely on any projections to indicate the actual results the Company might achieve.

Global Economic Conditions

The Company's business, financial condition, results of operations and cash flow may be negatively impacted by challenging global economic conditions.

A global economic slowdown would cause disruptions and extreme volatility in global financial markets, increased rates of default and bankruptcy and declining consumer and business confidence, which can lead to decreased levels of consumer spending. These macroeconomic developments could negatively impact the Company's business, which depends on the general economic environment and levels of consumer spending. As a result, the Company may not be able to maintain its existing customers or attract new customers, or it may be forced to reduce the price of its products. The Company is unable to predict the likelihood of the occurrence, duration or severity of such disruptions in the credit and financial markets or adverse global economic conditions. Any general or market-specific economic downturn could have a material adverse effect on the Company's business, financial condition, results of operations and cash flow.

Additionally, the U.S. has imposed and may impose additional quotas, duties, tariffs, retaliatory or trade protection measures or other restrictions or regulations and may adversely adjust prevailing quota, duty or tariff levels, which can affect both the materials that the Company uses to package its products and the sale of finished products. For example, the tariffs imposed by the U.S. on materials from China are impacting materials that the Company imports for use in packaging in the U.S. Measures to reduce the impact of tariff increases or trade restrictions, including geographical diversification of the Company's sources of supply, adjustments in packaging design and fabrication or increased prices, could increase its costs, delay its time to market and/or decrease sales. Other governmental action related to tariffs or international trade agreements has the potential to adversely impact demand for the Company's products and its costs, customers, suppliers and global economic conditions and cause higher volatility in financial markets. While the Company reviews existing and proposed measures to seek to assess the impact of them on its business, changes in tariff rates, import duties and other new or augmented trade restrictions could have a number of negative impacts on its business, including higher consumer prices and reduced demand for its products and higher input costs.

Future disruptions and volatility in global financial markets and declining consumer and business confidence, including as a result of a pandemic, wars and conflicts (including the war in Ukraine and more recently, the conflict in the Middle East), heightened inflation and central banks' large interest rate hikes, economic downturns or increased recession fear, leading to a declining level of commercial activity, could lead to decreased levels of consumer spending and could have a negative impact on the Company's financial condition. The Company's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and spending and, consequently, impact the Company's sales and profitability. These macroeconomic developments could negatively impact the Company's business, which depends on the general economic environment and levels of consumer spending. As a result, the Company may not be able to maintain its existing customers or attract new customers, or the Company may be forced to reduce the price of its products. The Company is unable to predict the likelihood of the occurrence, duration, or severity of such disruptions in the credit and financial markets and adverse global economic conditions. Any general or market- specific economic downturn could have a material adverse effect on the Company's business, financial condition, results of operations, and cashflow.

Environmental Risks

Environmental Regulation

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors (or the equivalent thereof) and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are currently, and may in the future, be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of medical marijuana or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of

additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of medical marijuana, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Unknown Environmental Risks

There can be no assurance that the Company will not encounter hazardous conditions at the facilities where it operates its businesses, including, without limitation, its medical cannabis cultivation and dispensary facilities, such as asbestos or lead, in excess of expectations that may delay the development of its businesses. Climate change or significant weather events may accelerate or exacerbate environmental conditions in ways that adversely affect the business due to potential negative effects on agricultural conditions, increased difficulty in construction projects to support our operations. Upon encountering a hazardous condition, work at the facilities of the Company may be suspended. The presence of other hazardous conditions may require significant expenditure of the Company's resources to correct the condition. Such conditions could have a material impact on the investment returns of the Company.

Risks Relating to the Business Structure and Securities

Status as a Holding Company

The Company is a holding company as substantially all of its assets consist of shares in the capital stock of its subsidiaries in each of the markets the Company operates in and/or holds licenses in the adult use and/or medicinal cannabis marketplace in Florida, Pennsylvania and Texas; and the Company has no material assets other than: (i) cash on hand; and (ii) ownership of its subsidiaries, stakes in joint ventures and minority interests in certain operating companies. As a result, investors in the Company are subject to the risks attributable to its subsidiaries. As a holding company, the Company conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. To the extent that the Company requires funds, and its subsidiaries and such other entities are restricted from making such distributions by applicable law, regulation or contract, or are otherwise unable to provide such funds, it could materially adversely affect the Company's liquidity and financial condition, as well as its ability to make distributions to its shareholders. In the event of bankruptcy, liquidation, or reorganization of any of the Company's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before the Company.

Concentrated Voting Control

William Smith, the Company's Executive Chairman and a director, has ownership and control, directly or indirectly, of 1,421,538, or 54.8%, of the Proportionate Voting Shares and 62,615,352, or 22.7%, of the Common Shares. As a result, Mr. Smith currently controls, directly or indirectly, 25.4% of the votes attached to the issued and outstanding Common Shares (on an as-converted basis) and exercises significant influence over the Company and its subsidiaries. The Common Shares are entitled to one vote per share and the Proportionate Voting Shares are entitled to ten votes per share.

The Company's shareholders nominate and elect the Board, which generally has the ability to control the acquisition or disposition of the Company's assets, and the future issuance of its securities. Accordingly, for any matters with respect to which a majority vote may be required by law, Mr. Smith may have the ability to control such matters. Because Mr. Smith will exercise a significant amount of voting power in the Company, investors may find it difficult or impossible to replace the Company's directors if they disagree with the way the Company's business is being operated. The concentrated control could delay, defer or prevent a change of control of the Company, an arrangement involving the Company or a sale of all of substantially all of the Company's assets that the Company's other shareholders support. Conversely, this concentrated control could allow certain shareholders to consummate such a transaction that the Company's other shareholders do not support.

Conflicts of Interest

Conflicts of interest may arise as a result of the directors, officers and promoters of the Company also holding positions as directors or officers of other companies. They also invest and may invest in businesses, including in the cannabis sector, that compete directly or indirectly with the Company or act as customers or suppliers of the Company. Some of the individuals that are directors and officers of the Company have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Company will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies provided under the OBCA.

To the best of the Company's knowledge, other than as disclosed elsewhere in this AIF, there are no known existing or potential material conflicts of interest among the Company or a subsidiary of the Company and a director or officer of the Company or a subsidiary of the Company as a result of their outside business interests except that: (i) certain of the Company's or its subsidiaries' directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies, and (ii) certain of the Company's or its subsidiaries' directors and officers have portfolio investments consisting of minority stakes in businesses that may compete directly or indirectly with the Company or act as a customer of, or supplier to, the Company. For more information regarding potential conflicts of interests, see "*Interests of Management and Others in Material Transactions*" below.

Sales of Substantial Amounts of Common Shares

Sales of a substantial number of Common Shares in the public market could occur at any time either by existing holders of Common Shares or by holders of the Proportionate Voting Shares that are convertible into Common Shares. These sales, or the market perception that the holders of a large number of Common Shares or Proportionate Voting Shares intend to sell Common Shares, could reduce the market price of the Common Shares. If this occurs and continues, it could impair the Company's ability to raise additional capital through the sale of securities or make acquisitions the consideration of which would be partly or entirely paid in securities of the Company, which may impact the Company's financial condition or growth strategy.

Volatility of the Market Price for the Common Shares

The market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which will be beyond our control, including, but not limited to, the following: (i) actual or anticipated fluctuations in our quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of companies in the cannabis industry; (iv) additions or departures of our executive officers and other key personnel; (v)

release or expiration of transfer restrictions on our issued and outstanding shares; (vi) regulatory changes affecting the cannabis industry generally and our business and operations; (vii) announcements by the Company and its competitors of developments and other material events; (viii) fluctuations in the costs of vital production materials and services; (ix) changes in global financial markets and global economies and general market conditions, such as inflation, interest rates and product price volatility, as well as health crisis, severe weather events, or armed conflicts; (x) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; (xi) operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; (xii) false or negative reports issued by individuals or companies who have taken aggressive short sale positions; and (xiii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in our industry or target markets.

Financial markets have experienced significant price and volume fluctuations that have affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of those companies. Accordingly, the market price of the Common Shares may decline even if the Company's results of operations, underlying asset values or prospects have not changed.

These factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the Common Shares may be materially adversely affected.

Liquidity Risks with the Common Shares

The Company understands that many major securities clearing firms in the U.S. refuse to facilitate transactions related to securities of Canadian public companies involved in the marijuana industry. This is due to the fact that marijuana continues to be listed as a controlled substance under U.S. federal law, with the result that marijuana-related practices or activities, including the cultivation, possession or distribution of marijuana, are illegal under U.S. federal law. Accordingly, U.S. residents who acquire Common Shares as "restricted securities" may find it difficult – if not impossible – to resell such shares over the facilities of any Canadian stock exchange on which the Common Shares may then be listed including the CSE. It remains unclear what impact, if any, this and any future actions among market participants in the U.S. will have on the ability of U.S. residents to resell any Common Shares that they may acquire in open market transactions.

The Common Shares currently trade on the CSE and are quoted on the OTCQX. The Company cannot predict at what prices the Common Shares will continue to trade, and there is no assurance that an active trading market will be sustained. The liquidity of any market for the Common Shares will depend on a number of factors, including, but not limited to, the number of shareholders, the Company's operating performance and financial condition, the market for similar securities, the extent of coverage by securities or industry analysts, and the interest of securities dealers in trading the Commons Shares. The Commons Shares do not currently trade on any U.S. national securities exchange. In the event Commons Shares begin trading on any U.S. national securities exchange, the Company cannot predict at what prices the Commons Shares will trade and there is no assurance that an active trading market will develop or be sustained. There is a significant liquidity risk associated with an investment in the Commons Shares.

Trading in securities quoted on the OTC Markets is often thin and characterized by wide fluctuations in trading prices, due to many factors, some of which may have little to do with the Company's financial

results, operations or business prospects. This volatility could depress the market price of Commons Shares for reasons unrelated to operating performance or financial results. Moreover, the OTC Markets is not a U.S. national securities exchange, and trading of securities quoted on the OTC Markets is often more sporadic than the trading of securities listed on a U.S. national securities exchange like the Nasdaq or the New York Stock Exchange. These factors may result in investors having difficulty reselling Commons Shares on the OTC Markets.

The Market for the Common Shares May be Limited for Holders of Securities Who Live in the U.S.

Given the heightened risk profile associated with cannabis in the U.S., capital markets participants may be unwilling to assist with the settlement of trades for U.S. resident securityholders of companies with operations in the U.S. cannabis industry, which may prohibit or significantly impair the ability of securityholders in the U.S. to trade the Company's securities. In the event residents of the U.S. are unable to settle trades of the Company's securities, this may affect the pricing of such securities in the secondary market, the transparency and availability of trading prices and the liquidity of these securities.

Shareholders Have Little or No Rights to Participate in Business Affairs

With the exception of the limited rights of shareholders under applicable Canadian laws, the day-to-day decisions regarding the management of the Company's affairs will be made exclusively by the Board and executive officers. The Cansortium shareholders will have little or no control over future business and investment decisions, business, and affairs, including the selection and investment in licensees, dispensaries, cultivation operations and real estate. The Company may also retain consultants, advisors and agents to provide various services, over which the Cansortium Shareholders will have no control. There can be no assurance that the Board, officers, advisors or agents will effectively manage and direct the Company's affairs.

Enforcement against Directors and Officers outside of Canada

Certain of the Company's directors and officers reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for Company shareholders to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for Company shareholders to effect service of process within Canada upon such persons. Courts in the U.S. may refuse to hear a claim based on a violation of Canadian securities laws on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a U.S. court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process.

Tax Risks

Changes in Tax Law

There can be no assurance that the Canadian and U.S. federal income tax treatment of the Company or an investment in the Company will not be modified, prospectively or retroactively, by legislative, judicial or administrative action, in a manner adverse to the Company or shareholders.

In recent years, many changes to U.S. federal income tax laws have been proposed and made, and additional changes to U.S. federal income tax laws are likely to continue to occur in the future. The U.S. Congress is currently considering numerous items of legislation which may be enacted prospectively or with retroactive

effect, which legislation could adversely impact the Company's financial performance and the value of the Common Shares. Additionally, states in which the Company operates or owns assets may impose new or increased taxes. If enacted, most of the proposals would be effective for the current or later years. The proposed legislation remains subject to change, and its impact on the Company and purchasers of the Common Shares is uncertain.

In addition, the Inflation Reduction Act of 2022 was recently signed into law and includes provisions that will impact the U.S. federal income taxation of corporations. Among other items, this legislation includes provisions that will impose a minimum tax on the book income of certain large corporations and an excise tax on certain corporate stock repurchases that would be imposed on the corporation repurchasing such stock. It is unclear how this legislation will be implemented by the U.S. Department of the Treasury and the Company cannot predict how this legislation or any future changes in tax laws might affect the Company or purchasers of the Common Shares.

Application of Section 280 of the U.S. Tax Code

Section 280E of the U.S. Tax Code, as amended prohibits businesses from deducting certain expenses for U.S. federal income tax purposes associated with trafficking controlled substances (within the meaning of Schedule I and II of the U.S. CSA). The IRS has invoked Section 280E in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses. Given these facts, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the Company.

DIVIDENDS AND DISTRIBUTIONS

Subject to the solvency restrictions in the OBCA and applicable CSE rules, there are no other restrictions in the Articles or elsewhere that would prevent the Company from paying dividends. The Company has not declared or paid any cash dividends on its securities for the years ended December 31, 2021, 2022 and 2023, and does not currently anticipate paying any dividends on its securities, in the near term. The Company currently intends to reinvest its earnings to finance the growth of its business. Any future determination to pay dividends on its securities will be at the discretion of the Board and will depend on, among other things, the Company's results of operations, current and anticipated cash requirement and surplus, financial condition, contractual restrictions and financing agreement covenants, solvency tests imposed by corporate laws and other factors that the Board may deem relevant.

DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

The Company's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of Proportionate Voting Shares.

As at the date of this AIF, the Company had the following securities issued and outstanding: (i) 276,383,283 Common Shares, (ii) 2,592,664 Proportionate Voting Shares, (iii) 12,313,750 Lender Warrants, (iv)

15,000,000 2023 Warrants, (v) 8,788,425 Stock Options, (vi) 2,660,385 RSUs, (vii) the SPC Debenture, and (viii) the Bridge Note.

Common Shares and Proportionate Voting Shares

The holders of Common Shares are entitled to receive notice of and to attend all meetings of the shareholders of the Company and to one (1) vote per Common Share held at meetings of the Cansortium Shareholders. The holders of Common Shares are entitled to dividends if, as and when declared by the Board, and upon liquidation, dissolution or winding-up, to share equally in such assets of the Company as are distributable to the holders of Common Shares, subject to the rights of holders of shares of any class ranking prior to the Common Shares.

Each Proportionate Voting Share is convertible, at the option of the holder, into ten (10) Common Shares. Generally, the Common Shares and Proportionate Voting Shares have the same rights, are equal in all respects and are treated by the Company as if they were shares of one class only. Proportionate Voting Shares, or fractions thereof, may at any time, at the option of the holder and subject to certain restrictions, be converted into Common Shares at a ratio of ten (10) Common Shares per Proportionate Voting Share. Prior to conversion, each Proportionate Voting Share, or fraction thereof, carries ten (10) votes per share (compared to one vote per Common Share) and is entitled to dividends and liquidation distributions in an amount equal to ten (10) times the amount distributed in respect of each Common Share.

If an offer is being made for Proportionate Voting Shares (a "**PVS Offer**") where: (i) by reason of applicable securities legislation or stock exchange requirements, the offer must be made to all holders of the class of Proportionate Voting Shares; and (ii) no equivalent offer is made for the Common Shares, the holders of Common Shares have the right, pursuant to the Articles, at their option, to convert their Common Shares into Proportionate Voting Shares for the purpose of allowing the holders of the Common Shares to tender to such PVS Offer, provided that such conversion into Proportionate Voting Shares will be solely for the purpose of tendering the Proportionate Voting Shares to the PVS Offer in question and that any Proportionate Voting Shares that are tendered to the PVS Offer but that are not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Common Shares that existed prior to such conversion.

In the event that holders of Common Shares are entitled to convert their Common Shares into Proportionate Voting Shares in connection with a PVS Offer pursuant to (ii) above, holders of an aggregate of Common Shares of less than ten (10) (an "**Odd Lot**") will be entitled to convert all but not less than all of such Odd Lot of Common Shares into an applicable fraction of one Proportionate Voting Share, provided that such conversion into a fractional Proportionate Voting Share will be solely for the purpose of tendering the fractional Proportionate Voting Share to the PVS Offer in question and that any fraction of a Proportionate Voting Share that is tendered to the PVS Offer but that is not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Common Shares that existed prior to such conversion.

Warrants

As at the date of this AIF, there is an aggregate of 27,313,750 common share purchase warrants of the Company outstanding. On April 29, 2021, in connection with entering into the Credit Agreement, the Company issued and aggregate of 12,500,000 Lender Warrants to certain Lenders, of which 12,313,750 Lender Warrants remain outstanding as of the date of this AIF. Each Lender Warrant issued in connection with the Credit Agreement entitles the holder to purchase one Common Share at an exercise price of $1.20 per Common Share until April 29, 2025. See "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2021 – Senior Secured Term Loan*".

On February 28, 2023, the Company issued an aggregate of 15,000,000 2023 Warrants in connection with the 2023 Private Placement, of which 15,000,000 2023 Warrants remain outstanding as of the date hereof. Each 2023 Warrant issued in connection with the 2023 Private Placement entitles the holder to purchase one Common Share at an exercise price of $0.15 per Common Share until February 28, 2026. See "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2023 – 2023 Private Placement*".

Stock Options

The Company has adopted the Option Plan pursuant to which the Board may grant Stock Options to directors, officers employees and consultants of the Company and its subsidiaries exercisable for up to a maximum of 10% of the issued and outstanding Common Shares (on an as converted basis), together with all other security compensation plans of the Company (including the RSU Plan), on a rolling basis, at the time of grant. The Board may, in its sole discretion, determine the expiry date of the Stock Options. Incentive Stock Options (Stock Options that qualify as an incentive stock option within the meaning of Section 422(b) of the United States Internal Revenue Code of 1086, as amended) granted under the Option Plan are exercisable up to five (5) years from the date of grant, so long as the optionee maintains its eligibility under the Option Plan.

As at the date of this AIF, there are 8,788,425 Stock Options outstanding. Each Stock Option entitles the holder to purchase one Common Share at various exercise prices ranging from $0.10 to $0.90 per Common Share and expiry dates ranging from September 8, 2024 to October 20, 2028.

RSUs

The Company has adopted the RSU Plan pursuant to which the Board may grant RSUs to directors, officers, consultants, contractors and other key employees of the Company and its subsidiaries for up a maximum of 10% of the issued and outstanding Common Shares (on an as converted basis), together with all other security compensation plans of the Company (including the Option Plan), on a rolling basis, at the time of grant.

As of the date of this AIF, there are 2,660,385 RSUs outstanding. All RSUs vest over a three-year period at a rate of 16.67% every six months until fully vested, with the first 16.67% vesting on the date of grant. The issue price of the RSUs is determined on the applicable vesting date.

SPC Debenture

On April 29, 2022, the Company issued the SPC Debenture to SPC in connection with the 2022 Private Placement. As of the date of this AIF, the SPC Debenture is convertible into 3,808,570 Common Shares. See "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2022 – 2022 Private Placement*" for more information.

Bridge Note

On May 30, 2024, in connection with the entering into of the Arrangement Agreement, the Company issued the Bridge Note to and in favour of RIV Capital US. See "*General Development of the Business – Recent Developments – The Transaction – Bridge Financing and Bridge Note*" for more information.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares trade over the facilities of the CSE under the symbol "TIUM". The following table sets forth the range of high and low prices per Common Share and total monthly volumes of Common Shares traded on the CSE during the most recently completed financial year ended December 31, 2023.

Month	Price Range		Monthly Trading Volume
	High $	Low $	
December 2023	0.110	0.080	578,286
November 2023	0.110	0.085	269,102
October 2023	0.120	0.085	2,153,037
September 2023	0.175	0.085	4,092,160
August 2023	0.085	0.060	2,058,048
July 2023	0.105	0.070	632,042
June 2023	0.115	0.075	1,079,882
May 2023	0.100	0.070	1,457,033
April 2023	0.085	0.065	1,740,055
March 2023	0.115	0.070	2,303,450
February 2023	0.135	0.105	1,540,269
January 2023	0.155	0.115	1,795,496

Source: Yahoo Finance.

Prior Sales

During the financial year ended December 31, 2023, the Company issued the following securities:

Security Issued	Number of Securities	Issue/Exercise Price per Security	Issue Date
Common Shares(1)	1,354,167	$0.12	January 5, 2023
2023 Units(2)	30,000,000	$0.10	February 28, 2023
2023 Warrants(2)	15,000,000	$0.15	February 28, 2023
Stock Options(3)	500,000	$0.10	March 14, 2023
Common Shares(4)	150,600	$2	April 10, 2023
Common Shares(1)	2,031,250	$0.08	June 2, 2023
RSUs(5)	5,911,320	N/A	July 14, 2023

Security Issued	Number of Securities	Issue/Exercise Price per Security	Issue Date
Stock Options[6]	1,750,000	$0.10	July 17, 2023
Stock Options[7]	3,166,725	$0.30	July 17, 2023
Stock Options[7]	200,000	$0.32	July 17, 2023
Stock Options[7]	400,000	$0.40	July 17, 2023
Stock Options[8]	250,000	$0.10	October 20, 2023
Common Shares[1]	1,184,207	$0.095	November 10, 2023

Notes:

(1) Common Shares issued to directors of the Company in satisfaction of the Director Fees (as defined below). See "*Interests of Management and Others in Material Transactions – Shares for Debt Conversions*".
(2) Issued in connection with the 2023 Private Placement. See "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2023 – 2023 Private Placement*".
(3) Stock Options issued to Jeffrey Batliner, the previous CFO of the Company. Mr. Batliner resigned from the Company effective May 13, 2024 and as such, 166,700 Stock Options remain outstanding.
(4) Common Shares issued on conversion of Proportionate Voting Shares.
(5) RSUs granted by the Board to identified key employees.
(6) Stock Options granted to Robert Beasley, the CEO of the Company.
(7) Stock Options granted to Todd Buchman, a consultant of the Company.
(8) Stock Options granted to David Letro, an employee of the Company.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the knowledge of the Company, no securities of the Company were held in escrow or subject to contractual restrictions on transfer as of December 31, 2023.

DIRECTORS AND OFFICERS

Directors and Officers

The following are the names and province and country of residence of each director and officer of the Company, the positions and offices held with the Company, their respective principal occupations within the five preceding years and the number and percentage of the Common Shares held by each of them as at the date of this AIF. Each director will hold office until the next annual meeting of the Company unless his or her office is earlier vacated in accordance with the OBCA. As at the date of this AIF, the directors and executive officers of the Company, as a group, hold an aggregate of 67,449,144 Common Shares (being 24.4% of the issued and outstanding Common Shares on a non-diluted basis) and 1,421,538 Proportionate Voting Shares (being 54.8% of the issued and outstanding Proportionate Voting Shares on a non-diluted basis) .

Name, Province and County of Residence	Position Held with the Company	Length of Directorship, Expiry of Position	Principal Occupation for the last five years	Number and Percentage of Voting Securities of the Company[1]
Robert Beasley *Pensacola, Florida*	Chief Executive Officer and a Director	Jan 25, 2021 to Present Expiry: next annual general meeting	Mr. Beasley has served as the Chief Executive Officer of the Company since September 29, 2002 and Partner at law firm of Litvak, Beasley, Wilson & Ball, LLC.	667,117 Common Shares
Patricia Fonseca *Tampa, Florida*	Chief Financial Officer and Corporate Secretary	N/A	Ms. Fonseca has served as the Chief Financial Officer and Corporate Secretary of the Company since May 13, 2024. Prior thereto, Ms. Fonseca was the General Manager of Green One Consulting and the Chief Financial Officer of the Company from March 9, 2021 to November 21, 2022	NIL
Samantha Hymes *Odessa, Florida*	Executive Vice President	N/A	Ms. Hymes has served as the Executive Vice President of the Company since June 25, 2021. Prior thereto, Ms. Hymes held the position of Director of Compliance	691,394 Common Shares
William Smith[2] *Gulf Breeze, Florida*	Executive Chairman and Director	June 30, 2021 to Present Expiry: next annual general meeting	Mr. Smith has served as the Executive Chairman of the Company since June 30, 2021 and President, managing member and an owner of B&C Communications, LLC, a New York limited liability company.	62,615,352 Common Shares 1,421,538 Proportionate Voting Shares[4]
Roger Daher[2][3] *Markham, Ontario*	Director	Jan 25, 2021 to Present Expiry: next annual general meeting	Mr. Daher has been a licensed pharmacist for 34+ years and is currently owner/partner of eight pharmacies in Ontario	1,589,675 Common Shares[5]
Mark Eckenrode[3] *Locust Grove, Virginia*	Director	June 30, 2021 to Present Expiry: next annual general meeting	Mr. Eckenrode is presently retired. Mr. Eckenrode previously served as an Advisory Engineer for Framatome, Inc. from 2007 to 2020	1,286,342 Common Shares
John Mazarakis[2][3] *Miami Beach, Florida*	Director	July 17, 2023 to Present Expiry: next annual general meeting	Mr. Mazarakis is a Founding Partner of Chicago Atlantic Group, LLC	599,264 Common Shares

Notes:

(1) Information as to shares beneficially owned, directly or indirectly, not being within the knowledge of the Company, has been furnished by the respective officers and directors individually.
(2) Member of the Governance and Compensation Committee. Mr. Daher is Chair of the Governance and Compensation Committee.
(3) Member of the Audit Committee. Mr. Eckenrode is Chair of the Audit Committee.
(4) 1,758,984 Common Shares are owned by William Smith; 19,012,622 Common Shares are owned by Sage Investing LLC; 20,288,263 Common Shares and 1,421,538 Proportionate Voting Shares are owned by Endeavour Holdings, LLC; and

21,555,483 Common Shares are owned by Can Endeavour, all of which are companies owned and/or controlled by William Smith.

(5) A holding company controlled by Mr. Daher, RGDRX Holdings Inc., owns 210,000 of these Common Shares and various family members own a total of 20,000 of these Common Shares.

Cease Trade Orders

On May 9, 2022, the Ontario Securities Commission issued a management cease trade order in respect of the securities of the Company held by the Chief Executive Officer and Chief Financial Officer for its failure to file its annual financial statements and management's discussion and analysis for the year ended December 31, 2021 (the "**MCTO**"). On June 17, 2022, the Ontario Securities Commission lifted the MCTO.

Except as disclosed above, to the knowledge of the Company, no director or executive officer of the Company is, as at the date of this Annual Information Form, or was within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including Cansortium) that: (a) was the subject of an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer, and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer. For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant corporation access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days.

Bankruptcy and Insolvency

To the knowledge of the Company, no director or executive officer of the Company or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (a) is, as at the date of this Annual Information Form, or within 10 years before the date of this Annual Information Form, has been a director, executive officer of a corporation (including Cansortium) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company.

Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the knowledge of the Company, there are no existing or potential material conflicts of interest between the Company or a subsidiary of the Company and any director or officer of the Company or of a subsidiary

of the Company. Certain of Cansortium's directors and officers also serve as directors or officers of other companies, and therefore it is possible in the future that a conflict may arise between their duties to Cansortium and their duties as a director or officer of such other companies. Cansortium requires that such individuals disclose all such conflicts in accordance with the requirements of the OBCA and that they govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

Promoters

No Person has acted as a "promoter" (as that term is defined in the *Securities Act* (Ontario)) of the Company within the two years preceding the date of this AIF.

AUDIT COMMITTEE DISCLOSURE

Audit Committee Charter

The Audit Committee has adopted a written charter setting out its mandate and responsibilities. The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities relating to financial accounting and reporting processes and internal controls. The full text of the Company's Audit Committee Charter is set forth in Schedule "A" attached hereto.

Composition of the Audit Committee

The Audit Committee has been constituted to oversee the financial reporting processes of the Company and is comprised of three independent directors; namely Mark Eckenrode (Chair), Roger Daher and John Mazarakis. Each member of the Audit Committee is also a director on the Board, and is "independent", as such term is defined within the meaning of NI 52-110. Each member of the Audit Committee is financially literate and possesses extensive financial knowledge, experience and comprehension of financial statements. All of the Audit Committee members have experience in financial matters; each has an understanding of accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as the internal controls and procedures necessary for financial reporting, garnered from working in their individual fields.

Relevant Education and Experience

Each member of the Audit Committee has experience relevant to his responsibilities as an Audit Committee member.

Mark Eckenrode (Chair)

Mr. Eckenrode is a retired nuclear engineer, having spent over 40 years in the nuclear energy space. Between 2007 and 2020, Mr. Eckenrode served as Advisory Engineer at Framatome Inc., a French nuclear reactor business with offices in Lynchburg, VA. Prior to that, Mr. Eckenrode spent 12 years at Entergy, a U.S. energy company. Mr. Eckenrode holds a Master of Science in Nuclear Engineering and Bachelor of Science in Physics from Virginia Polytechnic Institute and State University and an MBA in Finance from Millsaps College.

Roger Daher

Mr. Daher has been a licensed pharmacist for 34+ years and he is currently a practicing owner/partner in six Ontario Pharmasave pharmacies. From 2010 to 2020, Mr. Daher, served as a member of the Pharmasave Ontario Board of Directors, as well as a member of the audit committee (audit committee chair). Mr. Daher

has also served and continues to serve on several public company boards including CPC's. Mr. Daher obtained his Bachelor of Science, Pharmacy, from the University of Toronto in 1989.

John Mazarakis

Mr. Mazarakis brings over 20 years of entrepreneurial, operational, and managerial experience to Chicago Atlantic. Over the last two decades, he has launched successful companies in real estate, retail, hospitality, and food logistics compounding an initial investment of $50,000 to over $75mm in value over a period of approximately 25 years. Mr. Mazarakis has built, owned, and operated 35+ restaurants with more than 1,500 employees. In addition, Mr. Mazarakis has built a real estate portfolio of over 30 properties, developed over 1 million square feet of commercial real estate, and completed multiple real estate financing transactions. John bought a small distribution company with 12mm in annual sales and grew it to over 90mm in less than two years. Mr. Mazarakis has invested in and served as an advisor to multiple successful startups. Mr. Mazarakis' day-to-day involvement includes running operations and evaluating investments for Chicago Atlantic.

Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year, the Company has not relied on the exemptions contained in Sections 2.4 (De Minimis Non-Audit Services), Subsection 3.2 (Initial Public Offerings), Subsection 3.4 (Events Outside Control of Member), Subsection 3.5 (Death, Incapacity or Resignation) or Part 8 (Exemptions) of NI 52-110.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees

The aggregate fees billed by the Company's external auditors for the fiscal years ended December 31, 2023 and December 31, 2022 are set out in the table below.

Financial Year Ending	Audit Fees(1)	Audit Related Fees(2)	Tax Fees(3)	All Other Fees(4)
December 31, 2023	$660,594	$100,000	Nil	Nil
December 31, 2022	$693,371	Nil	Nil	Nil

Notes:

1. "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Company's financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
2. "Audit-Related Fees" relate to professional services that are reasonably related to the performance of the audit including compliance audits and accounting services and that are not included under "Audit Fees" (above).
3. "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice.

4. “All Other Fees” include all other non-audit services.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed below and elsewhere in this AIF, and within the Company’s financial statements, no director or executive officer of Cansortium and, to the knowledge of the directors and executive officers of Cansortium, none of their respective associates or affiliates, nor any person who beneficially owns or exercises control or direction, directly or indirectly, over more than 10% of the Company’s outstanding Common Shares, nor their respective associates or affiliates, has had any material interest, direct or indirect, in any transaction within Cansortium’s three most recently completed financial years or in any proposed transaction which has materially affected or is reasonably expected to materially affect Cansortium or any of its subsidiaries on a consolidated basis.

Shares for Debt Conversions

The Company completed the following shares for debt transactions during the three most recently completed financial years: (i) on November 2, 2022, the Company issued an aggregate of 1,048,386 Common Shares at a price of $0.17 per share in settlement of accrued director’s fees owing for the period of July 1, 2022 to September 30, 2022, in the aggregate amount of $162,500 (the “**Q3 2022 Fees**”); (ii) on January 5, 2023, the Company issued an aggregate of 1,354,167 Common Shares at a price of $0.13 per share in settlement of accrued director’s fees owing for the period of October 1, 2022 to December 31, 2022, in the aggregate amount of $162,500 (the “**Q4 2022 Fees**”); (iii) on June 2, 2023, the Company issued an aggregate of 2,031,250 Common Shares at a price of $0.08 per share in settlement of accrued director’s fees owing for the period of January 1, 2023 to March 31, 2023, in the aggregate amount of $162,500 (the “**Q1 2023 Fees**”); and (iv) on November 10, 2023, the Company issued an aggregate of 1,184,207 Common Shares at a price of $0.095 per share in settlement of accrued director’s fees owing for the period of July 1, 2023 to September 30, 2023, in the aggregate amount of $112,500 (the “**Q2 2023 Fees**” and together with the Q3 2022 Fees, Q4 2022 Fees and Q1 2023 Fees, the “**Director Fees**”). The settlement of the Director Fees for Common Shares involved Informed Persons in that the following current and former directors settled amounts of their director fees: Roger Daher, John McKimm, Mark Eckenrode, John Mazarakis and William Smith, as applicable.

The Smith Transaction

Pursuant to Amendment No. 3 to the Smith Transaction Agreement, on December 21, 2022, the Amended Floor was reduced from $0.65 per Common Share to $0.40 per Common Share in exchange for the issuance by the Company of an additional 11,634,615 Common Shares to Can Endeavour at a deemed price of $0.12 per Common Share, resulting in 30,250,000 Common Shares (on an as converted basis) being subject to the Floor.

On May 30, 2024, in connection with the Transaction, Cansortium and certain of its affiliates and the Smith Group entered into the Smith Transaction Termination Agreement. The Smith Transaction Termination Agreement, which, effective upon the completion of the Transaction, will terminate the Smith Transaction Agreement, which provides that an aggregate of 30,250,000 Common Shares (on an as converted basis) held by the Smith Group will be subject to the Floor until the Floor Expiration Date. See “*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2022 – Restructuring of the Smith Transaction Agreement*” and “*General Development of the Business – Recent Developments – The Transaction - Smith Transaction*” for more information regarding the Smith Termination Agreement, the Smith Transaction Termination Agreement and the Smith Transaction.

Consulting Fees

On January 1, 2020, the Company entered into a consulting agreement with Can Endeavour for the provision of financial consulting services in connection with potential new investment into the Company (the "**2020 Consulting Agreement**"). Pursuant to the 2020 Consulting Agreement, Can Endeavour is entitled to a fee of five (5%) percent of the total value received by the Company in financings during the term of the 2020 Consulting Agreement, up to a cap of $1,100,000. During the year ended 2021, the Company paid Can Endeavour $230,000 pursuant to the 2020 Consulting Agreement, and in April 2023 the Company paid the remaining $870,000 owing to Can Endeavour in connection with the 2023 Private Placement.

Commercial Lease in Tampa, Florida

On January 8, 2024, the Company entered into a commercial lease with Nittany (the "**Nittany Lease**"). Nittany is owned by William Smith, a director and the Executive Chairman of the Company. The Nittany Lease is for a commercial property located in Tampa, Florida, and the property includes a 20,000 square foot building. The Nittany Lease is for a ten-year term, with rent payments commencing six months after the Company has taken possession of the property. The Company shall pay a base rent of $362,000 a year with 3% increases to the base rent each year.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

In the ordinary course of business, the Company may become involved in various legal, administrative, regulatory and other proceedings, actions, claims and inquiries relating to its business. Except as disclosed below or elsewhere in this AIF, the Company is not aware of any actual or pending legal proceedings material to the Company to which the Company is or was a party to, or that any of its property is or was the subject of, since the beginning of the Company's most recently completed financial year. In addition, the Company is not currently aware of any such legal proceedings being contemplated.

On February 18, 2022, CIGN, LLC and CIGN Real Estate, LLC (collectively, "**CIGN**") initiated an action against Freedom Town and Fluent Servicing for breach of contract related to a lease agreement dated effective June 15, 2021, between CIGN and Fluent Servicing for a greenhouse and surrounding property in Homestead, Florida (the "**CIGN Lease**"), a services agreement between CIGN and Freedom Town (the "**CIGN Service Agreement**") and a guaranty between Fluent Servicing and CIGN, which guarantees the payment obligations of Freedom Town under the CIGN Service Agreement (collectively, the "**CIGN Matter**"). As a result of contamination that was found in the crops grown at the facility, Fluent Servicing terminated the CIGN Lease by letter effective January 31, 2022 due to breach of CIGN's representation in the CIGN Lease that the "Premises are and will be suitable and adequate for the operation of a medical marijuana cultivation and processing facility…". CIGN is seeking accelerated rent for the remainder of the CIGN Lease term, being $511,200. The Company strongly believes that the CIGN Lease was validly terminated because of the referenced representation. The Company has retained an expert witness who conducted testing of the facilities, issued a report, gave testimony in deposition and opined that the property is not suitable for medical marijuana cultivation due to the level of contaminants found there. In connection with the CIGN Lease and under the CIGN Service Agreement, CIGN agreed to provide all necessary labour and materials for Fluent Servicing's medical marijuana cultivation operation, however, due to the contamination, no plants were ever produced. Accordingly, the CIGN Service Agreement was terminated in accordance with its terms when Fluent Servicing terminated the CIGN Lease. Notwithstanding, CIGN has sued for breach of the CIGN Service Agreement and is seeking $17,893,630 in damages, representing the projected gross revenues CIGN hoped to make for future performance of the CIGN Service Agreement. The Company does not believe the claim has merit because it is clear to its experts (and the evidence strongly supports) that the premises are in fact contaminated with, at the very least, such a high amount of

lead that medical marijuana cannot be grown there. Further, under Florida law, projected profits must be shown with a high level of confidence, and it is not likely that CIGN can show that it could have ever grown a single saleable plant, as required by the CIGN Service Agreement. The CIGN Matter is nearing the end of the discovery process and trial may be set for July 2024.

Regulatory Actions

To the best of the Company's knowledge, Cansortium is not currently a party to any regulatory investigation or proceeding or subject to any potential penalty or sanction, individually or in the aggregate, relating to securities legislation, which is likely to have a material adverse effect on the business, operations or financial condition of the Company as a whole. Further, Cansortium has not entered into any settlement agreements before a court or regulatory authority relating to securities legislation during the financial year ended December 31, 2023.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares and Proportionate Voting Shares is Odyssey Trust Company at its office at 702 – 67 Yonge Street, Toronto, Ontario M5E 1J8.

MATERIAL CONTRACTS

Except as follows, the Company did not enter into any material contracts during the twelve months ended December 31, 2023 or before the twelve months ended December 31, 2023 that are still in effect, other than in the ordinary course of business:

(i) the Credit Agreement, see "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2021 – Senior Secured Term Loan*" for details;

(ii) the Amended Credit Agreement, see "*General Development of the Business – Recent Developments – The Transaction - Credit Agreement Amendment*" for details;

(iii) the Smith Transaction Agreement, see "*General Development of the Business – Three Year History – Fiscal Year Ended December 31, 2021 – Restructuring of the Smith Transaction Agreement*" for details;

(iv) the Smith Transaction Termination Agreement, see "*General Development of the Business – Recent Developments – The Transaction – Smith Transaction*" for details; and

(v) the Arrangement Agreement, see "*General Development of the Business – Recent Developments – The Transaction – Arrangement Agreement*" for details.

Copies of all material agreements referred to in this AIF are available on the Company's SEDAR+ profile at www.sedarplus.ca.

INTERESTS OF EXPERTS

The Company's independent auditor is Baker Tilly US, LLP, at its office located at 401 Bay St., Suite 1500, Toronto, Ontario T2P 0R4. Baker Tilly US, LLP has advised the Company that they are independent of the Company within the meaning of the Rules of Professional Conduct of Chartered Professional Accountants of Ontario. None of the directors, officers or employees of Baker Tilly US, LLP, are currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any of associate or affiliate of the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found under Cansortium's SEDAR+ profile at www.sedarplus.ca.

Additional information, including directors' and officers' remuneration, shareholdings and indebtedness, principal holders of our securities and securities authorized for issuance under our equity compensation plans, if applicable, will be contained in the management information circular of the Company to be prepared and filed in connection with the Cansortium Meeting to be held in 2024.

Additional financial information is provided in the Consolidated Financial Statements and the Annual MD&A. This information and other pertinent information regarding the Company can be found on the Company's profile on SEDAR+ at www.sedarplus.ca and on the Company's website at www.investors.getfluent.com.

SCHEDULE “A”
AUDIT COMMITTEE CHARTER

Article 1 – mandate and responsibilities

The audit committee is appointed by the board of directors of the Company (the “**board**”) to oversee the accounting and financial reporting process of the Company and audits of the financial statements of the Company. The audit committee’s primary duties and responsibilities are to:

(a) recommend to the board the external auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company;

(b) recommend to the board the compensation of the external auditor;

(c) oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting;

(d) pre-approve all non-audit services to be provided to the Company or its subsidiaries by the Company’s external auditor;

(e) review the Company’s financial statements, MD&A and annual and interim earnings press releases before the Company publicly discloses this information;

(f) be satisfied that adequate procedures are in place for the review of all other public disclosure of financial information extracted or derived from the Company’s financial statements, and to periodically assess the adequacy of those procedures;

(g) establish procedures for:

(ii) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and

(iii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and

(h) review and approve the Company’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

The board and management will ensure that the audit committee has adequate funding to fulfill its duties and responsibilities.

Article 2 – pre-approval of non-audit services

The audit committee may delegate to one or more of its members the authority to pre-approve non-audit services to be provided to the Company or its subsidiaries by the Company’s external auditor. The pre-approval of non-audit services must be presented to the audit committee at its first scheduled meeting following such pre-approval.

The audit committee may satisfy its duty to pre-approve non-audit services by adopting specific policies and procedures for the engagement of the non-audit services, provided the policies and procedures are detailed as to the particular service, the audit committee is informed of each non-audit service and the procedures do not include delegation of the audit committee's responsibilities to management.

Article 3 – external advisors

The audit committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the external auditors as well as anyone in the organization. The audit committee has the ability to retain, at the Company's expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties.

Article 4 – external auditors

The external auditors are ultimately accountable to the audit committee and the board, as representatives of the shareholders. The external auditors will report directly to the audit committee. The audit committee will:

- review the independence and performance of the external auditors and annually recommend to the board the nomination of the external auditors or approve any discharge of external auditors when circumstances warrant;

- approve the fees and other significant compensation to be paid to the external auditors;

- on an annual basis, review and discuss with the external auditors all significant relationships they have with the Company that could impair the external auditors' independence;

- review the external auditors' audit plan to see that it is sufficiently detailed and covers any significant areas of concern that the audit committee may have;

- before or after the financial statements are issued, discuss certain matters required to be communicated to audit committees in accordance with the standards established by the Chartered Professional Accountants of Canada;

- consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in the Company's financial reporting;

- consider the external auditors' judgments regarding any alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the external auditors;

- resolve any disagreements between management and the external auditors regarding financial reporting; and

- approve in advance all audit services and any non-prohibited non-audit services to be undertaken by the external auditors for the Company.

Article 5 – legal compliance

On at least an annual basis, the audit committee will review with the Company's legal counsel any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations and inquiries received from regulators or governmental agencies.

Article 6 - complaints

Individuals are strongly encouraged to approach a member of the audit committee with any complaints or concerns regarding accounting, internal accounting controls or auditing matters. The audit committee will from time to time establish procedures for the submission, receipt and treatment of such complaints and concerns. In all cases the audit committee will conduct a prompt, thorough and fair examination, document the situation and, if appropriate, recommend to the board appropriate corrective action.

To the extent practicable, all complaints will be kept confidential. The Company will not condone any retaliation for a complaint made in good faith.